

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2005

KATHY AUGUSTINE
STATE CONTROLLER
CARSON CITY, NEVADA



State of Nevada
Office of State Controller
Carson City, Nevada 89701-4786

Kathy Augustine
State Controller

Office: (775) 684-5777

August 19, 2005

The Honorable Kenny C. Guinn
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Guinn:

Pursuant to NRS 387.013, I am pleased to provide you with the financial statements of the Permanent School Fund for the quarter ending June 30, 2005.

Sincerely,

A handwritten signature in cursive script that reads "Kathy Augustine".

Kathy Augustine
State Controller

KA:gg

Legislative Counsel Bureau (2)
State Board of Education (2)
Department of Administration (2)
Department of Conservation (2)
Office of the State Treasurer (2)
State Board of Finance (1)
Nevada Tax Commission (1)
Division of State Lands (1)
State Library and Archives (12)

STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
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BALANCE SHEETS
June 30, 2005 and 2004

	Exhibit A	
Assets	06/30/05	06/30/04
Cash and cash equivalents	\$ 8,288,964	\$ 13,548,986
Accrued interest		
Investments	1,304,648	970,338
Treasurer	30,697	11,992
Total accrued interest	1,335,345	982,330
Receivables		
Land sales	76,308	83,985
Fines and penalties	376,233	432,257
Purchased interest	148,459	59,766
Total receivables	601,000	576,008
Investments		
U.S. Government securities	180,312,768	130,705,628
Total Assets	\$ 190,538,077	\$ 145,812,952
Liabilities		
Due the Distributive School Account	\$ 2,626,826	\$ 2,614,771
Due to heirs	1,016,740	804,379
Deferred Revenue	-	40,050
Total liabilities	3,643,566	3,459,200
Fund balances		
Reserved: Permanent Fund Principal	186,894,511	142,353,752
Total Liabilities and Fund Balances	\$ 190,538,077	\$ 145,812,952

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 Year Ended June 30, 2005

		Exhibit B
Revenues	Quarter Ended 6/30/2005	Year Ended 6/30/2005
Fines - State Penal Laws		
Justice Courts	\$ 956,547	\$ 3,796,676
District Courts	174,974	688,728
Other Fines and Penalties	21,000	66,000
Total fines	1,152,521	4,551,404
Investment income (loss)	3,084,496	5,485,740
Land sales	210,486	39,769,640
Escheated estates	168,369	217,353
Miscellaneous	-	2,362
Total revenues	4,615,872	50,026,499
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(3,084,496)	(5,485,740)
Net change in fund balances	1,531,376	44,540,759
Fund balances, beginning of period	185,363,135	142,353,752
Fund balances, June 30	\$ 186,894,511	\$ 186,894,511

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

STATE OF NEVADA
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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 June 30, 2005 were:

School District	Issue Date	Original Amount	Balance
White Pine	March 1, 1998	7,510,000	6,625,000
Douglas	April 1, 1998	8,710,000	8,220,000
Nye	April 1, 1999	17,545,000	11,940,000
Churchill	August 1, 2000	3,655,000	3,550,000
Carson City	February 1, 2001	9,000,000	8,590,000
Lyon	February 1, 2001	12,000,000	11,415,000
Mineral	June 1, 2001	4,425,000	4,235,000
Churchill	December 1, 2001	4,565,000	2,950,000
Carson City	February 1, 2002	9,000,000	8,900,000
Nye	February 1, 2002	2,950,000	2,950,000
Lyon	May 1, 2002	13,000,000	12,350,000
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	3,350,000
Churchill	February 1, 2003	6,405,000	5,035,000
Douglas	February 1, 2003	5,750,000	4,950,000
Humboldt	February 1, 2003	5,075,000	3,970,000
Pershing	February 1, 2003	5,135,000	3,995,000
Washoe	January 1, 2004	11,820,000	9,585,000
Eureka	January 27, 2005	6,000,000	6,000,000
Storey	April 12, 2005	4,300,000	4,300,000

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 June 30, 2005, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$12,160,648. 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 June 30, 2005, funds held by the State Treasurer earned interest at an effective rate of 3.03 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
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SCHEDULE OF INVESTMENTS
June 30, 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	\$ 10,590,600
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	9,846,900
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,856,300
Fed. Farm Credit Bank	1.840	07/07/06	5,000,000	4,910,000	4,928,150
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,772,480
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,960,640
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,125,258
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,981,300
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,839,641
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,321	7,653,433
Fed. Home Loan Bank Note	5.125	03/06/06	9,000,000	8,839,080	9,084,420
Fed. Home Loan Bank Note	4.875	08/15/05	5,600,000	5,970,216	5,610,528
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,006,240
Fed. Home Loan Bank Note	2.050	06/22/06	6,500,000	6,401,590	6,392,360
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	5,976,109
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	10,003,100
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,510,710
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,995,660
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,391,705
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	11,175,444
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,218	4,914,050
US Treasury Notes	2.000	05/15/06	4,000,000	4,038,750	3,948,760
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,887,040
Total Investments			<u>\$ 180,875,000</u>	<u>\$ 179,373,912</u>	<u>\$ 180,312,768</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Year Ended June 30, 2005

County	<u>Schedule 2</u>	
	Quarter Ended 6/30/2005	Year Ended 6/30/2005
Carson City	\$ 5,458	\$ 21,901
Churchill	12,189	62,024
Clark	430,563	1,567,925
Douglas	12,480	116,847
Elko	30,124	144,449
Esmeralda	8,828	28,463
Eureka	4,731	20,081
Humboldt	-	-
Lander	891	3,767
Lincoln	1,489	6,641
Lyon	31,450	97,085
Mineral	120	445
Nye	56,642	284,441
Pershing	700	2,449
Storey	-	-
Washoe	357,967	1,430,433
White Pine	2,915	9,725
Total	<u>\$ 956,547</u>	<u>\$ 3,796,676</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Year Ended June 30, 2005

County	<u>Schedule 3</u>	
	Quarter Ended 6/30/2005	Year Ended 6/30/2005
Carson City	\$ 2,875	\$ 15,350
Churchill	1,207	9,522
Clark	94,320	407,159
Douglas	7,073	23,502
Elko	8,731	36,860
Esmeralda	2,025	2,050
Eureka	2,350	4,900
Humboldt	977	4,029
Lander	655	2,747
Lincoln	1,280	5,625
Lyon	3,713	13,087
Mineral	240	1,610
Nye	658	10,246
Pershing	120	1,990
Storey	-	-
Washoe	47,640	142,045
White Pine	1,110	8,006
Total	<u>\$ 174,974</u>	<u>\$ 688,728</u>

STATE OF NEVADA
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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended June 30, 2005

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	53,533
Fed Farm Credit Bank	4.180	10,000,000	97,533
Fed Farm Credit Bank	3.300	10,000,000	73,333
Fed Farm Credit Bank	3.850	7,675,000	73,872
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	2.625	6,100,000	40,031
Fed. Home Loan Bank Note	4.125	10,000,000	97,396
Fed. Home Loan Bank Note	3.845	6,525,000	62,722
Fed. Home Loan Bank Note	4.000	7,000,000	0
Fed. Home Loan Bank Note	3.660	5,500,000	0
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>1,567,049</u>
Treasurer's interest distribution			<u>100,498</u>
Total interest			<u>1,667,547</u>
Change in fair value of investments			<u>1,416,949</u>
Total investment income earned for the quarter ended June 30, 2005			<u><u>3,084,496</u></u>