



Thomas A. Schweich
Missouri State Auditor

Office of State Treasurer

Year Ended
June 30, 2011



February 2012
Report No. 2012-10

<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Audit of the Office of State Treasurer

Background	On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Missouri State Treasurer.
	The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer are to be the custodian of all state funds, and determine the amount of state monies not needed for current operating expenses and invest such monies as allowed by state law. The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.
Audit Findings	The state auditor is required to conduct an annual audit of the Office of State Treasurer. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2011. The audit report includes an unqualified opinion on the financial statements of the Office of State Treasurer. No findings resulted from our audit.

In the areas audited, the overall performance of this entity was **Excellent**.*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Office of State Treasurer did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our website: <http://auditor.mo.gov>

OFFICE OF STATE TREASURER

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FINANCIAL SECTION

State Auditor's Reports



THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Clint Zweifel, State Treasurer
Jefferson City, Missouri

We have audited the accompanying financial statements of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer as of and for the year ended June 30, 2011. These financial statements are the responsibility of the office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.A., the financial statements of the Office of State Treasurer are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Office of State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United

States of America. However, the State of Missouri issued its Comprehensive Annual Financial Report for the year ended June 30, 2011, and that report was prepared in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements, taken as a whole, that are referred to in the first paragraph. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Thomas A. Schweich
State Auditor

December 30, 2011

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Douglas Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Emily Bias
	Jared Wooderson
	M. M. Williams
	Karla Swift, MBA



THOMAS A. SCHWEICH

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Clint Zweifel, State Treasurer
Jefferson City, Missouri

We have audited the financial statements of the Office of State Treasurer as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Office of State Treasurer is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the office's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the office's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management of the Office of State Treasurer and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is written in a cursive style with a large, sweeping initial 'T' and 'S'.

Thomas A. Schweich
State Auditor

December 30, 2011

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Office of the Missouri State Treasurer's (the Treasurer's Office) financial activities for the fiscal year ended June 30, 2011.

HIGHLIGHTS

- The assets of the Treasurer's Office exceeded its liabilities by \$1,099,286. The entire amount may be used to meet the office's ongoing obligations.
- The office's total net assets increased by \$363,788. The increase in net assets was caused by an increase in the revenues received in fiscal year 2011 as compared to revenues from fiscal year 2010.
- As of the close of the current fiscal year, the Treasurer's Office governmental funds reported combined ending fund balances of \$1,053,570, an increase of \$356,370 in comparison with the prior year. The total amount is available for spending as of July 1, 2011, at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Treasurer's Office basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Treasurer's Office, like the State of Missouri, uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the Treasurer's Office can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the Treasurer's Office. Unlike the government-wide financial statements prepared by the State of Missouri, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

The Treasurer's Office maintains two individual governmental funds, a general fund and a special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the State Treasurer's General Operations Fund and the State Treasurer's Information Fund.

Proprietary funds. Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees and utilize the full accrual

basis of accounting. The Treasurer's Office maintains one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the state government and also utilize the full accrual basis of accounting. The Treasurer's Office maintains one fiduciary fund, the Abandoned Fund Account Fund, to account for unclaimed property turned over to the state in accordance with state statute.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

FUND STATEMENT ANALYSIS

Governmental Funds:

At the end of fiscal year 2011, the Treasurer's Office governmental funds reported combined ending fund balances of \$1,053,570, an increase of \$356,370 from fiscal year 2010. This entire amount is available for spending at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

Fund balances for the governmental funds are as follows:

	Treasurer's General Operations Fund	Treasurer's Information Fund	Total
Fund Balance	\$1,049,976	\$3,594	\$1,053,570

The Treasurer's General Operations Fund was the primary operating fund for the Treasurer's Office in fiscal year 2011. At the end of fiscal year 2011, the Treasurer's General Operations Fund reported a total fund balance of \$1,049,976. The net increase in fund balance during fiscal year 2011 was \$355,567. Revenues of the Treasurer's General Operations Fund totaled \$3,086,938, and expenditures of the Treasurer's General Operations Fund totaled \$2,731,371. Contributing factors follow:

- In fiscal year 2010, the Treasurer's Office revised the calculations used when depositing a portion of the state's interest earnings into the Treasurer's General Operations Fund pursuant to Section 30.605, RSMo, and subsequently increased the amount of revenues to the fund. The results of this mid-fiscal year change continued into fiscal year 2011 and allows the office to manage the fund cash balance more effectively and to more closely match the expenditure authority from the fund.

The Treasurer's Information Fund was a supplemental operating fund for the Treasurer's Office in fiscal year 2011. At the end of fiscal year 2011, the Treasurer's Information Fund reported a total fund balance of \$3,594. The net increase in fund balance during fiscal year 2011 was \$803. Revenues of the Treasurer's Information Fund totaled \$2,021. Expenditures of the Treasurer's Information Fund totaled \$820 in fiscal year 2011. Contributing factors follow:

- In fiscal year 2011, the Treasurer's Information Fund collections exceeded amounts spent from the fund for the preparation, reproduction, or dissemination of information or publications of the State Treasurer's Office. This resulted from two primary factors: 1) The Treasurer's Office ceased printing multiple copies of a monthly report and now disseminates this information electronically; and 2) the Treasurer's Office received multiple open records requests that required substantial staff time to respond. The personal service costs were billed and the resulting receipts were deposited into the fund pursuant to Section 30.610, RSMo.

Proprietary Funds:

The Treasurer's Office has one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

The Central Check Mailing Service Revolving Fund's net assets increased by \$7,418. This is primarily due to a decrease in operating expenditures.

NEXT YEAR'S BUDGET

The Treasurer's Office budget for fiscal year 2012 received a decrease from the appropriation levels in the fiscal year 2011 budget by one and one-fourth percent in the State Treasurer's General Operations Fund.

On June 29, 2009, Governor Nixon signed the Invest in Missouri legislation that reinvests \$1 billion in Missouri communities. Beginning January 1, 2010, the legislation began phasing out the statutory interest rate cap that tied state time deposits to the return of short-term U.S. Treasury securities. January 1, 2012 begins the third year of the phase-out period and financial institutions with time deposits totaling over \$3 million of state funds shall pay the state a market rate of interest on the amount on deposit exceeding \$3 million.

Fund Financial Statements

**OFFICE OF STATE TREASURER
BALANCE SHEET
TREASURER'S GENERAL OPERATIONS
FUND 0164
June 30, 2011**

Assets

Cash and Cash Equivalents	\$	351,707
Investments		810,090
Invested Securities Lending Collateral		<u>42,919</u>
Total Assets	\$	<u><u>1,204,716</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts Payable	\$	25,876
Accrued Payroll		41,839
Securities Lending Obligation		42,919
Due to Other Funds		<u>44,106</u>
Total Liabilities		<u>154,740</u>

Fund Balance:

Unassigned		<u>1,049,976</u>
Total Fund Balance		<u>1,049,976</u>
Total Liabilities and Fund Balance	\$	<u><u>1,204,716</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TREASURER'S GENERAL OPERATIONS
FUND 0164
For the Fiscal Year Ended June 30, 2011

Revenues:

Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	\$	(1,500)
Cost Recovery		3,087,426
Cost Reimbursement/Miscellaneous		1,012
Total Revenues		3,086,938

Expenditures:

Current:		
General Government		2,731,371
Total Expenditures		2,731,371
Net Change in Fund Balance		355,567
Fund Balance - Beginning		694,409
Fund Balance - Ending	\$	1,049,976

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
BALANCE SHEET
TREASURER'S INFORMATION
FUND 0255
June 30, 2011**

Assets

Cash and Cash Equivalents	\$	1,088
Investments		2,506
Invested Securities Lending Collateral		<u>133</u>
Total Assets	\$	<u><u>3,727</u></u>

Liabilities and Fund Balance

Liabilities:

Securities Lending Obligation	\$	<u>133</u>
Total Liabilities		<u>133</u>

Fund Balance:

Committed for General Government		<u>3,594</u>
Total Fund Balance		<u>3,594</u>
Total Liabilities and Fund Balance	\$	<u><u>3,727</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TREASURER'S INFORMATION
FUND 0255
For the Fiscal Year Ended June 30, 2011

Revenues:

Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	\$	(6)
Cost Reimbursement/Miscellaneous		<u>2,027</u>
Total Revenues		<u>2,021</u>

Expenditures:

Current:		
General Government		<u>1,201</u>
Total Expenditures		<u>1,201</u>
Excess Revenues (Expenditures)		<u>820</u>

Other Financing Sources (Uses):

Transfers Out		<u>(17)</u>
Total Other Financing Sources (Uses)		<u>(17)</u>
Net Change in Fund Balance		803
Fund Balance - Beginning		<u>2,791</u>
Fund Balance - Ending	\$	<u><u>3,594</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
STATEMENT OF NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515
June 30, 2011

Assets

Current Assets:

Cash and Cash Equivalents	\$	5,700
Investments		13,128
Invested Securities Lending Collateral		696
Due from Other Funds		29,803
Total Current Assets		49,327

Non-Current Assets:

Capital Assets:

Equipment		4,823
Less Accumulated Depreciation/Amortization		(4,823)
Total Non-Current Assets		0
Total Assets		49,327

Liabilities

Current Liabilities:

Accounts Payable		457
Accrued Payroll		777
Securities Lending Obligation		696
Due to Other Funds		762
Total Current Liabilities		2,692

Non-Current Liabilities:

Compensated Absences		919
Total Non-Current Liabilities		919
Total Liabilities		3,611

Net Assets

Unrestricted		45,716
Total Net Assets	\$	45,716

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515
For the Fiscal Year Ended June 30, 2011

Operating Revenues:	
Charges for Services	\$ 115,910
Total Operating Revenues	<u>115,910</u>
 Operating Expenses:	
Personal Service	37,535
Operations	69,434
Depreciation/Amortization	1,520
Total Operating Expenses	<u>108,489</u>
Operating Income (Loss)	<u>7,421</u>
 Non-Operating Revenues (Expenses):	
Investment Earnings:	
Net Increase (Decrease) in the Fair Value of Investments	<u>(3)</u>
Total Non-Operating Revenues (Expenses)	<u>(3)</u>
Change in Net Assets	7,418
Total Net Assets - Beginning	<u>38,298</u>
Total Net Assets - Ending	<u><u>\$ 45,716</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER
STATEMENT OF CASH FLOWS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515
For the Fiscal Year Ended June 30, 2011**

Cash Flows from Operating Activities:

Receipts from Customers and Users	\$	115,910
Payments to Suppliers		(69,221)
Payments to Employees		(37,534)
Net Cash Provided (Used) by Operating Activities		9,155

Cash Flows from Non-Capital Financing Activities:

Due to/from Other Funds		5,195
Net Cash Provided (Used) by Non-Capital Financing Activities		5,195

Cash Flows from Investing Activities:

Proceeds from Sales and Investment Maturities		0
Purchase of Investments		(9,559)
Net Cash Provided (Used) by Investing Activities		(9,559)

Net Increase (Decrease) in Cash		4,791
Cash and Cash Equivalents, Beginning of Year		909
Cash and Cash Equivalents, End of Year	\$	5,700

**Reconciliation of Operating Income (Loss) of
Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$	7,421
Depreciation/Amortization Expense		1,520
Changes in Assets and Liabilities:		
Accounts Payable		213
Accrued Payroll		(19)
Compensated Absences		16
Due to Other Funds		4
Net Cash Provided (Used) by Operating Activities	\$	9,155

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
STATEMENT OF FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863
June 30, 2011

Assets

Cash and Cash Equivalents	\$	6,115,144
Investments at Fair Value		14,085,070
Invested Securities Lending Collateral		746,235
Capital Assets:		
Equipment		46,517
Software		8,546
Less: Accumulated Depreciation/Amortization		(36,139)
Total Capital Assets, Net		18,924
 Total Assets		 20,965,373

Liabilities

Accounts Payable		6,941
Accrued Payroll		30,182
Securities Lending Obligation		746,235
Compensated Absences		30,506
 Total Liabilities		 813,864

Net Assets

Net Assets Held in Trust for Other Purposes	\$	20,151,509
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The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863
For the Fiscal Year Ended June 30, 2011

Additions:

Increase (Decrease) in Appreciation of Assets	\$	(21,463)
Unclaimed Property		44,620,340
Miscellaneous		33
		44,598,910
Total Additions		44,598,910

Deductions:

Administrative Expenses		1,702,066
Program Distributions		34,709,171
Depreciation/Amortization		16,152
Disposal of Capital Assets		14,931
		36,442,320
Total Deductions		36,442,320

Change in Net Assets		8,156,590
Net Assets - Beginning		11,994,919
Net Assets - Ending	\$	20,151,509

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

Notes to the Fund Financial Statements

OFFICE OF STATE TREASURER
NOTES TO THE FUND FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying fund financial statements of the Office of State Treasurer have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The State Treasurer's Office has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989, for proprietary activities.

The financial statements present the financial position, the changes in financial position and, where applicable, cash flows of only the transactions of the Office of State Treasurer. They do not present the financial position of the State of Missouri as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with GAAP. However, the State of Missouri issued a Comprehensive Annual Financial Report for the State of Missouri for the fiscal year ended June 30, 2011, in conformity with GAAP.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Expenditures are recognized when the related fund liability is incurred except for compensated absences (accumulated vacation and compensatory time) and sick pay which are recorded as expenditures when paid.

The proprietary and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type

operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

C. Basis of Presentation

The Office of State Treasurer's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds:

- 1) Governmental Funds include the general funds and the special revenue funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the state. The Treasurer's General Operations Fund and the Treasurer's Information Fund are governmental funds.
- 2) Proprietary Funds include internal service funds. These funds account for the cost of certain services provided by the state. The Central Check Mailing Service Revolving Fund is a proprietary fund.
- 3) Fiduciary Funds include private-purpose trust funds. These funds account for assets held by the state in a trustee capacity or as an agent for individuals, other governments, and other funds. The Abandoned Fund Account Fund is a fiduciary fund.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of 3 months or less, such as repurchase agreements. Cash balances of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund are pooled with other state funds and invested by the State Treasurer.

E. Investments

These are long-term investments with an original maturity greater than 3 months which are expected to be held to maturity and redeemed at face value. All investments are reported at fair value.

F. Interfund Receivables/Payables

The state makes various transactions between funds to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" on the Balance Sheet and Statement of Net Assets. Payables are classified as "due to other funds" on the Balance Sheet and Statement of Net Assets. These receivables/payables are due within one year.

G. Capital Assets

Capital assets, which include equipment and software, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for equipment is \$1,000 and for software is \$5,000.

Equipment and software are depreciated/amortized using the straight-line method of depreciation/amortization over a useful life of 5 years for equipment and 3 to 5 years for software.

H. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements since they are presented on the modified accrual basis of accounting. These long-term liabilities include the following:

Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid.

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the state.

2. Deposits, Investments and Securities Lending Program

The Office of State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Described below is the portfolio that represents the "Cash and Cash Equivalents" and "Investments" as reported at June 30, 2011.

A. Deposits

The state minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. State laws restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50 percent at the time of deposit and deposits must be collateralized at least 100 percent with approved securities. Deposits must have a maturity of 5 years or less and earn interest at varying rates based on state law.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within 5 years, commercial paper and banker's acceptances maturing within 180 days, or repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2011.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the State Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the state will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the state's name at the state's custodial bank.

The state's investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 2.5 years, and holding at least 25 percent of the portfolio's total market value in securities with a maturity of 12 months or less.

The state minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5 percent of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15 percent of the total portfolio invested in repurchase agreements with a single counterparty. During fiscal year 2011, the state did not have more than 5 percent of total investments in a single issuer.

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. and Standard & Poor's Corporation. The State Treasurer does not have any additional policies regarding credit ratings of investments.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's Office does not have any deposits or investments in foreign currency and therefore does not have a policy regarding foreign currency risk.

C. Securities Lending Program

The State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. For securities which are received as collateral under a bonds borrowed program, at least 75 percent of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102 percent of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

3. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental Activities:				
Equipment, Governmental Funds	\$ 297,920	\$ 64,904	\$ (184,826)	\$ 177,998
Software, Governmental Funds	10,446	0	0	10,446
Equipment, Proprietary Funds	25,577	0	(20,754)	4,823
Total Equipment	<u>333,943</u>	<u>64,904</u>	<u>(205,580)</u>	<u>193,267</u>
Less Accumulated Depreciation/Amortization for:				
Equipment, Governmental Funds	(220,945)	(31,309)	162,618	(89,636)
Software, Governmental Funds	(4,530)	(3,482)	0	(8,012)
Equipment, Proprietary Funds	<u>(24,057)</u>	<u>(1,520)</u>	<u>20,754</u>	<u>(4,823)</u>
Total Accumulated Depreciation/Amortization	<u>(249,532)</u>	<u>(36,311)</u>	<u>183,372</u>	<u>(102,471)</u>
Governmental Activities Capital Assets, Net	<u>\$ 84,411</u>	<u>\$ 28,593</u>	<u>\$ (22,208)</u>	<u>\$ 90,796</u>

4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 108,056	\$ 96,210	\$ 94,329	\$ 109,937	\$ 109,937
Total Governmental Activities	<u>\$ 108,056</u>	<u>\$ 96,210</u>	<u>\$ 94,329</u>	<u>\$ 109,937</u>	<u>\$ 109,937</u>

5. Payables

A summary of accounts payable at June 30, 2011, is shown below:

	Governmental Funds	Proprietary Fund	Balance June 30, 2011
Accounts Payable:			
Vendors	\$ 25,876	\$ 457	\$ 26,333
Employees	41,839	777	42,616
Total Accounts Payable	<u>\$ 67,715</u>	<u>\$ 1,234</u>	<u>\$ 68,949</u>

6. Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2011, is shown below:

	<u>Due To/From Other Funds</u>		
	Treasurer's General Operations Fund	Central Check Mailing Service Revolving Fund	Totals
Due to Other Funds:			
General Government	\$ 44,106	\$ 762	\$ 44,868
Totals	<u>\$ 44,106</u>	<u>\$ 762</u>	<u>\$ 44,868</u>
Due From Other Funds:			
General Government	\$ 0	\$ 29,803	\$ 29,803
Totals	<u>\$ 0</u>	<u>\$ 29,803</u>	<u>\$ 29,803</u>

Interfund assets do not equal interfund liabilities because only funds related to the State Treasurer's Office are being presented, not all state funds.

7. Restatements

During fiscal year 2011, net assets of the Central Check Mailing Service Revolving Fund were restated due to a decrease in amounts due from other funds following an adjustment for uncollectible amounts. A summary of this restatement is shown below:

June 30, 2010, Net Assets Previously Reported	\$ 38,481
Prior Period Adjustment	(183)
June 30, 2010, Net Assets Restated	<u>\$ 38,298</u>

Required Supplementary Information

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2011**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 797,291	\$ 797,291	\$ 797,291	\$ 0	\$ 2,784	\$ 2,784	\$ 2,784	\$ 0
Resources (Inflows):								
Interest	2,810,000	2,810,000	3,088,438	278,438	0	0	0	0
Intergovernmental	0	0	0	0	8,000	8,000	2,027	(5,973)
Total Resources (Inflows)	<u>2,810,000</u>	<u>2,810,000</u>	<u>3,088,438</u>	<u>278,438</u>	<u>8,000</u>	<u>8,000</u>	<u>2,027</u>	<u>(5,973)</u>
Amount Available for Appropriation	<u>3,607,291</u>	<u>3,607,291</u>	<u>3,885,729</u>	<u>278,438</u>	<u>10,784</u>	<u>10,784</u>	<u>4,811</u>	<u>(5,973)</u>
Charges to Appropriations (Outflows):								
General Government	2,061,954	2,062,757	2,047,649	15,108	8,000	8,000	1,201	6,799
Transfers Out	840,733	821,924	676,756	145,168	15	17	17	0
Total Charges to Appropriations	<u>2,902,687</u>	<u>2,884,681</u>	<u>2,724,405</u>	<u>160,276</u>	<u>8,015</u>	<u>8,017</u>	<u>1,218</u>	<u>6,799</u>
Ending Budgetary Fund Balance	<u>\$ 704,604</u>	<u>\$ 722,610</u>	<u>\$ 1,161,324</u>	<u>\$ 438,714</u>	<u>\$ 2,769</u>	<u>\$ 2,767</u>	<u>\$ 3,593</u>	<u>\$ 826</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(809,617)				(2,505)	
Investments at Fair Value			810,090				2,506	
Invested Securities Lending Collateral			42,919				133	
Accounts Payable			(25,876)				0	
Accrued Payroll			(41,839)				0	
Due to Other Funds			(44,106)				0	
Securities Lending Obligation			(42,919)				(133)	
Fund Balance - GAAP Basis			<u>\$ 1,049,976</u>				<u>\$ 3,594</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

OFFICE OF STATE TREASURER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Budgetary Comparison Schedule in Required Supplementary Information (RSI) presents comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2011, has been presented at the bottom of the Budgetary Comparison Schedule.

The "original budget" expenditures and transfers represent the amounts originally appropriated for each fund. The "final budget" expenditures and transfers include increases and decreases to appropriations during the fiscal year.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

Supplementary Information

Schedule 1

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	\$ 1,250,000	1,195,353	54,647	2,700,000	2,577,445	122,555
Refunds of excess interest from the linked deposit program	200	134	66	1,500	1,018	482
Total General Revenue Fund	1,250,200	1,195,487	54,713	2,701,500	2,578,463	123,037
TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,493,217	1,485,434	7,783	1,477,865	1,419,899	57,966
Expense and equipment	353,872	346,604	7,268	346,155	324,304	21,851
Unemployment benefits	8,503	8,501	2	10,185	10,183	2
Treasurer state owned building	207,165	207,110	55	214,836	214,836	0
Total Treasurer's General Operations Fund	2,062,757	2,047,649	15,108	2,049,041	1,969,222	79,819
TREASURER'S INFORMATION FUND						
Expense and equipment	8,000	1,201	6,799	8,000	956	7,044
Total Treasurer's Information Fund	8,000	1,201	6,799	8,000	956	7,044
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	23,078	23,064	14	22,978	22,978	0
Expense and equipment	224,900	69,221	155,679	225,000	103,203	121,797
Total Central Check Mailing Service Revolving Fund	247,978	92,285	155,693	247,978	126,181	121,797
SECOND INJURY FUND						
Personal service	0	0	0	41,789	41,789	0
Expense and equipment	0	0	0	3,280	3,280	0
Total Second Injury Fund	0	0	0	45,069	45,069	0
ABANDONED FUND ACCOUNT FUND						
Personal service	517,401	491,903	25,498	517,401	509,579	7,822
Expense and equipment	98,600	91,947	6,653	98,600	70,721	27,879
Advertising and auctions	912,902	899,843	13,059	800,000	787,116	12,884
Payment of claims for abandoned property	35,000,000	34,703,091	296,909	34,800,000	33,675,322	1,124,678
Unemployment benefits	6,081	6,080	1	0	0	0
Total Abandoned Fund Account Fund	36,534,984	36,192,864	342,120	36,216,001	35,042,738	1,173,263
Total All Funds	\$ 40,103,919	39,529,486	574,433	41,267,589	39,762,629	1,504,960

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 2

OFFICE OF STATE TREASURER
 COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	2011	2010
Personal service	\$ 2,000,401	1,994,245
Travel	6,651	8,567
Expense and equipment	458,165	461,116
Communications expense	74,545	58,225
Professional services	947,188	855,170
Equipment repairs and maintenance	67,277	68,620
Equipment and software purchases	62,100	52,718
Abandoned fund claim payments	34,703,091	33,675,322
Replacement of outlawed checks	1,195,353	2,577,445
Unemployment benefits	14,581	10,183
Refunds of excess interest from the linked deposit program	134	1,018
Total Expenditures	\$ <u>39,529,486</u>	<u>39,762,629</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER
 STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS
 YEAR ENDED JUNE 30, 2011

	Furniture and Equipment	Software	Motor Vehicles	Total General Capital Assets
Balance, June 30, 2010	\$ 802,606	18,992	0	821,598
Additions	23,510	37,506	15,431	76,447
Dispositions	(397,468)	0	0	(397,468)
Balance, June 30, 2011	<u>\$ 428,648</u>	<u>56,498</u>	<u>15,431</u>	<u>500,577</u>

Fund of Acquisition	Balance June 30, 2011
General Revenue Fund	\$ 250,154
Treasurer's General Operations Fund	186,745
Central Check Mailing Service Revolving Fund	4,823
Second Injury Fund	2,093
Abandoned Fund Account Fund	55,063
Treasurer's Information Fund	1,699
Total All Funds	<u>\$ 500,577</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	2011	2010	2009	2008	2007
APPROPRIATED FUNDS					
Demand Deposits:					
US Bank	\$ 19,576,124	36,059,240	25,073,436	3,254,861	1,260,314
Central Bank	78,591,491	51,456,960	62,513,574	2,906,607	(17,643,721)
Premier Bank	0	0	0	23,933	28,400
Commerce Bank	14,987,119	15,006,383	8,986,650	1,003,059	46,689
Bank of New York Midwest	50,045,196	50,190,689	463,418	35,371	63,555
UMB Bank	(25,491,067)	(132,951,485)	(98,153,059)	(104,051,423)	(157,866,914)
Collection bank accounts	2,709,858	1,832,381	2,910,932	3,200,125	5,100,011
Total Demand Deposits	<u>140,418,721</u>	<u>21,594,168</u>	<u>1,794,951</u>	<u>(93,627,467)</u>	<u>(169,011,666)</u>
Pooled Investments:					
Time deposits	652,429,893	589,443,027	619,916,057	794,573,654	725,919,659
U.S. government securities	2,224,602,562	2,473,096,949	2,138,596,968	3,060,593,602	1,881,814,564
Commercial paper and banker acceptances	61,693,783	0	183,069,065	255,421,715	1,083,140,450
Repurchase agreements	1,213,394,000	704,639,000	344,236,000	336,856,001	142,474,000
Total Pooled Investments	<u>4,152,120,238</u>	<u>3,767,178,976</u>	<u>3,285,818,090</u>	<u>4,447,444,972</u>	<u>3,833,348,673</u>
Total Demand Deposits and Pooled Investments	<u>4,292,538,959</u>	<u>3,788,773,144</u>	<u>3,287,613,041</u>	<u>4,353,817,505</u>	<u>3,664,337,007</u>
Special Fund Dedicated Investments:					
U.S. government securities	39,282,060	35,817,480	34,239,743	31,847,311	31,849,243
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	<u>39,287,190</u>	<u>35,822,610</u>	<u>34,244,873</u>	<u>31,852,441</u>	<u>31,854,373</u>
Total Appropriated Funds	<u>4,331,826,149</u>	<u>3,824,595,754</u>	<u>3,321,857,914</u>	<u>4,385,669,946</u>	<u>3,696,191,380</u>
NONAPPROPRIATED FUNDS					
Demand deposits	10,926,394	12,584,187	13,198,903	13,422,723	20,328
Repurchase agreements	0	1,000,000	1,280,000	26,585,259	21,996,084
US government securities	0	0	0	0	4,910,938
Commercial paper and banker acceptances	999,988	0	0	0	24,977,950
Time deposits	0	0	1,000,000	2,500,000	50,000,000
Total Nonappropriated Funds	<u>11,926,382</u>	<u>13,584,187</u>	<u>15,478,903</u>	<u>42,507,982</u>	<u>101,905,300</u>
Total Cash and Investments	<u>\$ 4,343,752,531</u>	<u>3,838,179,941</u>	<u>3,337,336,817</u>	<u>4,428,177,928</u>	<u>3,798,096,680</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER

COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS

	Year Ended June 30,				
	2011	2010	2009	2008	2007
INTEREST RECEIPTS					
General and special funds	\$ 31,748,010	39,599,319	97,518,011	178,680,683	146,727,651
Debt retirement funds	2,906,855	6,742,590	16,181,881	22,937,142	15,978,846
Total Appropriated Funds	34,654,865	46,341,909	113,699,892	201,617,825	162,706,497
Trust funds	3,792	3,730	166,375	2,678,192	4,025,495
Total Interest Receipts	\$ 34,658,657	46,345,639	113,866,267	204,296,017	166,731,992

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Notes to the Supplementary Information

OFFICE OF STATE TREASURER
NOTES TO THE SUPPLEMENTARY INFORMATION

1. General Capital Assets

Capital assets, which include equipment and software, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is \$1,000 and software is \$5,000.

Equipment and software are depreciated/amortized using the straight-line method of depreciation/amortization over a useful life of 5 years for equipment and 3 to 5 years for software. Accumulated depreciation/amortization on general capital assets at June 30, 2011, was \$395,756.

2. Basis of Presentation

The amounts presented in Schedules 4 and 5 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

3. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than 5 years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in bankers acceptances issued by domestic commercial banks possessing the highest rating issued by at least 2 nationally recognized statistical rating organizations and in commercial paper, issued by domestic corporations, which has received the highest rating issued by at least 2 nationally recognized statistical rating organizations. Investments in bankers acceptances and commercial paper shall mature and become payable not more than 180 days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy which shall

include an asset allocation plan limiting the total amount of state money which may be invested in each investment category authorized by law.

Deposits

The State Treasurer maintains approximately 207 bank accounts throughout the state. These accounts include collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 2011, were entirely covered by federal depository insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2011, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

	Reported Amount	Fair Value
Time deposits	\$ 652,429,893	652,429,893
U.S. government securities	2,224,602,562	2,226,235,532
Commercial paper	62,693,771	62,683,150
Repurchase agreements	1,213,394,000	1,213,394,000
Other investments	39,287,190	39,539,356
Total Investments	\$ <u>4,192,407,416</u>	<u>4,194,281,931</u>

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in time deposits and repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

4. Demand Deposit and Collection Accounts

The demand deposits with US Bank on Schedule 4 consist of two central demand accounts at June 30, 2011 and 2010, and one at June 30, 2009, 2008, and 2007. The demand deposits with Central Bank consist of 26 central demand accounts at June 30, 2011, 28 at June 30,

2010, 27 at June 30, 2009, 31 at June 30, 2008 and 2007. The demand deposits with Premier Bank consist of no central demand accounts at June 30, 2011, 2010, and 2009, and two at June 30, 2008 and 2007. The demand deposits with Commerce Bank consist of seven central demand accounts at June 30, 2011, 2010, and 2009, six at June 30, 2008, and five at June 30, 2007. The demand deposits with Bank of New York consist of two central demand accounts at June 30, 2011 and 2010, one at June 30, 2009 and 2008, and two at June 30, 2007. The demand deposits with UMB Bank consist of five central demand accounts at June 30, 2011, 2010, 2009, 2008, and 2007. Demand deposit bank balances were \$19,576,124, \$36,059,240, \$25,073,472, \$58,220, and \$17,418 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively, for US Bank; and \$102,649,356, \$9,661,807, \$101,388,206, \$2,638,669, and \$13,586,834 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively, for Central Bank; and \$0 at June 30, 2011, 2010, and 2009, and \$24,705 and \$29,362 at June 30, 2008 and 2007, respectively, for Premier Bank; and \$15,157,804, \$15,083,622, \$9,081,750, \$1,136,296, and \$163,448 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively, for Commerce Bank; and \$50,118,446, \$50,224,767, and \$0 at June 30, 2011, 2010, and 2009, and \$253 at June 30, 2008 and 2007, for Bank of New York; and \$53,005,800, \$55,312,039, \$46,778,874, \$103,883, and \$10,974 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively, for UMB Bank.

The collection bank accounts on Schedule 4 consist of three master concentration accounts and their related collection accounts. The General Concentration, Conservation Concentration, and Lottery Concentration Accounts were at Central Bank at June 30, 2011, 2010, 2009, 2008, and 2007. Collection account bank balances were \$12,160,071, \$1,990,604, \$2,976,740, \$3,219,655, and \$5,107,667 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

5. Special Fund Dedicated Investments

The State Treasurer is assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Schedule 4 represent specific investments made or held by the State Treasurer on behalf of the Pansey Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansey Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments which were transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are

made in accordance with the instructions of the State Public School Fund investment committee.

STATISTICAL SECTION

Organization and Statistical Information

OFFICE OF STATE TREASURER
ORGANIZATION AND STATISTICAL INFORMATION

The State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U.S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.

The accounting and banking services area 1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, 3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, 4) reconciles bank activity to receipt and disbursement activity reflected on the state books, 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other departments of the State Treasurer's Office, as follows: 1) provides retrieval of state checks, and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Division is responsible for 1) ensuring unclaimed property is reported, 2) receiving and recording reports of unclaimed property, 3) depositing unclaimed funds to the Abandoned Fund Account Fund, 4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and 5) processing owner claims for abandoned funds or physical property.

Clint Zweifel became Missouri's forty-fifth State Treasurer when he took the oath of office on January 12, 2009. His term will expire in January 2013.

As of June 30, 2011, the office had 44 full-time positions and 2 part-time positions to assist in the accomplishment of its mission.