

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

**FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JUNE 30, 2002**

**KATHY AUGUSTINE**  
**STATE CONTROLLER**  
**CARSON CITY, NEVADA**

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

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

**BALANCE SHEETS**  
June 30, 2002 and 2001

	<u>6/30/2002</u>	<u>6/30/2001</u>
		<u>Exhibit A</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,994,118	\$ 11,847,574
Accrued interest		
Investments	1,158,008	1,025,821
Treasurer	123,490	267,596
Total accrued interest	<u>1,281,498</u>	<u>1,293,417</u>
Receivables		
Escheated estates	195,213	412,717
Fines and penalties	597,342	357,106
Purchased Interest	58,673	107,625
Total receivables	<u>851,228</u>	<u>877,448</u>
Investments		
Land contracts	120	120
U.S. Government securities	87,452,617	75,026,534
Total investments	<u>87,452,737</u>	<u>75,026,654</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
<b>Total Assets</b>	<u><u>\$ 97,582,558</u></u>	<u><u>\$ 89,048,070</u></u>
<b>Liabilities</b>		
Due the Distributive School Account	<u>\$ 3,129,374</u>	<u>\$ 3,121,078</u>
<b>Fund balances</b>	<u>94,453,184</u>	<u>85,926,992</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 97,582,558</u></u>	<u><u>\$ 89,048,070</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, 2002

	<u>Quarter Ended 6/30/2002</u>	<u>Exhibit B Year Ended 6/30/2002</u>
<b>Operating Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 814,600	\$ 3,071,109
District Courts	172,660	717,533
Other Fines and Penalties	<u>-</u>	<u>10,000</u>
Total fines	987,260	3,798,642
Investment income	2,858,317	7,076,932
Land sales	1,091,206	4,854,932
Miscellaneous	<u>107</u>	<u>11,430</u>
Total operating revenues/income	<u>4,936,890</u>	<u>15,741,936</u>
<b>Operating Transfers</b>		
Transfer from (to) Escheated Estates Fund	53,203	25,990
Transfer to Distributive School Account	<u>(2,858,317)</u>	<u>(7,076,932)</u>
Net operating transfers	<u>(2,805,114)</u>	<u>(7,050,942)</u>
Net income	2,131,776	8,690,994
Fund balances, beginning of period	<u>92,321,408</u>	<u>85,762,190</u>
Fund balances, June 30	<u><u>\$ 94,453,184</u></u>	<u><u>\$ 94,453,184</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 CASH FLOWS**  
For the Quarter and Year Ended June 30, 2002

Exhibit C

	<b>Quarter Ended 6/30/2002</b>	<b>Year Ended 6/30/2002</b>
<b>Cash flows from operating activities:</b>		
Justice Court fines	\$ 614,353	\$ 2,863,437
District Court fines	141,871	684,969
Other fines and penalties	-	10,000
Public land sales	1,091,206	4,854,932
Miscellaneous income	107	11,428
Net cash provided by operating activities	1,847,537	8,424,766
<b>Cash flows from noncapital financing activities:</b>		
Operating transfer in	5,232	78,693
Operating transfer out	(114,603)	(7,068,635)
Net cash provided by (used for) noncapital financing activities	(109,371)	(6,989,942)
<b>Cash flows from investing activities:</b>		
Purchase of Investments	(9,986,942)	(22,600,603)
Sale of Investments	-	12,482,325
Treasurer's interest distribution	133,663	663,446
Investment interest	645,250	4,117,600
Purchased interest	(58,673)	48,952
Net cash provided by (used for) investing activities	(9,266,702)	(5,288,280)
Net increase (decrease) in cash and cash equivalents	(7,528,536)	(3,853,456)
Cash and cash equivalents at beginning of period	15,522,654	11,847,574
Cash and cash equivalents at end of period	\$ 7,994,118	\$ 7,994,118
<b>Reconciliation of net operating income to cash provided by operating activities:</b>		
Total operating income	\$ 4,936,890	\$ 15,741,936
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	(231,036)	(240,240)
Investment income reported as operating income	(2,858,317)	(7,076,930)
Net cash provided by operating activities	\$ 1,847,537	\$ 8,424,766

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 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, 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

**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)

(REVENUE SOURCES, Continued)

- 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, 2002, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$16,331,998. 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, 2002, funds held by the State Treasurer earned interest at an effective rate of 3.03 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, 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	\$ 10,684,400
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,198,780
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	10,153,100
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	13,074,250
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,354,420
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,006,580
Fed. Home Loan Bank Note	2.300	10/7/02	4,527,000	4,435,894	4,506,176
Fed Home Loan Mgt. Corp.	6.050	2/7/06	10,000,000	10,000,000	10,237,500
Fed Home Loan Mgt. Corp.	2.300	10/10/02	2,000,000	1,959,367	1,990,400
Fed National Mortgage Assoc.	5.750	4/15/03	2,900,000	2,984,912	2,981,577
Fed National Mortgage Assoc.	5.750	2/15/08	<u>10,675,000</u>	<u>9,760,953</u>	<u>11,265,434</u>
Total Fixed Income Securities			<u>\$ 84,602,000</u>	83,592,415	87,452,617
<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>\$ 87,452,737</u>

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

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 6/30/2002</b>	<b>Year Ended 6/30/2002</b>
Carson City	\$ 25,005	\$ 71,638
Churchill	14,194	52,243
Clark	301,287	1,223,203
Douglas	10,053	34,615
Elko	28,999	101,434
Esmeralda	1,240	7,412
Eureka	3,065	18,660
Humboldt	-	-
Lander	810	3,520
Lincoln	3,399	14,254
Lyon	21,721	92,107
Mineral	100	232
Nye	53,741	172,826
Pershing	1,065	4,185
Storey	-	-
Washoe	347,116	1,266,100
White Pine	2,805	8,680
Total	\$ 814,600	\$ 3,071,109

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

<b>County</b>	<u>Schedule 3</u>	
	<b>Quarter Ended 6/30/2002</b>	<b>Year Ended 6/30/2002</b>
Carson City	\$ 4,927	\$ 18,641
Churchill	1,295	8,993
Clark	102,229	379,480
Douglas	5,879	27,678
Elko	13,857	54,994
Esmeralda	2,450	9,660
Eureka	-	-
Humboldt	1,454	7,607
Lander	771	4,351
Lincoln	1,985	3,673
Lyon	5,925	16,571
Mineral	570	3,210
Nye	2,961	14,113
Pershing	55	1,010
Storey	-	25
Washoe	27,018	157,194
White Pine	1,284	10,333
Total	<u>\$ 172,660</u>	<u>\$ 717,533</u>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF INVESTMENT INCOME EARNED**

For the Quarter Ended June 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	-
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	-
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Total interest on investments			<u>1,040,233</u>

Fourth quarter Treasurer's distribution			<u>123,490</u>
Total interest			<u>1,163,723</u>

**Change in fair value of investments:**

Fourth quarter change in fair value of investments			<u>1,694,594</u>
Total investment income earned for the quarter ended June 30, 2002			<u>\$ 2,858,317</u>