

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED DECEMBER 31, 2004**

**KATHY AUGUSTINE**  
**STATE CONTROLLER**  
**CARSON CITY, NEVADA**

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

Table of Contents

	<u>Page</u>
Balance Sheets - Exhibit A	1
Statements of Revenues, Expenses and Changes in Fund Balances - Exhibit B	2
General Description of Fund and Revenue Sources	3
Summary of Significant Accounting Policies and Notes to Financial Statements	4
Schedule of Investments - Schedule 1	5
Schedule of Justice Court Fines by County - Schedule 2	6
Schedule of District Court Fines by County - Schedule 3	7
Schedule of Investment Income Earned - Schedule 4	8

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**BALANCE SHEETS**  
December 31, 2004 and 2003

	<u>12/31/2004</u>	<u>12/31/2003</u>
<u>Exhibit A</u>		
<b>Assets</b>		
Cash and cash equivalents	\$ 28,202,099	\$ 13,652,284
Accrued interest		
Investments	1,183,669	1,069,406
Treasurer	105,156	83,540
Total accrued interest	<u>1,288,825</u>	<u>1,152,946</u>
Receivables		
Land sales	1,861,891	-
Fines and penalties	419,072	381,995
Purchased interest	138,033	46,177
Total receivables	<u>2,418,996</u>	<u>428,172</u>
Investments		
U.S. Government securities	<u>157,473,283</u>	<u>122,732,136</u>
<b>Total Assets</b>	<u><u>\$ 189,383,203</u></u>	<u><u>\$ 137,965,538</u></u>
<b>Liabilities</b>		
Due the Distributive School Account	\$ 4,637,090	\$ 6,028,389
Due to heirs	670,335	887,571
Deferred revenue	<u>25,890</u>	<u>-</u>
Total liabilities	<u>5,333,315</u>	<u>6,915,960</u>
<b>Fund balances</b>		
Reserved: Permanent Fund Principal	<u>184,049,888</u>	<u>131,049,578</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 189,383,203</u></u>	<u><u>\$ 137,965,538</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

For the Quarter and Six Months Ended December 31, 2004

	<u>Quarter Ended 12/31/2004</u>	<u>Exhibit B Six Months Ended 12/31/2004</u>
<b>Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 949,173	\$ 1,895,840
District Courts	179,615	322,970
Other Fines and Penalties	<u>6,500</u>	<u>41,500</u>
Total fines	1,135,288	2,260,310
Investment income (loss)	699,862	3,220,553
Land sales	39,263,356	39,503,856
Escheated estates	(27,335)	(69,636)
Miscellaneous	<u>832</u>	<u>1,606</u>
Total revenues	<u>41,072,003</u>	<u>44,916,689</u>
<b>Other Financing Sources (Uses)</b>		
Transfer (to) from Distributive School Account	<u>(699,862)</u>	<u>(3,220,553)</u>
Net change in fund balances	40,372,141	41,696,136
Fund balances, beginning of period	<u>143,677,747</u>	<u>142,353,752</u>
Fund balances, December 31	<u><u>\$ 184,049,888</u></u>	<u><u>\$ 184,049,888</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**GENERAL**

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. Bond guarantees at December 31, 2004 were:

School District	Issue Date	Original Amount	Balance
White Pine	March 1, 1998	7,510,000	6,990,000
Douglas	April 1, 1998	8,710,000	8,280,000
Nye	April 1, 1999	17,545,000	12,940,000
Churchill	August 1, 2000	3,655,000	3,655,000
Carson City	February 1, 2001	9,000,000	8,800,000
Lyon	February 1, 2001	12,000,000	11,670,000
Mineral	June 1, 2001	4,425,000	4,270,000
Churchill	December 1, 2001	4,565,000	3,540,000
Carson City	February 1, 2002	9,000,000	9,000,000
Nye	February 1, 2002	2,950,000	2,950,000
Lyon	May 1, 2002	13,000,000	12,750,000
Nye	September 1, 2002	2,325,000	2,325,000
Lincoln	December 15, 2002	2,925,000	2,835,000
Carson City	February 1, 2003	3,750,000	3,600,000
Churchill	February 1, 2003	6,405,000	5,905,000
Douglas	February 1, 2003	5,750,000	5,705,000
Humboldt	February 1, 2003	5,075,000	4,705,000
Pershing	February 1, 2003	5,135,000	4,585,000
Washoe	January 1, 2004	11,820,000	11,820,000

## REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

### Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

### Treasurer's Interest Accrual:

For the quarter ended December 31, 2004, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$22,991,429. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended December 31, 2004, funds held by the State Treasurer earned interest at an effective rate of 1.83 percent.

### Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENTS**  
December 31, 2004

Schedule 1

<b>Fixed Income Securities</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Cost</b>	<b>Fair Value</b>
Fed. Farm Credit Bank	6.000	06/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,781,300
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	9,896,900
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,925,000
Fed. Farm Credit Bank	1.840	04/07/06	5,000,000	4,910,000	4,923,450
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,800,000
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	6,018,780
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,192,763
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	10,028,100
Fed. Home Loan Bank Note	5.125	03/06/06	9,000,000	8,839,080	9,210,960
Fed. Home Loan Bank Note	4.875	08/15/05	5,600,000	5,970,216	5,673,528
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,032,520
Fed. Home Loan Bank Note	2.050	06/22/06	6,500,000	6,401,590	6,396,390
Fed. Home Loan Bank Note	3.875	06/22/08	6,500,000	6,491,420	6,510,140
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,861,940
Fed. Home Loan Bank Note	2.625	02/17/07	6,100,000	6,117,690	6,004,718
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	10,084,400
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	11,372,184
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,948,450
Fed National Mortgage Assoc.	2.290	06/24/05	2,000,000	1,954,327	1,975,200
US Treasury Notes	1.125	06/30/05	4,000,000	3,981,250	3,973,120
US Treasury Notes	2.000	05/15/06	4,000,000	4,038,750	3,952,800
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,910,640
Total Investments			<u>\$ 156,675,000</u>	<u>\$ 155,441,322</u>	<u>\$ 157,473,283</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**  
For the Quarter and Six Months Ended December 31, 2004

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 12/31/2004</b>	<b>Six Months Ended 12/31/2004</b>
Carson City	\$ 5,603	\$ 11,884
Churchill	18,480	36,279
Clark	389,597	741,968
Douglas	33,539	68,708
Elko	38,543	78,924
Esmeralda	8,991	15,039
Eureka	5,464	9,287
Humboldt	-	-
Lander	713	1,909
Lincoln	700	3,007
Lyon	25,810	47,850
Mineral	185	225
Nye	56,397	130,455
Pershing	75	1,326
Storey	-	-
Washoe	363,191	743,809
White Pine	1,885	5,170
<b>Total</b>	<b>\$ 949,173</b>	<b>\$ 1,895,840</b>



**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**

For the Quarter and Six Months Ended December 31, 2004

<b>County</b>	<u>Schedule 3</u>	
	<b>Quarter Ended 12/31/2004</b>	<b>Six Months Ended 12/31/2004</b>
Carson City	\$ 5,085	\$ 10,145
Churchill	3,360	6,048
Clark	108,950	193,590
Douglas	4,377	9,499
Elko	7,000	15,203
Esmeralda	25	25
Eureka	-	-
Humboldt	912	1,981
Lander	485	1,180
Lincoln	2,040	2,165
Lyon	3,785	5,630
Mineral	575	870
Nye	-	1,990
Pershing	380	665
Storey	-	-
Washoe	41,283	68,695
White Pine	1,358	5,284
Total	<u>\$ 179,615</u>	<u>\$ 322,970</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended December 31, 2004

Schedule 4

**Interest:**

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed Farm Credit Bank	6.000	10,000,000	150,000
Fed Farm Credit Bank	2.700	10,000,000	67,500
Fed Farm Credit Bank	3.375	10,000,000	84,375
Fed Farm Credit Bank	1.840	5,000,000	23,000
Fed Farm Credit Bank	2.150	8,000,000	43,000
Fed Farm Credit Bank	3.500	6,000,000	52,500
Fed Farm Credit Bank	3.300	7,300,000	40,150
Fed Farm Credit Bank	4.180	10,000,000	-
Fed. Home Loan Bank Note	5.125	9,000,000	115,312
Fed. Home Loan Bank Note	3.375	7,000,000	29,531
Fed. Home Loan Bank Note	4.875	5,600,000	68,250
Fed. Home Loan Bank Note	3.880	4,000,000	38,800
Fed. Home Loan Bank Note	2.050	6,500,000	33,313
Fed. Home Loan Bank Note	3.875	6,500,000	62,969
Fed. Home Loan Bank Note	4.000	13,000,000	130,000
Fed. Home Loan Bank Note	2.625	6,100,000	40,031
Fed. Home Loan Bank Note	4.125	10,000,000	-
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.250	5,000,000	40,625
Fed. Nat'l. Mortgage Assoc.	2.200	2,000,000	11,000
US Treasury Notes	1.125	4,000,000	11,250
US Treasury Notes	2.000	4,000,000	20,000
US Treasury Notes	2.625	4,000,000	26,250
Total interest on investments			<u>1,241,309</u>

Second quarter Treasurer's distribution

105,156

Total interest

1,346,465

**Change in fair value of investments:**

Second quarter change in fair value of investments

(646,603)

Total investment income earned for the quarter ended December 31, 2004

\$ 699,862