

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

**FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2003**

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

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

**BALANCE SHEET**  
June 30, 2003

Exhibit A

**Assets**

Cash and cash equivalents	<u>\$ 7,426,318</u>
Accrued interest	
Investments	1,030,624
Treasurer	<u>73,013</u>
Total accrued interest	<u>1,103,637</u>
Receivables	
Land Sales	5,365,983
Fines and penalties	382,946
Purchased Interest	23,416
Total receivables	<u>5,772,345</u>
Investments	
U.S. Government securities	<u>109,113,659</u>
<b>Total Assets</b>	<u><u>\$ 123,415,959</u></u>

**Liabilities**

Due the Distributive School Account	\$ 6,712,220
Due to heirs	<u>734,985</u>
Total liabilities	<u>7,447,205</u>

**Fund balances**

Reserved: Permanent Fund Principal	<u>115,968,754</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 123,415,959</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 Year Ended June 30, 2003

	<u>Quarter Ended 6/30/2003</u>	<u>Exhibit B Year Ended 6/30/2003</u>
<b>Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 953,120	\$ 3,540,746
District Courts	161,843	647,560
Other Fines and Penalties	<u>11,026</u>	<u>38,026</u>
Total fines	1,125,989	4,226,332
Investment income	1,637,524	6,592,062
Land sales	14,469,538	17,048,207
Escheated estates	28,239	96,051
Miscellaneous	<u>-</u>	<u>1,408</u>
Total revenues	<u>17,261,290</u>	<u>27,964,060</u>
 <b>Other Financing Sources (Uses)</b>		
Transfer to Distributive School Account	<u>(1,490,975)</u>	<u>(6,445,513)</u>
Net change in fund balance	15,770,315	21,518,547
Fund balances, beginning of period (as restated for GASB Statement No. 34)	<u>100,198,439</u>	<u>94,450,207</u>
Fund balances, June 30	<u><u>\$ 115,968,754</u></u>	<u><u>\$ 115,968,754</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 June 30, 2003 were:

School District	Issue Date	Original Amount	Balance
White Pine	March 1, 1998	7,510,000	7,345,000
Douglas	April 1, 1998	8,710,000	8,335,000
Nye	April 1, 1999	17,545,000	13,855,000
Churchill	August 1, 2000	3,655,000	3,655,000
Carson City	February 1, 2001	9,000,000	8,900,000
Lyon	February 1, 2001	12,000,000	11,900,000
Mineral	June 1, 2001	4,425,000	4,320,000
Churchill	December 1, 2001	4,565,000	4,065,000
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 June 30, 2003, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$16,760,539. 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, 2003, funds held by the State Treasurer earned interest at an effective rate of 1.74 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**  
June 30, 2003

Schedule 1

<b>Fixed Income Securities</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Cost</b>	<b>Fair Value</b>
Fed. Farm Credit Bank	6.000	6/11/08	\$ 10,000,000	\$ 10,042,460	\$ 11,571,900
Fed. Farm Credit Bank	3.125	10/1/03	2,500,000	2,532,400	2,513,275
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,165,000
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	12,867,250
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,798,750
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,205,660
Fed. Home Loan Bank Note	4.125	8/15/03	1,700,000	1,731,450	1,706,375
Fed. Home Loan Bank Note	4.875	8/15/05	5,600,000	5,970,216	6,006,000
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,216,240
Fed. Home Loan Bank Note	1.125	5/13/04	4,660,000	4,656,039	4,661,445
Fed Home Loan Mgt. Corp.	2.875	10/28/05	13,000,000	12,887,290	13,077,220
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	12,179,534
Fed National Mortgage Assoc.	3.250	5/14/08	5,000,000	4,999,219	5,081,250
US Treasury Notes	1.125	6/30/05	4,000,000	3,981,250	3,985,000
US Treasury Notes	2.000	5/15/06	4,000,000	4,038,750	4,042,520
US Treasury Notes	2.625	5/15/08	4,000,000	4,035,625	4,036,240
Total Investments			<u>\$ 103,635,000</u>	<u>\$ 103,377,081</u>	<u>\$ 109,113,659</u>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**

For the Quarter and Year Ended June 30, 2003

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 6/30/2003</b>	<b>Year Ended 6/30/2003</b>
Carson City	\$ 8,262	\$ 86,230
Churchill	27,286	64,350
Clark	379,025	1,332,571
Douglas	6,860	29,774
Elko	40,610	130,921
Esmeralda	315	2,640
Eureka	2,554	12,322
Humboldt	-	-
Lander	760	6,575
Lincoln	1,655	5,351
Lyon	21,843	79,311
Mineral	50	50
Nye	48,904	190,861
Pershing	3,060	7,485
Storey	-	-
Washoe	408,376	1,581,909
White Pine	3,560	10,396
Total	<u>\$ 953,120</u>	<u>\$ 3,540,746</u>



**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**

For the Quarter and Year Ended June 30, 2003

<b>County</b>	<u>Schedule 3</u>	
	<b>Quarter Ended 6/30/2003</b>	<b>Year Ended 6/30/2003</b>
Carson City	\$ 3,540	\$ 21,942
Churchill	4,728	15,330
Clark	77,120	313,539
Douglas	5,358	20,358
Elko	9,426	37,244
Esmeralda	-	6,615
Eureka	-	-
Humboldt	706	7,713
Lander	1,910	5,988
Lincoln	770	2,210
Lyon	3,618	23,490
Mineral	425	1,703
Nye	1,993	13,186
Pershing	1,245	1,569
Storey	-	-
Washoe	50,167	172,564
White Pine	837	4,109
Total	<u>\$ 161,843</u>	<u>\$ 647,560</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended June 30, 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	16,493
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	20,453
Fed. Home Loan Bank Note	4.875	5,600,000	68,250
Fed. Home Loan Bank Note	3.880	4,000,000	41,818
Fed. Home Loan Bank Note	1.125	4,660,000	6,553
Fed Home Loan Mgt. Corp.	2.875	13,000,000	93,437
Fed Home Loan Mgt. Corp.	7.375	1,500,000	12,505
Fed. Nat'l. Mortgage Assoc.	5.750	2,900,000	2,616
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	179,029
Fed. Nat'l. Mortgage Assoc.	4.625	2,635,000	15,758
Fed. Nat'l. Mortgage Assoc.	3.250	5,000,000	20,312
Total interest on investments			<u>1,061,662</u>

Fourth quarter Treasurer's distribution

73,013

Total interest

1,134,675

**Change in fair value of investments:**

Fourth quarter change in fair value of investments

502,849

Total investment income earned for the quarter ended June 30, 2003

\$ 1,637,524