

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2002

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEET
December 31, 2002

Exhibit A

Assets

Cash and cash equivalents	\$ 9,559,598
Accrued interest	
Investments	1,119,875
Treasurer	64,950
Total accrued interest	1,184,825
Receivables	
Fines and penalties	369,372
Purchased Interest	15,894
Total receivables	385,266
Investments	
Land contracts	120
U.S. Government securities	94,148,959
Total investments	94,149,079
Total Assets	\$ 105,278,768

Liabilities

Due the Distributive School Account	\$ 7,245,042
Due to heirs	644,387
Total liabilities	7,889,429

Fund balances

Reserved: Permanent Fund Principal	97,389,339
Total Liabilities and Fund Balances	\$ 105,278,768

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 Six Months Ended December 31, 2002

	<u>Quarter Ended 12/31/2002</u>	<u>Exhibit B Six Months Ended 12/31/2002</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 844,554	\$ 1,659,927
District Courts	168,757	336,039
Other Fines and Penalties	<u>12,500</u>	<u>14,500</u>
Total fines	1,025,811	2,010,466
Investment income	1,143,628	4,115,668
Land sales	696,044	875,360
Escheated estates	31,364	51,797
Miscellaneous	<u>766</u>	<u>1,509</u>
Total revenues	<u>2,897,613</u>	<u>7,054,800</u>
 Other Financing Sources (Uses)		
Transfer to Distributive School Account	<u>(1,143,628)</u>	<u>(4,115,668)</u>
Net change in fund balance	1,753,985	2,939,132
Fund balances, beginning of period (as restated for GASB Statement No. 34)	<u>95,635,354</u>	<u>94,450,207</u>
Fund balances, December 31	<u><u>\$ 97,389,339</u></u>	<u><u>\$ 97,389,339</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 December 31, 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
Lincoln County	December 15, 2002	2,925,000	2,925,000

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 December 31, 2002, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$11,109,401. 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, 2002, funds held by the State Treasurer earned interest at an effective rate of 2.34 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
December 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	\$ 11,362,500
Fed. Farm Credit Bank	3.125	10/1/03	2,500,000	2,532,400	2,534,375
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,255,000
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	13,046,875
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,781,920
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,199,080
Fed. Home Loan Bank Note	4.125	8/15/03	1,700,000	1,731,450	1,729,750
Fed Home Loan Mgt. Corp.	6.050	2/7/06	10,000,000	10,000,000	10,040,600
Fed Home Loan Mgt. Corp.	2.875	10/28/05	13,000,000	12,887,290	13,101,530
Fed Home Loan Mgt. Corp.	7.375	5/15/03	1,500,000	1,551,540	1,533,750
Fed National Mortgage Assoc.	5.750	4/15/03	2,900,000	2,984,912	2,937,149
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	11,959,309
Fed National Mortgage Assoc.	4.625	5/15/03	<u>2,635,000</u>	<u>2,682,087</u>	<u>2,667,121</u>
Total Fixed Income Securities			<u>\$ 89,410,000</u>	88,744,321	94,148,959
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$ 88,744,441</u>	<u>\$ 94,149,079</u>

STATE OF NEVADA
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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and Six Months Ended December 31, 2002

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2002	Six Months Ended 12/31/2002
Carson City	\$ 28,077	\$ 58,028
Churchill	10,640	23,621
Clark	299,571	633,301
Douglas	10,217	19,297
Elko	30,787	58,967
Esmeralda	1,645	1,710
Eureka	2,820	5,193
Humboldt	-	-
Lander	1,590	3,940
Lincoln	1,150	1,876
Lyon	19,417	38,587
Mineral	-	-
Nye	47,661	89,291
Pershing	1,750	2,970
Storey	-	-
Washoe	386,698	718,360
White Pine	2,531	4,786
Total	\$ 844,554	\$ 1,659,927

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and Six Months Ended December 31, 2002

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/2002	Six Months Ended 12/31/2002
Carson City	\$ 6,516	\$ 15,481
Churchill	2,843	5,489
Clark	90,881	165,326
Douglas	3,741	11,025
Elko	7,873	18,382
Esmeralda	2,191	4,769
Eureka	-	-
Humboldt	3,220	6,246
Lander	750	1,910
Lincoln	315	995
Lyon	8,056	13,596
Mineral	968	1,038
Nye	2,814	9,032
Pershing	234	279
Storey	-	-
Washoe	37,253	80,104
White Pine	1,102	2,367
Total	<u>\$ 168,757</u>	<u>\$ 336,039</u>

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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended December 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	3.125	2,500,000	16,276
Fed Farm Credit Bank	5.150	6,000,000	77,250
Fed. Home Loan Bank Note	6.905	10,000,000	57,542
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	62,344
Fed. Home Loan Bank Note	2.300	4,527,000	4,338
Fed. Home Loan Bank Note	4.125	1,700,000	11,687
Fed Home Loan Mgt. Corp.	6.050	10,000,000	151,250
Fed Home Loan Mgt. Corp.	2.300	2,000,000	2,300
Fed Home Loan Mgt. Corp.	2.875	13,000,000	62,292
Fed Home Loan Mgt. Corp.	7.375	1,500,000	16,286
Fed. Nat'l. Mortgage Assoc.	5.750	2,900,000	44,311
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	4.625	2,635,000	17,942
Total interest on investments			<u>1,125,396</u>

Second quarter Treasurer's distribution

64,950

Total interest

1,190,346

Change in fair value of investments:

Second quarter change in fair value of investments

(46,718)

Total investment income earned for the quarter ended December 31, 2002

\$ 1,143,628