

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2002

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2002 and 2001

	<u>3/31/2002</u>	<u>3/31/2001</u>
		<u>Exhibit A</u>
Assets		
Cash and cash equivalents	\$ 15,522,654	\$ 20,998,380
Accrued interest		
Investments	763,025	1,059,820
Treasurer	133,663	516,835
Total accrued interest	<u>896,688</u>	<u>1,576,655</u>
Receivables		
Escheated estates	147,243	236,661
Fines and penalties	366,306	496,449
Total receivables	<u>513,549</u>	<u>733,110</u>
Investments		
Land contracts	120	120
U.S. Government securities	75,771,081	65,707,978
Total investments	<u>75,771,201</u>	<u>65,708,098</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
Total Assets	<u><u>\$ 92,707,069</u></u>	<u><u>\$ 89,019,220</u></u>
Liabilities		
Due the Distributive School Account	<u>\$ 385,661</u>	<u>\$ 5,139,934</u>
Fund balances	<u>92,321,408</u>	<u>83,879,286</u>
Total Liabilities and Fund Balances	<u><u>\$ 92,707,069</u></u>	<u><u>\$ 89,019,220</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, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarter and Nine Months Ended March 31, 2002

	<u>Quarter Ended 3/31/2002</u>	<u>Exhibit B Nine Months Ended 3/31/2002</u>
Operating Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 795,815	\$ 2,256,509
District Courts	186,765	544,873
Other Fines and Penalties	-	10,000
Total fines	<u>982,580</u>	<u>2,811,382</u>
Investment income	271,058	4,218,615
Land sales	2,990,554	3,763,726
Miscellaneous	<u>2,540</u>	<u>11,293</u>
Total operating revenues/income	<u>4,246,732</u>	<u>10,805,046</u>
Operating Transfers		
Transfer from (to) Escheated Estates Fund	23,787	(27,213)
Transfer to Distributive School Account	<u>(271,058)</u>	<u>(4,218,615)</u>
Net operating transfers	<u>(247,271)</u>	<u>(4,245,828)</u>
Net income	3,999,461	6,559,218
Fund balances, beginning of period	<u>88,321,947</u>	<u>85,762,190</u>
Fund balances, March 31	<u>\$ 92,321,408</u>	<u>\$ 92,321,408</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 CASH FLOWS

For the Quarter and Nine Months Ended March 31, 2002

Exhibit C

	Quarter Ended 3/31/2002	Nine Months Ended 3/31/2002
Cash flows from operating activities:		
Justice Court fines	\$ 775,897	\$ 2,249,084
District Court fines	179,605	543,098
Other fines and penalties	-	10,000
Public land sales	2,990,554	3,763,726
Miscellaneous income	2,540	11,321
Net cash provided by operating activities	<u>3,948,596</u>	<u>6,577,229</u>
Cash flows from noncapital financing activities:		
Operating transfer in	6,593	73,461
Operating transfer out	<u>(3,832,954)</u>	<u>(6,954,032)</u>
Net cash provided by (used for) noncapital financing activities	<u>(3,826,361)</u>	<u>(6,880,571)</u>
Cash flows from investing activities:		
Purchase of Investments	-	(12,613,661)
Sale of Investments	-	12,482,325
Treasurer's interest distribution	126,885	529,783
Investment interest	1,299,214	3,472,350
Purchased interest	60,942	107,625
Net cash provided by investing activities	<u>1,487,041</u>	<u>3,978,422</u>
Net increase (decrease) in cash and cash equivalents	1,609,276	3,675,080
Cash and cash equivalents at beginning of period	<u>13,913,378</u>	<u>11,847,574</u>
Cash and cash equivalents at end of period	<u>\$ 15,522,654</u>	<u>\$ 15,522,654</u>
Reconciliation of net operating income to cash provided by operating activities:		
Total operating income	\$ 4,246,732	\$ 10,805,047
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	(27,078)	(9,203)
Investment income reported as operating income	<u>(271,058)</u>	<u>(4,218,615)</u>
Net cash provided by operating activities	<u>\$ 3,948,596</u>	<u>\$ 6,577,229</u>

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

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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 is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. 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 that 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, 2002 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
Churchill County	December 1, 2001	4,565,000	4,565,000
Carson City	February 1, 2002	9,000,000	9,000,000
Nye County	February 1, 2002	2,950,000	2,950,000

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)

(REVENUE SOURCES, Continued)

- 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)

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

Basis of Accounting:

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

Treasurer's Interest Accrual:

For the quarter ended March 31, 2002, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$14,362,933. 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, 2002, funds held by the State Treasurer earned interest at an effective rate of 3.69 percent.

Investments:

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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SCHEDULE OF INVESTMENTS
March 31, 2002

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities					
Fed. Farm Credit Bank	6.000	6/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,164,100
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,136,860
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	10,243,700
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	12,767,625
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,042,210
Fed. Home Loan Bank Note	2.300	10/7/02	4,527,000	4,435,894	4,470,186
Fed Home Loan Mgt. Corp.	6.050	2/7/06	10,000,000	10,000,000	10,167,200
Fed Home Loan Mgt. Corp.	2.300	10/10/02	2,000,000	1,959,367	1,975,780
Fed National Mortgage Assoc.	5.750	2/15/08	<u>10,675,000</u>	<u>9,760,953</u>	<u>10,803,420</u>
Total Fixed Income Securities			<u>\$ 74,702,000</u>	73,605,473	75,771,081
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$ 73,605,593</u>	<u>\$ 75,771,201</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2002

County	<u>Schedule 2</u>	
	Quarter Ended 3/31/2002	Nine Months Ended 3/31/2002
Carson City	\$ 21,327	\$ 46,633
Churchill	13,030	38,049
Clark	321,278	921,916
Douglas	9,347	24,562
Elko	23,752	72,435
Esmeralda	750	6,172
Eureka	4,990	15,595
Humboldt	-	-
Lander	915	2,710
Lincoln	4,058	10,855
Lyon	24,530	70,386
Mineral	-	132
Nye	47,869	119,085
Pershing	1,095	3,120
Storey	-	-
Washoe	321,559	918,984
White Pine	1,315	5,875
Total	<u>\$ 795,815</u>	<u>\$ 2,256,509</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2002

County	<u>Schedule 3</u>	
	Quarter Ended 3/31/2002	Nine Months Ended 3/31/2002
Carson City	\$ 5,980	\$ 13,714
Churchill	2,685	7,698
Clark	110,316	277,251
Douglas	11,741	21,799
Elko	8,923	41,137
Esmeralda	1,080	7,210
Eureka	-	-
Humboldt	3,048	6,153
Lander	915	3,580
Lincoln	602	1,688
Lyon	3,929	10,646
Mineral	330	2,640
Nye	4,864	11,152
Pershing	72	955
Storey	-	25
Washoe	31,243	130,176
White Pine	1,037	9,049
Total	<u>\$ 186,765</u>	<u>\$ 544,873</u>

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended March 31, 2002

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed Farm Credit Bank	6.000	10,000,000	150,000
Fed Farm Credit Bank	5.150	6,000,000	80,683
Fed. Home Loan Bank Note	6.905	10,000,000	172,625
Fed. Home Loan Bank Note	5.850	12,500,000	182,812
Fed. Home Loan Bank Note	5.125	9,000,000	115,313
Fed. Home Loan Bank Note	2.300	4,527,000	26,030
Fed Home Loan Mgt. Corp.	6.050	10,000,000	151,250
Fed Home Loan Mgt. Corp.	2.300	2,000,000	11,500
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	127,878
Total interest on investments			<u>1,018,091</u>

Third quarter Treasurer's distribution 133,663

Total interest 1,151,754

Change in fair value of investments:

Third quarter change in fair value of investments (880,696)

Total investment income earned for the quarter ended March 31, 2002 \$ 271,058