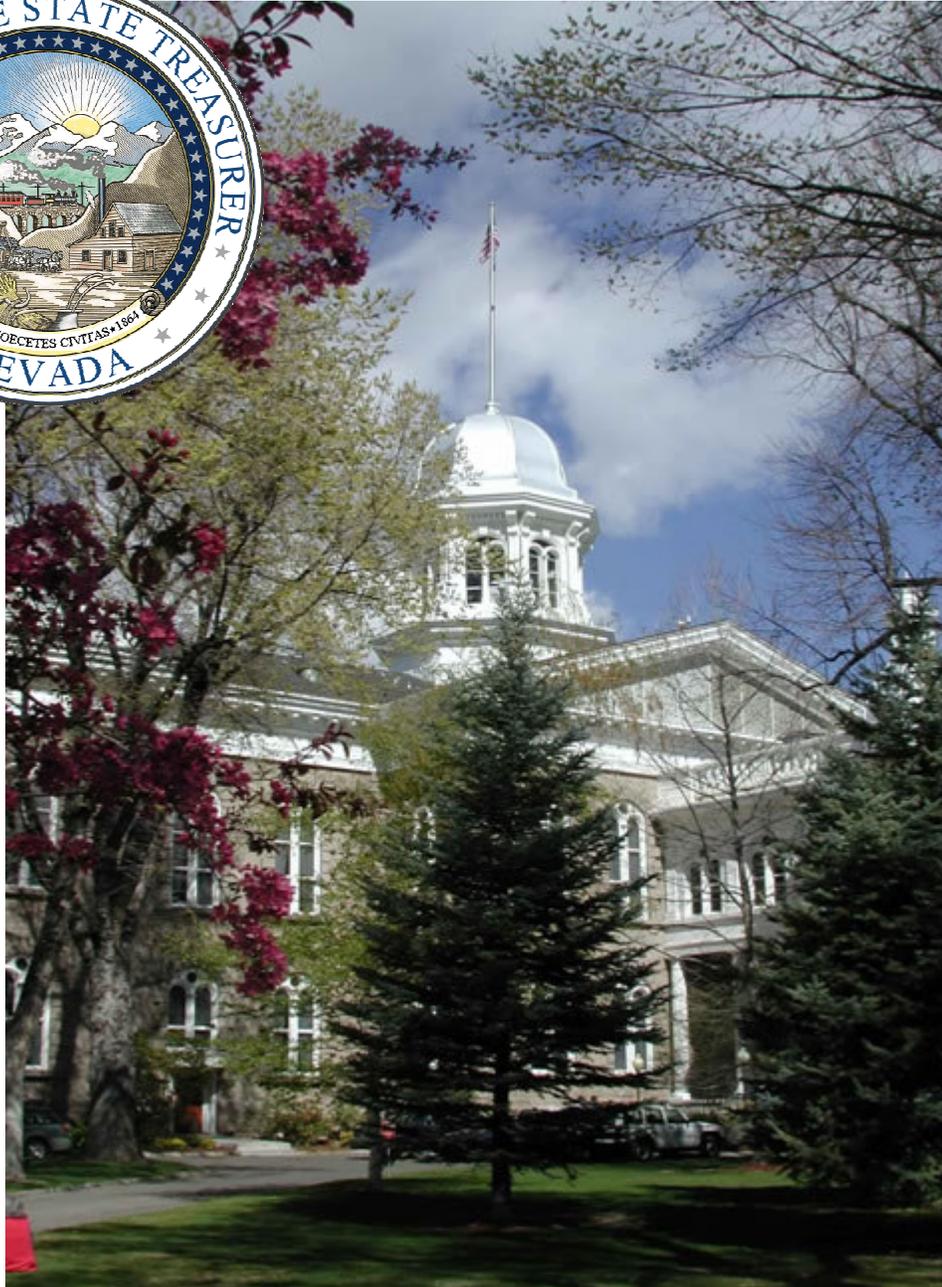


ANNUAL REPORT

Fiscal Year 2009

July 1, 2008 to June 30, 2009



State of Nevada
Office of the State Treasurer
Kate Marshall

MISSION STATEMENT

The Nevada State Treasurer's Office adheres to sound fiscal policy principles—including the prudent and conservative financial management of all state monies—by ensuring the state's money is invested with an emphasis on preservation of assets, then on return, and that the state's debt obligations are paid timely and accurately; that money entrusted by participants in the Nevada Prepaid Tuition and Nevada 529 College Savings Plans programs, as well as tobacco settlement monies received by the state and used to operate the Gov. Guinn Millennium Scholarship program and the Fund for a Healthy Nevada, is managed, monitored, and invested with the intent of maximizing earnings while maintaining the highest degree of safety; and that unclaimed property held by the state is returned as judiciously as possible to its rightful owners.



OFFICE OF THE STATE TREASURER

October 1, 2009

Dear Gov. Gibbons and Members of the Legislature:

As required by NRS 226.120, it is my pleasure to present you with the State Treasurer's Office Annual Report for Fiscal Year 2009 (FY09), an account of the operations of the Treasurer's Office over the past fiscal year.

For FY09, investment interest earnings on the state's General Portfolio came in at \$48.9 million. As of June 30, 2009, total assets under management were almost \$3.25 billion. Our debt service payment reserves increased to 11 months, well above the standard "best practice" of six months of reserve.



For FY09, the State Treasurer's Office had an approved budget, over all functional areas, of \$5,129,747, but expended only \$4,594,093. Only 30% of the total expenditures were paid for with General Fund appropriation, with the balance being funded by assessments and trust fund transfers.

When the state was in dire need of assistance to make it through FY09 and with a special session called in December to determine how the state would meet a projected budget shortfall, it gave me great pride as State Treasurer to recommend to the Governor and Legislature they consider the idea of possibly using a loan from the Local Government Investment Pool (LGIP). This source of funding, which ultimately was not tapped, provided breathing room so all parties could more thoughtfully consider necessary reductions during the regular 2009 Legislative Session.

The Unclaimed Property Division had another banner year in FY 2009 with \$77.2 million in collections and \$25 million returned to owners, continuing the office's efforts to greatly increase the amount returned to rightful owners over the past two fiscal years from FY06 (\$7.2 million). Further, the State Treasurer's Office turned over more than \$50 million to the state General Fund, 23% more than estimated.

Other noteworthy accomplishments achieved during FY09 were a successful in-state marketing plan aimed at increasing participation in the Nevada College Savings Plans and Nevada Prepaid Tuition programs, our College Savings Plans program being ranked in the top ten nationally, and creation of a Nevada BRAT (Bond Rating Advisory Team) Pack. Another noteworthy accomplishment was working with the 2009 Legislature to successfully amend existing statutes to create a path for the state to issue Build America Bonds and Qualified School Construction Bonds in relation to the American Recovery and Reinvestment Act, thus providing the opportunity for significant cost savings to the state and local governments.

In cooperation with the Governor and Legislature, I look forward to continuing our efforts to increase efficiencies and cost-saving ideas aimed at providing the best services at the least expensive cost to the people of Nevada.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kate Marshall".

Kate Marshall
State Treasurer

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Picture Credits

Cover	Former Nevada State Photographer Rich Johnston
Inside	State Photographer Julie Duewel

OVERVIEW

The Office of State Treasurer was created in 1864, under Article 5, Section 19, of the Constitution of the State of Nevada. The State Treasurer is elected to a four-year term and the general responsibilities include the receipt and safeguarding of all money of the State which is not expressly required by law to be received and kept by some other person; the disbursement of state money through electronic means and checks drawn upon the Treasury by the State Controller; the investment of all available state funds which include, but are not limited to, the General Investment Portfolio, Local Government Investment Pools, Prepaid Tuition Program, 529 College Savings Plan, and the Permanent School Fund; the issuance of any debt obligation authorized on behalf and in the name of the state (with few exceptions); and managing the state's Unclaimed Property and Pooled Collateral programs.

The office is divided into six functional areas: Administration, Cash Management, Debt Management, Investments, Education Programs, and Unclaimed Property.

The mission of the State Treasurer's Office is to:

- Provide ethical financial leadership to the state;
- Provide prudent and conservative financial management of all state monies;
- Provide professional and judicious fiscal management of all state monies;
- Maximize earnings while maintaining the highest degree of safety;
- Assist families in providing for their children's higher education;
- Maintain the highest degree of public confidence and accountability;
- Maintain an organization which exudes confidence and professionalism; and
- Promote efficiencies through technological advances and best practices.

Statutory responsibilities of the State Treasurer:

- Member of the State Board of Finance;
- Ex-Officio State Disbursing Office for the federal government;
- Administrator of the Municipal Bond Bank;
- Chairman of the Board of Trustees of the College Savings Plans of Nevada;
- Administrator of the 529 College Savings Plan and Trust Fund;
- Administrator of the Nevada Prepaid Tuition Program and Trust Fund;

- Administrator of the Fund for a Healthy Nevada and the Trust Fund for Public Health;
- Member of the Executive Branch Audit Committee;
- President of the Nevada Real Property Corporation; and
- Administrator of the Nevada Unclaimed Property Division.

For FY09, the State Treasurer's Office had an approved budget, over all functional areas, of \$5,129,747, but expended only \$4,594,093. Only 30% of the total expenditures were paid for with General Fund appropriation, with the balance being funded by assessments and trust fund transfers.



State Treasurer Kate Marshall at staff meeting

NEVADA COLLEGE SAVINGS PLANS

The State Treasurer administers two types of qualified 529 plans: the Nevada Prepaid Tuition program and the Nevada 529 College Savings Plans, as authorized by 26 U.S.C. § 529. The programs are designed to assist parents and students in taking advantage of the Internal Revenue Service 529 College Savings Plans, which offer savings and tax advantages to account holders.

NEVADA 529 COLLEGE SAVINGS PLANS

The State Treasurer's Office partners with Upromise Investments to help Nevada residents and families across the country save for college. The Nevada 529 College Savings Plans combines tax benefits and flexible features, making it a smart and easy way to save for college. Under the Internal Revenue Code regarding 529 College Savings Programs, earnings in the account grow tax-deferred and, if used for qualified educational expenses, are withdrawn tax-free. This allows savings to grow faster, providing more money toward college-related expenses.

The Nevada 529 College Savings Plans consist of three direct sold programs: Upromise College Fund 529 Plan, Vanguard 529 College Savings Plan, and USAA College Savings Plan; and one advisor-sold plan (Columbia 529 Plan). As of June 30, 2009, there were 418,681 accounts actively managed across all four of these plans, with \$4,568,231,621 in assets under management.

Two of Nevada's premier college savings plans programs—Vanguard 529 Savings Plan and the Upromise College Fund—were ranked in the top ten nationally for 3-year performance by Savingforcollege.com, an independently sponsored website dedicated to assisting parents and students with planning for college.

May 28, 2009

Rank	State	Plan	Percentile
1	South Carolina	Future Scholar 529 College Savings Plan (Direct-sold)	23.16
2	Kansas	Learning Quest 529 Education Savings Program (Direct-sold)	25.03
3	Ohio	Ohio College Advantage 529 Savings Plan	25.20
4	Nevada	The Vanguard 529 Savings Plan	26.74
5	Kansas	Schwab 529 College Savings Plan	26.96
6	Iowa	College Savings Iowa	28.18
7	Wisconsin	EdVest (Direct-sold)	28.26
8	Utah	Utah Educational Savings Plan (UESP) Trust	28.67
9	Nevada	The Upromise College Fund	28.82
10	Arkansas	GIFT College Investing Plan	28.88

The college savings programs offer a variety of market-based savings options. Each portfolio has a different allocation of stock, bond, and money market funds. The investor selects a portfolio depending on his/her own risk tolerance and the amount of time until the child enters college. Any person may open a 529 college savings account by contributing as little as \$50 per month or by making a minimum one-time investment of \$250. The maximum that can be saved in a 529 plan is \$310,000. These accounts may be used for any qualified education expenses at any eligible post-secondary school in the world, including two and four year colleges, technical and trade schools, and graduate school.

Ugift Program

In collaboration with Upromise Investments, Nevada launched the *Ugift* program in November 2007, which invites friends and families to give the gift of college savings, in lieu of traditional gifts. Three of Nevada's plans—Upromise College Fund, USAA College Savings, and Vanguard 529 Savings Plan—offer the *Ugift* option. By the end of FY 2009, *Ugift* accounts had accumulated nearly \$2.2 million in gift contributions since inception, with an average gift contribution of \$333.



**Marketing poster created for
Nevada College Savings Plans program**

Increase Nevada Participation

With the intent of increasing Silver State participation in the Nevada College Savings Plans and the Nevada Prepaid Tuition programs, the State Treasurer's Office embarked on a grassroots media and outreach campaign during FY 2009, with the underlying goal of the marketing campaign was to better educate Nevada residents about the value of saving for college. Several avenues were successfully used in the campaign, including:

- Enlisting the support of the State Superintendent for Public Instruction and various school districts in launching the *Save for College, One Step at a Time* campaign to encourage families to get involved in one of Nevada’s college savings plans.
- Lowering the cost of the Nevada-sponsored Vanguard 529 Plan, ensuring its ranking as one of the top four college savings plans in the country.
- Completing a comprehensive review of the Nevada Prepaid Tuition Program aimed at increasing disclosure, administrative effectiveness, and improving the actuarial soundness of the Nevada Higher Education Trust Fund.
- Participating in local community events and direct mail campaigns targeting parents and children, such as Las Vegas’ Baby Expo and Career, as well as high school College Day activities on campuses throughout the state.
- In collaboration with the Nevada Bankers Association, sponsoring the Nevada \$529 College Savings Day contest, which awarded five \$529 college savings accounts to elementary school students selected from throughout the state. More than 1,000 youngsters entered the contest.



Treasurer Kate Marshall joined Senior Deputy Treasurer Karen Duddleston and Gov. Guinn Millennium Scholarship program Executive Director Reba Coombs during State Employee Open Enrollments Fairs in Elko, Ely, and Winnemucca.

FY 2009 Account Information:

Year	Upromise College Fund	Vanguard 529 Plan	Columbia 529 Plan	USAA 529 Plan	Total
2004	64,462	35,178	5,939	13,520*	119,099
2005	112,901	60,787	7,579	26,117	207,384
2006	151,384	88,552	8,176	41,505	289,617
2007	157,307	115,055	8,455	58,596	339,413
2008	166,569	141,601	8,516	76,168	392,854
2009	166,790	155,281	9,169	87,441	418,681

* August 31, 2004

Assets at the conclusion of FY 2009:

Year	Upromise College Fund	Vanguard 529 Plan	Columbia 529 Plan	USAA 529 Plan	Total
2004	\$92,139,392	\$567,197,658	\$76,940,731	\$85,110,079*	\$821,387,860
2005	\$261,630,755	\$1,137,692,239	\$81,402,014	\$153,351,294	\$1,634,076,302
2006	\$383,842,469	\$1,871,984,679	\$98,035,268	\$246,846,481	\$2,600,708,897
2007	\$564,881,385	\$2,972,622,759	\$125,472,185	\$400,566,218	\$4,063,542,547
2008	\$630,076,335	\$3,493,167,241	\$122,811,600	\$490,988,322	\$4,737,043,498
2009	\$608,228,558	\$3,343,224,153	\$97,637,879	\$519,141,031	\$4,568,231,621

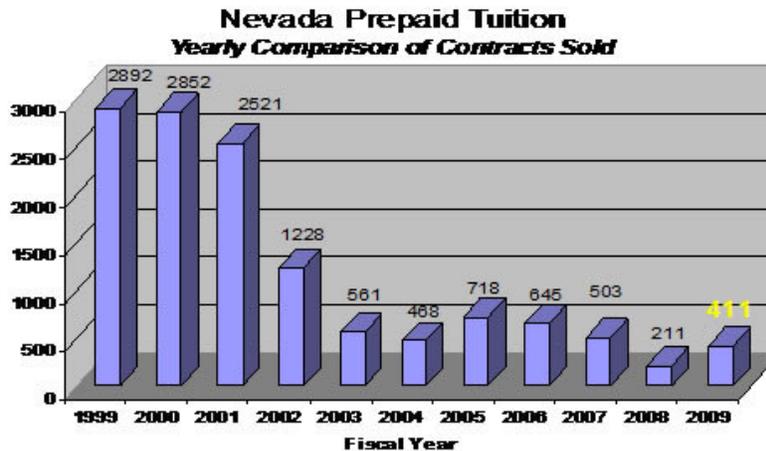
* August 31, 2004

Number of Nevada Accounts:

Year	Upromise College Fund	Vanguard 529 Plan	Columbia 529 Plan	USAA 529 Plan	Total
2007	2,824	1,460	NA	660	5,043
2008	3,305	1,923	118	826	6,172
2009	3,238	2,089	146	958	6,431

NEVADA PREPAID TUITION PROGRAM

The Nevada Prepaid Tuition Program, which began in 1998, continues to offer a smart savings option to Nevada residents or graduates of the Nevada System of Higher Education looking to begin a college savings program for their newborn to ninth grade child. The program provides parents, grandparents, family members, and friends a variety of options to make participation in the program easy and convenient. Nevada Prepaid Tuition contracts can be satisfied with a lump sum payment, payments spread out evenly over sixty months, or from time of enrollment until the child is ready to start college. At the conclusion of FY 2009, more than 13,010 children had enrolled in the program and the Nevada Higher Education Tuition Trust Fund had assets of \$88.1 million.



The Nevada Prepaid Tuition program is transferrable to private or public out-of-state colleges and universities, and can be transferred to another family member, including a first cousin. As of June 30, 2009, there were more than 1,500 students using their benefit and the program had paid out over \$4 million in tuition benefits on behalf of these students, an increase of nearly \$941 million from FY 2008.

Due primarily to the grassroots marketing plan the State Treasurer's Office developed and directed in the spring of 2009, new enrollment in Nevada Prepaid Tuition nearly doubled from FY 2008, with significant improvement in participation by rural community families, a historically underserved population.

Prepaid Tuition Enrollment Comparison

County	2008	2009	Improvement	Percentage Increase
Clark	111	199	88	79.28%
Washoe	62	128	66	106.45%
Other Nevada Counties	28	71	43	153.57%
Out of State Counties	10	13	3	30.00%

Total 211 411 200 UP 94.7%

GOV. GUINN MILLENNIUM SCHOLARSHIP

In 1999, the Legislature unanimously approved the dedication of 40 percent of Nevada's Tobacco Master Settlement Agreement payments to fund the Millennium Scholarship Program, which by legislative decree during the 2007 session was renamed after former Gov. Kenny Guinn.

The program provides scholarship funding toward attendance at any college or university located in the state to Nevada high school students who, as of June 2009:

- Graduated with a minimum GPA of 3.25
- Has been a resident and attended a high school in Nevada for at least two years
- Graduated with a diploma from a public or private Nevada high school
- Passed the Nevada High School Proficiency Examination
- Completed a core curriculum consisting of 4 units of math (including Algebra II), 4 units of English, and 3 units each of natural and social sciences.

There is no application process for the student to complete. Nevada high schools electronically submit the names of eligible students to the Millennium Scholarship Program in the Treasurer's Office. Including the graduating class of 2009, more than 83,000 high school seniors have been eligible for the Millennium Scholarship, with an average utilization rate of over 71 percent since the program was established. By the end of the spring 2009 school term, more than \$202 million had been distributed to 53,559 Millennium Scholars, who collectively earned more than 17,000 associate, bachelor, and other certificates and degrees.



Millennium Scholarship Executive Director Reba Coombs

Now in its ninth year, the Gov. Guinn Millennium Scholarship Program has continued to recognize, make contact with, and support students in their pursuit of higher education. The State Treasurer's Office partners and collaborates with the Nevada System of Higher Education and the Nevada Department of Education to enhance and support Millennium Scholars.

During the 2009 legislative session, two bills provided enhancements to the program. Assembly Bill 96 established a co-enrollment policy whereby a student can be enrolled in two eligible institutions and continue to receive Millennium funding from both institutions. Senate Bill 209 allows an extension of the 6-year expiration deadline if a student is participating in a charitable, religious, or public service assignment or mission. During two special sessions in 2008 and the regular session in 2009, due to budget restraints, the legislature made the decision to not transfer a total of \$12.6 million into the Millennium Scholarship Trust Fund from the state's tobacco company Master Settlement Agreement. Further, over the 2010-2011 Biennium, an additional \$7.6 million will not be transferred into the trust fund. However, the Legislature did approve a recommendation by State Treasurer Marshall to have the administrative costs paid from another budget account, thereby saving the trust fund over \$400,000 each year. Taking into account these factors and changes, the program is projected to remain solvent until FY2018.

For the first time since the program was established, a new institution has been approved to offer the Millennium Scholarship to eligible students. The University of Southern Nevada—which offers degrees in nursing—joins other community colleges, universities, and state colleges under the Nevada System of Higher Education (NSHE) umbrella and the Sierra Nevada College in Incline Village, Nevada.

An administrator of the program, the State Treasurer's Office continues to:

- Operate the program's database (MiSL: Millennium Scholarship Ledger), which collects, stores, and maintains data on Millennium Scholars.
- Collect data from high schools on eligible high school seniors in a fully automated and secure method so they can be provided award packets with the scholarship information.
- Conduct outreach efforts throughout the state at college fairs, schools, private companies, PTA groups, and other venues to hear about the Millennium Scholarship Program.
- Cooperate with representatives of each NSHE institution, NSHE System Administration, System Computing Services, Millennium Scholarship Advisory Committee, Nevada Association of School Superintendents, Leadership Forum of High School Counselors, and the Nevada Department of Education to enhance outreach efforts.
- Collect eligibility data from 17 county school districts, 39 private high schools, adult education, GED, and home school applicants.
- Disseminate information to Nevada high school students, high school counselors, NSHE institutions, and the general public.
- Work with the Millennium Scholarship Advisory Committee and NSHE System Computing Services on a system-wide review process to review balance irregularities.

The following table identifies the number of Millennium Scholars enrolled in a community college, state college, or university during FY 2008.

Enrollment by Institution by Semester				
<i>Institution Name</i>	<i>2008 Summer</i>	<i>2008 Fall</i>	<i>2009 Spring</i>	<i>2009 Summer</i>
College of Southern Nevada	893	2,913	2,565	0
Great Basin College	6	286	225	0
Nevada State College, Henderson	89	247	231	0
Sierra Nevada College	1	22	21	0
Truckee Meadows Community College	460	1,235	1,139	0
University of Nevada, Las Vegas	2,573	6,223	4,873	0
University of Nevada, Reno	1,600	5,373	4,430	0
Western Nevada College	70	446	415	0
Totals	5,692	16,745	13,899	0

*Summer 2009 not available yet.

Revenues, expenses, and fund balance for the Millennium Scholarship Fund for FY 2009:

July 1, 2008 fund balance	\$29,770,881
Tobacco settlement revenues	18,068,143
Interest income	424,447
Less Transfer out from SB 1 of 25 th Special Session	5,000,000
Less tuition payments	26,105,671
Less administrative expenses	460,153
June 30, 2009 fund balance	<u>\$16,697,646</u>

UNCLAIMED PROPERTY DIVISION

The State of Nevada's Unclaimed Property Division has the responsibility of collecting, safeguarding, and distributing unclaimed property for current and past residents and businesses. Companies and governmental agencies are required by NRS 120A to submit annual holder's reports and to turn over to the state unclaimed intangible personal assets and contents of safe deposit boxes. Personal assets include securities, bank deposits, payroll checks, utility deposits, insurance proceeds, and other items specified in Nevada's statutes. Property is considered abandoned when it remains unclaimed for the number of years prescribed by statute. The person or legal entity entitled to receive the property never loses the right to make a claim for the asset (or value of items sold). Owners could include the estate or the heir to the original owner.

The Unclaimed Property Division had another banner year in FY09. The Division collected more than \$77.2 million in unclaimed property from holders, while also continuing its efforts to boost the amount returned to rightful owners by reuniting people with over \$25 million this fiscal year, as compared to only \$7.6 million in FY06. In fact, in FY09, almost 32% of money received from holders was returned to owners, as compared to 18.73% at the conclusion of FY06.

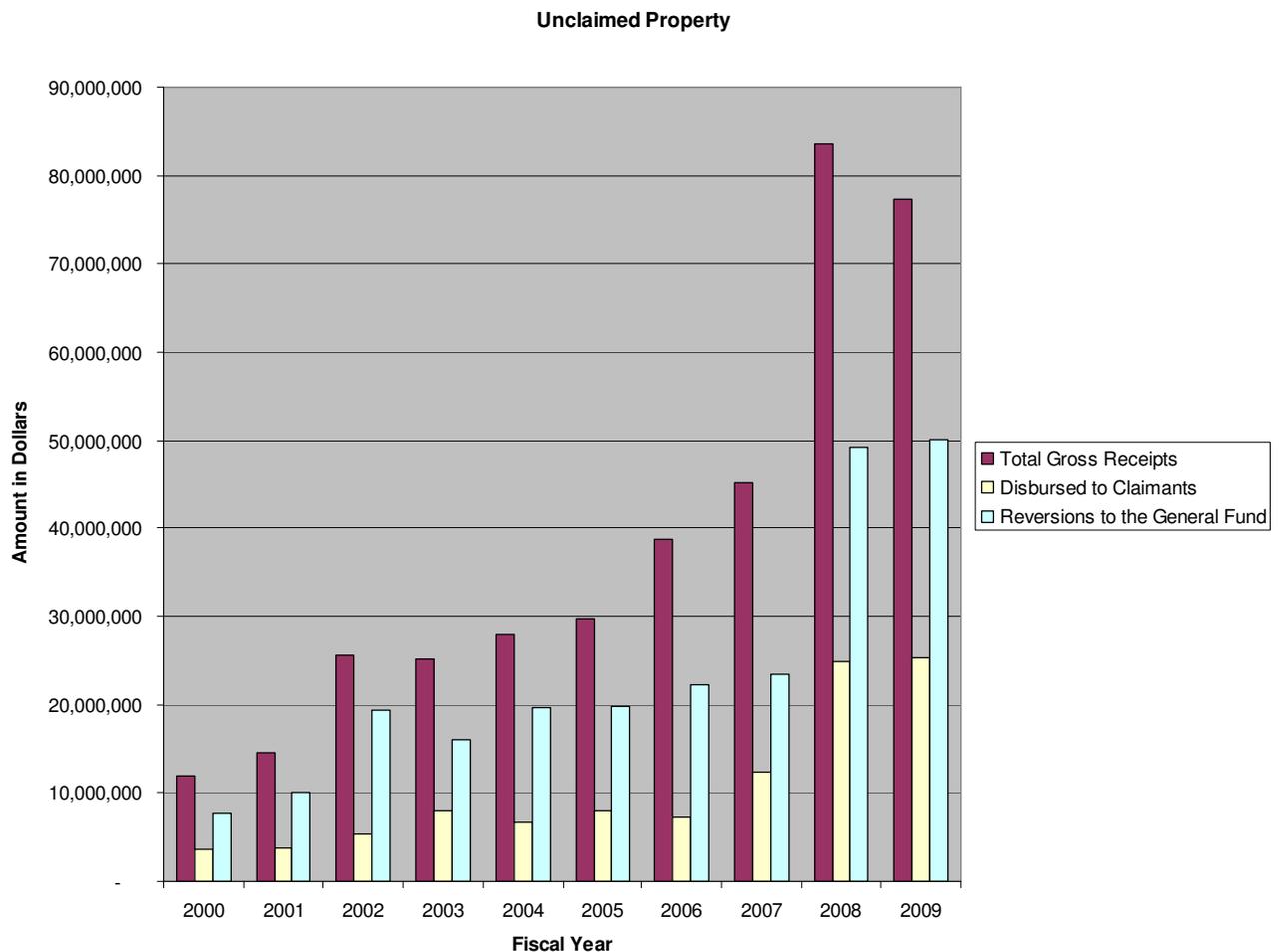
As part of the State Treasurer's Office new Outreach Program, notification cards were sent to owners of recently received safekeeping and securities-type properties in FY 09. This additional effort was extremely successful, with claims filed for securities-related properties increasing by almost 41% and claims filed for safekeeping-related properties increasing by more than 150%.

Further, for FY09, the **State Treasurer's Office transferred more than \$50 million to the state General Fund to be used to support critical programs in the state at a time when budget restraints are extraordinary tight.** The \$50 million represents an increase of 23% over the amount the State Treasurer's Office estimated in its report to the Economic Forum in April 2009.

	FY09	FY08
Total Unclaimed Property receipts	\$ 77,265,401	\$ 83,530,132
Payments to claimants	25,390,290	24,966,198
Administrative costs	1,743,148	1,777,829
Transfer to Millennium Scholarship Fund	0	7,600,000
Transfer to Educational Trust Fund	\$40,570	0
Funds available to transfer to the General Fund	\$50,092,049.76	\$49,179,533.79

At the conclusion of FY09, the state was holding approximately \$337 million in unclaimed property. The State Treasurer’s Office, Nevada Unclaimed Property Division, utilizes many methods to reunite rightful owners with their unclaimed property:

- A state website (nevadatreasurer.gov) that provides individuals the ability to easily search the state’s database of abandoned property, as well as to initiate claims.
- Member of the National Database website sponsored by the National Association of Unclaimed Property Administration (NAUPA), which provides a national search engine for unclaimed property.
- A new Holder Outreach program that increased the number of properties reported in FY09 by over 30%.
- Public notices in 17 newspapers throughout the state identifying unclaimed property held by the state along with the name of the rightful owner (NOTE: More than 109,000 names appeared in these advertisements in FY09, resulting in some 15,000 claims being filed).





The Unclaimed Property Division conducts an auction in Las Vegas once a year of property held by the state that has passed the statutorily-mandated abandonment period.

Abandoned property can be any financial asset owed to a business or an individual. Property is considered abandoned when there has been no activity and/or contact with the owner for a specific period of time. The property type will determine the abandonment period; however, it is generally three years. When a holder's attempts to locate the rightful owner have been unsuccessful, the assets must be escheated (turned over) to the state of the last known address. The State Treasurer's Office is responsible for protecting the assets and advertising the rightful owners' names in attempting to return the assets to the rightful owners. Examples of abandoned/unclaimed property include: bank accounts; un-cashed payroll checks, insurance checks, traveler's checks; utility deposits; gift certificates; stocks, bonds, mutual funds, dividends; insurance policy benefits, or claim payments; safe deposit box contents; oil and gas royalties; and court deposits. Abandoned/unclaimed property does not include real estate or land, automobiles, boats, taxes, or most other tangible properties.

CASH MANAGEMENT DIVISION

The primary duty of the Cash Management Division is to manage the state's banking relationships, assist state agencies with banking needs, and operate the state's Pooled Collateral Program. The Division is also responsible for the Treasurer's Office administrative and accounting functions.

The Cash Management Division oversees the state's banking relationships, reconciles bank transactions with state accounting records, distributes interest revenues, and manages the Nevada Pooled Collateral Program. The Division assists with accounting and administrative duties within the Treasurer's Office, including: day-to-day budget processes; biennial budget requests; purchasing and contract management; revenue forecasts; and reports and financial statements due to the Controller's Office, Department of Administration, and the Legislative Counsel Bureau. Most general inquiries from the public are also handled by the Cash Management Division.



State Treasurer's Office in Carson City, Cash Management Division

In addition to its main depository and controlled disbursement accounts, the Treasurer's Office also has twenty-two bank accounts under analysis, with most of these accounts being zero balance accounts. The funds deposited into these accounts by other state agencies is transferred into the state's consolidation account on a daily, thus providing an efficient method for combining cash balances within one financial institution, reducing non-invested cash balances. The Treasurer's Office also maintains depository accounts with other financial institutions, offering state agencies in geographically remote areas the ability to more timely deposit funds.

The Treasurer's Office has the responsibility of distributing interest earnings to statutorily approved funds and budget accounts. As determined by the cash basis of accounting and average daily balances, the Cash Management Division allocates interest collected each quarter to more

than 170 distribution units. Earnings on funds and budget accounts not legally entitled to receive interest are credited to the General Fund.

Cash Management personnel are responsible for the accounting and distribution of funds relating to the Tobacco Master Settlement Agreement (MSA). State law requires 40% of the funds be allocated to the Gov. Guinn Millennium Scholarship Fund, 50% to the Fund for a Healthy Nevada, and 10% to the Trust Fund for Public Health. Nevada received over \$50 million in MSA funds in FY09 and expects to receive nearly \$47 million in FY2010.



**Cash Management Division
State Capitol Building**

Under Nevada Revised Statute (NRS) 356.350, the State Treasurer is required to establish a program for “the monitoring of collateral of public funds.” The Nevada Pooled Collateral Program offers state and local government agencies an efficient, cost effective, and safe alternative method for securing public funds. The primary objective is to reduce risk while, at the same time, decrease the overall collateral requirement for depositories. By centralizing the administration and reporting functions through the Cash Management Division, government agencies and depositories recognize cost savings in terms of operational support and collateral efficiency.

Each financial institution is required to maintain as collateral (at a third party repository) acceptable securities having a fair market value that is at least 102% of the amount of the aggregate uninsured ledger balances of the public money held by the depository. Participating financial institutions must report each day the amount of deposits held and the value of the corresponding pledged collateral. Any under collateralization must be rectified by the financial institution by the close of business on the day the under collateralized deposits are reported.

At the conclusion of FY09, there were 187 public entities throughout the state participating in the Pooled Collateral program, with deposits in 15 financial institutions. Accounts in the program averaged a weekly balance of \$628 million—an increase of \$211 million from the previous fiscal year—of which \$372 million was uninsured (deposits that exceed FDIC or NCUA insurance). The average weekly collateral pledged for the uninsured deposits was \$575 million, of which \$195 million was excess collateral.

The Cash Management Division is also responsible for the allocation of revenues from the lease of federal lands in Nevada. Under NRS 328, these revenues are shared between the Department of Education's Distributive School Account, county treasurers, and school districts, based on the percentage of revenues collected in those various jurisdictions. Division personnel draw over \$2 billion in federal funds each year for state agencies, distributing more than 340,000 checks and direct deposit advices to vendors and employees. By encouraging the use of items such as cash vaults, remote deposit, positive pay, and ACH blocks and filters, the Treasurer's Office continues to seek more efficient and safe means by which state agencies carry out their financial transactions.



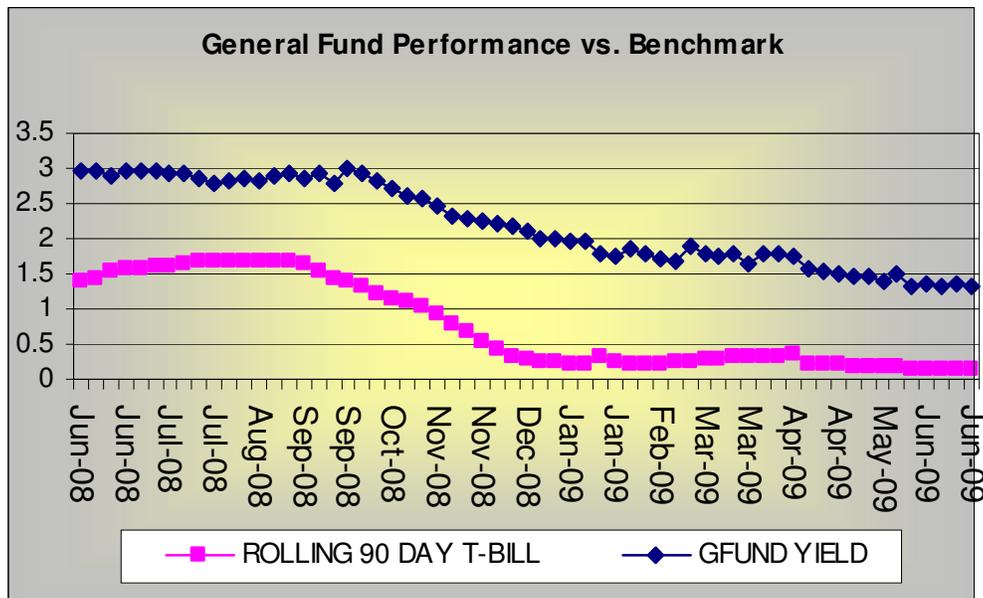
The Cash Management Division provides state agencies with in-person service at its Capitol Building office

INVESTMENT DIVISION

Investment activity in the State of Nevada's General Portfolio is a function performed by the State Treasurer's Office in accordance with state statute. An Investment Policy for the prudent investment of state funds has been adopted to assist in this process. The General Portfolio includes all state funds, excluding funds invested for the Local Government Investment Pool ("LGIP"), Local Government Pooled Long-Term Investment Account ("NVEST"), Permanent School Fund ("PSF"), and the Higher Education Tuition Trust Fund.

General Portfolio Overview

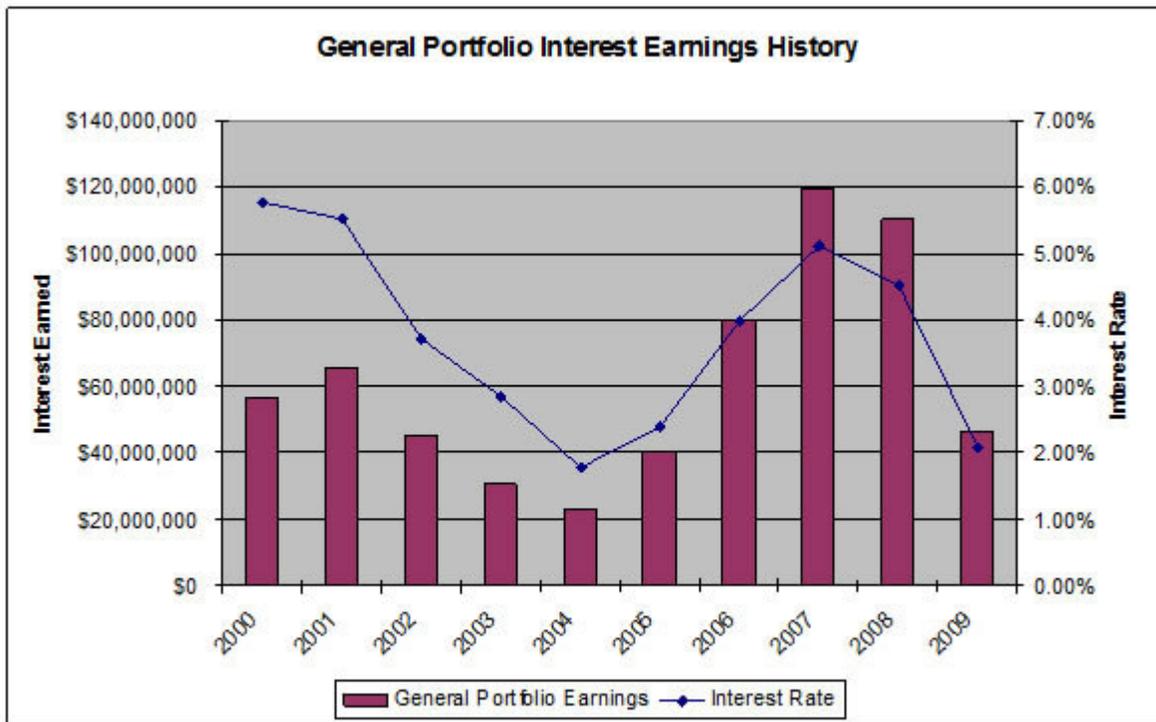
Permissible investments of the General Portfolio include U.S. Treasury and agency securities, repurchase agreements backed by high quality collateral, high quality corporate notes and commercial paper, highly rated asset-backed debt, and negotiable certificates of deposits and banker's acceptances. Securities holdings are diversified to prevent over-concentration by maturity, issuer, or security class. The average maturity of the portfolio can not exceed two years, with no single security with a maturity longer than ten years. The State Treasurer maintains a conservative, moderately active investment strategy, which has the ability to take advantage of market opportunities as they occur by analyzing projected cash flow needs. To lessen the likelihood of a forced sale of securities, a "Minimum Liquidity Requirement" is imposed, which projects the cash flow needed to meet identified obligations within a rolling four-week period. All securities used in this capacity must mature within 28 days. The benchmark used to assess performance in the General Portfolio is the three-month rolling yield of the three-month Treasury bill. As of the end of FY 2009, the General Portfolio was outperforming this benchmark by 117 basis points.



In FY 2008, Treasurer Marshall canceled contracts with outside investment money managers who invested the state's General Portfolio and instead delegated that duty to the office's in-house

Investments Division Deputy. The move was made after the Investment Deputy consistently beat the money managers' earnings by a wide margin. In FY 2009, the move saved the state approximately \$476,000 in money manager fees for that fiscal year alone. Even with the addition of an Investment Analyst position in FY 2009, the net savings to the state was \$342,452.

In prior years, the state was involved in a Securities Lending Program as a way to enhance the returns on General Portfolio assets. In December 2008, against a backdrop of deteriorating liquidity and credit conditions impacting even traditionally conservative investments, the State Treasurer's Office made the decision to expire the Securities Lending Program by the end of FY 2009. A resumption of securities lending activity is not currently contemplated. Throughout FY 2009, investment activity continued to conform with the terror-free investment and divestiture policies adopted by the State Treasurer's Office in 2008 with the support of the Board of Finance.



Local Government Investment Pool

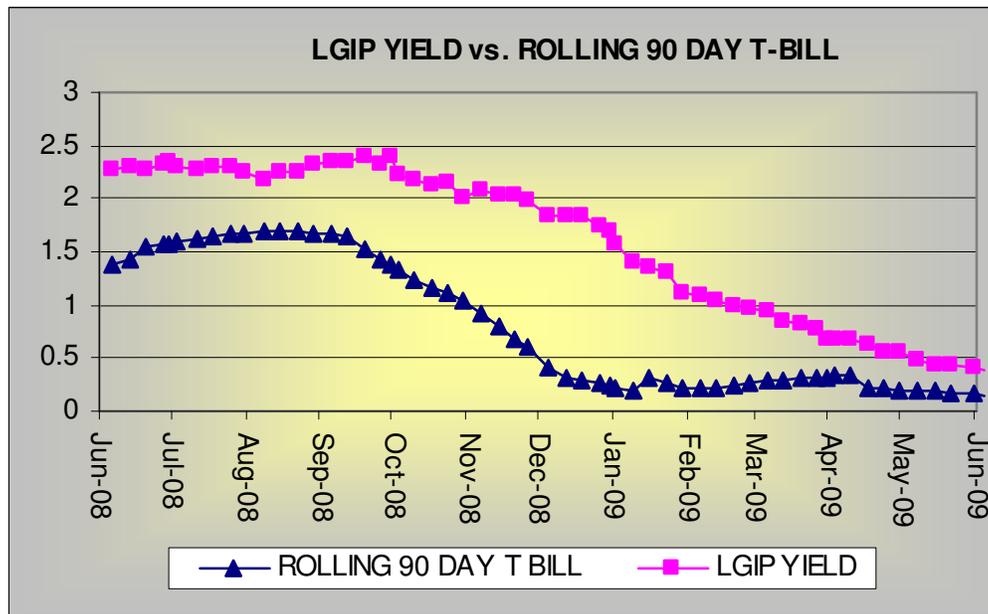
The LGIP was established as an alternative program to be utilized by local governments on a voluntary basis for their investable cash, with the advantage being economies of scale. The State Treasurer administers the LGIP in a conservative manner, consistent with the prudent guidelines outlined in a LGIP-specific Investment Policy. Any local government may deposit its public monies into the pool. In addition to safety and convenience, the LGIP permits:

- Multiple accounts may be maintained for accounting purposes;
- No minimum or maximum size of accounts;
- No limit on transaction size for deposits or withdrawals of funds; and
- No restriction on length of time proceeds to be invested.

The LGIP investment strategy incorporates the matching of maturing securities to the cash needs of the participants, including approximately 10% of the fund maturing on a daily basis, to ensure

sufficient liquidity is available to meet both anticipated and unanticipated withdrawals. Consistent with the management of the General Portfolio, the LGIP imposes a Minimum Liquidity Requirement which projects the cash flow needed to meet identified obligations within a rolling four-week period, and has maturing securities aligned accordingly. The benchmark used to assess performance in the LGIP is the three-month rolling yield of the three-month Treasury bill, also consistent with the management of the General Portfolio. As of the end of FY 2009, LGIP was outperforming this benchmark by 18 basis points.

There were 85 LGIP members at the close of FY 2009, comprised of cities, counties, school districts, and various special districts across the state. LGIP's June 30, 2009, par value stood at \$676,209,000. LGIP's investment objectives include safety of principal, portfolio liquidity, and market return, consistent with a conservative, short duration portfolio.



NVEST

NVEST serves as an alternative to LGIP for local governments, with the objective of providing higher returns than LGIP in exchange for a minimum \$3 million contribution and a minimum one-year commitment by each local government participant. NVEST contributors are offered three non-commingled investment options, differentiated by duration and security selection, which are managed by three registered investment advisors. Both LGIP and NVEST investments are governed by NRS 355.170. As of June 30, 2009, the LGIP portfolios had a consolidated par value of \$338,021,273.

Portfolio flows over FY 2009 can be summarized as follows:

	<u>LGIP</u>	<u>NVEST</u>
June 30, 2008 Book Balance	855,924,008	346,308,610
Deposits from members	1,003,451,968	-
Portfolio Interest Earnings	10,988,635	15,298,843
Less Withdrawals and Expenses	(1,194,709,245)	(18,252,694)
June 30, 2009 Book Balance	<u>675,655,366</u>	<u>343,354,759</u>

Market Update

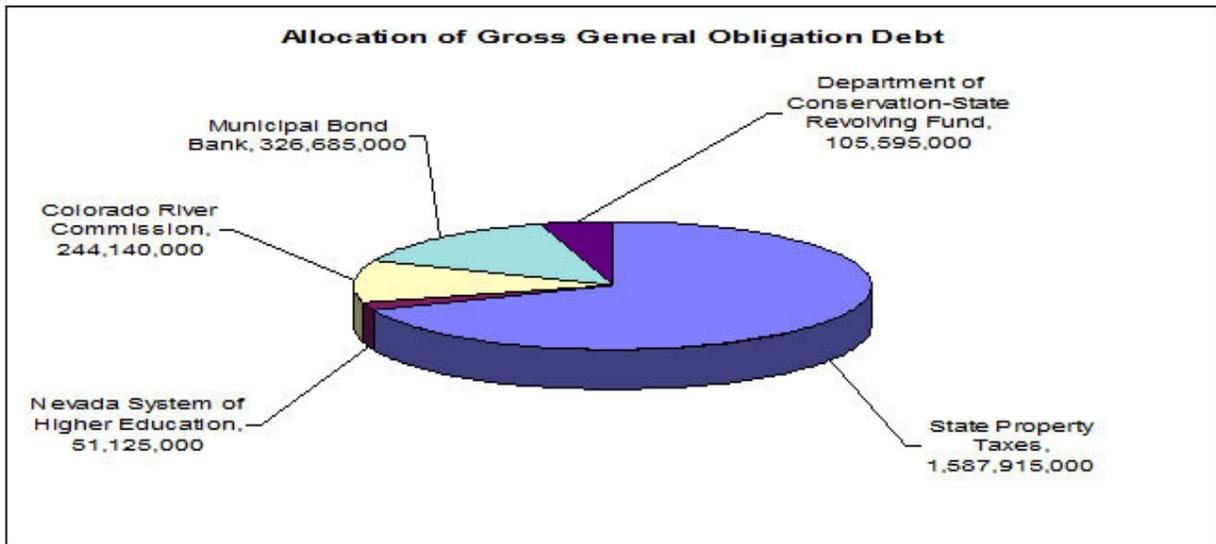
Financial market conditions continued to deteriorate through the first half of FY 2009, reaching a definitive trough in March and improving noticeably through the end of FY 2009. Economic recovery is expected to continue at a slow pace. While federal budget tightening will be delayed, widespread concern about inflation and a bulging federal budget deficit will put upward pressure on longer-term interest rates. Further improvements in capital markets conditions will be slower and more discriminating.

The Investment Division has four staff members—Deputy Treasurer of Investments, Investment Analyst, Management Analyst III, and an Accountant Technician (whose time is divided between the Investment and Debt divisions). Staff responsibilities include investment and observation activities relating to the General Portfolio, LGIP, and the PSF, as well as oversight of the NVEST investment advisers. The Division is also being utilized to perform investment analysis relating to the Higher Education Tuition Trust Fund and the College Savings Plans portfolios.

DEBT MANAGEMENT DIVISION

Per NRS 226.110 (10), the State Treasurer is directly responsible for the issuance of any debt obligation authorized on behalf of and in the name of the state, except for Housing and Industrial Development bonds. Subsection 11 allows the State Treasurer to organize and facilitate statewide pooled financing programs, including lease purchases, for the benefit of the state and any political subdivisions. The Constitution of the State of Nevada, Article 9, Section 3, limits the aggregate principal amount of the state's outstanding general obligation debt to 2% of the total reported assessed valuation of the state. The limitation does not extend to debt incurred for the protection and preservation of any property or natural resources of the state, or for the purpose of obtaining the benefits thereof. Subject to the constitutional debt limitation, the Legislature may authorize the issuance of debt for any public purpose. For FY 2009, the debt limit stood at \$2.48 billion. Outstanding debt subject to this limit is \$1.40 billion. Gross General Obligation bonded debt stood at \$2.15 million as of June 30, 2008, and increased to \$2.32 million as of June 30, 2009.

The State Treasurer is procedurally responsible for the following types of debt: Capital Improvement Bonds, Municipal Bond Bank Bonds, State Revolving Fund Bonds, Cultural Affairs Bonds, Highway Bonds, Natural Resources Bonds, and other miscellaneous general obligation bonds and securities. The Colorado River Commission, the University of Nevada System, and the Department of Business and Industry issue various types of bonds under a range of levels of autonomy. The state requires general obligation bonds to be legislatively-authorized and secured by the ad valorem tax portion dedicated to the payment of general obligation debt.

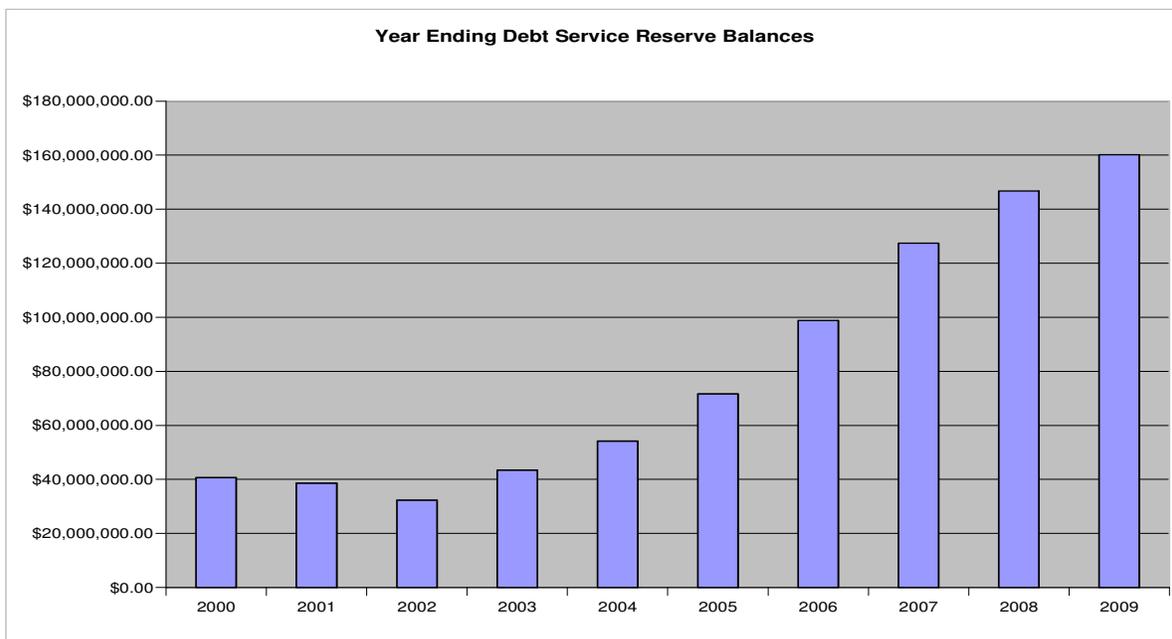




State Treasurer's Office team members, Carson City

Debt Service Reserves

The debt service reserve fund is created from the proceeds of bond issues and/or the excess of applicable revenues. The fund is used to provide a ready reserve to meet current debt service payments, should monies not be available from current revenues. The State Debt Issuance Policy strives to maintain an amount equal to the next six months of debt service expense. At the conclusion of FY 2009, the fund had an ending balance of approximately \$160.2 million, an increase of more than \$13.4 million from the previous year's ending balance, resulting in approximately eleven months of state debt service payments held in reserve.



Nevada's Credit Ratings

At the conclusion of FY 2009, the state was rated AA+, Aa2, and AA+ respectively by the three major rating agencies: Fitch Ratings, Moody's Investors Service, and Standard & Poor's. These agencies rely upon several factors in assigning credit ratings: financial, economic, debt, and

administrative/management. Rating agencies believe debt management is an important factor in evaluating issuers and assigning credit ratings, which ultimately determine the borrowing cost of funds. In affirming the state's debt rating, the aforementioned agencies noted the state's prudent fiscal management as a key factor.



Municipal Bond Bank

NRS 350A.140 designates the State Treasurer as administrator of the Nevada Municipal Bond Bank. In accordance with NRS 350A.150, the amount of state securities issued to acquire municipal securities may not exceed \$1.8 billion outstanding at any time. The state's Municipal Bond Bank program was established in 1981 to assist municipalities in undertaking local projects which foster and promote the protection and preservation of the property and natural resources of the state. Without this fund, municipalities might otherwise face the prospect of prohibitive interest rates. The Board of Finance must approve the issuance of state general obligation and revenue securities under the Bond Bank Act. The outstanding amount of securities issued pursuant to this Act was \$326,685,000 as of June 30, 2009.

Permanent School Fund Guarantee

The Permanent School Fund Guarantee Program (PSFG), established under NRS 387.519, provides a mechanism for school districts to enter into agreements with the state whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain

bonds issued by school districts. The program is designed to provide easier access to public credit markets and reduce borrowing costs to school districts by ensuring a “AAA” bond credit rating.

In collaboration with the 2007 State Legislature, the State Treasurer successfully sponsored Assembly Bill 554, which raised the Permanent School Fund Guarantee available for each school district from \$25 million to \$40 million; further allowing school districts to reduce costs. Thirteen of Nevada’s seventeen school districts have taken advantage of the guarantee. Since the implementation of the 2007 legislation, taxpayers have saved approximately \$3.7 million in borrowing costs.

Fundamental to the program is the legal authorization of the Permanent School Fund to guarantee school district debt, which includes ensuring timely debt service payment, coupled with strong oversight and enforcement provisions. The State Treasurer, who also has responsibility for investments related to the Fund, administers the program. If a district fails to make a timely payment, the State Treasurer is required to withdraw a sufficient amount of money from the Fund in order to make a timely debt service payment. The withdrawal from the Fund and payment of debt service on the bonds is considered a loan to the district. The loan must be repaid to the state from either district money available to pay debt service on the bonds that are guaranteed or from withholdings of state aid due the district.

The following highlights the school districts which have entered into PSFG agreements with the State Treasurer, along with their balances as of June 30, 2009:

Carson City	\$	31,209,000	Mineral	\$	3,475,000
Churchill	\$	17,235,000	Nye	\$	28,055,000
Douglas	\$	5,245,000	Pershing	\$	4,425,000
Eureka	\$	1,839,000	Storey	\$	10,610,000
Humboldt	\$	3,795,000	Washoe	\$	0
Lincoln	\$	5,528,000	White Pine	\$	4,590,000
Lyon	\$	16,745,000			

Nevada BRAT Pack

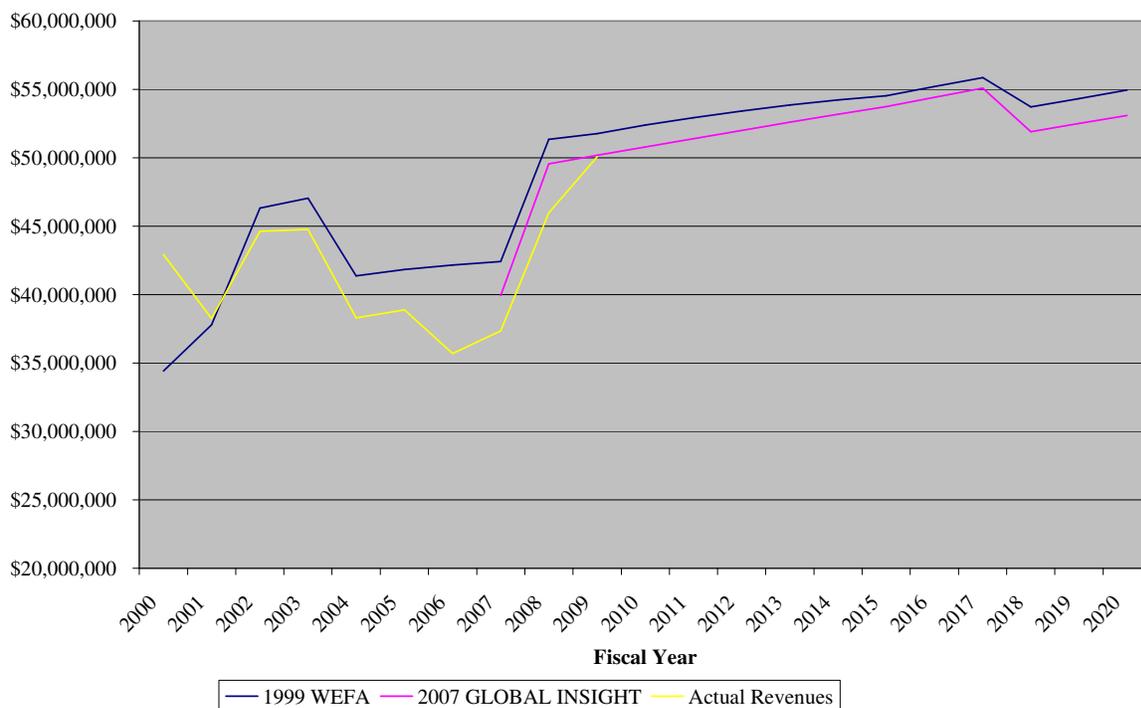
In April 2009, State Treasurer Kate Marshall announced the formation of a group comprised of experienced people from across the public and private sector for the purpose of reviewing the state’s financial status. Marshall dubbed the group Nevada’s new BRAT (Bond Rating Advisory Team) Pack. The following public entities and private businesses agreed to become a member of the state’s initial BRAT Pack team: Nevada Association of Counties, Nevada Bankers Association, Nevada League of Cities, Nevada Mining Association, Nevada Resort Association, Nevada Retailers Association, Southern Nevada Water Authority, Southwest Gas, Clark County School District, Clark County Treasurer’s Office, and the Washoe County Treasurer’s Office. The BRAT Pack meets in preparation for rating agency reviews, thus giving the office a greater ability to more clearly communicate Nevada’s present and future budget situation.

FUND FOR A HEALTHY NEVADA; TRUST FUND FOR PUBLIC HEALTH

During the 1999 session, the Nevada Legislature approved two bills—Assembly Bill 474 and Senate Bill 496—t determined how money received from the Tobacco Master Settlement Agreement (MSA) would be expended by the State of Nevada. Following the disbursement of funds for several one-time expenditures, it was determined that 50% of the tobacco revenues would be allocated to the Fund for Healthy Nevada and 10% to the Trust Fund for Public Health.

In FY09, Nevada received just over \$50 million as its share of the MSA; 3.3% below the original 1999 projection and only .25% off the 2007 Global Insight projection. The following chart provides a view of total tobacco revenues projected by WEFA (now Global Insight) through FY2020. The chart also shows actual tobacco revenues received through FY09.

Projected and Actual Tobacco Revenues



As administrator of these funds, the State Treasurer’s responsibilities include maintaining the financial records of the funds, investing the money in the trust funds, managing any account associated with the funds, contracting with vendors for any goods or services necessary to carry out the provisions of this section, and performing any other duties necessary to administer the funds.

NRS 439.630 limits the amount of funds allocated for direct expenditure of the Fund for a Healthy Nevada as follows:

- Not more than 30% for the Senior Rx program;
- Not more than 30% to assist senior citizens with independent living;
- Not more than 20% for programs that prevent, reduce, or treat the use of tobacco and the consequences of the use of tobacco;
- Not more than 10% for programs to improve health services for children;
- Not more than 7.5% for programs to improve the health and well-being of persons with disabilities; and
- Not more than 2.5% for expenditures by the Department of Health and Human Resources for the Medicaid waiver program.

NRS 439.610 created a Board of Trustees as the oversight entity for the Trust Fund for Public Health. NRS 439.605(6) allows only the earnings of the Fund to be expended to support projects in the following areas: promotion of public health and programs for disease or illness prevention, research on issues related to public health; and direct health care services to children and senior citizens.

Senate Bill 430 of the 2009 Legislative Session required the transfer of more than \$60 million from the Fund for a Healthy Nevada and the Trust Fund for Public Health to the General Fund, due to severe revenue shortfalls. The following statement identifies the revenues, disbursements, transfers and fund balance of the health funds for FY 2009:

	<u>Fund for a Healthy Nevada</u>	<u>Trust Fund for Public Health</u>
June 30, 2008 fund balance	\$ 40,598,172	\$ 38,395,011
Prior year adjustments		5,634
Tobacco settlement revenues	25,312,082	4,949,950
Interest income	900,348	864,361
Return of unused grant/loan funds		7,740
Transfer to the General Fund	18,951,530	41,227,466
Less disbursements	<u>17,494,744</u>	<u>1,701,673</u>
June 30, 2009 fund balance	\$ 30,364,328	\$ 1,293,557

INFORMATION TECHNOLOGY GROUP

“The mission of the Information Technology department is to build, maintain, and enhance a technology infrastructure that will facilitate and enhance the mission and goals of the State Treasurer and her staff.”

The Information Technology group works closely with all Treasurer’s Office personnel and divisions/programs to support and manage existing enterprise systems, along with developing solutions for new needs and optimizations. With a small staff, the team develops and supports software for the Cash Management, Unclaimed Property Online Claims, Pooled Collateral, Millennium Scholarship, and other systems.

In addition, the IT group has the responsibility to direct and manage the various vendors supporting software for College Savings, Debt, Investments, and the Unclaimed Property systems.

The IT group is also tasked with providing desktop and server support onsite and remotely, network infrastructure, and contingency planning.

Current cost-saving improvement projects include a new fast track claims system for Unclaimed Property, creation of an online Holder Reporting for Unclaimed Property, and enhancements to the Gov. Guinn Millennium Scholarship system.

STAFF PROFILES

Chief of Staff **Cecilia Colling** became a member of the State Treasurer's Office in December 2008. She oversees and offers administrative support to all State Treasurer Office Divisions, with an emphasis on Unclaimed Property, Nevada College Savings Plans, Nevada Prepaid Tuition, and the Gov. Guinn Millennium Scholarship programs



Cecilia began her state government career in 1989 as a member of Gov. Bob Miller's policymaking team. Later, she has served as Deputy Director to the Nevada Commission on Economic Development, Chief Operating Officer to the Employers Insurance Company of Nevada, and as a Deputy Administrator in the Department of Employment, Training, and Rehabilitation. Her experiences also include serving as a liaison to a United States Senator and she was twice elected to the Sparks City Council.

A mother of three and grandmother of three, she now lives with her husband, Dennis, and grandson, Dominick.



Mark Winebarger was promoted to Chief Deputy Treasurer in October 2008 after previously serving as the agency's Senior Deputy Treasurer. He joined the Treasurer's Office in 2001 as the agency's Deputy Treasurer for Cash Management. Mark oversees the Cash Management, Investments, and Debt Management divisions, and serves as the secretary for the Board of Finance.

Mark began his state government career in 1994 in the Controller's Office, eventually ascending the position of Chief Deputy Controller.

A Certified Public Accountant and a Certified Treasury Professional, Mark and his wife, Anji, reside in Dayton with their three boys. The family is very involved in youth sports programs in Lyon County.

Karen Duddleston joined the State Treasurer's Office in January 2009 as Senior Deputy Treasurer for Las Vegas. Her responsibilities include overseeing the Nevada College Savings Plans and the Nevada Prepaid Tuition programs, as well as the Unclaimed Property Division.



Karen previously served 14 years as an administrator in the Clark County Manager's Office, including three as Director of Administrative Services. She also spent two years in Oregon state government. She holds a Bachelor of Arts degree in Political Science from the University of Idaho and a Master of Public Administration degree from the University of Nevada-Las Vegas.

She lives with her husband, James, and their two children in Las Vegas. Karen has been an active member of the Las Vegas community for over 20 years, participating in local charity, school, and youth programs benefiting the children of our state.



Senior Deputy Treasurer for Carson City **Steve George** joined the State Treasurer's Office in October 2008. His duties include serving as the agency's legislative liaison; overseeing all internal and external communication, including the Treasurer's Office website; and personnel.

Steve has the distinction of having worked for four constitutional officers—Attorney General, Governor, Secretary of State, State Treasurer. He also authored and/or revised two books relating to the history of the state: *The 11th Edition of the*

Political History of Nevada, and *Moving Nevada into the 21st Century: Governor Kenny C. Guinn*.

He lives with his wife, Erin, and their two children in Dayton.

Kim Arnett serves as the agency's Deputy Treasurer for Cash Management. The cash section of the Treasurer's Office is responsible for monitoring the banking services of the state, and acts as a liaison between banks and agencies.

Before joining the Treasurer's Office in May 2008, Kim worked six years for the Legislative Counsel Bureau's Audit Division. Kim received her Bachelors of Science degree in 1998 from Sonoma State University. Prior to working for the state, Kim was employed by a public accounting firm in Reno. She is a Certified Public Accountant.



Kim lives in Dayton with her fiancé, Rick, and her two sons.



Lori Chatwood accepted the position of Deputy Treasurer for Debt Management in March 2008. She has been employed by the State Treasurer's Office since 1997, and worked within the Debt Management division since 2000.

Besides overseeing the issuance of State securities, Lori is responsible for the collection and payment of various state obligations: Transportation, Capital Improvements, Water Pollution Control Revolving Fund, Safe Drinking Water Revolving Fund, Municipal Bond Bank, Lease-Backed Financings and the Permanent School Fund Guarantee, among others.

Lori, who has resided in Carson City since she was a year old, considers herself a native Nevadan.

Mary McElhone became the agency's Deputy Treasurer for Unclaimed Property in October 2007. She oversees a staff of four auditors and six office members. The Division is responsible for finding owners of unclaimed property, processing claims, ensuring holder compliance, securities management, and enforcing the Unclaimed Property Nevada Revised Statute 120A.



Mary holds a Bachelors of Science degree in Business Administration from University of Nevada, Las Vegas. She is also a certified public accountant.

A state employee for more than 13 years, Mary previously worked for the Gaming Control Board as an Audit Supervisor and Senior IT Auditor.

She has resided in Las Vegas for over 20 years with her husband and family.



Jack Falconi joined the State Treasurer's Office as Deputy Treasurer for Investments in April 2009.

Jack is responsible for daily investment activities conducted through the Treasurer's Office, including the state's \$2.3 billion General Portfolio, \$750 million Local Government Investment Pool, and the \$275 million Permanent School Fund, among others.

Prior to becoming a member of the State Treasurer's staff, Jack spent most of the past 30 years in Texas as an investment manager, accountant, and an economist.

A native of Pittsburgh, he received a Bachelors of Arts degree from the University of Pittsburgh and a Master of Business Administration degree from the University of Texas at Austin.

Jack and his wife live in North Las Vegas.

Reba Coombs has been the Executive Director of the Governor Guinn Millennium Scholarship program since June 2007. She manages all aspects of the program and acts as a spokesperson to inform and motivate people about the scholarship benefits.



During her 17 years of state service, Reba has worked in all three branches of state government—executive, legislative, and judicial—most recently as an Executive Assistant to Gov. Guinn's Chief of Staff.

Reba and her husband reside in Carson City.



In April 2007, **Steve Martin** became Director of Information Technology for the State Treasurer's Office. He is responsible for overseeing all IT-related aspects of the agency, including systems, applications, and IT contracts.

Steve has almost twenty years of experience in the IT field, having served in both the state and private sector during his career. He holds a master's degree in Information Technology from Regis University.

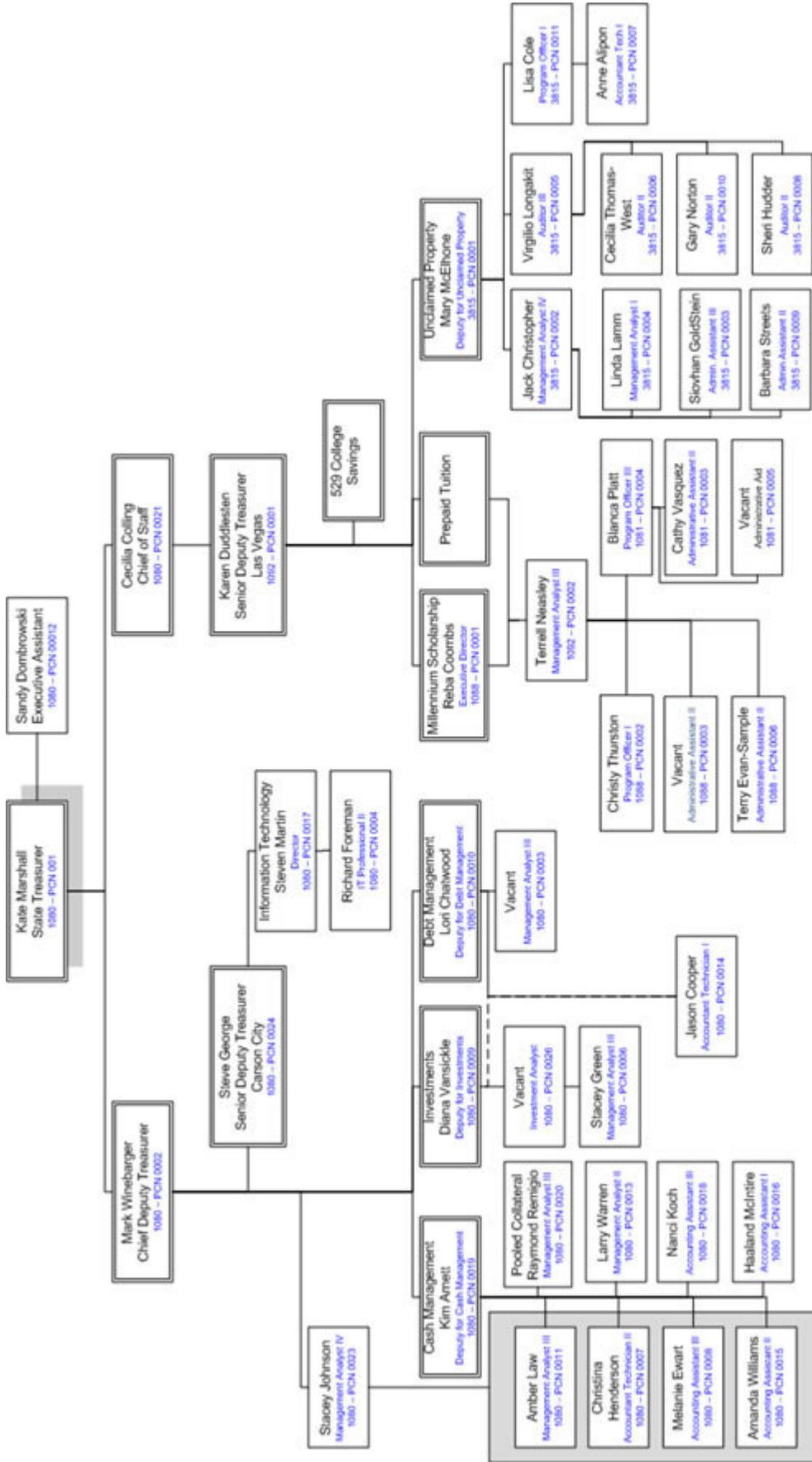
Steve lives with his wife and five children in Las Vegas.

Sandy Dombrowski serves as Executive Assistant to State Treasurer Kate Marshall. She joined the office in October 2007. Her duties include scheduling, administrative tasks, assisting with inquiries and correspondence from constituents and elected officials, and other responsibilities assigned by the Treasurer.

Sandy previously was a customer service representative and executive office receptionist for the Secretary of State's Office, as well as serving as back up to the Secretary's Executive Assistant.

Sandy lives in Gardnerville with her husband, who shares the joy of having a perfect son.





Office of the State Treasurer
ORGANIZATION
February 2009



KATE MARSHALL
Nevada State Treasurer



Kate Marshall was elected State Treasurer in 2006 on a platform she called the Marshall Plan, which included seven main points she would emphasize during her tenure. The basic tenets were simple: Improve and implement programs that will save taxpayer dollars; reduce spending by becoming more efficient; and identify innovative methods for increasing economic development in our state.

During her first year in office, investment earnings on the state's general portfolio grew by more than \$119 million, an increase of almost 50 percent over the previous fiscal year. In addition, the reserves for Nevada's debt service payments increased from the office's historic practice of keeping six months available to 11 months, providing greater security for the state.

Even during the economic woes the state, nation, and world faced in Fiscal Year 2009, wherein numerous companies went bankrupt or received federal bailout money and many state and local portfolios, including retirement accounts, took a beating, the State Treasurer's Office made a net investment profit of \$46 million on the General Portfolio for Fiscal Year 2009.

Upon entering office in January 2007, Kate immediately set out to implement the strategy she had promised voters. One of her first objectives was to enhance the Unclaimed Property Division, to the benefit of the state and the people of Nevada.

Previously, the state had done little to find the rightful owners of unclaimed property. But since Marshall took office in 2007, the amount of unclaimed property returned to rightful owners has tripled, from \$7.2 million in FY 2006 to \$25 million in FY 2009.

Marshall has also focused on modernizing the Unclaimed Property Division, which has experienced unprecedented growth during her time as Treasurer in terms of collections from holders, to the benefit of the people of Nevada. During Fiscal Year 2009, when the state continued to face ongoing budget problems associated with lower-than-expected revenues, the State Treasurer's Office, Unclaimed Property Division, transferred more than \$50 million to the state General Fund, an increase of almost \$12 million more than projected as part of the April 2009 Economic Forum presentation.

With two young daughters of her own and as someone who benefitted from a college education herself, Kate wanted to provide parents, other caregivers, and friends with greater resources for saving for a college education for their children. In collaboration with Upromise, she initiated the *Ugift* program, which provides an avenue for other family members—grandparents, uncles and aunts, friends, and others—to contribute to a child's college savings plan. As an additional method for helping parents, in May 2008, the State Treasurer's Office initiated an automatic payroll deduction option as part of the college saving plan, providing

employees in the state system a way to more easily save for their children's college education. An expansion of the program that will provide for private sector utilization is in the works.

As a member of the Nevada State Board of Finance, Kate proposed and the board adopted a new policy that assists the Treasurer's Office in avoiding investments in companies and organizations linked to terrorist groups and nations.

A bill sponsored by the State Treasurer's Office during the 2007 Legislative Session raised the Permanent School Fund Guarantee from \$25 million to \$40 million, providing public schools with easier access to public credit markets and reducing their borrowing costs. This move has saved taxpayers nearly \$1 million.

Upon learning that the Deputy for Investments within the State Treasurer's Office was consistently beating the returns from private money managers under contract with the state, Kate took the initiative to drop the expensive outsourcing contract, saving the state more than \$500,000 per year.

In February 2008, the State Treasurer's Office awarded a new banking contract that will save taxpayers \$1.2 million over the life of the contract. Prior to the contract being awarded, a pilot program designed to provide the state with a more efficient method for depositing checks payable to the state was initiated with several private banking institutions. The Check 21 program, which allows for quicker deposits through the scanning of checks, is now being used by several state agencies with plans to expand to several additional agencies. Through the Check 21 program, the state has the ability to earn interest sooner on deposits.

During turbulent financial times facing the Nevada in 2008, Kate stepped up and worked with her staff to identify revenue sources within the State Treasurer's Office that allowed the Governor and Legislature to lessen severe budget reductions. The first step was identifying an additional \$40 million, \$23 million from unclaimed property earnings and another \$17 million in savings was identified from the state's long-term bond obligation.

Later in 2008, the State Treasurer's Office was asked to locate any funding sources that could possibly be used to offset impending state employee layoffs and cuts in education, health and human services, and general operating costs. Once again, Kate and her staff dug in their heels and identified another \$20 million in unclaimed property and bond sale savings.

As State Treasurer, Kate continues to work with her staff, legislators, other constitutional officers, and interested citizens to find new and improved ways to protect our state's future through prudent investment planning.

Personal Biography

Kate started life struggling for life in a welfare clinic at Kaiser in San Francisco. Born prematurely and without modern day medication, her lungs had not fully developed.

As a young girl, Kate's family moved often due to family financial woes, which helped her understand at a very early age the importance of education.

After finishing high school, Kate attended California State University, San Francisco, later transferring to the University of California, Berkeley, which reviewed Kate's SAT scores and offered her academic and financial grants and scholarships to attend. She earned her way through college, working in the school library.

Following graduation from UC Berkeley, Kate joined the Peace Corps, teaching English and Commerce in the rural outback of Kenya. Successful in her first teaching experience, the Peace Corps recruited Kate to establish the teaching curriculum for the Peace Corps program for



Secondary School English in Kenya.

After returning from East Africa, Kate was accepted and graduated with a jurist doctorate degree from the Boalt Hall School of Law, UC Berkeley, spending her summers interning with law firms, most notably United States Senator Paul Laxalt's law firm, Laxalt, Washington, Perito & Debuc, in Washington, DC.

Kate later applied and was accepted to the United States Department of Justice's Honors program. Kate was assigned to the Department of Justice's San Francisco field office, building and prosecuting cases involving criminal antitrust litigation.



During one of her frequent business trips to Washington, DC, Kate met her future husband, John, through his sister.

Kate moved to Washington, DC, to be with the love of her life and to continue her work with the Department of Justice. Two years later, Kate and John were married – outside a barn in Healdsburg in Sonoma County, just as they had planned during their first date.

In 1994, she received the Department of Justice's Antitrust Division's Outstanding Contribution Award, and in 1997 she received public acknowledgement for her work in the Antitrust Division from then United States Assistant Attorney General of Antitrust Joel Klein.

In 1997, Nevada Attorney General Frankie Sue Del Papa asked Kate to move to Nevada to create Nevada's Antitrust Unit. Perfectly paired with Kate and John's hopes to raise their children in Nevada's welcoming community, Kate accepted the job.

As Senior Deputy Attorney General and the creator of Nevada's Antitrust Unit, Kate successfully streamlined and modernized Nevada's antitrust statutes, facilitating greater access for all Nevadans. She also fostered the expansion of Nevada's "Toys for Tots" program into rural Nevada.

In 2000, Kate became in-house counsel for ATG Inc., a private telecommunications firm serving small and medium size businesses in Northern Nevada. In 2001, she was chosen by ATG to be an honoree in the Nevada Women's Fund, Women of Achievement event.

Before making the decision to run for elected office, Kate ran her own successful law practice, specializing in consumer protection, telecommunications law, and competitive market analysis.

Kate and John have two wonderful daughters, Anna and Molly. Anna is an avid skier and Molly loves swimming.



FINANCIAL SECTION

2009 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

UNCLAIMED PROPERTY

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 and June 30, 2008

Revenues	2009	2008
Unclaimed Property Receipts		
Utility Companies	\$ 2,041,214	\$ 986,497
Insurance Companies	6,221,192	6,314,845
Financial Institutions	38,176,841	49,384,254
Security Sales & Dividends	5,281,454	3,480,067
Local Governments	3,794,681	2,229,230
Other State Governments	954,279	1,943,017
Other Businesses	20,564,318	18,811,187
Audit Proceeds	206,861	381,033
Penalties, Interest and Other	18,471	1,789
Total Revenues	<u>77,259,311</u>	<u>83,531,919</u>
Expenditures		
Payments to Claimants		
Utility Companies	268,239	141,734
Insurance Companies	1,523,059	908,411
Financial Institutions	10,309,630	9,218,584
Security Sales & Dividends	3,854,015	6,577,687
Local Governments	550,715	461,530
Other State Governments	1,991,088	3,460,362
Other Businesses	6,886,975	4,204,460
Personnel Costs	754,043	643,713
Contractual Services	475,148	677,543
Operating Costs	275,401	242,079
Advertising and Public Relations	238,378	216,282
Total Expenditures	<u>27,126,691</u>	<u>26,752,385</u>
Other Financing Sources (Uses)		
Transfer to General Fund	(50,092,050)	(49,179,534)
Transfer to Higher Education Tuition Trust Fund	(40,570)	-
Transfer to Gov. Guinn Scholarship Fund	-	(7,600,000)
Total Other Financing Sources (Uses)	<u>(50,132,620)</u>	<u>(56,779,534)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	-	-
Beginning Balance, July 1	-	-
Ending Balance, June 30	<u>-</u>	<u>-</u>

Cash Basis - Unaudited

2009 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

MILLENNIUM SCHOLARSHIP FUND

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 and June 30, 2008

Revenues	2009	2008
Tobacco Settlement Income	\$ 19,799,800	\$ 18,196,213
Interest Income	417,890	854,188
Refunds	2,720	-
Total Revenues	20,220,410	19,050,401
Expenditures		
Scholarship Payments	25,847,622	25,650,525
Personnel	266,246	246,490
Travel	3,246	3,956
Administrative	120,716	143,025
Total Expenditures	26,237,830	26,043,996
Other Financing Sources (Uses)		
Transfer to General Fund	(5,000,000)	-
Transfer from Fund for Healthy Nevada	-	22,536
Transfer from Unclaimed Property	-	7,600,000
Total Other Financing Sources (Uses)	(5,000,000)	7,622,536
Excess of revenues and other financing sources over expenditures and other financing uses	(11,017,420)	628,941
Beginning Balance, July 1	29,770,881	29,141,940
Ending Balance, June 30	\$ 18,753,461	\$ 29,770,881

Cash Basis - Unaudited

2009 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

PREPAID TUITION TRUST FUND

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 and June 30, 2008

Revenues	2009	2008
Participant Contributions	\$ 6,104,868	\$ 6,447,154
Application Fees	41,100	22,700
Administrative Charges	32,004	29,208
Interest Income	35,174	44,632
Investment Gain (Loss)	(7,816,342)	19,215,232
Total Revenues	<u>(1,603,196)</u>	<u>25,758,926</u>
Expenditures		
Tuition Payments	4,081,228	3,113,156
Personnel Costs	153,456	144,419
Travel	3,307	2,417
Operating Costs	307,767	270,024
Contract Cancellation Refunds	1,897,722	1,386,403
Contract Rollover Payments	20,194	-
Total Expenditures	<u>6,463,674</u>	<u>4,916,419</u>
Other Financing Sources (Uses)		
Transfer from College Savings	1,160,577	2,188,014
Transfer to General Fund	(1,160,577)	(2,188,014)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(8,066,870)	20,842,507
Beginning Balance, July 1	108,784,746	88,071,317
Prior Period Adjustment	-	(129,078)
Ending Balance, June 30	<u>\$ 100,717,876</u>	<u>\$ 108,784,746</u>

Cash Basis - Unaudited

2009 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

CONSOLIDATED BOND INTEREST & REDEMPTION FUND

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2009 and June 30, 2008

Revenues		
Taxes	2009	2008
Real Property	\$ 163,168,419	\$ 149,758,385
Personal Property	13,369,220	14,104,824
Centrally Assessed Property	9,382,372	6,616,812
	<u>185,920,011</u>	<u>170,480,021</u>
Other		
Lease Purchase Building Rent	1,356,543	2,496,604
Settlement Income	-	1,122,581
Interest Income	4,497,234	6,249,766
	<u>5,853,777</u>	<u>9,868,951</u>
Total Revenues	<u>191,773,788</u>	<u>180,348,972</u>
Expenditures		
Operating	19,310	-
CIP Construction Contracts	-	10,091
COP Projects	-	6,761
Refunds	-	18,323
Insurance	7,999	10,872
Trust Agent Fees	10,589	12,165
	<u>37,898</u>	<u>58,212</u>
Debt Service		
Bond Principal Redemption	120,380,000	94,153,261
Bond Interest Expense	93,711,810	87,237,850
	<u>214,091,810</u>	<u>181,391,111</u>
Total Expenditures	<u>214,129,708</u>	<u>181,449,323</u>
Other Financing Sources (Uses)		
Transfers-in		
State Agencies	32,976,747	39,260,273
General Fund	98,979	55,698
Transfers-out		
Transfer to UCCSN	(278,238)	(274,525)
Transfer to General Fund	-	(18,000,000)
Total Other Financing Sources (Uses)	<u>32,797,488</u>	<u>21,041,446</u>
Excess of revenues and other financing sources over expenditures and other financing uses	10,441,568	19,941,095
Beginning Balance, July 1	146,737,265	126,796,170
Prior Period Adjustment	940,217	
Ending Balance, June 30	<u>\$ 158,119,050</u>	<u>\$ 146,737,265</u>

Cash Basis - Unaudited

2009 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

MUNICIPAL BOND BANK BOND INTEREST & REDEMPTION FUND

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 and June 30, 2008

	<u>2009</u>	<u>2008</u>
Revenues		
Receipts from municipalities	\$ 30,149,105	\$ 41,173,298
Other		
Interest Income	25,687	56,123
Reimbursement of Issuance Costs	2,148	3,773
Receipt of Purchased Interest	-	-
Total Revenues	<u>30,176,940</u>	<u>41,233,194</u>
Expenditures		
Administrative Costs	38,170	43,640
Bond Issuance Costs	2,148	3,773
	<u>40,318</u>	<u>47,413</u>
Debt Service (Schedule 3)		
Bond Principal Redemption	14,090,000	17,530,000
Bond Interest Expense	16,059,105	23,643,298
	<u>30,149,105</u>	<u>41,173,298</u>
Total Expenditures	<u>30,189,423</u>	<u>41,220,711</u>
Other Financing Sources (Uses)		
Reversion to General Fund	-	(12,483)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(12,483)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(12,483)	-
Beginning Balance, July 1	12,483	-
Ending Balance, June 30	<u>\$ -</u>	<u>\$ -</u>

Cash Basis - Unaudited

2009 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

TRUST FUND FOR PUBLIC HEALTH

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 and June 30, 2008

	2009	2008
Revenues		
Tobacco Settlement Income	\$ 4,949,950	\$ 4,549,053
Interest Income	864,361	1,645,469
Total Revenues	<u>5,814,311</u>	<u>6,194,522</u>
Expenditures		
Total Expenditures	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)		
Transfer to Department of Health and Human Services, Health Division	(1,693,933)	(1,206,375)
Transfer to General Fund	(41,227,466)	-
Total Other Financing Sources (Uses)	<u>(42,921,399)</u>	<u>(1,206,375)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(37,107,088)	4,988,147
Beginning Balance, July 1	38,395,011	33,406,864
Prior Period Adjustment	5,634	-
Ending Balance, June 30	<u>\$ 1,293,557</u>	<u>\$ 38,395,011</u>

Cash Basis - Unaudited

2009 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

FUND FOR HEALTHY NEVADA

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 and June 30, 2008

Revenues	2009	2008
Tobacco Settlement Income	\$ 25,312,082	\$ 23,230,690
Interest Income	900,348	1,533,350
Appropriations	-	364,148
Refund of Unused Grant Money	-	2,868
Total Revenues	<u>26,212,430</u>	<u>25,131,056</u>
Expenditures	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)		
Transfer to Department of Health and Human Services		
Administrative Services	(762,798)	(786,090)
Senior RX Program	(3,038,234)	(3,151,058)
Tobacco Reduction	(3,302,497)	(3,733,686)
Children & Disabled Persons	(3,975,635)	(3,351,868)
Aging Services	(5,354,987)	(5,333,487)
Disability RX	(392,087)	(455,791)
Transfer to State Treasurer	(106,173)	(97,491)
Transfer to General Fund	(18,951,530)	-
Transfer to Attorney General	(562,332)	(485,423)
Total Other Financing Sources (Uses)	<u>(36,446,273)</u>	<u>(17,394,894)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(10,233,843)	7,736,162
Beginning Balance, July 1	40,626,341	32,890,179
Prior Period Adjustment	(28,170)	-
Ending Balance, June 30	<u>\$ 30,364,328</u>	<u>\$ 40,626,341</u>

Cash Basis - Unaudited

2009 ANNUAL REPORT

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

BANK ACCOUNTS

	BANK STATEMENT BALANCES	
	June 30, 2009	June 30, 2008
Bank of America - Treasurer's Main Concentration Account	\$ 24,803,257	\$ 55,131,522
Bank of America - Treasurer's Controlled Disbursement Account	\$ -	\$ -
Bank of America - E-Payment Test Account	\$ 197	\$ 200
Bank of America - ACH Test Account	\$ 13	\$ 13
Bank of America - Gaming Control Board's Zero Balance Account	\$ -	\$ -
Bank of America - Gaming Control Board Investigations Zero Balance Account	\$ -	n/a
Bank of America - Dept of Motor Vehicle's Smog Zero Balance Account	n/a	\$ -
Bank of America - Dept of Motor Vehicle's Credit Card Account	\$ -	\$ -
Bank of America - Dept. of Taxation Zero Balance Account	\$ -	n/a
Bank of America - Div. of Insurance Zero Balance Account	\$ -	n/a
Bank of America - Div. of Health Care Financing and Policy Zero Balance Account	\$ -	n/a
Bank of America - Veteran's Services' Zero Balance Account	\$ -	\$ -
Bank of America - Nevada Veteran's Nursing Home Zero Balance Account	\$ -	\$ -
Bank of America - Public Employee Benefits Program Zero Balance Account	\$ -	\$ -
Bank of America - Treasurer's Unclaimed Property Zero Balance Account	\$ -	\$ -
Bank of America - Treasurer's Payroll Savings Bond Zero Balance Account	\$ -	\$ -
Bank of America - Treasurer's Prepaid Tuition Zero Balance Account	\$ -	\$ -
Bank of America - Treasurer's Credit Card Zero Balance Account	\$ -	\$ -
Bank of America - Employment Security Division's Unemployment Compensation Benefits Account	\$ 16,015,791	\$ 498,123
Bank of America - Employment Security Division's Unemployment Compensation Clearing Account	\$ 343,063	\$ 1,274,938
Nevada State Bank - Treasurer's Branch Depository Account	\$ 217,784	\$ 234,455
Nevada Bank and Trust - Treasurer's Branch Depository Account	\$ 4,824	\$ 3,560
Wells Fargo Bank - Treasurer's Branch Depository Account	\$ 454,039	\$ 294,029
Wells Fargo Bank - Dept. of Motor Vehicle's Cash Vault Pilot Account	\$ 989,771	n/a
U.S. Bank - Treasurer's Repurchase Agreement Sweep Account	n/a	\$ 9,753,777
U.S. Bank - Treasurer's Remote Deposit Account	n/a	\$ 308,614
JP Morgan Chase - Lockbox Concentration Account	\$ 11,000,257	\$ 28,934,882