

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

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

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

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

**BALANCE SHEETS**  
September 30, 2003 and 2002

	<u>9/30/2003</u>	<u>9/30/2002</u>
		Exhibit A
<b>Assets</b>		
Cash and cash equivalents	\$ 15,854,418	\$ 11,482,454
Accrued interest		
Investments	879,312	938,835
Treasurer	74,107	77,503
Total accrued interest	<u>953,419</u>	<u>1,016,338</u>
Receivables		
Fines and penalties	423,007	506,198
Purchased Interest	23,416	58,673
Total receivables	<u>446,423</u>	<u>564,871</u>
Investments		
Land contracts	-	120
U.S. Government securities	106,199,378	89,206,171
Total investments	<u>106,199,378</u>	<u>89,206,291</u>
<b>Total Assets</b>	<u>\$ 123,453,638</u>	<u>\$ 102,269,954</u>
<b>Liabilities</b>		
Due the Distributive School Account	\$ 5,674,310	\$ 6,101,414
Due to heirs	714,759	533,186
Total liabilities	<u>6,389,069</u>	<u>6,634,600</u>
<b>Fund balances</b>		
Reserved: Permanent Fund Principal	117,064,569	95,635,354
<b>Total Liabilities and Fund Balances</b>	<u>\$ 123,453,638</u>	<u>\$ 102,269,954</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 Quarters Ended September 30, 2003 and 2002

	<u>Quarter Ended 9/30/2003</u>	<u>Exhibit B Quarter Ended 9/30/2002</u>
<b>Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 875,021	\$ 815,373
District Courts	186,078	167,282
Other Fines and Penalties	<u>5,000</u>	<u>2,000</u>
Total fines	1,066,099	984,655
Investment income (loss)	(62,268)	2,972,040
Land sales	34,250	179,316
Escheated estates	(5,705)	20,433
Miscellaneous	<u>1,171</u>	<u>743</u>
Total revenues	<u>1,033,547</u>	<u>4,157,187</u>
 <b>Other Financing Sources (Uses)</b>		
Transfer (to) from Distributive School Account	<u>62,268</u>	<u>(2,972,040)</u>
Net change in fund balances	1,095,815	1,185,147
Fund balances, beginning of period	<u>115,968,754</u>	<u>94,450,207</u>
Fund balances, September 30	<u>\$ 117,064,569</u>	<u>\$ 95,635,354</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, 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 September 30, 2003, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$13,877,833. 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, 2003, funds held by the State Treasurer earned interest at an effective rate of 2.13 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, 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	\$ 11,309,400
Fed. Farm Credit Bank	3.125	10/1/03	2,500,000	2,532,400	2,500,000
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,103,140
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	12,703,125
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,677,790
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,157,500
Fed. Home Loan Bank Note	4.875	8/15/05	5,600,000	5,970,216	5,946,528
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,182,520
Fed. Home Loan Bank Note	1.125	5/13/04	4,660,000	4,656,039	4,658,555
Fed Home Loan Mgt. Corp.	2.875	10/28/05	13,000,000	12,887,290	13,016,250
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	11,912,660
Fed National Mortgage Assoc.	3.250	5/14/08	5,000,000	4,999,219	5,028,150
US Treasury Notes	1.125	6/30/05	4,000,000	3,981,250	3,986,240
US Treasury Notes	2.000	5/15/06	4,000,000	4,038,750	4,027,520
US Treasury Notes	2.625	5/15/08	4,000,000	4,035,625	3,990,000
Total Investments			<u>\$ 101,935,000</u>	<u>\$ 101,645,631</u>	<u>\$ 106,199,378</u>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**

For the Quarters Ended September 30, 2003 and 2002

Schedule 2

<b>County</b>	<b>Quarter Ended 9/30/2003</b>	<b>Quarter Ended 9/30/2002</b>
Carson City	\$ 11,618	\$ 29,951
Churchill	11,240	12,981
Clark	320,833	333,730
Douglas	7,588	9,080
Elko	42,833	28,180
Esmeralda	1,060	65
Eureka	4,896	2,373
Humboldt	155	-
Lander	1,195	2,350
Lincoln	1,715	726
Lyon	18,025	19,170
Mineral	-	-
Nye	46,764	41,630
Pershing	2,581	1,220
Storey	-	-
Washoe	402,038	331,663
White Pine	2,480	2,255
<b>Total</b>	<b>\$ 875,021</b>	<b>\$ 815,373</b>



**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**

For the Quarters Ended September 30, 2003 and 2002

Schedule 3

<b>County</b>	<b>Quarter Ended 9/30/2003</b>	<b>Quarter Ended 9/30/2002</b>
Carson City	\$ 4,731	\$ 8,965
Churchill	2,755	2,646
Clark	88,700	74,444
Douglas	23,572	7,284
Elko	12,064	10,509
Esmeralda	-	2,578
Eureka	40	-
Humboldt	1,030	3,026
Lander	877	1,160
Lincoln	980	680
Lyon	3,395	5,540
Mineral	5	70
Nye	2,317	6,218
Pershing	45	45
Storey	-	-
Washoe	43,316	42,851
White Pine	2,251	1,265
Total	<u>\$ 186,078</u>	<u>\$ 167,282</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended September 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	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	59,062
Fed. Home Loan Bank Note	4.125	1,700,000	8,766
Fed. Home Loan Bank Note	4.875	5,600,000	68,250
Fed. Home Loan Bank Note	3.880	4,000,000	38,800
Fed. Home Loan Bank Note	1.125	4,660,000	13,106
Fed Home Loan Mgt. Corp.	2.875	13,000,000	93,438
Fed Home Loan Mgt. Corp.	7.375	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.250	5,000,000	40,625
US Treasury Notes	1.125	4,000,000	11,250
US Treasury Notes	2.000	4,000,000	20,000
US Treasury Notes	2.625	4,000,000	26,250
Total interest on investments			1,077,906

First quarter Treasurer's distribution	74,107
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Total interest	1,152,013
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**Change in fair value of investments:**

First quarter change in fair value of investments	(1,214,281)
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Total investment income (loss) earned for the quarter ended September 30, 2003	(62,268)
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