

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2003

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
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BALANCE SHEET
March 31, 2003

Exhibit A

Assets

Cash and cash equivalents	<u>\$ 12,044,773</u>
Accrued interest	
Investments	833,388
Treasurer	<u>66,869</u>
Total accrued interest	<u>900,257</u>
Receivables	
Fines and penalties	352,844
Purchased Interest	32,354
Total receivables	<u>385,198</u>
Investments	
U.S. Government securities	<u>93,959,433</u>
Total Assets	<u><u>\$ 107,289,661</u></u>

Liabilities

Due the Distributive School Account	\$ 6,390,056
Due to heirs	<u>701,166</u>
Total liabilities	<u>7,091,222</u>

Fund balances

Reserved: Permanent Fund Principal	<u>100,198,439</u>
Total Liabilities and Fund Balances	<u><u>\$ 107,289,661</u></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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarter and Nine Months Ended March 31, 2003

		Exhibit B
Revenues	Quarter Ended 3/31/2003	Nine Months Ended 3/31/2003
Fines - State Penal Laws		
Justice Courts	\$ 927,699	\$ 2,587,626
District Courts	149,678	485,717
Other Fines and Penalties	<u>12,500</u>	<u>27,000</u>
Total fines	1,089,877	3,100,343
Investment income	838,870	4,954,538
Land sales	1,703,309	2,578,669
Escheated estates	16,014	67,811
Miscellaneous	<u>(100)</u>	<u>1,409</u>
Total revenues	<u>3,647,970</u>	<u>10,702,770</u>
 Other Financing Sources (Uses)		
Transfer to Distributive School Account	<u>(838,870)</u>	<u>(4,954,538)</u>
Net change in fund balance	2,809,100	5,748,232
Fund balances, beginning of period (as restated for GASB Statement No. 34)	<u>97,389,339</u>	<u>94,450,207</u>
Fund balances, March 31	<u><u>\$ 100,198,439</u></u>	<u><u>\$ 100,198,439</u></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 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 March 31, 2003 were:

School District	Issue Date	Original Amount	Balance
White Pine	March 1, 1998	7,510,000	7,430,000
Douglas	April 1, 1998	8,710,000	8,390,000
Nye	April 1, 1999	17,545,000	14,740,000
Churchill	August 1, 2000	3,655,000	3,655,000
Carson City	February 1, 2001	9,000,000	9,000,000
Lyon	February 1, 2001	12,000,000	12,000,000
Mineral	June 1, 2001	4,425,000	4,370,000
Churchill	December 1, 2001	4,565,000	4,565,000
Carson City	February 1, 2002	9,000,000	9,000,000
Nye	February 1, 2002	2,950,000	2,950,000
Lyon	May 1, 2002	13,000,000	13,000,000
Nye	September 1, 2002	2,325,000	2,325,000
Lincoln	December 15, 2002	2,925,000	2,925,000
Carson City	February 1, 2003	3,750,000	3,750,000
Churchill	February 1, 2003	6,405,000	6,405,000
Douglas	February 1, 2003	5,750,000	5,750,000
Humboldt	February 1, 2003	5,075,000	5,075,000
Pershing	February 1, 2003	5,135,000	5,135,000

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 March 31, 2003, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$11,258,468. 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, 2003, funds held by the State Treasurer earned interest at an effective rate of 2.37 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, 2003

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	6.000	6/11/08	\$ 10,000,000	\$ 10,042,460	\$ 11,340,600
Fed. Farm Credit Bank	3.125	10/1/03	2,500,000	2,532,400	2,524,225
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,217,500
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	12,929,750
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,728,460
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,196,910
Fed. Home Loan Bank Note	4.125	8/15/03	1,700,000	1,731,450	1,718,598
Fed. Home Loan Bank Note	4.875	8/15/05	5,600,000	5,970,216	5,988,528
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,182,520
Fed Home Loan Mgt. Corp.	2.875	10/28/05	13,000,000	12,887,290	13,077,220
Fed Home Loan Mgt. Corp.	7.375	5/15/03	1,500,000	1,551,540	1,511,250
Fed National Mortgage Assoc.	5.750	4/15/03	2,900,000	2,984,912	2,905,452
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	11,992,722
Fed National Mortgage Assoc.	4.625	5/15/03	2,635,000	2,682,087	2,645,698
Total Investments			<u>\$ 89,010,000</u>	<u>\$ 88,884,737</u>	<u>\$ 93,959,433</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and Nine Months Ended March 31, 2003

County	<u>Schedule 2</u>	
	Quarter Ended 3/31/2003	Nine Months Ended 3/31/2003
Carson City	\$ 19,940	\$ 77,968
Churchill	13,443	37,064
Clark	320,245	953,546
Douglas	3,617	22,914
Elko	31,344	90,311
Esmeralda	615	2,325
Eureka	4,575	9,768
Humboldt	-	-
Lander	1,875	5,815
Lincoln	1,820	3,696
Lyon	18,881	57,468
Mineral	-	-
Nye	52,666	141,957
Pershing	1,455	4,425
Storey	-	-
Washoe	455,173	1,173,533
White Pine	2,050	6,836
Total	\$ 927,699	\$ 2,587,626

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2003

County	<u>Schedule 3</u>	
	Quarter Ended 3/31/2003	Nine Months Ended 3/31/2003
Carson City	\$ 2,921	\$ 18,402
Churchill	5,113	10,602
Clark	71,093	236,419
Douglas	3,975	15,000
Elko	9,436	27,818
Esmeralda	1,846	6,615
Eureka	-	-
Humboldt	761	7,007
Lander	2,168	4,078
Lincoln	445	1,440
Lyon	6,276	19,872
Mineral	240	1,278
Nye	2,161	11,193
Pershing	45	324
Storey	-	-
Washoe	42,293	122,397
White Pine	905	3,272
Total	<u>\$ 149,678</u>	<u>\$ 485,717</u>

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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended March 31, 2003

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	19,531
Fed Farm Credit Bank	5.150	6,000,000	77,250
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	4.125	1,700,000	16,363
Fed. Home Loan Bank Note	4.875	5,600,000	40,192
Fed. Home Loan Bank Note	3.880	4,000,000	19,400
Fed Home Loan Mgt. Corp.	6.050	10,000,000	75,625
Fed Home Loan Mgt. Corp.	2.875	13,000,000	93,437
Fed Home Loan Mgt. Corp.	7.375	1,500,000	27,656
Fed. Nat'l. Mortgage Assoc.	5.750	2,900,000	41,380
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	4.625	2,635,000	30,467
Total interest on investments			<u>1,101,942</u>
Third quarter Treasurer's distribution			<u>66,870</u>
Total interest			<u>1,168,812</u>
Change in fair value of investments:			
Third quarter change in fair value of investments			<u>(329,942)</u>
Total investment income earned for the quarter ended March 31, 2003			<u><u>\$ 838,870</u></u>