STATION CASINOS INC
Form 11-K
June 29, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 11-K

ý	**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003.

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number: 000-21640

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

STATION CASINOS, INC. 401(k) RETIREMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

STATION CASINOS, INC.

2411 WEST SAHARA AVENUE

LAS VEGAS, NV 89102

STATION CASINOS, INC. 401(k) RETIREMENT PLAN

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of

Station Casinos, Inc. 401(k) Retirement Plan

We have audited the accompanying statement of net assets available for benefits of the Station Casinos, Inc. 401(k) Retirement Plan (the Plan) as of December 31, 2003, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan for the year ended December 31, 2002, were audited by other auditors whose report dated June 25, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003, and the changes in its net assets available for benefits for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2003, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

ERNST & YOUNG LLP

Las Vegas, Nevada
June 28, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of

Station Casinos, Inc. 401(k) Retirement Plan

We have audited the accompanying statement of net assets available for benefits of the Station Casinos, Inc. 401(k) Retirement Plan (the Plan) as of December 31, 2002, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

June 25, 2003

Las Vegas, Nevada

STATION CASINOS, INC.

401(k) RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2003	December 31, 2002
Assets:		
Investments, at fair value	$ 49,033,758	$ 35,179,492
Receivables:		
Participant contributions	278,697	260,539
Employer contributions	68,739	62,815
Total receivables	347,436	323,354
Total assets	49,381,194	35,502,846
Net assets available for benefits	$ 49,381,194	$ 35,502,846

The accompanying notes are an integral part of these financial statements.

STATION CASINOS, INC.

401(k) RETIREMENT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	For the years ended December 31, 2003	2002
Additions:		
Additions (deductions) to net assets attributed to:		
Interest and dividends	$ 594,889	$ 499,036
Interest on participant loans	181,186	207,039
Net appreciation (depreciation) in fair value of investments	7,853,591	(6,683,222)
	8,629,666	(5,977,147)
Contributions:		
Participant	7,824,135	7,830,074
Employer	1,996,324	1,710,723
	9,820,459	9,540,797
Net additions	18,450,125	3,563,650
Deductions:		
Deductions from net assets attributed to:		
Benefits paid to participants	4,408,964	3,703,290
Distributions of participant loans	125,838	119,371
Transfers to other qualified retirement plans		1,691,810
Administrative expenses	36,975	36,385
Total deductions	4,571,777	5,550,856
Net increase (decrease)	13,878,348	(1,987,206)
Net assets available for benefits:		
Beginning of year	35,502,846	37,490,052
End of year	$ 49,381,194	$ 35,502,846

The accompanying notes are an integral part of these financial statements.

STATION CASINOS, INC.

401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

1. **Description of the Plan**

The following description of the Station Casinos, Inc. 401(k) Retirement Plan (the Plan) provides only general information of the Plan, which has been legally established through a formal retirement Plan Document and Trust Agreement as amended. Participants should refer to the Plan Document for a more complete description of the Plan s provisions.

a. General

The Plan is a qualified, defined contribution plan that provides participant-directed investment programs to all eligible employees of Station Casinos, Inc. (the Company) who have completed 90 days of service for the Company and have attained the age of 21. Employees who are non-resident aliens that work outside of the United States and leased employees are not eligible to participate. The Plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

b. Contributions, Vesting and Allocation

Participants may make contributions to the Plan of any amount up to 19% of their annual compensation, but not to exceed the maximum dollar limit set by the Internal Revenue Service (IRS) each year. Participants may make rollover contributions to the Plan. All participant contributions are immediately 100% vested and are nonforfeitable. Subject to the limitations described below, the Company makes matching contributions to the Plan on behalf of each participant in an amount equal to 50% of the first 4% of compensation that a participant contributes to the Plan as pre-tax contributions. A participant is credited with a year of service for vesting purposes upon completion of 501 hours of service during the Plan year. A participant begins to vest in that portion of his or her account attributable to the Company s matching contributions as follows:

Vesting Service	**Vesting%**
Less than 1 year	0
1 year	20

2 years	40
3 years	60
4 years	80
5 or more years	100

Each year the Company may make an additional discretionary profit sharing contribution to the Plan. The discretionary contribution would be allocated among the accounts of eligible participants. Participants become 100% vested in the discretionary contribution after five years of service. In the event of termination of a participant by reason of death or disability, the full value of the participant s account as of the immediately preceding valuation date becomes vested. The Company did not make any discretionary contributions for the years ended December 31, 2003 and 2002.

All contributions are invested in multiples of 1% as designated by the participant. A participant may direct his/her contributions into any of 15 investment options, one of which is the Station Casinos, Inc. Common Stock Fund (STN Stock Fund). A participant may only invest up to 20% of his or her account balance in the STN Stock Fund. A participant may change his/her investment options monthly, subject to certain Plan provisions. Participants should refer to the Plan documents for a complete description of the investment options as well as for the detailed composition of each investment fund.

c. <u>Forfeitures</u>

The portion of a participant s account that is not vested is forfeited when the participant terminates employment with the Company. These forfeitures shall first be used to pay administrative expenses of the Plan and then are used to reduce future employer contributions payable under the Plan. Forfeitures for the years ended December 31, 2003 and 2002 were approximately $242,000 and $502,000, respectively. During 2003 and 2002, the Company applied approximately $2,300 and $4,400, respectively of forfeiture funds to administrative expenses of the Plan and the balance was retained in the Plan. At December 31, 2003 and 2002, the balance in the forfeiture account was approximately $5,000 and $52,000, respectively.

d. <u>Payment of Benefits</u>

Upon normal retirement or death, vested benefits from the Plan in excess of $5,000 may be paid in either the form of a lump sum cash payment of the participant s account, or in a series of payments over a period not to extend beyond the life expectancy of the participant or the joint life expectancy of the participant and the participant s beneficiary. Participants with a vested account balance of less than $5,000 will receive a distribution in the form of a lump sum payment.

In certain limited situations, additional forms of distribution available under a previous version of the Plan may be grand fathered and remain available under the Plan. Participants shall be entitled to receive a distribution of all or any portion of all vested account balances upon attainment of age 59½. Participants may also withdraw from their account, without regard to age, in the event of extreme hardship.

Any participant who terminates employment with the Company shall be entitled to receive the value of the vested portion of his or her account no later than the sixtieth day after the close of the plan year in which the participant terminates employment.

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e. Participant Loans

Subject to the rules and limitations contained in the Plan, a participant is able to request a loan up to $50,000, but not to exceed 50% of the vested amount credited to his or her account. At December 31, 2003 and 2002, there were outstanding participant loans in the amount of $3.2 million and $2.9 million, respectively, which approximate the fair value of the loans. The participant loans bear interest at rates commensurate with those charged by persons in the business of lending money for loans that would be made under similar circumstances, which as of December 31, 2003 and 2002 ranged from 5.00% to 10.50%. The loans require equal repayments of principal and interest (with payments not less than quarterly) over a period not to exceed five years. Loans borrowed specifically for the purpose of obtaining a primary residence can extend up to 15 years.

f. Administration

The Plan is administered by a committee designated by the Company s Board of Directors (the Administrative Committee).

g. Plan Expenses

Plan expenses consist of administrative expenses that are paid by the trust fund if not paid by the Company. The Administrative Committee directs payments of such fees. Plan fees and expenses for the years ended December 31, 2003 and 2002 were approximately $37,000 and $36,400, respectively, the majority of which were related to participant loan fees.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements of the Plan are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

b. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

c. Risks and Uncertainties

The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The Plan s exposure to credit loss in the event of nonperformance of investments is limited to the carrying value of such investments. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.