

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2000

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PERMANENT SCHOOL FUND

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STATE OF NEVADA
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BALANCE SHEETS
June 30, 2000 and 1999

	<u>6/30/2000</u>	<u>6/30/1999</u>
		<u>Exhibit A</u>
Assets		
Cash and cash equivalents	\$ 17,455,954	\$ 13,111,279
Accrued interest		
Investments	584,245	513,240
Treasurer	212,227	220,509
Total accrued interest	<u>796,472</u>	<u>733,749</u>
Receivables		
Escheated estates	352,867	492,327
Fines and penalties	401,108	325,370
Purchased interest	75,022	-
Land Sales	246,886	-
Total receivables	<u>1,075,883</u>	<u>817,697</u>
Investments		
Land contracts	120	120
U.S. Government securities	62,445,302	55,885,760
Total investments	<u>62,445,422</u>	<u>55,885,880</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
Total Assets	<u><u>\$ 81,776,708</u></u>	<u><u>\$ 70,551,582</u></u>
Liabilities		
Due the Distributive School Account	\$ 2,979,548	\$ 346,100
Fund balances	<u>78,797,160</u>	<u>70,205,482</u>
Total Liabilities and Fund Balances	<u><u>\$ 81,776,708</u></u>	<u><u>\$ 70,551,582</u></u>

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

STATE OF NEVADA
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Quarter and Year Ended June 30, 2000

	<u>Quarter Ended</u> <u>6/30/2000</u>	<u>Exhibit B</u> <u>Year</u> <u>Ended</u> <u>6/30/2000</u>
Operating Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,209,478	\$ 3,563,636
District Courts	198,405	781,977
Other Fines and Penalties	25,900	106,525
	<u>1,433,783</u>	<u>4,452,138</u>
Total fines	1,433,783	4,452,138
Investment income	1,464,330	3,744,428
Land sales	667,190	4,223,757
Miscellaneous	787	5,077
	<u>3,566,090</u>	<u>12,425,400</u>
Total operating revenues/income	<u>3,566,090</u>	<u>12,425,400</u>
Operating Transfers		
Transfer from (to) Escheated Estates Fund	(8,290)	(90,044)
Transfer to Distributive School Account	<u>(1,464,330)</u>	<u>(3,744,428)</u>
	<u>(1,472,620)</u>	<u>(3,834,472)</u>
Net operating transfers	<u>(1,472,620)</u>	<u>(3,834,472)</u>
Net income	2,093,470	8,590,928
Fund balances, beginning of period	<u>76,703,690</u>	<u>70,206,232</u>
Fund balances, June 30	<u>\$ 78,797,160</u>	<u>\$ 78,797,160</u>

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

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STATEMENTS OF CASH FLOWS

For the Quarter and Year Ended June 30, 2000

Exhibit C

	Quarter Ended 6/30/2000	Year Ended 6/30/2000
Cash flows from operating activities:		
Justice Court fines	\$ 1,192,879	\$ 3,478,903
District Court fines	253,591	790,973
Other fines and penalties	25,900	106,525
Public land sales	420,304	3,976,871
Miscellaneous income	787	5,827
Net cash provided by operating activities	<u>1,893,461</u>	<u>8,359,099</u>
Cash flows from noncapital financing activities:		
Operating transfer in	-	49,416
Operating transfer out	-	(1,110,981)
Net cash used for noncapital financing activities	-	(1,061,565)
Cash flows from investing activities:		
Purchases of investments	-	(19,598,553)
Sales of investments	7,000,000	12,000,000
Treasurer's interest distribution	365,283	1,176,108
Investment interest	1,554,794	3,544,608
Purchased interest	312,643	(75,022)
Net cash provided by (used for) investing activities	<u>9,232,720</u>	<u>(2,952,859)</u>
Net increase in cash and cash equivalents	11,126,181	4,344,675
Cash and cash equivalents at beginning of period	6,329,773	13,111,279
Cash and cash equivalents at end of period	<u>\$ 17,455,954</u>	<u>\$ 17,455,954</u>
Reconciliation of net operating income to cash provided by operating activities:		
Total operating income	\$ 3,566,090	\$ 12,425,400
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	(208,299)	(321,874)
Investment income reported as operating income	(1,464,330)	(3,744,427)
Net cash provided by operating activities	<u>\$ 1,893,461</u>	<u>\$ 8,359,099</u>

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO FINANCIAL STATEMENTS**

Basis of Accounting:

Transactions are recorded on the accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended June 30, 2000, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$14,076,699. 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, 2000, funds held by the State Treasurer earned interest at an effective rate of 6.01 percent.

Investments:

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, which the Permanent School Fund implemented during the fiscal year ending June 30, 1998. In accordance with GASB Statement No. 31, all 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.

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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 was created as a nonexpendable trust fund. 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 which 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. White Pine County School District and Douglas County School District entered into guarantee agreements for general obligation bond principal amounts totaling \$7,510,000 and \$8,710,000, respectively during the fiscal year ended June 30, 1998. During the third quarter of 1999, Nye County School District entered into a guarantee agreement for general obligation bond principal amounts totaling \$17,750,000. On August 9, 2000, Churchill County School District entered into a guarantee agreement for general bond principal amounts totaling \$3,655,000.

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)

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SCHEDULE OF INVESTMENTS
June 30, 2000

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities					
U.S. Treasury Note	7.500	11/15/01	\$ 5,000,000	\$ 5,001,750	\$ 5,063,300
Fed. Nat'l. Mortgage Assoc.	6.850	9/12/05	4,500,000	4,324,230	4,367,790
Fed. Nat'l. Mortgage Assoc.	6.500	12/22/04	13,000,000	12,997,969	12,571,390
Fed. Nat'l. Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	9,819,292
Fed. Home Loan Bank Note	7.250	11/1/06	5,000,000	5,018,750	4,864,850
Fed. Home Loan Bank Note	6.875	11/22/06	6,500,000	6,500,000	6,260,280
Fed. Home Loan Bank Note	6.300	6/1/04	10,000,000	10,009,100	9,670,300
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	9,828,100
Total Fixed Income Securities			<u>\$64,675,000</u>	63,450,352	62,445,302
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$63,450,472</u>	<u>\$62,445,422</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Year Ended June 30, 2000

County	Schedule 2	
	Quarter Ended 6/30/2000	Year Ended 6/30/2000
Carson City	\$ 8,563	\$ 30,171
Churchill	14,801	54,490
Clark	839,260	2,028,306
Douglas	9,341	26,487
Elko	35,538	139,283
Esmeralda	300	18,281
Eureka	11,511	41,564
Humboldt	-	-
Lander	3,250	12,966
Lincoln	4,070	12,634
Lyon	28,134	113,889
Mineral	40	275
Nye	45,081	192,993
Pershing	1,715	6,791
Storey	-	-
Washoe	207,714	884,273
White Pine	160	1,233
Total	<u>\$ 1,209,478</u>	<u>\$ 3,563,636</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Year Ended June 30, 2000

Schedule 3

County	Quarter Ended 6/30/2000	Year Ended 6/30/2000
Carson City	\$ 2,453	\$ 7,686
Churchill	5,920	18,108
Clark	110,514	445,898
Douglas	4,930	22,285
Elko	12,872	76,605
Esmeralda	-	75
Eureka	-	-
Humboldt	2,014	9,891
Lander	970	4,284
Lincoln	2,872	6,727
Lyon	7,960	16,561
Mineral	1,287	4,871
Nye	2,560	5,600
Pershing	766	5,325
Storey	-	25
Washoe	41,207	145,955
White Pine	2,080	12,081
Total	<u>\$ 198,405</u>	<u>\$ 781,977</u>

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended June 30, 2000

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
U.S. Treasury Note	5.500	2,000,000	\$ 4,583
U.S. Treasury Note	5.500	5,000,000	11,458
U.S. Treasury Note	7.500	5,000,000	93,750
Fed. Nat'l. Mortgage Assoc.	6.500	13,000,000	211,250
Fed. Nat'l. Mortgage Assoc.	6.850	4,500,000	77,063
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	151,748
Fed. Home Loan Bank Note	7.250	5,000,000	90,625
Fed. Home Loan Bank Note	6.875	6,500,000	111,719
Fed. Home Loan Bank Note	6.300	10,000,000	157,500
Fed. Home Loan Bank Note	6.905	10,000,000	172,625

Total interest on investments 1,082,321

Fourth quarter Treasurer's distribution 212,227

Total interest 1,294,548

Change in fair value of investments:

Fourth quarter change in fair value of investments 169,782

Total investment income earned for the quarter ended June 30, 2000 \$ 1,464,330