

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2005

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
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BALANCE SHEETS
March 31, 2005 and 2004

Exhibit A

Assets	<u>03/31/05</u>	<u>03/31/04</u>
Cash and cash equivalents	\$ 13,117,592	\$ 15,192,653
Accrued interest		
Investments	1,447,470	1,371,109
Treasurer	<u>77,101</u>	<u>49,687</u>
Total accrued interest	<u>1,524,571</u>	<u>1,420,796</u>
Receivables		
Land sales	55,267	-
Fines and penalties	453,378	407,739
Purchased interest	115,855	31,677
Total receivables	<u>624,500</u>	<u>439,416</u>
Investments		
U.S. Government securities	<u>172,485,155</u>	<u>124,184,238</u>
Total Assets	<u><u>\$ 187,751,818</u></u>	<u><u>\$ 141,237,103</u></u>
 Liabilities		
Due the Distributive School Account	\$ 1,212,653	\$ 5,764,576
Due to heirs	<u>1,176,030</u>	<u>931,343</u>
Total liabilities	<u>2,388,683</u>	<u>6,695,919</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>185,363,135</u>	<u>134,541,184</u>
Total Liabilities and Fund Balances	<u><u>\$ 187,751,818</u></u>	<u><u>\$ 141,237,103</u></u>

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

STATE OF NEVADA
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STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarter and Nine Months Ended March 31, 2005

	<u>Quarter Ended 3/31/2005</u>	<u>Exhibit B Nine Months Ended 3/31/2005</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 944,289	\$ 2,840,129
District Courts	190,784	513,754
Other Fines and Penalties	<u>3,500</u>	<u>45,000</u>
Total fines	1,138,573	3,398,883
Investment income (loss)	(819,309)	2,401,244
Land sales	55,298	39,559,154
Escheated estates	118,620	48,984
Miscellaneous	<u>756</u>	<u>2,362</u>
Total revenues	<u>493,938</u>	<u>45,410,627</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>819,309</u>	<u>(2,401,244)</u>
Net change in fund balances	1,313,247	43,009,383
Fund balances, beginning of period	<u>184,049,888</u>	<u>142,353,752</u>
Fund balances, March 31	<u><u>\$ 185,363,135</u></u>	<u><u>\$ 185,363,135</u></u>

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

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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 March 31, 2005 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
Eureka	January 27, 2005	6,000,000	6,000,000

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 March 31, 2005, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$12,960,183. 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 March 31, 2005, funds held by the State Treasurer earned interest at an effective rate of 2.38 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.

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SCHEDULE OF INVESTMENTS

March 31, 2005

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	6.000	06/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,521,900
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	9,800,000
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,731,300
Fed. Farm Credit Bank	1.840	07/07/06	5,000,000	4,910,000	4,904,700
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,712,480
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,925,000
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,018,520
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,825,000
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,692,242
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,321	7,533,473
Fed. Home Loan Bank Note	5.125	03/06/06	9,000,000	8,839,080	9,123,750
Fed. Home Loan Bank Note	4.875	08/15/05	5,600,000	5,970,216	5,638,528
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,010,000
Fed. Home Loan Bank Note	2.050	06/22/06	6,500,000	6,401,590	6,363,890
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,626,250
Fed. Home Loan Bank Note	2.625	02/17/07	6,100,000	6,117,690	5,943,718
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,931,300
Fed. Home Loan Bank Note	3.845	12/24/08	6,525,000	6,499,422	6,463,861
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	11,118,653
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,853,150
Fed National Mortgage Assoc.	2.290	06/24/05	2,000,000	1,954,327	1,986,800
US Treasury Notes	1.125	06/30/05	4,000,000	3,981,250	3,984,360
US Treasury Notes	2.000	05/15/06	4,000,000	4,038,750	3,933,760
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,842,520
Total Investments			<u>\$ 174,375,000</u>	<u>\$ 172,942,825</u>	<u>\$ 172,485,155</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2005

County	<u>Schedule 2</u>	
	Quarter Ended 3/31/2005	Nine Months Ended 3/31/2005
Carson City	\$ 4,559	\$ 16,443
Churchill	13,556	49,835
Clark	395,394	1,137,362
Douglas	35,659	104,367
Elko	35,401	114,325
Esmeralda	4,596	19,635
Eureka	6,063	15,350
Humboldt	-	-
Lander	967	2,876
Lincoln	2,145	5,152
Lyon	17,785	65,635
Mineral	100	325
Nye	97,344	227,799
Pershing	423	1,749
Storey	-	-
Washoe	328,657	1,072,466
White Pine	1,640	6,810
Total	<u>\$ 944,289</u>	<u>\$ 2,840,129</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2005

County	<u>Schedule 3</u>	
	Quarter Ended 3/31/2005	Nine Months Ended 3/31/2005
Carson City	\$ 2,330	\$ 12,475
Churchill	2,267	8,315
Clark	119,249	312,839
Douglas	6,930	16,429
Elko	12,926	28,129
Esmeralda	-	25
Eureka	2,550	2,550
Humboldt	1,071	3,052
Lander	912	2,092
Lincoln	2,180	4,345
Lyon	3,744	9,374
Mineral	500	1,370
Nye	7,598	9,588
Pershing	1,205	1,870
Storey	-	-
Washoe	25,710	94,405
White Pine	1,612	6,896
Total	<u>\$ 190,784</u>	<u>\$ 513,754</u>

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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended March 31, 2005

Schedule 4

Interest:

	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
<u>Investments:</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	60,225
Fed Farm Credit Bank	4.180	10,000,000	104,500
Fed Farm Credit Bank	3.300	10,000,000	55,000
Fed Farm Credit Bank	3.850	7,675,000	36,936
Fed. Home Loan Bank Note	5.125	9,000,000	115,313
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	4.000	13,000,000	130,000
Fed. Home Loan Bank Note	3.875	6,500,000	41,979
Fed. Home Loan Bank Note	2.625	6,100,000	40,031
Fed. Home Loan Bank Note	4.125	10,000,000	103,125
Fed. Home Loan Bank Note	3.845	6,525,000	20,907
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.	2.290	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>1,531,332</u>
Interest received from cash equivalent			53,309
Third quarter Treasurer's distribution			<u>77,101</u>
Total interest			<u>1,661,742</u>
 Change in fair value of investments:			
Third quarter change in fair value of investments			<u>(2,481,051)</u>
Total investment income earned for the quarter ended March 31, 2005			<u><u>(819,309)</u></u>