

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

**FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2001**

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

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

**BALANCE SHEETS**  
June 30, 2001 and 2000

	<u>6/30/2001</u>	<u>6/30/2000</u>
		<u>Exhibit A</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 11,847,574	\$ 17,455,954
Accrued interest		
Investments	1,025,821	584,245
Treasurer	<u>267,596</u>	<u>212,227</u>
Total accrued interest	<u>1,293,417</u>	<u>796,472</u>
Receivables		
Escheated estates	412,717	352,867
Fines and penalties	357,106	401,108
Purchased interest	107,625	75,022
Land Sales	-	246,886
Total receivables	<u>877,448</u>	<u>1,075,883</u>
Investments		
Land contracts	120	120
U.S. Government securities	<u>75,026,534</u>	<u>62,445,302</u>
Total investments	<u>75,026,654</u>	<u>62,445,422</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
<b>Total Assets</b>	<u>\$ 89,048,070</u>	<u>\$ 81,776,708</u>
<b>Liabilities</b>		
Due the Distributive School Account	<u>\$ 3,121,078</u>	<u>\$ 2,979,548</u>
<b>Fund balances</b>	<u>85,926,992</u>	<u>78,797,160</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 89,048,070</u>	<u>\$ 81,776,708</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 Year Ended June 30, 2001

		Exhibit B
	<b>Quarter Ended 6/30/2001</b>	<b>Year Ended 6/30/2001</b>
<b>Operating Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 760,291	\$ 3,262,835
District Courts	188,762	805,171
Other Fines and Penalties	<u>3,500</u>	<u>10,500</u>
Total fines	952,553	4,078,506
Investment income	818,194	8,074,683
Land sales	908,075	2,889,996
Miscellaneous	<u>38</u>	<u>20,257</u>
Total operating revenues/income	<u>2,678,860</u>	<u>15,063,442</u>
<b>Operating Transfers</b>		
Transfer from (to) Escheated Estates Fund	187,040	141,073
Transfer to Distributive School Account	<u>(818,194)</u>	<u>(8,074,683)</u>
Net operating transfers	<u>(631,154)</u>	<u>(7,933,610)</u>
Net income	2,047,706	7,129,832
Fund balances, beginning of period	<u>83,879,286</u>	<u>78,797,160</u>
Fund balances, June 30	<u>\$ 85,926,992</u>	<u>\$ 85,926,992</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 Year Ended June 30, 2001

Exhibit C

	<b>Quarter Ended 6/30/2001</b>	<b>Year Ended 6/30/2001</b>
Cash flows from operating activities:		
Justice Court fines	\$ 886,994	\$ 3,314,580
District Court fines	201,402	797,428
Other fines and penalties	3,500	10,500
Public land sales	908,075	3,136,882
Miscellaneous income	38	20,256
Net cash provided by operating activities	2,000,009	7,279,646
Cash flows from noncapital financing activities:		
Operating transfers in	10,984	81,223
Operating transfers out	(2,837,049)	(7,933,150)
Net cash provided by (used for) noncapital financing activities	(2,826,065)	(7,851,927)
Cash flows from investing activities:		
Purchase of Investments	(19,863,842)	(42,375,561)
Sale of Investments	10,005,767	32,505,767
Treasurer's interest distribution	516,835	930,981
Investment interest	1,124,115	3,935,317
Purchased interest	(107,625)	(32,603)
Net cash provided by (used for) investing activities	(8,324,750)	(5,036,099)
Net increase (decrease) in cash and cash equivalents	(9,150,806)	(5,608,380)
Cash and cash equivalents at beginning of period	20,998,380	17,455,954
Cash and cash equivalents at end of period	\$ 11,847,574	\$ 11,847,574
<b>Reconciliation of net operating income to cash provided by operating activities:</b>		
Total operating income	\$ 2,678,860	\$ 15,063,442
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	139,343	290,887
Investment income reported as operating income	(818,194)	(8,074,683)
Net cash provided by operating activities	\$ 2,000,009	\$ 7,279,646

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 June 30, 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	8,440,000
Nye County	April 1, 1999	17,545,000	15,540,000
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
Mineral County	June 1, 2001	4,425,000	4,425,000

**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 June 30, 2001, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$20,444,018.51. 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, 2001, funds held by the State Treasurer earned interest at an effective rate of 4.84 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**  
June 30, 2001

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	\$ 5,067,950
Fed. Farm Credit Bank	6.000	6/11/08	10,000,000	10,042,460	10,004,700
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	10,300,000
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	12,582,000
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	8,842,500
Fed Home Loan Mgt. Corp.	6.875	11/22/06	6,500,000	6,500,000	6,549,790
Fed Home Loan Mgt. Corp.	6.050	2/7/06	10,000,000	10,000,000	10,090,600
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	10,603,264
Fed National Mortgage Assoc.	3.770	11/15/01	1,000,000	982,302	985,730
Total Fixed Income Securities			<u>\$ 74,675,000</u>	73,475,864	75,026,534
<b>Fixed Income Contracts</b>					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$ 73,475,984</u>	<u>\$ 75,026,654</u>



**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**

For the Quarter and Year Ended June 30, 2001

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 6/30/2001</b>	<b>Year Ended 6/30/2001</b>
Carson City	\$ 14,922	\$ 38,733
Churchill	14,249	51,169
Clark	359,051	1,651,652
Douglas	4,331	30,479
Elko	29,441	109,797
Esmeralda	1,605	6,859
Eureka	11,996	40,417
Humboldt	-	-
Lander	1,301	5,919
Lincoln	5,060	16,119
Lyon	29,956	110,070
Mineral	-	265
Nye	39,738	197,404
Pershing	1,331	5,285
Storey	-	-
Washoe	246,480	996,257
White Pine	830	2,410
Total	<u>\$ 760,291</u>	<u>\$ 3,262,835</u>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**

For the Quarter and Year Ended June 30, 2001

<b>County</b>	<u>Schedule 3</u>	
	<b>Quarter Ended 06/30/01</b>	<b>Year Ended 06/30/01</b>
Carson City	\$ 5,104	\$ 30,837
Churchill	5,607	19,190
Clark	95,633	415,835
Douglas	5,869	29,899
Elko	24,576	87,237
Esmeralda	240	4,440
Eureka	4,235	4,235
Humboldt	3,465	6,506
Lander	775	4,832
Lincoln	1,254	10,660
Lyon	3,520	21,551
Mineral	265	2,205
Nye	2,763	17,216
Pershing	1,546	3,658
Storey	-	-
Washoe	31,985	138,333
White Pine	1,925	8,537
Total	<u>\$ 188,762</u>	<u>\$ 805,171</u>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF INVESTMENT INCOME EARNED**

For the Quarter Ended June 30, 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 Farm Credit Bank	6.000	10,000,000	25,000
Fed. Home Loan Bank Note	6.905	10,000,000	172,625
Fed. Home Loan Bank Note	5.850	12,500,000	182,813
Fed. Home Loan Bank Note	5.125	9,000,000	38,437
Fed Home Loan Mgt. Corp.	6.875	6,500,000	111,719
Fed Home Loan Mgt. Corp.	6.300	10,000,000	99,232
Fed Home Loan Mgt. Corp.	6.050	10,000,000	151,250
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.770	1,000,000	3,142
			<u>1,031,421</u>
Interest Paid on Cash Equivalent			<u>58,695</u>
Total interest on investments			<u>1,090,116</u>
Fourth quarter Treasurer's distribution			<u>267,596</u>
Total interest			<u>1,357,712</u>
<b>Change in fair value of investments:</b>			
Fourth quarter change in fair value of investments			<u>(539,518)</u>
Total investment income earned for the quarter ended June 30, 2001			<u><u>\$ 818,194</u></u>