

Annual Report Fiscal Year 2010

July 1, 2009 to June 30, 2010

October 1, 2010



**State of Nevada
Office of 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, the Fund for a Healthy Nevada, and the Public Health Fund 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.



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 2010 (FY10), an account of the operations of the Treasurer's Office over the past fiscal year.

For FY10, investment interest earnings on the state's General Portfolio came in at \$7.5 million. As of June 30, 2010, total assets under management were almost \$2.78 billion. Our debt service payment reserves increased to 10 months, well above the standard "best practice" of six months of reserve.



For FY10, the State Treasurer's Office had an approved budget over all functional areas of \$6,280,777; however, only \$5,459,841 was spent, saving more than \$800,000 in taxpayer dollars. Further, only 21% of the total expenditures were paid for with General Fund appropriation, with the balance being funded by assessments and trust fund transfers, a further savings of taxpayer money.

In spite of one of the worst financial crises the nation and state have faced, the Treasurer's Office was able to work with the Governor's Office and legislators to maintain the state's good credit rating through prudent fiscal administration and debt management.

The Unclaimed Property Division had another banner year in FY10, with \$88.8 million in collections and nearly \$21 million returned to owners. In fact: collections from holders in FY10 were almost 200% above collections in 2005; individual claims paid have increased by 94.7% since 2005, while the dollar amount returned has increased by 160%. Further, as a direct result of expanded outreach and the adoption of "Best Practices," the State Treasurer's Office was able to transfer more than \$66 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 highest amount in the state's history.

Other noteworthy accomplishments achieved during FY10: the Nevada Prepaid Tuition program achieving a near 100% funded status and doubling the number of new contracts purchased compared to FY07; the state's College Savings Plans program continuing to be ranked in the top ten nationally; the renegotiation of the state's contract with the College Savings Plans program manager resulting in several fee reductions for account holders, as well as greater benefits to the state; the adoption of a Fast Track Claims process and a Voluntary Disclosure Agreement program by the Unclaimed Property Division; and the successful issue of Build America Bonds in relation to the American Recovery and Reinvestment Act, resulting in a savings to taxpayers of \$4.6 million.

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	Nevada 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:

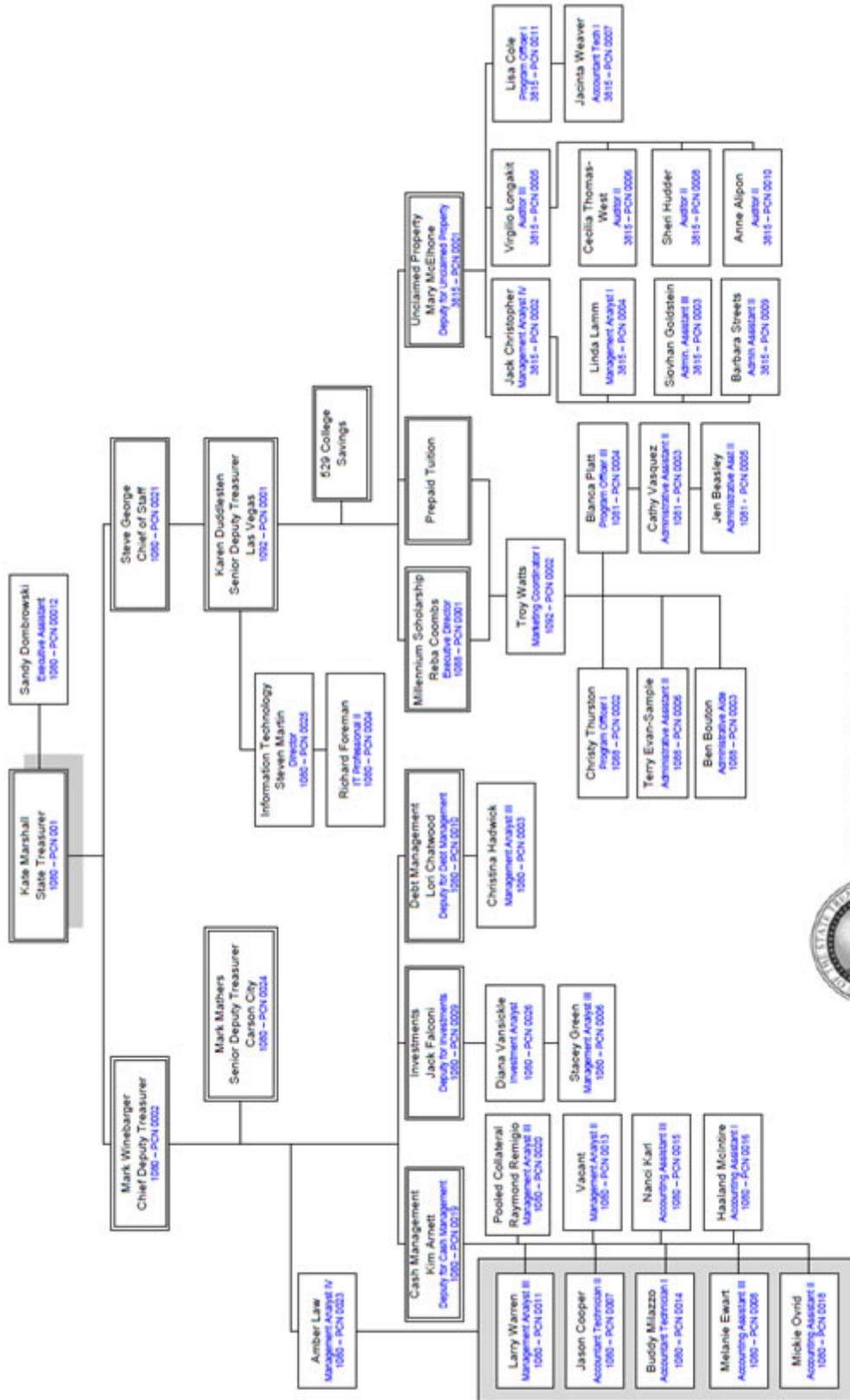
- Member of the State Board of Finance;
- Ex-Officio State Disbursing Office for the federal government;
- Administrator of the Municipal Bond Bank;
- Chairman of the Board of Trustees of the College Savings Plans of Nevada;
- Administrator of the 529 College Savings Plan and Trust Fund;

- 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 FY10, the State Treasurer's Office had an approved budget, over all functional areas, of \$6,280,777 but expended only \$5,459,841. Only 21% 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 with executive staff members:
Mark Mathers, Steve George, Karen Duddleston, and Mark Winebarger.**



Office of the State Treasurer
ORGANIZATION
June 2010

NEVADA COLLEGE SAVINGS PLANS; NEVADA PREPAID TUITION

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, 2010, there were 444,904 accounts actively managed across all four of these plans, with \$5,888,597,523 in assets under management.

Three of Nevada’s premier college savings plans programs—USAA College Savings Plan, The 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.

Three-year performance ranking (Updated May 11, 2010)

Rank	State	Plan	Percentile
1	Nevada	USAA College Savings Plan	14.77
2	Kansas	Schwab 529 College Savings Plan	21.99
3	Nevada	The Vanguard 529 Savings Plan	32.67
4	Wisconsin	EdVest (Direct-sold)	34.30
5	Louisiana	START Saving Program	35.59
6	Utah	Utah Educational Savings Plan (UESP) Trust	36.71
7	South Carolina	Future Scholar 529 College Savings Plan (Direct-sold)	36.85
8	Nevada	The Upromise College Fund	37.44
9	Ohio	Ohio College Advantage 529 Savings Plan	37.78
10	Pennsylvania	Pennsylvania 529 Investment Plan	38.20



Marketing has played a key role in increased participation in Nevada's College Savings Plans and Nevada Prepaid Tuition programs.

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 \$370,000. 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 2010, *Ugift* accounts had accumulated nearly \$5 million in gift contributions since inception more than doubling contributions through Ugift in one year.

Silver State Matching Grant

The Silver State Matching Grant allows qualifying Nevada families who are Upromise College Fund 529 Plan account owners to be considered for a matching grant of up to \$300 of extra college savings per calendar year, with a lifetime maximum grant of \$1,500. The program, which opened March 1, 2010, received thirty-six qualified applications in its first year.

Increased Services to Nevadans

Negotiated contract provisions in FY10 between Treasurer Marshall and the program manager of the College Savings Plans of Nevada produced several new benefits:

- \$400,000 commitment in marketing for the Upromise College Fund to increase new accounts and participation in the Plan.
- Dedicated in-state field representative to work with local businesses and organization to increase awareness of college savings, the Upromise College Fund and to provide assistance to Nevada families in establishing accounts for the children in our state.
- New revenue to the state in the form of additional fees paid to Nevada targeted to begin implementation when the Upromise College Fund reached \$750 million in assets under management (This goal was met well in advance of expectations, resulting in the state receiving its first payment in May 2010).
- Fee reductions for account holders in the Upromise College Fund, reducing the amount families are charged for the management of accounts.



Nevada College Savings Plans and Upromise College Fund marketing staff at a local Las Vegas PTA event.

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 continued the grassroots media and outreach campaign aimed at increasing the awareness of Nevada residents about the value of saving for college and the availability of our programs. Several avenues were successfully used in the campaign:

- In collaboration with the Nevada Bankers Association, sponsoring the Nevada \$529 College Savings Day Contest, which in FY10 awarded six \$529 college savings accounts to elementary school students selected from throughout the state. More than 800 youngsters entered the contest.

- Participated in over 120 local community events, such as the Parent Teacher Association Convention, local parent meetings, college and career day activities, and other events throughout the state.
- In-state marketing efforts showed that Nevada was one of only two states in the country to produce more new accounts for the Upromise College Fund over 2009 totals.



2010 Nevada \$529 College Savings Day contests winners Makayla Beech, Molly Rice, Joseph Keith, Elena Brown, Alexander Ramirez, and Takota Nelson.

Account Information:

Year	Upromise College Fund	Vanguard 529 Plan	Columbia 529 Plan	USAA 529 Plan	Total
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
2010	164,341	170,649	7,751	102,190	444,904

Assets:

Year	Upromise College Fund	Vanguard 529 Plan	Columbia 529 Plan	USAA 529 Plan	Total
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
2010	\$738,274,807	\$4,303,662,470	\$108,432,416	\$738,227,830	\$5,888,597,523

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
2010	3,346	2,355	153	1,125	6,979

Financial Management of College Savings

The Board of Trustees of the College Savings Plans of Nevada, which is chaired by Treasurer Marshall, provides financial oversight for the investment managers, program managers and account holders in the College Savings Program. In order to perform a higher level of investment and financial oversight and stability within the College Savings Programs, several new policies and long term plans were developed.

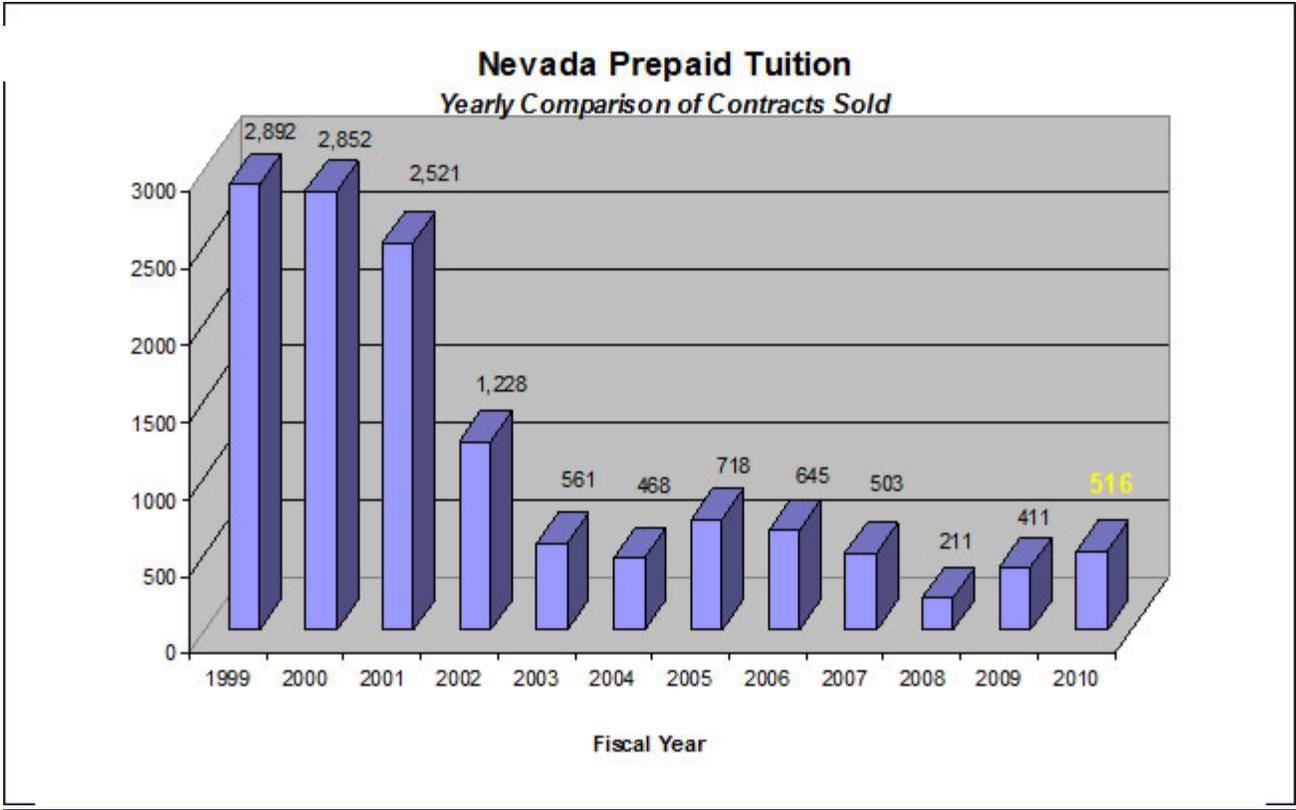
- A Comprehensive Investment Plan was developed and approved for the College Savings Plans.
- Investment Policies for the Nevada Prepaid Tuition Program were updated, a major revision of the Master Agreement was completed, and the long-term financial health of the Program was reviewed.
- A 10 Year Plan for the College Savings Endowment Account was established, which included funding for several items: detailed financial monitoring, an updated customer service website access system, and \$5.5 million stabilization funding to the Nevada Prepaid Tuition Program.

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 FY10, more than 13,525 children had enrolled in the program, and the Nevada Higher Education Tuition Trust Fund had assets of \$107.5 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, 2010, there were more than 1,750 students using their benefits and the program had paid out over \$4.65 million in tuition benefits on behalf of these students, an increase of slightly over \$570,000 from FY09.

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 FY08, with significant improvement in participation by rural community families, a historically underserved population. Enrollment during the 2010 open enrollment period increased significantly once again, with over 500 new contracts sold bringing, bring the program's 13 month total to more than 900 new contracts.



Nevada Prepaid Tuition Enrollment Comparison by County

County	2009	2010	Improvement	Percentage Increase
Clark	199	265	66	33.17%
Washoe	128	171	43	33.59%
Other Nevada Counties	71	75	4	5.63%
Out of State Counties	13	5	-8	-61.54%

Total 411 516 105 UP 25.5%

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 2010, more than 93,000 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 2010 school term, more than \$228 million had been distributed to 59,785 Millennium Scholars, who collectively earned more than 20,910 associate, bachelor, and other certificates and degrees.



Millennium Scholarship Executive Director Reba Coombs

Now in its tenth 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.

Due to enormous budget constraints felt by the Legislature as a result of one of the worst economic periods in our nation's history, decisions were made by the Legislature to remove \$32.8 million in millennium scholarship funding. Although funding for the Gov. Guinn Millennium Scholarship program does not come from General Fund dollars, the Legislature felt it necessary to remove the program's normal funding mechanisms—tobacco master settlement agreement monies and unclaimed property transfers—to pay for other programs administered by the state. Coupled with an unanticipated, lower-than-projected April 2010 payment to the state as part of the tobacco master settlement agreement, the Gov. Guinn Millennium Scholarship program was projected to incur a shortage during FY11. Working with legislators to find a solution became a main focus of the office. Fortunately, a funding mechanism was identified to make this valuable program whole through the coming school year. However, the future of the Gov. Guinn Millennium Scholarship rests in the hands of the 2011 Legislature.

There are seven Nevada System of Higher Education (NSHE) eligible institutions where students may utilize their scholarship award, as well as Sierra Nevada College in Incline Village, and the University of Southern Nevada in Henderson.

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 2010.

Enrollment by Institution by Semester				
Institution Name	Spring 2009	Summer 2009	Fall 2009	Spring 2010
College of Southern Nevada	2,565	807	2,959	2,612
Great Basin College	225	5	286	223
Nevada State College	231	71	278	240
Sierra Nevada College	21	4	19	21
Truckee Meadows Community College	1,139	370	1,137	1,013
University of Nevada, Las Vegas	4,873	2,374	6,119	4,924
University of Nevada, Reno	4,430	1,534	5,157	4,226
Western Nevada College	415	54	430	369
University of Southern Nevada	0	0	2	5
Totals	13,899	5,219	16,387	13,633

Revenues, expenses, and fund balance for the Millennium Scholarship Fund for FY 2010:

July 1, 2009 fund balance	\$18,753,461
Tobacco settlement revenues	\$16,586,869
Interest income	\$71,062
Less tuition payments	\$25,506,259
Less administrative expenses	\$365,694
Transfer from College Savings Endowment Account	\$2,654,442
June 30, 2010 fund balance	\$12,193,881

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 assets and contents of safe deposit boxes. 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, business, 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.

During FY10, the Unclaimed Property Division continued its mission of improving collections of unclaimed property from holders while, at the same time, delivering greater returns to rightful owners. Collections topped the \$88.8 million mark in unclaimed property from holders, with returns to rightful owners surpassing \$20.6 million. In fact, in comparison to FY05: collections have increased by approximately 200%, individual claims paid have increased by 94.7%, and the dollar amount paid to rightful owners has increased by 160%. Further, for FY10, the State Treasurer's Office transferred more than \$66 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 highest amount in the state's history.

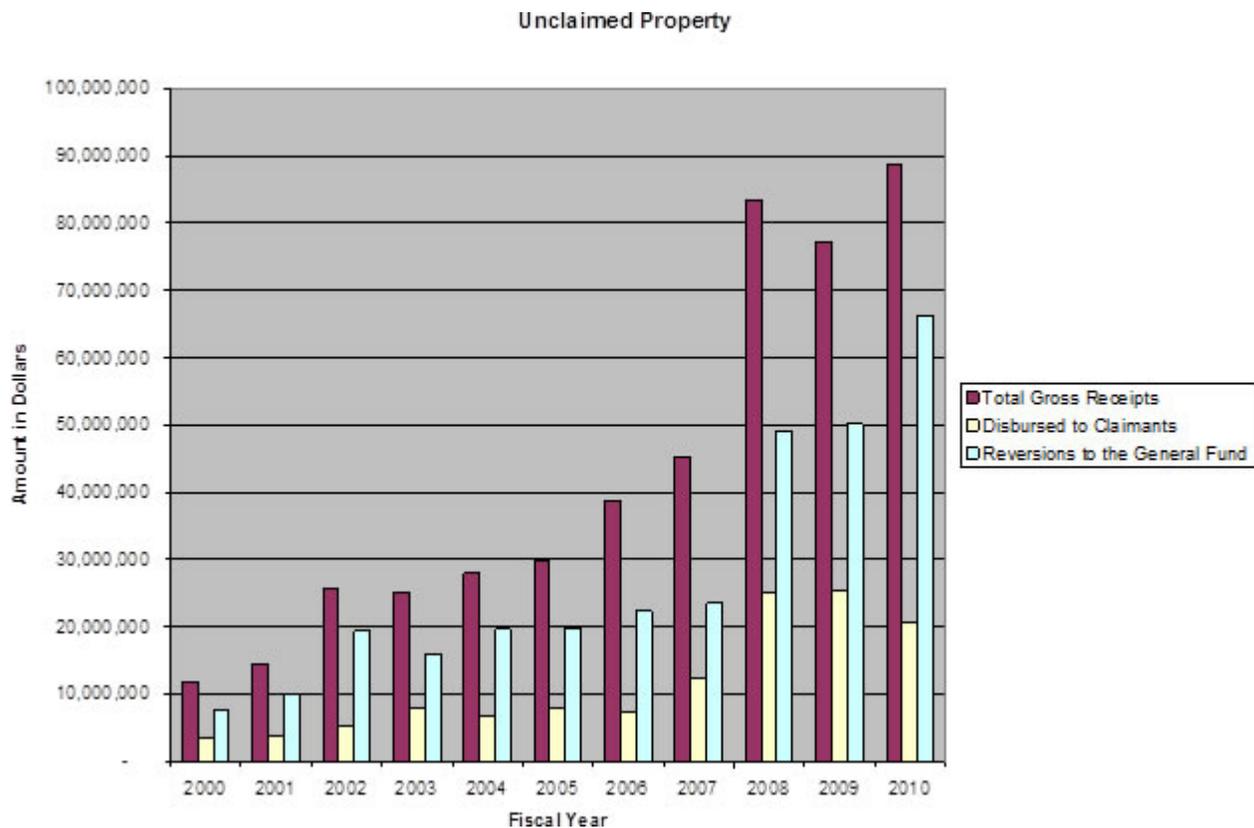
As part of the Division's continuing efforts to improve the claims process, a new Fast Track process was initiated in FY10 that allows a claim to be paid through an automated process. Of the 14,449 claims paid by the Division in FY10, 29% were paid via Fast Track. Claims under \$1,500 are eligible for the Fast Track process. As a result of this innovative process being adopted, claimants receive their money in a fraction of the time as compared to a manual claim. In addition, the new user-friendly process has resulted in an 18% increase over FY 09 in the number of claims paid.

	FY10	FY09
Total Unclaimed Property receipts	\$ 88,827,489	\$ 77,265,401
Payments to claimants	20,683,677	25,390,290
Administrative costs	1,933,137	1,743,148
Transfer to Millennium Scholarship Fund	0	0
Transfer to Educational Trust Fund	\$ 8,910	\$ 40,570

At the conclusion of FY10, the state was holding approximately \$409 million in unclaimed property. The State Treasurer's Office, Nevada Unclaimed Property Division, continues to utilize many methods adopted since Treasurer Marshall took office to reunite rightful owners with their unclaimed property:

- A user-friendly 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 revised holder outreach program that has dramatically increased the number of properties being reported to the state.
- Public notices being published in 17 newspapers throughout the state identifying unclaimed property held by the state, along with the name of the rightful owner.



As part of the Division’s continuing efforts to assist holders, a Voluntary Disclosure Agreement program was established in FY10 to encourage non-compliant businesses to conform to Nevada’s unclaimed property laws without penalties and interest being added. The VDA program provides an avenue for businesses which may not have realized they were out of compliance with an opportunity to work with the Unclaimed Property Division to submit past due reports. Further, new publications were created with the intent of providing holders with easy to understand and follow instructions on how to best comply with Nevada’s unclaimed property laws.



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.



Nevada Unclaimed Property Division staff located in the Las Vegas Office.

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 Staff in Carson City:
Amber, Heather, Mark, Budd, and Jason**

In addition to its main depository and controlled disbursement accounts, the Treasurer's Office also has twenty-five 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 basis, 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 160 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 approximately \$42 million in MSA funds in FY10 and expects to receive slightly more than \$39 million in FY2011.

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 FY10, there were 234 public entities throughout the state participating in the Pooled Collateral program, with deposits in 14 financial institutions. Accounts in the program averaged a weekly balance of \$1.724 million—an increase of \$1.096 million from the previous fiscal year—of which \$1,302 million was uninsured (deposits that exceed FDIC or NCUA insurance). The average weekly collateral pledged for the uninsured deposits was \$1.680 million, of which \$378 million was excess collateral.

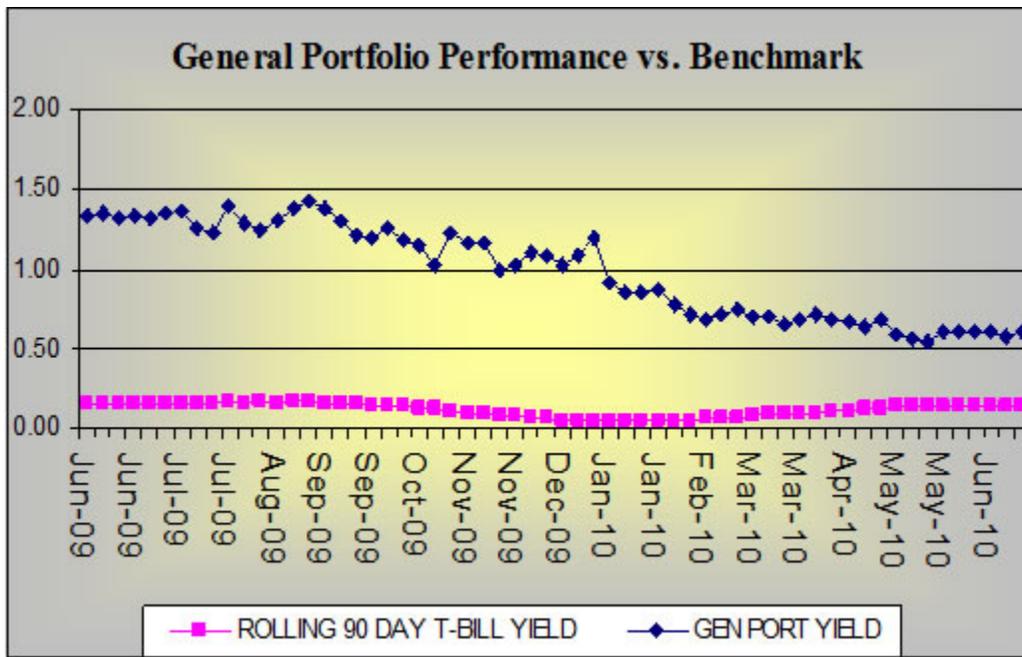
The Cash Management Division is also responsible for the allocation of revenues from the lease of federal lands in Nevada. Under NRS 328, these revenues are shared between the Department of Education's Distributive School Account, county treasurers, and school districts, based on the percentage of revenues collected in those various jurisdictions. Division personnel draw over \$2 billion in federal funds each year for state agencies, distributing more than 316,000 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.

INVESTMENTS

The investment of 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 guide 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.

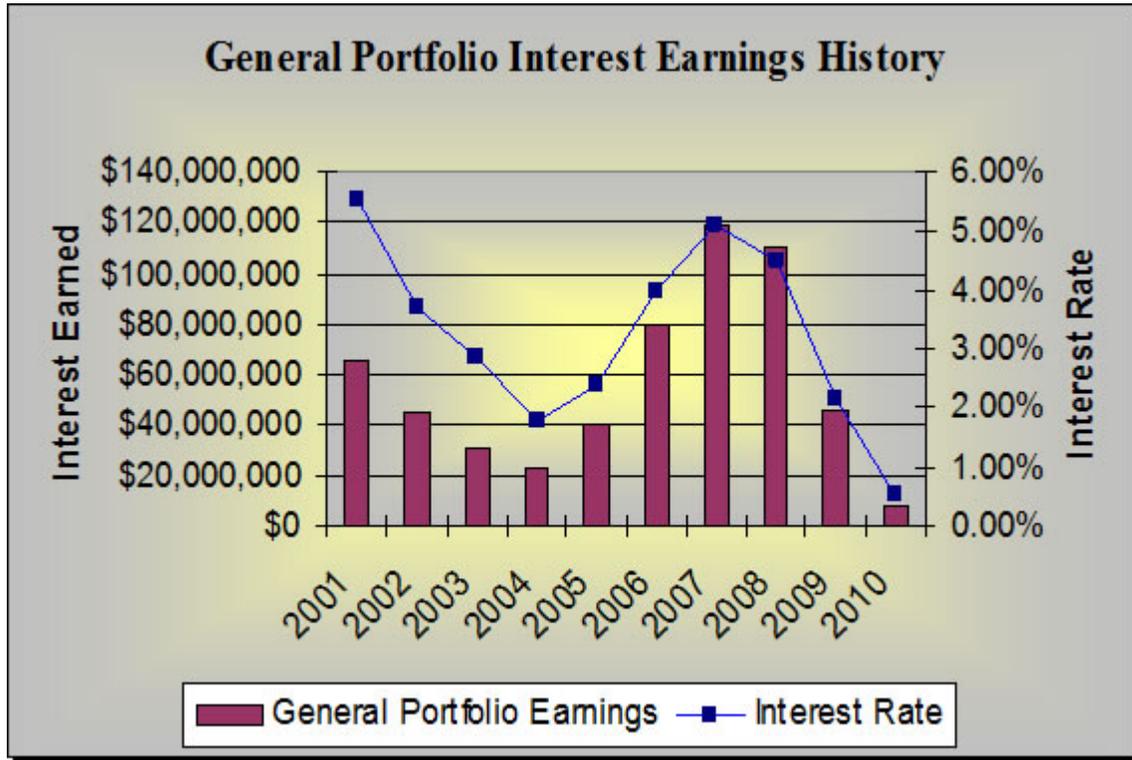
General Portfolio Overview

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 cannot exceed two years, with no single security having a maturity longer than ten years. The State Treasurer maintains a conservative, moderately active investment strategy, which provides the ability to take advantage of market opportunities as they occur by analyzing projected cash flow needs. To reduce 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 moving average of the three-month Treasury bill. As of the end of FY 2010, the General Portfolio was outperforming this benchmark by 47 basis points.



General Portfolio assets declined by over \$269 million during FY 2010, to an ending balance of about \$1.6 billion. In the interest of keeping the Portfolio liquid in order to meet the State’s cash flow needs, the average maturity declined from 156 days at the beginning of the year, to 96 days at fiscal year end.

Throughout FY 2010, 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

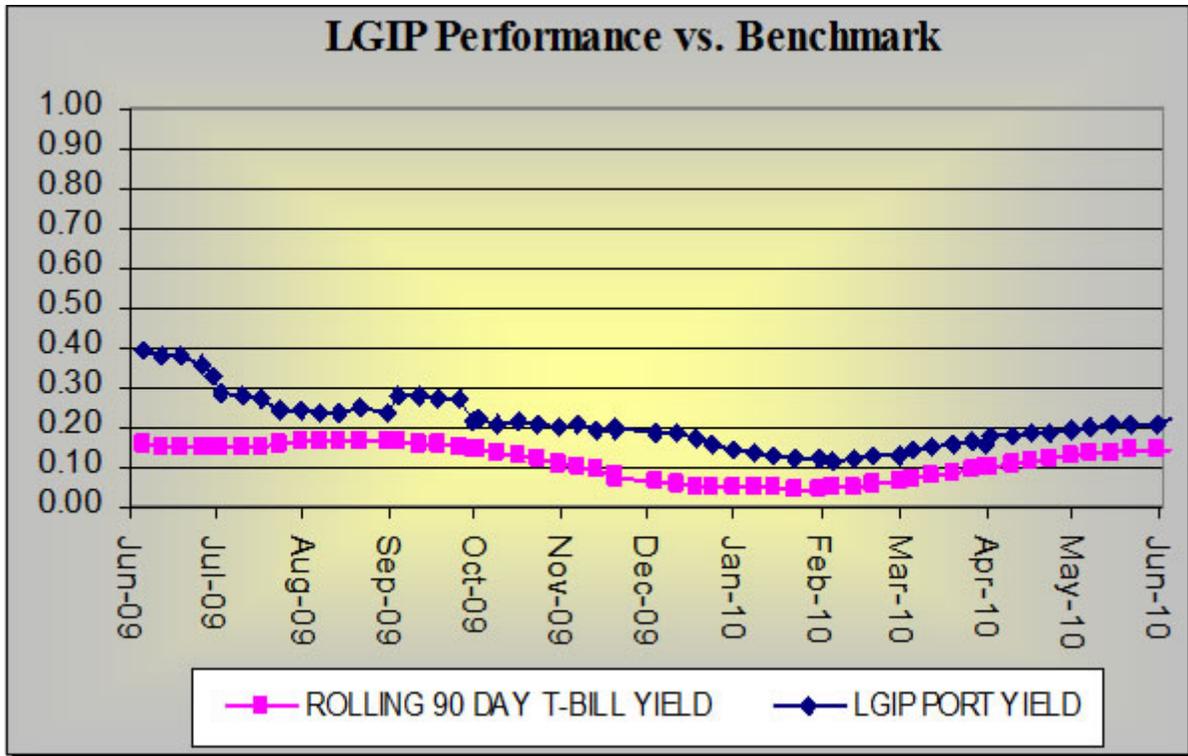
The LGIP was established as an alternative program to be utilized by local governments on a voluntary basis for their investable cash, with the advantage being economies of scale. The State Treasurer administers the LGIP in a conservative manner, consistent with the prudent guidelines outlined in a LGIP-specific 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 moving average of the three-month Treasury bill, also consistent with the management of the General Portfolio. As of the end of FY 2010, LGIP was outperforming this benchmark by nine basis points.

There were 84 LGIP members at the close of FY 2010, comprised of cities, counties, school districts, and various special districts across the state. LGIP's June 30, 2010, book value stood at \$586,532,652. LGIP's investment objectives include safety of principal, portfolio liquidity, and market return, consistent with a conservative, short duration portfolio. 2010 fiscal year-end average maturity stood at 80 days.



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, 2010, the NVEST portfolios had a consolidated market value of \$353,531,289.

Portfolio flows over FY 2010 can be summarized as follows:

	LGIP	NVEST
June 30, 2009 Market Value	677,643,735	349,012,531
Deposits From Members	776,610,455	3,000,000
Portfolio Interest Earnings and Market Value Change	845,955	11,087,367
	-	
Less Withdrawals and Expenses	<u>868,282,963</u>	<u>-9,568,609</u>
June 30, 2010 Market Value	586,817,182	353,531,289

Market Update

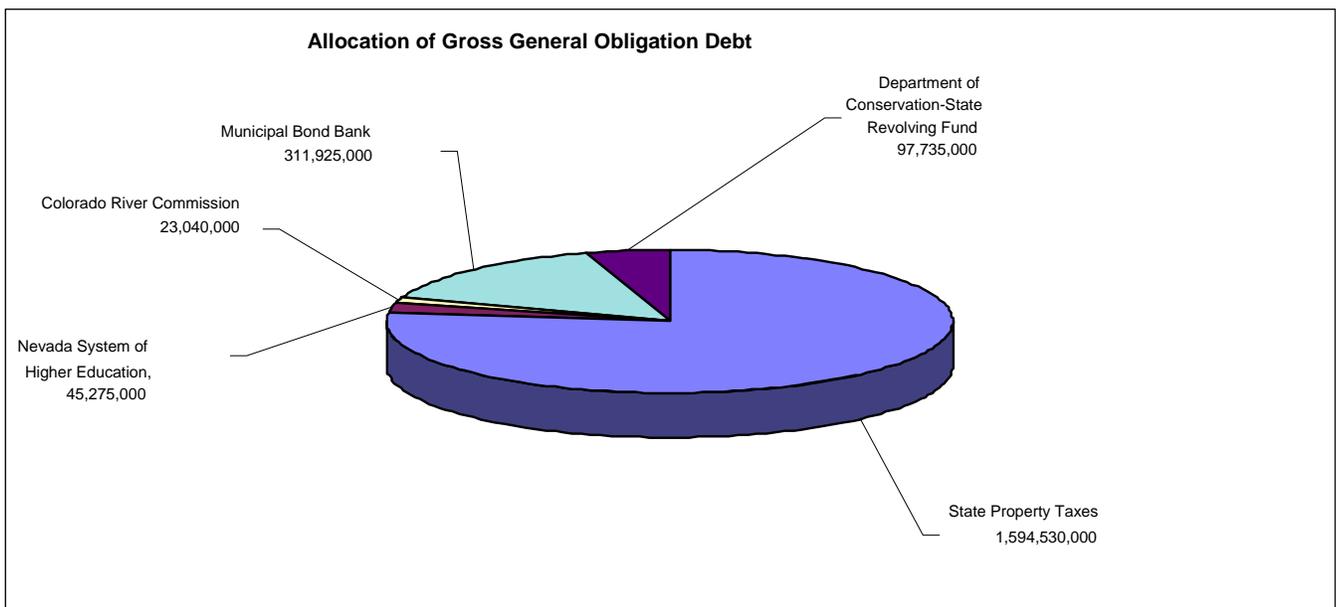
The recovery in the economy has been slow and uneven - with high unemployment, a continuing soft housing market, and a reticent consumer - fragile enough to keep the Federal Reserve's monetary policy in a highly accommodative mode. The Fed is expected to continue in this posture well into 2011. Interest rates across the yield curve have remained low, and risk spreads in debt markets have narrowed markedly over the past year. At least part of the decline in longer term rates and spreads is the direct result of many investors being "chased" out of the short-term market by near-zero money market yields.

The Investment Division has four staff members—Deputy Treasurer of Investments, Investment Analyst, Management Analyst III, and an Accountant Technician II (whose time is divided between the Investment and Cash Management 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 involved in the surveillance and analysis of 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 2010, the debt limit stood at \$2.48 billion. Outstanding debt subject to this limit is \$1.38 billion. Gross General Obligation bonded debt stood at \$2.32 billion as of June 30, 2009, and decreased to \$2.28 billion as of June 30, 2010.

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.

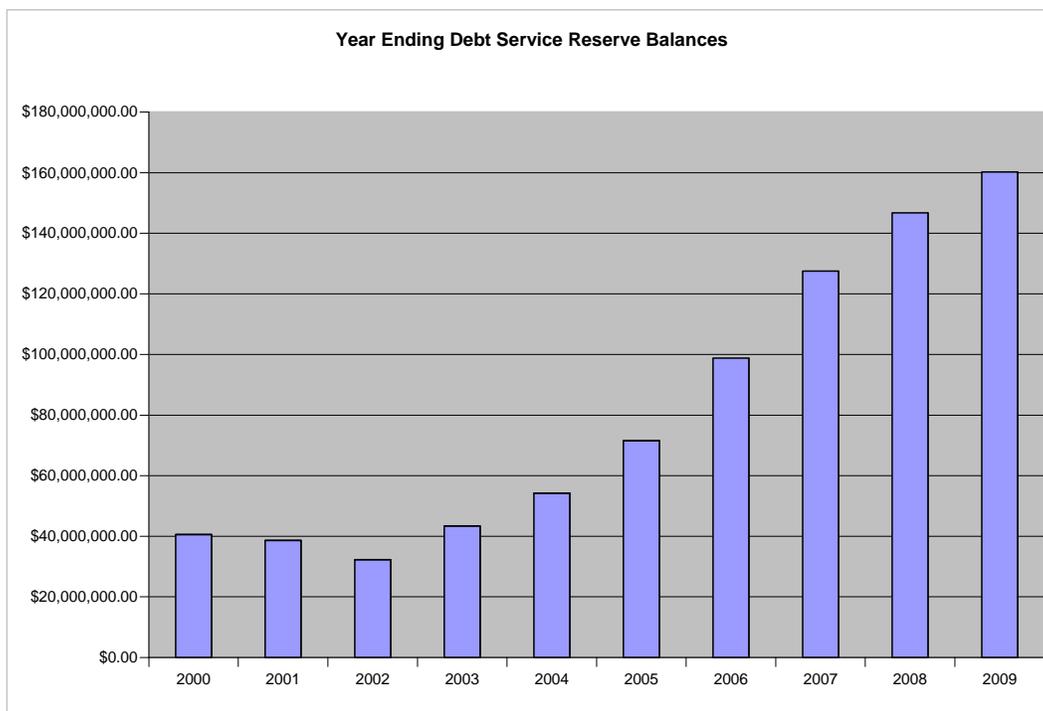




**State Treasurer's Office team members in Carson City:
Lori, Haaland, Nancy, and Stacey**

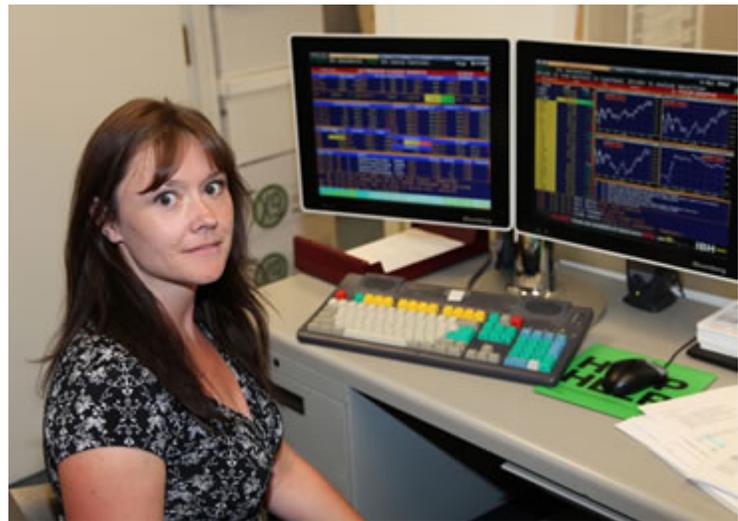
Debt Service Reserves

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 2010, the fund had an ending balance of approximately \$157.38 million, resulting in approximately ten months of state debt service payments held in reserve.



Nevada's Credit Ratings

At the conclusion of FY 2010, the state was rated AA+, Aa1, 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 \$311,925,000 as of June 30, 2010.

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 \$5.35 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, 2010:

Carson City	\$	28,615,000	Mineral	\$	3,105,000
Churchill	\$	16,170,000	Nye	\$	39,375,000
Douglas	\$	19,385,000	Pershing	\$	5,725,000
Eureka	\$	0	Storey	\$	10,280,000
Humboldt	\$	2,950,000	Washoe	\$	0
Lincoln	\$	6,032,000	White Pine	\$	4,105,000
Lyon	\$	34,985,000			

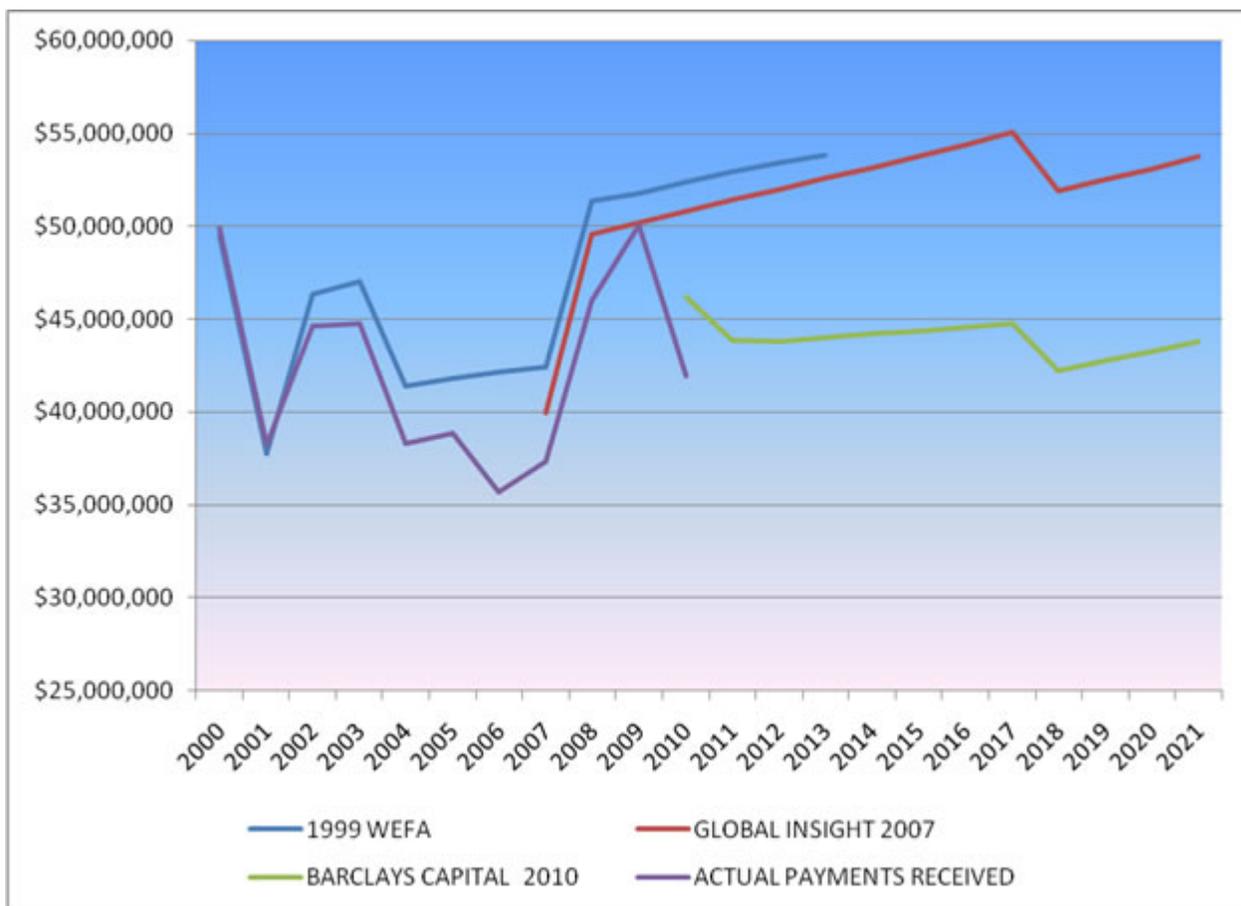


Deputy Treasurer for Debt Management, Lori Chatwood

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—which 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 FY 2010, Nevada received just under \$42 million as its share of the MSA, 19.9% below the original 1999 projection, 17.4% below the 2007 Global Insight projection and 9.1% below Barclays Capital 2010 projection. The following chart provides a view of total tobacco revenues projected by WEFA (now Global Insight) and Barclays Capital through fiscal year 2021. The chart also shows actual tobacco revenues received through FY 2010.



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 that are 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 15% 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 that improve health services for children; not more than 15% for programs that improve the health and well-being of persons with disabilities; not more than 30% for the Senior Rx program; and not more than 30% to assist senior citizens with independent living.

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 provisions of 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 suffered by the State. Additionally, Assembly Bill 3 of the 26th Special Session (2010) required these two funds to transfer \$27.2 million in FY10 and \$13.7 million in FY11 to the General Fund. The following statement identifies the revenues, disbursements, transfers and fund balance of the health funds for FY 2010:

	Fund for a Healthy Nevada	Trust Fund for Public Health
June 30, 2009 fund balance	\$ 30,364,328	\$ 1,293,557
Tobacco settlement revenues	21,229,362	4,146,717
Interest income	199,152	28
Return of unused grant/loan funds	12,407	2,842
Transfer to the General Fund	21,300,000	5,443,144
Disbursements	16,889,419	
June 30, 2010 fund balance	\$ 13,615,830	\$ -

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 State 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, end-user technology training, and contingency planning.

FY10 cost-saving improvement projects included a new Fast Track claims process system for the Unclaimed Property Division, and a new lower-cost, more effective contract management system for the Nevada Prepaid Tuition program.

Staff Profiles

Chief of Staff **Steve George** joined the State Treasurer's Office in October 2008 as Senior Deputy Treasurer before being named to his current position in 2010. His duties include serving as the office's liaison with other government officials and dignitaries, overseeing all internal and external communication, coordinating special projects, and supervising the office's 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*.

Steve lives with his two children in Dayton.



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 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, 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 is the State Treasurer's Office Senior Deputy Treasurer for Las Vegas. She joined the office in January 2009. Karen's 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.



Mark Mathers joined the State Treasurer's Office in April 2010 as Senior Deputy Treasurer for Carson City. His duties include working closely with the Debt Management, Investment Management, and Cash Management divisions, including assisting with investment responsibilities related to the Nevada College Savings Plans.

Mark previously served six years as the Chief Investment Officer for the State Treasurer of Missouri, managing a \$4 billion portfolio. Prior to this position, Mark served as Chief Investment Officer and Head of Cash Management for the County of San Bernardino in California.

Mark holds a Bachelor of Arts degree in Public Administration from California State University, Fullerton. A Certified Treasury Professional, Mark currently lives in Reno with his wife, Georgia, and their two sons.

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 Pittsburg 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 Systems 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.





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. 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 nearly \$21 million in FY10. In fact, collections from holders in FY10 (\$88.7 million) were approximately 200% above collections in 2005, individual claims paid have increased by 94.7% since 2005, and the dollar amount returned has increased by 218%. As a direct result of expanded outreach and the adoption of "Best Practices," the State Treasurer's Office was able to transfer more than \$66 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 highest amount in the state's history.

Further, a new Fast Track Claims process created by the Unclaimed Property Division in FY10 is enabling claims under \$1,500 to be processed and paid to rightful owners in one quarter the time. To help business owners in Nevada, the Unclaimed Property Division also created a Voluntary Disclosure Agreement program which provides a mechanism for companies to come into compliance with state law with a waiver of penalty and interest.

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* and *Silver State Matching Grant* programs, which provide a greater opportunity for family members and friends 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 \$5.35 million.

As State Treasurer, Kate undertook a fundamental review of all office contracts, including those entered into by the previous administration, to determine cost saving measures that would benefit the taxpayers of Nevada. Through renegotiated contracts and other cost cutting measures, taxpayers have been saved more than \$2 million. In addition, Kate's efforts to renegotiate a contract with the state's college savings plans program manager resulted in several fee reductions for contract owners, as well as greater benefits to the state.

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 & Debus, 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

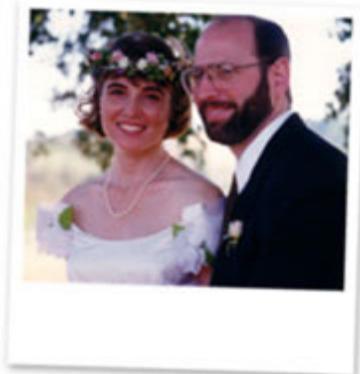


prosecuting cases involving criminal antitrust litigation.

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

2010 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, 2010 and June 30, 2009

Revenues	2010	2009
Participant Contributions	\$ 7,509,826	\$ 6,104,868
Application Fees	51,600	41,100
Administrative Charges	37,163	32,004
Interest Income	27,275	35,174
Investment Gain (Loss)	4,428,260	(7,816,342)
Total Revenues	<u>12,054,124</u>	<u>(1,603,196)</u>
Expenditures		
Tuition Payments	4,651,326	4,081,228
Personnel Costs	147,305	153,456
Travel	4,298	3,307
Operating Costs	276,312	307,767
Contract Cancellation Refunds	1,945,940	1,897,722
Contract Rollover Payments	18,033	20,194
Total Expenditures	<u>7,043,213</u>	<u>6,463,674</u>
Other Financing Sources (Uses)		
Transfer from College Savings Endowment Account	5,447,523	1,160,577
Transfer to General Fund		(1,160,577)
Total Other Financing Sources (Uses)	<u>5,447,523</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	10,458,434	(8,066,870)
Beginning Balance, July 1	<u>100,717,876</u>	<u>108,784,746</u>
Ending Balance, June 30	<u>\$ 111,176,311</u>	<u>\$ 100,717,876</u>

Cash Basis - Unaudited

2010 ANNUAL REPORT

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER**

MILLENNIUM SCHOLARSHIP TRUST FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2010 and June 30, 2009

Revenues	2010	2009
Tobacco Settlement Income	\$ 16,586,869	\$ 19,799,800
Interest Income	71,062	417,890
Refunds	-	2,720
Total Revenues	<u>16,657,931</u>	<u>20,220,410</u>
Expenditures		
Scholarship Payments	25,506,259	25,847,622
Personnel	272,710	266,246
Travel	3,209	3,246
Administrative	89,775	120,716
Total Expenditures	<u>25,871,953</u>	<u>26,237,830</u>
Other Financing Sources (Uses)		
Transfer to General Fund		(5,000,000)
Transfer from College Savings	2,654,442	-
Endowment Account	-	-
Transfer from Unclaimed Property	-	-
Total Other Financing Sources (Uses)	<u>2,654,442</u>	<u>(5,000,000)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(6,559,580)	(11,017,420)
Beginning Balance, July 1	18,753,461	29,770,881
Ending Balance, June 30	<u>\$ 12,193,881</u>	<u>\$ 18,753,461</u>

Cash Basis - Unaudited

2010 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, 2010 and June 30, 2009

Revenues	2010	2009
Unclaimed Property Receipts		
Utility Companies	\$ 1,954,325	\$ 2,041,214
Insurance Companies	6,807,166	6,221,192
Financial Institutions	41,002,191	38,176,841
Security Sales & Dividends	12,390,532	5,281,454
Local Governments	2,875,522	3,794,681
Other State Governments	828,170	954,279
Other Businesses	22,496,088	20,564,318
Audit Proceeds	416,458	206,861
Penalties, Interest and Other	57,038	18,471
Total Revenues	<u>88,827,489</u>	<u>77,259,311</u>
Expenditures		
Payments to Claimants		
Utility Companies	316,716	268,239
Insurance Companies	1,855,766	1,523,059
Financial Institutions	10,043,809	10,309,630
Security Sales & Dividends	2,526,903	3,854,015
Local Governments	1,315,691	550,715
Other State Governments	119,753	1,991,088
Other Businesses	4,505,039	6,886,975
Personnel Costs	754,154	754,043
Contractual Services	714,990	475,148
Operating Costs	288,459	275,401
Advertising and Public Relations	175,534	238,378
Total Expenditures	<u>22,616,814</u>	<u>27,126,691</u>
Other Financing Sources (Uses)		
Direct Payment From FDIC	20,332,612	-
Transfer to General Fund	(66,201,764)	(50,092,050)
Transfer to Educational Trust Fund	(8,911)	(40,570)
Transfer to Gov. Guinn Scholarship Fund	-	-
Claims Paid on FDIC Funds	(32,223)	-
Total Other Financing Sources (Uses)	<u>(45,910,286)</u>	<u>(50,132,620)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	20,300,389	-
Beginning Balance, July 1	-	-
Ending Balance, June 30	<u>20,300,389</u>	<u>-</u>

Cash Basis - Unaudited

2010 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, 2010 and June 30, 2009

Revenues	2010	2009
Taxes		
Real Property	\$ 163,385,909	\$ 163,168,419
Personal Property	12,719,820	13,369,220
Centrally Assessed Property	<u>10,608,551</u>	<u>9,382,372</u>
	186,714,280	185,920,011
Other		
Lease Purchase Building Rent	2,757,166	1,356,543
Interest Income	<u>943,412</u>	<u>4,497,234</u>
	3,700,579	5,853,777
Total Revenues	<u>190,414,858</u>	<u>191,773,788</u>
Expenditures		
Personnel	232,944	
Operating	16,066	19,310
Insurance	7,401	7,999
Trust Agent Fees	<u>10,794</u>	<u>10,589</u>
	267,205	37,898
Debt Service		
Bond Principal Redemption	117,880,000	120,380,000
Bond Interest Expense	<u>93,117,208</u>	<u>93,711,810</u>
	210,997,208	214,091,810
Total Expenditures	<u>211,264,413</u>	<u>214,129,708</u>
Other Financing Sources (Uses)		
Transfers from State Agencies	35,356,272	33,075,726
Dept of Cons. & Natural Res. - Arbitrage	22,551	
US Treasury - Build America Bonds Subsidy	604,189	
State Treasurer's Assessment	181,068	
Transfers-out		
Transfer to UCCSN	(389,769)	(278,238)
Transfer to General Fund	<u>(15,000,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>20,774,311</u>	<u>32,797,488</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(75,244)	10,441,568
Beginning Balance, July 1	158,119,050	146,737,265
Prior Period Adjustment	<u>(639,171)</u>	<u>940,217</u>
Ending Balance, June 30	<u>\$ 157,404,635</u>	<u>\$ 158,119,050</u>

Cash Basis - Unaudited

2010 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, 2010 and June 30, 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Receipts from municipalities	\$ 30,137,560	\$ 30,149,105
Other		
Interest Income	10,773	25,687
Reimbursement of Issuance Costs	2,319	2,148
Total Revenues	<u>30,150,652</u>	<u>30,176,940</u>
Expenditures		
Administrative Costs	9,495	38,170
Bond Issuance Costs	2,148	2,148
	<u>11,643</u>	<u>40,318</u>
Debt Service		
Bond Principal Redemption	14,760,000	14,090,000
Bond Interest Expense	15,377,560	16,059,105
	<u>30,137,560</u>	<u>30,149,105</u>
Total Expenditures	<u>30,149,203</u>	<u>30,189,423</u>
Other Financing Sources (Uses)		
Reversion to General Fund	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,449	(12,483)
Beginning Balance, July 1	-	12,483
Ending Balance, June 30	<u>\$ 1,449</u>	<u>\$ -</u>

Cash Basis - Unaudited

2010 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, 2010 and June 30, 2009

Revenues	2010	2009
Tobacco Settlement Income	\$ 21,229,362	\$ 25,312,082
Interest Income	199,152	900,348
Refund of Unused Grant Money	12,407	-
Total Revenues	<u>21,440,920</u>	<u>26,212,430</u>
Expenditures		
Operating	96,669	106,173
Total Expenditures	<u>96,669</u>	<u>106,173</u>
Other Financing Sources (Uses)		
Transfer to Department of Health and Human Services		
Administrative Services	(907,007)	(762,798)
Senior RX Program	(3,234,610)	(3,038,234)
Tobacco Reduction	(2,681,249)	(3,302,497)
Children & Disabled Persons	(3,774,319)	(3,975,635)
Aging Services	(5,300,833)	(5,354,987)
Disability RX	(398,954)	(392,087)
Transfer to General Fund	(21,300,000)	(18,951,530)
Transfer to Attorney General	(495,776)	(562,332)
Total Other Financing Sources (Uses)	<u>(38,092,748)</u>	<u>(36,340,100)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(16,748,498)	(10,233,844)
Beginning Balance, July 1	30,364,328	40,626,341
Prior Period Adjustment		(28,170)
Ending Balance, June 30	<u>\$ 13,615,830</u>	<u>\$ 30,364,328</u>

Cash Basis - Unaudited

2010 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, 2010 and June 30, 2009

Revenues	2010	2009
Tobacco Settlement Income	\$ 4,146,717	\$ 4,949,950
Reimbursements	2,842	-
Interest Income	28	864,361
Total Revenues	<u>4,149,587</u>	<u>5,814,311</u>
Expenditures	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)		
Transfer to Department of Health and Human Services, Health Division	-	(1,693,933)
Transfer to General Fund	<u>(5,443,144)</u>	<u>(41,227,466)</u>
Total Other Financing Sources (Uses)	<u>(5,443,144)</u>	<u>(42,921,399)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(1,293,557)	(37,107,088)
Beginning Balance, July 1	1,293,557	38,395,011
Prior Period Adjustment		5,634
Ending Balance, June 30	<u>\$ 0</u>	<u>\$ 1,293,557</u>

Cash Basis - Unaudited

STATE OF NEVADA BANK ACCOUNTS

	BANK STATEMENT BALANCES	
	June 30, 2010	June 30, 2009
Bank of America - Treasurer's Main Concentration Account	\$ 218,275,986	\$ 24,803,257
Bank of America - Treasurer's Controlled Disbursement Account	\$ (4,041)	\$ -
Bank of America - E-Payment Test Account	\$ 197	\$ 197
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	\$ -	\$ -
Bank of America - Dept of Motor Vehicle's Credit Card Account	\$ -	\$ -
Bank of America - Dept. of Taxation Zero Balance Account	\$ -	\$ -
Bank of America - Div. of Insurance Zero Balance Account	\$ -	\$ -
Bank of America - Div. of Health Care Financing and Policy Zero Balance Account	\$ -	\$ -
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	\$ 157	\$ -
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 - Div. of Industrial Relations Zero Balance Account	\$ -	n/a
Bank of America - Employment Security Division's Unemployment Compensation Benefits Account	\$ 1,734,001	\$ 16,015,791
Bank of America - Employment Security Division's Unemployment Compensation Clearing Account	\$ 1,129,003	\$ 343,063
Nevada State Bank - Treasurer's Branch Depository Account	\$ 170,595	\$ 217,784
Nevada Bank and Trust - Treasurer's Branch Depository Account	\$ 4,617	\$ 4,824
Wells Fargo Bank - Treasurer's Branch Depository Account	\$ 435,638	\$ 454,039
Wells Fargo Bank - Dept. of Motor Vehicles Cash Vault Pilot Account	\$ 9,785,179	\$ 989,771
Wells Fargo Bank - Investment Account	\$ 150,033,306	n/a
JP Morgan Chase - Lockbox Concentration Account	\$ 19,039,703	\$ 11,000,257