

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

FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED DECEMBER 31, 2000

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

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

**BALANCE SHEETS**  
December 31, 2000 and 1999

	<u>12/31/2000</u>	<u>12/31/1999</u>
		<u>Exhibit A</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 20,461,991	\$ 25,585,284
Accrued interest		
Investments	687,908	367,146
Treasurer	<u>264,140</u>	<u>351,288</u>
Total accrued interest	<u>952,048</u>	<u>718,434</u>
Receivables		
Escheated estates	288,981	465,458
Fines and penalties	<u>356,151</u>	<u>352,908</u>
Total receivables	<u>645,132</u>	<u>818,366</u>
Investments		
Land contracts	120	120
U.S. Government securities	<u>64,690,867</u>	<u>49,937,460</u>
Total investments	<u>64,690,987</u>	<u>49,937,580</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
<b>Total Assets</b>	<u>\$ 86,753,135</u>	<u>\$ 77,062,641</u>
<b>Liabilities</b>		
Due the Distributive School Account	<u>\$ 4,953,603</u>	<u>\$ 1,331,611</u>
<b>Fund balances</b>	<u>81,799,532</u>	<u>75,731,030</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 86,753,135</u>	<u>\$ 77,062,641</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 Six Months Ended December 31, 2000

	<u>Quarter Ended 12/31/2000</u>	<u>Exhibit B Six Months Ended 12/31/2000</u>
<b>Operating Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 820,036	\$ 1,618,157
District Courts	193,529	401,528
Other Fines and Penalties	<u>5,000</u>	<u>7,000</u>
Total fines	1,018,565	2,026,685
Investment income	2,837,050	4,953,604
Land sales	795,950	954,060
Miscellaneous	<u>6,521</u>	<u>15,273</u>
Total operating revenues/income	<u>4,658,086</u>	<u>7,949,622</u>
<b>Operating Transfers</b>		
Transfer from (to) Escheated Estates Fund	(8,802)	6,354
Transfer to Distributive School Account	<u>(2,837,050)</u>	<u>(4,953,604)</u>
Net operating transfers	<u>(2,845,852)</u>	<u>(4,947,250)</u>
Net income	1,812,234	3,002,372
Fund balances, beginning of period	<u>79,987,298</u>	<u>78,797,160</u>
Fund balances, December 31	<u>\$ 81,799,532</u>	<u>\$ 81,799,532</u>

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

# STATE OF NEVADA

## PERMANENT SCHOOL FUND

### STATEMENTS OF CASH FLOWS

For the Quarter and Six Months Ended December 31, 2000

Exhibit C

	Quarter Ended 12/31/2000	Six Months Ended 12/31/2000
Cash flows from operating activities:		
Justice Court fines	\$ 919,024	\$ 1,687,302
District Court fines	202,231	377,341
Other fines and penalties	5,000	7,000
Public land sales	944,460	1,200,946
Miscellaneous income	6,520	15,272
Net cash provided by operating activities	2,077,235	3,287,861
Cash flows from noncapital financing activities:		
Operating transfer in	11,479	70,239
Operating transfer out	0	(2,979,547)
Net cash provided by (used for) noncapital financing activities	11,479	(2,909,308)
Cash flows from investing activities:		
Treasurer's interest distribution	201,919	414,146
Investment interest	1,684,792	2,138,316
Purchased interest	0	75,022
Net cash provided by (used for) investing activities	1,886,711	2,627,484
Net increase (decrease) in cash and cash equivalents	3,975,425	3,006,037
Cash and cash equivalents at beginning of period	16,486,566	17,455,954
Cash and cash equivalents at end of period	\$ 20,461,991	\$ 20,461,991
<b>Reconciliation of net operating income to cash provided by operating activities:</b>		
Total operating income	\$ 4,658,086	\$ 7,949,622
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	256,199	291,843
Investment income reported as operating income	(2,837,050)	(4,953,604)
Net cash provided by operating activities	\$ 2,077,235	\$ 3,287,861

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

**STATE OF NEVADA**  
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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 December 31, 2000, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$15,898,157.35. 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, 2000, funds held by the State Treasurer earned interest at an effective rate of 6.65 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. The following table shows the status of bond guarantees at December 31, 2000.

School District	Issue Date	Original Amount	Balance
White Pine County	March 1, 1998	7,510,000	7,510,000
Douglas County	April 1, 1998	8,710,000	8,545,000
Nye County	April 1, 1999	17,545,000	16,665,000
Churchill County	August 1, 2000	3,655,000	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**  
December 31, 2000

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
<b>Fixed Income Securities</b>					
U.S. Treasury Note	7.500	11/15/01	\$ 5,000,000	\$ 5,001,750	\$ 5,078,100
Fed. Nat'l. Mortgage Assoc.	5.750	9/12/05	4,500,000	4,324,230	4,487,355
Fed. Nat'l. Mortgage Assoc.	6.500	12/22/04	13,000,000	12,997,969	12,945,140
Fed. Nat'l. Mortgage Assoc.	6.850	2/15/08	10,675,000	9,760,953	10,566,542
Fed. Home Loan Bank Note	7.250	11/1/06	5,000,000	5,018,750	4,995,300
Fed. Home Loan Bank Note	6.875	11/22/06	6,500,000	6,500,000	6,494,930
Fed. Home Loan Bank Note	6.300	6/1/04	10,000,000	10,009,100	9,959,400
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	10,164,100
Total Fixed Income Securities			<u>\$ 64,675,000</u>	63,450,352	64,690,867
<b>Fixed Income Contracts</b>					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$ 63,450,472</u>	<u>\$ 64,690,987</u>



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**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**

For the Quarter and Six Months Ended December 31, 2000

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 12/31/2000</b>	<b>Six Months Ended 12/31/2000</b>
Carson City	\$ 8,574	\$ 15,891
Churchill	13,976	25,171
Clark	417,748	847,486
Douglas	9,631	17,929
Elko	36,150	56,181
Esmeralda	2,016	4,231
Eureka	9,051	22,444
Humboldt	0	0
Lander	993	3,043
Lincoln	2,510	6,849
Lyon	30,018	57,769
Mineral	75	165
Nye	46,145	114,163
Pershing	1,523	3,127
Storey	0	0
Washoe	240,536	442,128
White Pine	1,090	1,580
Total	<u>\$ 820,036</u>	<u>\$ 1,618,157</u>

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**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**

For the Quarter and Six Months Ended December 31, 2000

<b>County</b>	<u>Schedule 3</u>		
	<b>Quarter Ended 12/31/00</b>	<b>Six Months Ended 12/31/00</b>	<b>Quarter Ended 9/30/2000</b>
Carson City	\$ 10,678	\$ 17,000	\$ 6,322
Churchill	3,432	8,275	4,843
Clark	100,130	201,376	101,246
Douglas	3,435	16,916	13,481
Elko	18,005	42,141	24,136
Esmeralda	300	400	100
Eureka	0	0	0
Humboldt	1,333	7,181	5,848
Lander	1,625	2,545	920
Lincoln	5,715	8,327	2,612
Lyon	7,115	9,890	2,775
Mineral	340	1,365	1,025
Nye	3,715	11,623	7,908
Pershing	559	1,668	1,109
Storey	0	0	0
Washoe	34,996	68,239	33,243
White Pine	2,151	4,582	2,431
Total	<u>\$ 193,529</u>	<u>\$ 401,528</u>	<u>\$ 207,999</u>

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**SCHEDULE OF INVESTMENT INCOME EARNED**

For the Quarter Ended December 31, 2000

Schedule 4

**Interest:**

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
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.	5.750	4,500,000	64,687
Fed. Nat'l. Mortgage Assoc.	6.850	10,675,000	180,149
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
			<u>1,082,305</u>
Interest Paid on Cash Equivalents			<u>9,854</u>
Total interest on investments			<u>1,092,159</u>
Second quarter Treasurer's distribution			<u>264,141</u>
Total interest			<u>1,356,300</u>
<b>Change in fair value of investments:</b>			
Second quarter change in fair value of investments			<u>1,480,750</u>
Total investment income earned for the quarter ended December 31, 2000			<u><u>\$ 2,837,050</u></u>