

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

FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED MARCH 31, 2006

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

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

**BALANCE SHEETS**  
March 31, 2006 and 2005

	<u>3/31/06</u>	<u>3/31/05</u>
<u>Exhibit A</u>		
<b>Assets</b>		
Cash and cash equivalents	\$ 15,797,455	\$ 13,117,592
Accrued interest		
Investments	1,669,466	1,447,470
Treasurer	133,096	77,101
Total accrued interest	<u>1,802,562</u>	<u>1,524,571</u>
Receivables		
Land sales	567,757	55,267
Fines and penalties	765,818	453,378
Purchased interest	18,666	115,855
Total receivables	<u>1,352,241</u>	<u>624,500</u>
Investments		
U.S. Government securities	<u>205,611,906</u>	<u>172,485,155</u>
<b>Total Assets</b>	<u><u>\$ 224,564,164</u></u>	<u><u>\$ 187,751,818</u></u>
<b>Liabilities</b>		
Due to (from) the Distributive School Account	\$ (240,623)	\$ 1,212,653
Due to heirs	673,405	1,176,030
Deferred revenue	<u>-</u>	<u>-</u>
Total liabilities	<u>432,782</u>	<u>2,388,683</u>
<b>Fund balances</b>		
Reserved: Permanent Fund Principal	<u>224,131,382</u>	<u>185,363,135</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 224,564,164</u></u>	<u><u>\$ 187,751,818</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 nine months ended March 31, 2006

		Exhibit B
<b>Revenues</b>	<b>Quarter Ended 3/31/2006</b>	<b>Nine Months Ended 3/31/2006</b>
Fines - State Penal Laws		
Justice Courts	\$ 1,217,623	\$ 3,068,058
District Courts	292,813	609,687
Other Fines and Penalties	<u>-</u>	<u>9,000</u>
Total fines	1,510,436	3,686,745
Investment income (loss)	1,126,556	2,313,633
Land sales	567,812	33,566,642
Escheated estates	1,701	(17,928)
Miscellaneous	<u>25</u>	<u>1,412</u>
Total revenues	<u>3,206,530</u>	<u>39,550,504</u>
 <b>Other Financing Sources (Uses)</b>		
Transfer (to) from Distributive School Account	<u>(1,126,556)</u>	<u>(2,313,633)</u>
Net change in fund balances	2,079,974	37,236,871
Fund balances, beginning of period	<u>222,051,408</u>	<u>186,894,511</u>
Fund balances, March 31, 2006	<u>\$ 224,131,382</u>	<u>\$ 224,131,382</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 March 31, 2006 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$ 22,603,000.00	\$ 21,693,000.00
Churchill	14,625,000.00	11,535,000.00
Douglas	14,460,000.00	13,170,000.00
Eureka	6,000,000.00	6,000,000.00
Humboldt	5,075,000.00	3,970,000.00
Lincoln	2,925,000.00	2,735,000.00
Lyon	23,330,000.00	22,095,000.00
Mineral	4,425,000.00	4,235,000.00
Nye	23,735,000.00	18,130,000.00
Pershing	5,135,000.00	3,995,000.00
Storey	4,300,000.00	4,300,000.00
Washoe	11,820,000.00	9,585,000.00
White Pine	7,510,000.00	6,625,000.00

## 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, 2006, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$13,605,090. 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, 2006, funds held by the State Treasurer earned interest at an effective rate of 3.92 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**  
March 31, 2006

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	\$ 10,200,000
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	9,653,100
Fed. Farm Credit Bank	1.840	04/07/06	5,000,000	4,910,000	4,998,450
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,767,520
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,883,780
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	6,959,447
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,653,100
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,610,666
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,321	7,420,804
Fed. Farm Credit Bank	4.200	08/28/07	15,000,000	14,968,350	14,817,150
Fed. Home Loan Bank Note	4.875	02/18/11	9,000,000	6,986,210	6,912,500
Fed. Home Loan Bank Note	2.050	06/22/06	6,500,000	6,401,590	6,457,360
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,402,780
Fed. Home Loan Bank Note	2.625	02/16/07	6,100,000	6,117,690	5,970,375
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,756,300
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,382,298
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,709,080
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,168,295
Fed. Home Loan Bank Note	4.350	09/28/07	8,975,000	8,945,551	8,874,032
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,764,440
Fed. Home Loan Bank Note	4.800	05/02/08	4,000,000	3,989,572	3,978,760
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,801,819
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,810,950
US Treasury Notes	2.000	05/15/06	4,000,000	4,038,750	3,987,640
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,824,360
Total Investments			<u>\$ 212,250,000</u>	<u>\$ 208,160,193</u>	<u>\$ 205,611,906</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and nine months ended March 31, 2006

County	Schedule 2	
	Quarter Ended 3/31/2006	Nine Months Ended 3/31/2006
Carson City	\$ 2,869	\$ 10,145
Churchill	16,102	51,832
Clark	639,382	1,483,684
Douglas	8,611	30,777
Elko	39,167	103,322
Esmeralda	11,599	27,337
Eureka	2,190	10,365
Humboldt	-	-0-
Lander	713	7,204
Lincoln	4,106	8,978
Lyon	19,788	60,336
Mineral	50	50
Nye	78,958	193,867
Pershing	505	1,695
Storey	-	-
Washoe	390,271	1,067,295
White Pine	3,312	11,171
Total	<u>\$ 1,217,623</u>	<u>\$ 3,068,058</u>



**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**  
For the Quarter and nine months ended March 31, 2006

<b>County</b>	<u>Schedule 3</u>	
	<b>Quarter Ended 3/31/2006</b>	<b>Nine Months Ended 3/31/2006</b>
Carson City	\$ 1,240	\$ 7,516
Churchill	3,010	10,454
Clark	206,189	389,075
Douglas	10,230	18,460
Elko	11,418	33,418
Esmeralda	3,800	4,060
Eureka	-	500
Humboldt	3,415	4,870
Lander	715	3,642
Lincoln	2,852	3,587
Lyon	2,707	4,609
Mineral	715	2,985
Nye	4,030	9,956
Pershing	290	755
Storey	-	-
Washoe	41,362	111,163
White Pine	840	4,637
<b>Total</b>	<b>\$ 292,813</b>	<b>\$ 609,687</b>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF INVESTMENT INCOME EARNED**

For the Quarter Ended March 31, 2006

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	4.875		9,000,000	14,219
Fed. Home Loan Bank Note	5.125		9,000,000	96,093
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	128,917
Fed. Home Loan Bank Note	4.800		4,000,000	48,000
Fed National Mortgage Assoc.	5.750		10,675,000	153,453
Fed National 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>2,013,648</u>
Treasurer's interest distribution				<u>133,096</u>
Total interest				<u>2,146,744</u>
Change in fair value of investments				<u>(1,020,188)</u>
Total investment income earned for the quarter				<u><u>1,126,556</u></u>