

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2001

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
Statements of Cash Flows - Exhibit C	3
Summary of Significant Accounting Policies and Notes to Financial Statements	4
General Description of Fund and Revenue Sources	5
Schedule of Investments - Schedule 1	6
Schedule of Justice Court Fines by County - Schedule 2	7
Schedule of District Court Fines by County - Schedule 3	8
Schedule of Investment Income Earned - Schedule 4	9

STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2001 and 2000

	<u>3/31/2001</u>	<u>3/31/2000</u>
		<u>Exhibit A</u>
Assets		
Cash and cash equivalents	\$ 20,998,380	\$ 6,329,773
Accrued interest		
Investments	1,059,820	1,056,718
Treasurer	516,835	365,283
Total accrued interest	<u>1,576,655</u>	<u>1,422,001</u>
Receivables		
Escheated estates	236,661	361,157
Fines and penalties	496,449	439,694
Purchased interest	-	387,665
Total receivables	<u>733,110</u>	<u>1,188,516</u>
Investments		
Land contracts	120	120
U.S. Government securities	65,707,978	69,275,520
Total investments	<u>65,708,098</u>	<u>69,275,640</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
Total Assets	<u><u>\$ 89,019,220</u></u>	<u><u>\$ 78,218,907</u></u>
Liabilities		
Due the Distributive School Account	<u>\$ 5,139,934</u>	<u>\$ 1,515,217</u>
Fund balances	<u>83,879,286</u>	<u>76,703,690</u>
Total Liabilities and Fund Balances	<u><u>\$ 89,019,220</u></u>	<u><u>\$ 78,218,907</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, EXPENSES AND CHANGES IN FUND BALANCES

For the Quarter and Nine Months Ended March 31, 2001

	Quarter Ended 3/31/2001	Exhibit B Nine Months Ended 3/31/2001
Operating Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 884,387	\$ 2,502,544
District Courts	214,881	616,409
Other Fines and Penalties	-	7,000
Total fines	1,099,268	3,125,953
Investment income	2,302,885	7,256,489
Land sales	1,027,861	1,981,921
Miscellaneous	4,946	20,219
Total operating revenues/income	4,434,960	12,384,582
Operating Transfers		
Transfer from (to) Escheated Estates Fund	(52,321)	(45,967)
Transfer to Distributive School Account	(2,302,885)	(7,256,489)
Net operating transfers	(2,355,206)	(7,302,456)
Net income	2,079,754	5,082,126
Fund balances, beginning of period	81,799,532	78,797,160
Fund balances, March 31	\$ 83,879,286	\$ 83,879,286

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 Nine Months Ended March 31, 2001

Exhibit C

	Quarter Ended 3/31/2001	Nine Months Ended 3/31/2001
Cash flows from operating activities:		
Justice Court fines	\$ 740,284	\$ 2,427,586
District Court fines	218,685	596,026
Other fines and penalties	-	7,000
Public land sales	1,027,861	2,228,807
Miscellaneous income	4,946	20,218
Net cash provided by operating activities	1,991,776	5,279,637
Cash flows from noncapital financing activities:		
Purchase of Investments	(22,511,719)	(22,511,719)
Sale of Investments	22,500,000	22,500,000
Operating transfer in	-	70,239
Operating transfer out	(2,116,554)	(5,096,101)
Net cash provided by (used for) noncapital financing activities	(2,128,272)	(5,037,581)
Cash flows from investing activities:		
Treasurer's interest distribution	-	414,146
Investment interest	672,885	2,811,201
Purchased interest	-	75,022
Net cash provided by (used for) investing activities	672,886	3,300,370
Net increase (decrease) in cash and cash equivalents	536,389	3,542,426
Cash and cash equivalents at beginning of period	20,461,991	17,455,954
Cash and cash equivalents at end of period	\$ 20,998,380	\$ 20,998,380
Reconciliation of net operating income to cash provided by operating activities:		
Total operating income	\$ 4,434,960	\$ 12,384,582
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	(140,299)	151,544
Investment income reported as operating income	(2,302,885)	(7,256,489)
Net cash provided by operating activities	\$ 1,991,776	\$ 5,279,637

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 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. Bond guarantees at March 31, 2001 were:

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
Carson City	February 1, 2001	9,000,000	9,000,000
Lyon County	February 1, 2001	12,000,000	12,000,000

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)

(REVENUE SOURCES Continued)

- 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 accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended March 31, 2001, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$17,625,825.63. 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, 2001, funds held by the State Treasurer earned interest at an effective rate of 5.63 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.

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENTS
 March 31, 2001

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	\$ 5,097,650
Fed. Nat'l. Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	10,836,833
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	12,687,500
Fed. Home Loan Bank Note	6.905	6/1/04	10,000,000	10,009,100	10,028,100
Fed Home Loan Mgt. Corp.	6.875	11/22/06	6,500,000	6,500,000	6,578,195
Fed Home Loan Mgt. Corp.	6.300	10/18/04	10,000,000	9,837,600	10,328,100
Fed Home Loan Mgt. Corp.	6.050	2/7/06	10,000,000	10,000,000	10,151,600
Total Fixed Income Securities			<u>\$ 64,675,000</u>	63,621,122	65,707,978
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$ 63,621,242</u>	<u>\$ 65,708,098</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2001

County	<u>Schedule 2</u>	
	Quarter Ended 3/31/2001	Nine Months Ended 3/31/2001
Carson City	\$ 7,920	\$ 23,811
Churchill	11,749	36,920
Clark	445,115	1,292,601
Douglas	8,219	26,148
Elko	24,175	80,356
Esmeralda	1,023	5,254
Eureka	5,977	28,421
Humboldt	-	-
Lander	1,575	4,618
Lincoln	4,210	11,059
Lyon	22,345	80,114
Mineral	100	265
Nye	43,503	157,666
Pershing	827	3,954
Storey	-	-
Washoe	307,649	749,777
White Pine	-	1,580
Total	<u>\$ 884,387</u>	<u>\$ 2,502,544</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2001

County	<u>Schedule 3</u>	
	Quarter Ended 03/31/01	Nine Months Ended 03/31/01
Carson City	\$ 8,733	\$ 25,733
Churchill	5,308	13,583
Clark	118,826	320,202
Douglas	7,114	24,030
Elko	20,520	62,661
Esmeralda	3,800	4,200
Eureka	-	-
Humboldt	(4,140)	3,041
Lander	1,512	4,057
Lincoln	1,079	9,406
Lyon	8,141	18,031
Mineral	575	1,940
Nye	2,830	14,453
Pershing	444	2,112
Storey	-	-
Washoe	38,109	106,348
White Pine	2,030	6,612
Total	<u>\$ 214,881</u>	<u>\$ 616,409</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended March 31, 2001

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.	5.750	4,500,000	46,975
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	112,079
Fed. Nat'l. Mortgage Assoc.	6.500	13,000,000	91,542
Fed. Home Loan Bank Note	7.250	5,000,000	24,167
Fed. Home Loan Bank Note	5.850	12,500,000	91,406
Fed. Home Loan Bank Note	6.905	10,000,000	172,625
Fed Home Loan Mgt. Corp.	6.875	6,500,000	111,719
Fed Home Loan Mgt. Corp.	6.300	10,000,000	157,500
Fed Home Loan Mgt. Corp.	6.050	10,000,000	75,625
			<u>977,388</u>
Interest Paid on Cash Equivalent			<u>67,410</u>
Total interest on investments			<u>1,044,798</u>
Third quarter Treasurer's distribution			<u>252,695</u>
Total interest			<u>1,297,493</u>
Change in fair value of investments:			
Third quarter change in fair value of investments			<u>1,005,392</u>
Total investment income earned for the quarter ended March 31, 2001			<u><u>\$ 2,302,885</u></u>