

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2003

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, 2003 and 2002

	<u>12/31/2003</u>	<u>12/31/2002</u>
		Exhibit A
Assets		
Cash and cash equivalents	\$ 13,652,284	\$ 9,559,598
Accrued interest		
Investments	1,069,406	1,119,875
Treasurer	83,540	64,950
Total accrued interest	<u>1,152,946</u>	<u>1,184,825</u>
Receivables		
Fines and penalties	381,995	369,372
Purchased Interest	46,177	15,894
Total receivables	<u>428,172</u>	<u>385,266</u>
Investments		
Land contracts	-	120
U.S. Government securities	122,732,136	94,148,959
Total investments	<u>122,732,136</u>	<u>94,149,079</u>
Total Assets	<u>\$ 137,965,538</u>	<u>\$ 105,278,768</u>
Liabilities		
Due the Distributive School Account	\$ 6,028,389	\$ 7,245,042
Due to heirs	887,571	644,387
Total liabilities	<u>6,915,960</u>	<u>7,889,429</u>
Fund balances		
Reserved: Permanent Fund Principal	131,049,578	97,389,339
Total Liabilities and Fund Balances	<u>\$ 137,965,538</u>	<u>\$ 105,278,768</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, 2003

	<u>Quarter Ended 12/31/2003</u>	<u>Exhibit B Six Months Ended 12/31/2003</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 798,900	\$ 1,673,921
District Courts	115,951	302,029
Other Fines and Penalties	<u>2,000</u>	<u>7,000</u>
Total fines	916,851	1,982,950
Investment income (loss)	354,078	291,810
Land sales	13,018,050	13,052,300
Escheated estates	48,742	43,037
Miscellaneous	<u>1,366</u>	<u>2,537</u>
Total revenues	<u>14,339,087</u>	<u>15,372,634</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(354,078)</u>	<u>(291,810)</u>
Net change in fund balances	13,985,009	15,080,824
Fund balances, beginning of period	<u>117,064,569</u>	<u>115,968,754</u>
Fund balances, December 31	<u><u>\$ 131,049,578</u></u>	<u><u>\$ 131,049,578</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 trust 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, 2003 were:

School District	Issue Date	Original Amount	Balance
White Pine	March 1, 1998	7,510,000	7,345,000
Douglas	April 1, 1998	8,710,000	8,335,000
Nye	April 1, 1999	17,545,000	13,855,000
Churchill	August 1, 2000	3,655,000	3,655,000
Carson City	February 1, 2001	9,000,000	8,900,000
Lyon	February 1, 2001	12,000,000	11,900,000
Mineral	June 1, 2001	4,425,000	4,320,000
Churchill	December 1, 2001	4,565,000	4,065,000
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	13,000,000
Nye	September 1, 2002	2,325,000	2,325,000
Lincoln	December 15, 2002	2,925,000	2,880,000
Carson City	February 1, 2003	3,750,000	3,750,000
Churchill	February 1, 2003	6,405,000	6,405,000
Douglas	February 1, 2003	5,750,000	5,750,000
Humboldt	February 1, 2003	5,075,000	5,075,000
Pershing	February 1, 2003	5,135,000	5,135,000

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, 2003, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$19,219,171. 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, 2003, funds held by the State Treasurer earned interest at an effective rate of 1.73 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, 2003

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	6.000	6/11/08	\$ 10,000,000	\$ 10,042,460	\$ 11,081,300
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,041,280
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	10,003,100
Fed. Farm Credit Bank	3.375	6/12/08	10,000,000	10,000,000	9,990,600
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	12,554,750
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,576,540
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,124,670
Fed. Home Loan Bank Note	4.875	8/15/05	5,600,000	5,970,216	5,885,264
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,143,760
Fed. Home Loan Bank Note	1.125	5/13/04	4,660,000	4,656,039	4,660,000
Fed. Home Loan Bank Note	2.050	6/22/06	6,500,000	6,401,590	6,453,265
Fed. Home Loan Bank Note	3.875	6/22/08	6,500,000	6,491,420	6,587,360
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	11,725,847
Fed National Mortgage Assoc.	3.250	5/14/08	5,000,000	4,999,219	4,984,400
US Treasury Notes	1.125	6/30/05	4,000,000	3,981,250	3,978,760
US Treasury Notes	2.000	5/15/06	4,000,000	4,038,750	4,001,240
US Treasury Notes	2.625	5/15/08	4,000,000	4,035,625	3,940,000
Total Investments			<u>\$ 119,435,000</u>	<u>\$ 119,118,951</u>	<u>\$ 122,732,136</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Six Months Ended December 31, 2003

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2003	Six Months Ended 12/31/2003
Carson City	\$ 9,541	\$ 21,159
Churchill	15,268	26,508
Clark	278,583	599,416
Douglas	7,598	15,186
Elko	41,461	84,294
Esmeralda	5,507	6,567
Eureka	3,219	8,115
Humboldt	-	155
Lander	1,945	3,140
Lincoln	1,725	3,440
Lyon	15,812	33,837
Mineral	-	-
Nye	53,555	100,319
Pershing	2,818	5,399
Storey	-	-
Washoe	360,754	762,792
White Pine	1,114	3,594
Total	<u>\$ 798,900</u>	<u>\$ 1,673,921</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and Six Months Ended December 31, 2003

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/2003	Six Months Ended 12/31/2003
Carson City	\$ 3,171	\$ 7,902
Churchill	4,965	7,720
Clark	69,009	157,709
Douglas	3,566	27,138
Elko	7,560	19,624
Esmeralda	75	75
Eureka	-	40
Humboldt	662	1,692
Lander	577	1,454
Lincoln	405	1,385
Lyon	4,829	8,224
Mineral	175	180
Nye	1,673	3,990
Pershing	45	90
Storey	-	-
Washoe	18,494	61,810
White Pine	745	2,996
Total	<u>\$ 115,951</u>	<u>\$ 302,029</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended December 31, 2003

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	3.125	2,500,000	3,255
Fed Farm Credit Bank	5.150	6,000,000	77,250
Fed Farm Credit Bank	2.700	10,000,000	22,500
Fed Farm Credit Bank	3.375	10,000,000	14,062
Fed. Home Loan Bank Note	5.850	12,500,000	182,813
Fed. Home Loan Bank Note	5.125	9,000,000	115,313
Fed. Home Loan Bank Note	3.375	7,000,000	59,063
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	1.125	4,660,000	12,815
Fed. Home Loan Bank Note	2.050	6,500,000	19,987
Fed. Home Loan Bank Note	3.875	6,500,000	83,958
Fed Home Loan Mgt. Corp.	2.875	13,000,000	31,146
Fed Home Loan Mgt. Corp.	7.375	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.250	5,000,000	40,625
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>1,130,790</u>
 Second quarter Treasurer's distribution			 <u>83,540</u>
Total interest			<u>1,214,330</u>
 Change in fair value of investments:			
Second quarter change in fair value of investments			<u>(860,252)</u>
Total investment income earned for the quarter ended December 31, 2003			<u><u>\$ 354,078</u></u>