

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

FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2002

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

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

**BALANCE SHEET**  
September 30, 2002

Exhibit A

**Assets**

Cash and cash equivalents	<u>\$ 11,482,454</u>
Accrued interest	
Investments	938,835
Treasurer	<u>77,503</u>
Total accrued interest	<u>1,016,338</u>
Receivables	
Fines and penalties	506,198
Purchased Interest	58,673
Total receivables	<u>564,871</u>
Investments	
Land contracts	120
U.S. Government securities	<u>89,206,171</u>
Total investments	<u>89,206,291</u>
<b>Total Assets</b>	<u><u>\$ 102,269,954</u></u>

**Liabilities**

Due the Distributive School Account	\$ 6,101,414
Due to heirs	<u>533,186</u>
Total liabilities	<u>6,634,600</u>

**Fund balances**

Reserved: Permanent Fund Principal	<u>95,635,354</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 102,269,954</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 Ended September 30, 2002

Exhibit B

#### Revenues

Fines - State Penal Laws	
Justice Courts	\$ 815,373
District Courts	167,282
Other Fines and Penalties	<u>2,000</u>
Total fines	984,655
Investment income	2,972,040
Land sales	179,316
Escheated estates	20,433
Miscellaneous	<u>743</u>
Total revenues	<u>4,157,187</u>

#### Other Financing Sources (Uses)

Transfer to Distributive School Account	<u>(2,972,040)</u>
Net change in fund balance	1,185,147
Fund balances, beginning of period (as restated for GASB Statement No. 34)	<u>94,450,207</u>
Fund balances, September 30	<u><u>\$ 95,635,354</u></u>

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 is classified as a permanent trust 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 September 30, 2002 were:

School District	Issue Date	Original Amount	Balance
White Pine County	March 1, 1998	7,510,000	7,430,000
Douglas County	April 1, 1998	8,710,000	8,390,000
Nye County	April 1, 1999	17,545,000	14,740,000
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	4,370,000
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
Lyon County	May 1, 2002	13,000,000	13,000,000
Nye County	September 1, 2002	2,325,000	2,325,000

## 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)

## 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 September 30, 2002, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$10,200,711.64. 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 September 30, 2002, funds held by the State Treasurer earned interest at an effective rate of 3.04 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.

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

**SCHEDULE OF INVESTMENTS**  
September 30, 2002

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>					
Fed. Farm Credit Bank	6.000	6/11/08	\$ 10,000,000	\$ 10,042,460	\$ 11,340,600
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,264,360
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	10,025,000
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	13,117,250
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,736,920
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,181,580
Fed. Home Loan Bank Note	2.300	10/7/02	4,527,000	4,435,894	4,525,642
Fed Home Loan Mgt. Corp.	6.050	2/7/06	10,000,000	10,000,000	10,134,400
Fed Home Loan Mgt. Corp.	2.300	10/10/02	2,000,000	1,959,367	1,999,200
Fed National Mortgage Assoc.	5.750	4/15/03	2,900,000	2,984,912	2,965,250
Fed National Mortgage Assoc.	5.750	2/15/08	<u>10,675,000</u>	<u>9,760,953</u>	<u>11,915,969</u>
Total Fixed Income Securities			<u>\$ 84,602,000</u>	83,592,415	89,206,171
<b>Fixed Income Contracts</b>					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$ 83,592,535</u>	<u>\$ 89,206,291</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**  
For the Quarter Ended September 30, 2002

Schedule 2

<b>County</b>	<b>Quarter Ended 9/30/2002</b>	<b>Quarter Ended 9/30/2001</b>
Carson City	\$ 29,951	\$ 11,234
Churchill	12,981	13,784
Clark	333,730	301,184
Douglas	9,080	4,957
Elko	28,180	27,496
Esmeralda	65	4,342
Eureka	2,373	7,299
Humboldt	-	-
Lander	2,350	780
Lincoln	726	4,647
Lyon	19,170	21,994
Mineral	-	-
Nye	41,630	38,501
Pershing	1,220	990
Storey	-	-
Washoe	331,663	284,460
White Pine	2,255	1,750
Total	<u>\$ 815,373</u>	<u>\$ 723,418</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**  
For the Quarter Ended September 30, 2002

Schedule 3

<b>County</b>	<b>Quarter Ended 9/30/2002</b>	<b>Quarter Ended 9/30/2001</b>
Carson City	\$ 8,965	\$ 3,547
Churchill	2,646	3,318
Clark	74,444	82,288
Douglas	7,284	4,633
Elko	10,509	19,529
Esmeralda	2,578	365
Eureka	-	-
Humboldt	3,026	1,479
Lander	1,160	1,110
Lincoln	680	421
Lyon	5,540	3,957
Mineral	70	1,585
Nye	6,218	3,558
Pershing	45	433
Storey	-	-
Washoe	42,851	60,066
White Pine	1,265	5,569
Total	<u>\$ 167,282</u>	<u>\$ 191,858</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended September 30, 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	77,250
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	3.375	7,000,000	59,063
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	2,900,000	41,687
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Total interest on investments			<u>1,140,983</u>

First quarter Treasurer's distribution	<u>77,503</u>
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Total interest	<u>1,218,486</u>
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**Change in fair value of investments:**

First quarter change in fair value of investments	<u>1,753,554</u>
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Total investment income earned for the quarter ended September 30, 2002	<u><u>\$ 2,972,040</u></u>
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