

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

FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED DECEMBER 31, 2005

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

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

**BALANCE SHEETS**  
December 31, 2005 and 2004

	Exhibit A	
<b>Assets</b>	<b>12/31/05</b>	<b>12/31/04</b>
Cash and cash equivalents	\$ 11,929,745	\$ 28,202,099
Accrued interest		
Investments	1,761,892	1,183,669
Treasurer	106,341	105,156
Total accrued interest	1,868,233	1,288,825
Receivables		
Land sales	400,995	1,861,891
Fines and penalties	298,555	419,072
Purchased interest	193,729	138,033
Total receivables	893,279	2,418,996
Investments		
U.S. Government securities	208,645,883	157,473,283
<b>Total Assets</b>	<b>\$ 223,337,140</b>	<b>\$ 189,383,203</b>
<b>Liabilities</b>		
Due the Distributive School Account	\$ 598,684	\$ 4,637,090
Due to heirs	668,017	670,335
Deferred revenue	19,031	25,890
Total liabilities	1,285,732	5,333,315
<b>Fund balances</b>		
Reserved: Permanent Fund Principal	222,051,408	184,049,888
<b>Total Liabilities and Fund Balances</b>	<b>\$ 223,337,140</b>	<b>\$ 189,383,203</b>

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, 2005

	<u>Quarter Ended 12/31/2005</u>	<u>Exhibit B Six Months Ended 12/31/2005</u>
<b>Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 774,402	\$ 1,850,435
District Courts	172,572	316,874
Other Fines and Penalties	<u>9,000</u>	<u>9,000</u>
Total fines	955,974	2,176,309
Investment income (loss)	1,295,674	1,187,077
Land sales	1,058,299	32,998,830
Escheated estates	3,584	(19,629)
Miscellaneous	<u>54</u>	<u>1,387</u>
Total revenues	<u>3,313,585</u>	<u>36,343,974</u>
<b>Other Financing Sources (Uses)</b>		
Transfer (to) from Distributive School Account	<u>(1,295,674)</u>	<u>(1,187,077)</u>
Net change in fund balances	2,017,911	35,156,897
Fund balances, beginning of period	<u>220,033,497</u>	<u>186,894,511</u>
Fund balances, December 31, 2005	<u>\$ 222,051,408</u>	<u>\$ 222,051,408</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, 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	5,500,000
Churchill	August 1, 2000	3,655,000	3,550,000
Carson City	February 1, 2001	9,000,000	3,950,000
Lyon	February 1, 2001	12,000,000	2,490,000
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	4,425,000
Nye	February 1, 2002	2,950,000	2,950,000
Lyon	May 1, 2002	13,000,000	7,025,000
Nye	September 1, 2002	2,325,000	2,325,000
Lincoln	December 15, 2002	2,925,000	2,735,000
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
Carson City	August 16, 2005	9,968,000	9,968,000
Nye	August 24, 2005	7,355,000	7,355,000

## 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, 2005, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$10,863,393. 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, 2005, funds held by the State Treasurer earned interest at an effective rate of 3.91 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, 2005

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	\$ 10,300,000
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	9,821,900
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,693,800
Fed. Farm Credit Bank	1.840	07/07/06	5,000,000	4,910,000	4,964,050
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,747,520
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,893,140
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	6,995,777
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,753,100
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,660,836
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,483,125
Fed. Farm Credit Bank	4.200	08/28/07	15,000,000	14,968,350	14,873,400
Fed. Home Loan Bank Note	5.125	03/06/06	9,000,000	8,839,080	9,005,670
Fed. Home Loan Bank Note	2.050	06/22/06	6,500,000	6,401,590	6,420,765
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,549,030
Fed. Home Loan Bank Note	2.625	02/17/07	6,100,000	6,117,690	5,958,967
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,840,600
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,408,790
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,792,170
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,237,045
Fed. Home Loan Bank Note	4.350	09/28/07	8,975,000	8,945,551	8,907,688
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,825,280
Fed. Home Loan Bank Note	4.800	12/27/05	4,000,000	3,989,572	3,992,520
Fed National Mortgage Assoc.	5.750	03/29/00	10,675,000	9,760,953	10,888,500
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,823,450
US Treasury Notes	2.000	05/15/06	4,000,000	4,038,750	3,966,240
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,842,520
<b>Total Investments</b>			<b>\$ 212,250,000</b>	<b>\$ 210,013,063</b>	<b>\$ 208,645,883</b>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**

For the Quarter and six months ended December 31, 2005

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 12/31/2005</b>	<b>Six Months Ended 12/31/2005</b>
Carson City	\$ 2,861	\$ 7,276
Churchill	17,022	35,730
Clark	316,920	844,302
Douglas	12,237	22,166
Elko	30,274	64,155
Esmeralda	9,649	15,738
Eureka	2,771	8,175
Humboldt	-	-
Lander	4,356	6,491
Lincoln	2,649	4,872
Lyon	16,571	40,548
Mineral	-	-
Nye	43,291	114,909
Pershing	525	1,190
Storey	-	-
Washoe	311,407	677,024
White Pine	3,869	7,859
Total	<u>\$ 774,402</u>	<u>\$ 1,850,435</u>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**

For the Quarter and six months ended December 31, 2005

<b>County</b>	<u>Schedule 3</u>	
	<b>Quarter Ended 12/31/2005</b>	<b>Six Months Ended 12/31/2005</b>
Carson City	\$ 4,784	\$ 6,276
Churchill	1,658	7,444
Clark	101,190	182,886
Douglas	4,880	8,230
Elko	9,809	22,000
Esmeralda	260	260
Eureka	-	500
Humboldt	955	1,455
Lander	2,602	2,927
Lincoln	315	735
Lyon	787	1,902
Mineral	130	2,270
Nye	2,999	5,926
Pershing	345	465
Storey	-	-
Washoe	40,561	69,801
White Pine	1,297	3,797
Total	<u>\$ 172,572</u>	<u>\$ 316,874</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended December 31, 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	60,225
Fed Farm Credit Bank	4.180	10,000,000	104,500
Fed Farm Credit Bank	3.300	10,000,000	82,500
Fed Farm Credit Bank	3.850	7,675,000	73,872
Fed Farm Credit Bank	4.200	15,000,000	157,500
Fed. Home Loan Bank Note	5.125	9,000,000	115,312
Fed. Home Loan Bank Note	3.880	4,000,000	15,913
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	103,125
Fed. Home Loan Bank Note	3.845	6,525,000	62,722
Fed. Home Loan Bank Note	4.000	7,000,000	70,000
Fed. Home Loan Bank Note	3.660	5,500,000	50,325
Fed. Home Loan Bank Note	4.350	8,975,000	97,603
Fed. Home Loan Bank Note	4.250	13,000,000	138,125
Fed. Home Loan Bank Note	4.800	4,000,000	24,000
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.250	5,000,000	40,625
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>2,019,769</u>
 Treasurer's interest distribution			 <u>106,341</u>
 Total interest			 <u>2,126,110</u>
 Change in fair value of investments			 <u>(830,436)</u>
 Total investment income earned for the quarter			 <u><u>1,295,674</u></u>