



**John Watson**  
Missouri State Auditor

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# Office of State Treasurer

**Year Ended  
June 30, 2014**

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**April 2015**  
**Report No. 2015-016**



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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Office of State Treasurer

**Recusal** To avoid any appearance of a conflict of interest, the State Auditor recused himself from participation in this audit and directed the Deputy State Auditor to oversee the procedures performed by the State Auditor's professional audit staff.

**Community Development Contract** The Office of State Treasurer (STO) issued complete payment to a contractor to serve as the STO's Community Development Grant Administrator before any services had been performed. The STO received a one-year, non-recurring appropriation of \$225,000 for the fiscal year ended June 30, 2014, to fund a project to create sustainable communities and help families achieve economic stability. The STO issued a request for proposal to potential bidders on March 17, 2014, selected a winning bid on May 16, 2014, and signed the resulting contract on June 18, 2014.

Although the STO planned for project activities to begin late in the fiscal year, the STO made no request to re-appropriate funds to later fiscal years. Re-appropriation would have allowed the STO to release funds to the grant administrator as services were provided. Instead, the STO paid the entire \$225,000 to the contractor on June 23, 2014, just before the expiration of the appropriation, and before any agreed-upon services were provided. Although the contract included reporting and monitoring requirements, payment in full before any services had been provided reduces the STO's options to compel satisfactory completion of the contract.

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

\*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.

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# Office of State Treasurer

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## **JOHN WATSON**

### **Missouri State Auditor**

Honorable Clint Zweifel, State Treasurer  
Jefferson City, Missouri

To avoid any appearance of a conflict of interest, the State Auditor recused himself from participation in this audit and directed the Deputy State Auditor to oversee procedures performed by the State Auditor's professional audit staff. We have audited certain operations of the Office of State Treasurer in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2014. The objectives of our audit were to:

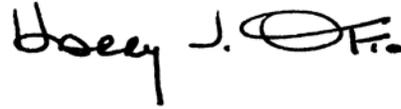
1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

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 procedures applied in our audit of the office.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Office of State Treasurer.

A handwritten signature in black ink that reads "Harry J. Otto". The signature is written in a cursive style with a large, stylized "H" and "O".

Harry J. Otto, CPA  
Deputy State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Gayle Garrison
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	Marlon McDaniels, M Acct.
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# Office of State Treasurer

## Management Advisory Report

### State Auditor's Finding

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#### **Community Development Contract**

The Office of State Treasurer (STO) issued complete payment to a contractor to serve as the STO's Community Development Grant Administrator in June 2014 before any agreed-upon services had been provided.

#### Project timeline

The STO received a one-year, non-recurring appropriation totaling \$225,000 for the fiscal year beginning July 1, 2013, for the purpose of funding a project to create sustainable communities and help families achieve economic stability. While the STO did not request funding for this project, the appropriation was added by the legislature and approved by the Governor. The activities envisioned in this project fall outside the STO's normal financial administration role for the state and the STO had no previous experience procuring similar services or managing such projects. The STO began researching and preparing a request for proposal (RFP) in the fall of 2013 and issued the completed RFP to potential bidders on March 17, 2014. The STO evaluated the proposals received and conducted interviews with the top rated respondents between April 11, 2014 and May 12, 2014. The winning bidder was selected on May 16, 2014 and the resulting contract was signed on June 18, 2014.

#### Project scope

The project included two community development programs to be delivered in underprivileged Jackson County communities by the grant administrator's four site-contractors during an 18-month period. The first program focused on intervention and comprehensive redevelopment of disadvantaged neighborhoods by engaging local residents and other stakeholders in five goals (1) develop, preserve, and invest in the physical environment; (2) increase family income and wealth; (3) stimulate local and regional economic activity; (4) improve access to quality education; and (5) foster livable, safe, and healthy environments. The second program focused on improving low income family economic stability by providing services to the families in the areas of (1) employment placement and career improvement, (2) financial education and coaching, and (3) public benefits access.

#### Contract payment and monitoring

Although the STO planned for the project activities to begin late in the fiscal year ended June 30, 2014, the STO made no request in the fiscal year 2015 budget process to re-appropriate the funds to subsequent years. Re-appropriation would have allowed release of the funds to the grant administrator as services were provided. Instead, the RFP released by the STO indicated payment would be a one-time lump sum from the STO to the grant administrator in the amount of \$225,000. The subsequent contract written by the STO required the STO to release all of the funds to the grant administrator upon execution of the agreement and required the grant administrator to expend all funding on agreed upon activities within 18 months. The STO paid the entire \$225,000 to the grant administrator on June 23, 2014, three business days after executing the contract, and just before expiration of the appropriation.



Office of State Treasurer  
Management Advisory Report - State Auditor's Finding

The contract included reporting and monitoring requirements throughout and beyond the 18-month contract period. The grant administrator is required to submit monthly and quarterly activity and expenditure reports, including reports of each site-contractors' contract-related expenditures and services provided. These reports are to include outcome-based information for the number of clients served as well as clients' progress toward key indicators of economic stability. The grant administrator must also perform quarterly monitoring visits for each site-contractor. The STO retained the right to perform multiple monitoring visits of the grant administrator and each of the site-contractors. If findings result from the STO site visits, the grant administrator is required to prepare a corrective action plan.

As of January 2015, the STO had received monthly reports through November 2014, and the September 2014 quarterly report. The STO had not performed any site visits but had followed up with the grant administrator with a request for clarification of certain data.

**Diminished ability to compel services**

Payment of the contract's full value before any services had been provided reduces the STO's options to compel satisfactory completion of the contract. Because full payment has already been issued, the STO cannot reduce or halt periodic payments as a way to prompt corrective action in the event that service thresholds or milestones are not met. Instead, corrective action by the STO would likely require the use of STO personnel resources and/or expenditure of additional public funds to enforce compliance with the contract or recoup funds already released.

**Recommendation**

The STO refrain from establishing contracts that require full payment before any services are provided and establish procedures to ensure payments on future contracts are made based upon satisfactory completion of services provided.

**Auditee's Response**

*As noted in the Auditor's report, the STO received a one-year, non-recurring appropriation for fiscal year 2014 in the amount of \$225,000 to fund program models for the purpose of creating sustainable communities and helping families achieve economic stability in Jackson County, Missouri. This appropriation was added by the Missouri Legislature during the budget process and it was approved by the Governor on June 28, 2013.*

*Following approval of this budget item, the STO undertook the process of drafting and distributing a competitive RFP to award the funds. The RFP was distributed to 21 potential bidders in March of 2014 and was posted on the STO website, the Office of Administration website and with Jackson County on its website. Six bids were received in April of 2014. Following a thorough evaluation and interview process, the winning bidder was identified by the STO in May of 2014. After approving and documenting the winning bidder's Community Improvement Model and budget (as required by the RFP), the STO and the winning bidder entered into a contract and the funds were transferred to the winning bidder by the end of fiscal year*



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Office of State Treasurer  
Management Advisory Report - State Auditor's Finding

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*2014 to ensure the appropriation did not lapse and to ensure that the STO complied with the intent of the Legislature and the Governor.*

*The STO was not appropriated any funds for staffing related to the grant, therefore the STO chose a contractor who would serve as the grant administrator. Except for certain direct program expenses and a small portion of the funds which were provided to the administrator as an administrative fee, the remainder of the funds are distributed by the administrator to sub-grantees (site-contractors) who operate the program models. The contract provides for monitoring of both the administrator and the site-contractors throughout the term of the grant. The STO is provided monthly and quarterly reports from both the administrator and site-contractors. The administrator performs site visit audits of its site-contractors to ensure compliance with the contract and the budget. The STO also may perform regular monitoring site visits for both the administrator and the site-contractors to ensure compliance with the contract throughout the 18-month term of the project. If deficiencies are found, corrective action plans are required under the contract.*

*The Auditor's recommendation states that the STO should refrain from establishing contracts that require full payment before any services are provided. As noted in the Auditor's report and above, this appropriation was a one-year, non-recurring appropriation. The STO has no plans or intentions to procure similar services or manage similar processes in the future.*

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# Office of State Treasurer

## Organization and Statistical Information

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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 areas of the office by (1) retrieving state checks, and 2) controlling and processing outlawed checks and processing and verifying 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.

On January 14, 2013, Clint Zweifel was inaugurated for his second term as the forty-fifth Treasurer of the state of Missouri. His term will expire in January 2017.



Office of State Treasurer  
Organization and Statistical Information

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As of June 30, 2014, the office had 44 full-time positions and 1 part-time position to assist in the accomplishment of its mission.

Financial Activity

A summary of the office's operating financial activity, cash and investment balances, and investment income is presented in the following Appendixes and in the Notes to the Appendixes.

Appendix A

Office of State Treasurer  
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
 Year Ended June 30, 2014

	Treasurer's General Operations Fund	Treasurer's Information Fund	Central Check Mailing Service Revolving Fund	Abandoned Fund Account Fund	Total (Memorandum Only)
<b>RECEIPTS</b>					
Agency securities interest	\$ 2,712,474	0	0	0	2,712,474
Time deposit interest	287,508	0	0	0	287,508
Unclaimed properties	0	0	0	92,162,061	92,162,061
Mail and postage services	0	0	78,643	0	78,643
Miscellaneous	704	380	0	1,824	2,908
Total Receipts	<u>3,000,686</u>	<u>380</u>	<u>78,643</u>	<u>92,163,885</u>	<u>95,243,594</u>
<b>DISBURSEMENTS</b>					
Personal service	1,468,112	0	9,905	512,238	1,990,255
Employee fringe benefits	640,901	0	6,189	260,530	907,620
Unemployment benefits	4,800	0	0	518	5,318
Expense and equipment	242,496	763	62,762	93,923	399,944
Advertising and auction expenses	0	0	0	1,176,330	1,176,330
Abandoned fund claim payments	0	0	0	38,601,868	38,601,868
Cost allocation plan	27,916	0	0	0	27,916
Leasing operations	195,106	0	0	0	195,106
Total Disbursements	<u>2,579,331</u>	<u>763</u>	<u>78,856</u>	<u>40,645,407</u>	<u>43,304,357</u>
RECEIPTS OVER (UNDER)					
DISBURSEMENTS	421,355	(383)	(213)	51,518,478	51,939,237
<b>TRANSFERS</b>					
From General Revenue Fund	0	0	0	4,887,828	4,887,828
To General Revenue Fund	0	0	0	(68,710,475)	(68,710,475)
To Mental Health Trust Fund	0	0	0	(33,726)	(33,726)
To State Public School Fund	0	0	0	(3,191,132)	(3,191,132)
Total Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>(67,047,505)</u>	<u>(67,047,505)</u>
RECEIPTS OVER (UNDER)					
DISBURSEMENTS AND TRANSFERS	421,355	(383)	(213)	(15,529,027)	(15,108,268)
CASH AND INVESTMENTS, JULY 1	1,451,304	3,008	613	34,947,228	36,402,153
CASH AND INVESTMENTS, JUNE 30	<u>\$ 1,872,659</u>	<u>2,625</u>	<u>400</u>	<u>19,418,201</u>	<u>21,293,885</u>

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

Appendix B

Office of State Treasurer  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2014			2013		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>						
Issuing duplicate/outlawed checks	\$ 1,625,000	1,614,905	10,095	2,587,597	2,586,752	845
Refunds of excess interest from the linked deposit program	2,500	530	1,970	405	405	0
Sustainable communities/family economic stability program models	225,000	225,000	0	0	0	0
<b>Total General Revenue Fund</b>	<b>1,852,500</b>	<b>1,840,435</b>	<b>12,065</b>	<b>2,588,002</b>	<b>2,587,157</b>	<b>845</b>
<b>TREASURER'S GENERAL OPERATIONS FUND</b>						
Personal service	1,596,591	1,467,869	128,722	1,575,924	1,425,765	150,159
Expense and equipment	270,672	242,496	28,176	270,672	212,440	58,232
<b>Total Treasurer's General Operations Fund</b>	<b>1,867,263</b>	<b>1,710,365</b>	<b>156,898</b>	<b>1,846,596</b>	<b>1,638,205</b>	<b>208,391</b>
<b>TREASURER'S INFORMATION FUND</b>						
Expense and equipment	8,000	763	7,237	8,000	536	7,464
<b>Total Treasurer's Information Fund</b>	<b>8,000</b>	<b>763</b>	<b>7,237</b>	<b>8,000</b>	<b>536</b>	<b>7,464</b>
<b>CENTRAL CHECK MAILING SERVICE REVOLVING FUND</b>						
Personal service	11,894	9,905	1,989	23,418	21,541	1,877
Expense and equipment	225,000	62,762	162,238	225,000	46,995	178,005
<b>Total Central Check Mailing Service Revolving Fund</b>	<b>236,894</b>	<b>72,667</b>	<b>164,227</b>	<b>248,418</b>	<b>68,536</b>	<b>179,882</b>
<b>ABANDONED FUND ACCOUNT FUND</b>						
Personal service	530,019	512,238	17,781	525,756	511,005	14,751
Expense and equipment	98,600	93,923	4,677	98,600	86,326	12,274
Advertising and auctions	1,475,000	1,176,330	298,670	918,621	918,064	557
Payment of claims for abandoned property	40,000,000	38,604,634	1,395,366	38,451,000	38,155,002	295,998
<b>Total Abandoned Fund Account Fund</b>	<b>42,103,619</b>	<b>40,387,125</b>	<b>1,716,494</b>	<b>39,993,977</b>	<b>39,670,397</b>	<b>323,580</b>
<b>Total All Funds</b>	<b>\$ 46,068,276</b>	<b>44,011,355</b>	<b>2,056,921</b>	<b>44,684,993</b>	<b>43,964,831</b>	<b>720,162</b>

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

Appendix C

Office of State Treasurer  
 Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,	
	2014	2013
Personal service	\$ 1,990,012	1,958,311
Travel	27,033	15,366
Expense and equipment	261,238	224,378
Communications expense	92,383	87,840
Professional services	1,102,332	790,085
Maintenance and repair services	63,940	77,044
Equipment and software purchases	29,348	69,648
Abandoned fund claim payments	38,604,634	38,155,002
Replacement of outlawed checks	1,614,905	2,586,752
Other	225,000	0
Refunds of excess interest from the linked deposit program	530	405
Total Expenditures	\$ <u>44,011,355</u>	<u>43,964,831</u>

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

Appendix D

Office of State Treasurer  
 Comparative Statement of Funds in Custody of State Treasurer

	June 30,				
	2014	2013	2012	2011	2010
<b>APPROPRIATED FUNDS</b>					
Demand Deposits:					
US Bank	\$ 89,043	21,066	19,521,037	19,576,124	36,059,240
Central Bank	25,777,485	72,111,952	8,162,215	69,141,278	51,298,737
Wells Fargo Bank	75,008,898	75,026,626	0	0	0
Commerce Bank	8,049,837	8,637,503	10,063,041	14,987,119	15,006,383
Bank of New York Midwest	0	0	75,045,355	50,045,196	50,190,689
UMB Bank	36,741	13,939	(1,032,510)	(25,491,067)	(132,951,485)
Collection bank accounts	2,097,687	1,958,119	2,560,911	12,160,071	1,990,604
Total Demand Deposits	<u>111,059,691</u>	<u>157,769,205</u>	<u>114,320,049</u>	<u>140,418,721</u>	<u>21,594,168</u>
Pooled Investments:					
Time deposits	531,748,998	559,725,267	569,867,495	652,429,893	589,443,027
U.S. government securities	2,100,914,983	2,300,958,056	2,070,031,748	2,224,602,562	2,473,096,949
Commercial paper and banker acceptances	0	0	0	61,693,783	0
Repurchase agreements	833,101,000	846,675,000	887,623,000	1,213,394,000	704,639,000
Total Pooled Investments	<u>3,465,764,981</u>	<u>3,707,358,323</u>	<u>3,527,522,243</u>	<u>4,152,120,238</u>	<u>3,767,178,976</u>
Total Demand Deposits and Pooled Investments	<u>3,576,824,672</u>	<u>3,865,127,528</u>	<u>3,641,842,292</u>	<u>4,292,538,959</u>	<u>3,788,773,144</u>
Special Fund Dedicated Investments:					
U.S. government securities	46,998,293	41,280,359	39,270,832	39,282,060	35,817,480
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	<u>47,003,423</u>	<u>41,285,489</u>	<u>39,275,962</u>	<u>39,287,190</u>	<u>35,822,610</u>
Total Appropriated Funds	<u>3,623,828,095</u>	<u>3,906,413,017</u>	<u>3,681,118,254</u>	<u>4,331,826,149</u>	<u>3,824,595,754</u>
<b>NONAPPROPRIATED FUNDS</b>					
Demand deposits	12,721,952	12,375,296	10,640,648	10,926,394	12,584,187
Repurchase agreements	1,012,000	1,000,000	1,006,000	0	1,000,000
Commercial paper and banker acceptances	0	0	0	999,988	0
Total Nonappropriated Funds	<u>13,733,952</u>	<u>13,375,296</u>	<u>11,646,648</u>	<u>11,926,382</u>	<u>13,584,187</u>
Total Cash and Investments	<u>\$ 3,637,562,047</u>	<u>3,919,788,313</u>	<u>3,692,764,902</u>	<u>4,343,752,531</u>	<u>3,838,179,941</u>

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

Appendix E

Office of State Treasurer

Comparative Statement of Interest Received on Pooled Investments

		Year Ended June 30,				
		2014	2013	2012	2011	2010
<b>INTEREST RECEIPTS</b>						
General and special funds	\$	21,870,120	23,614,348	26,429,849	31,748,010	39,599,319
Debt retirement funds		2,125,573	1,515,945	2,288,094	2,906,855	6,742,590
Total Appropriated Funds		23,995,693	25,130,293	28,717,943	34,654,865	46,341,909
Trust funds		808	1,473	6,539	3,792	3,730
Total Interest Receipts	\$	23,996,501	25,131,766	28,724,482	34,658,657	46,345,639

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



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## Notes to the Appendixes

### 1. Basis of Presentation

Amounts presented in Appendixes A through E are reported on the budgetary or cash basis of accounting. The budgetary basis recognizes revenues as cash is received and expenditures as cash is disbursed. Missouri issued a Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014, in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial activity of the Office of State Treasurer is included in the CAFR.

The amounts presented in Appendix A represent receipts, disbursements, transfers, and cash balances of funds that are dedicated to the activities and programs of the office.

The amounts presented in Appendixes B and C represent funds appropriated to the office by the Missouri General Assembly and expended by the office.

The amounts presented in Appendixes D and E 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 appendixes do not include any funds or investments that are not in the custody of the State Treasurer.

### 2. 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 banker's 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 receiving 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 that shall include an



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

### Deposits

The State Treasurer maintains approximately 205 demand deposit bank accounts throughout the state. These accounts include collection accounts for various state agencies and the state's primary operating accounts. Cash balances in the state's operating accounts that are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 2014, were entirely covered by federal depositary 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, 2014, 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.

#### Investments in Custody of State Treasurer - June 30, 2014

	Reported Amount	Fair Value
Time deposits	\$ 531,748,998	531,748,998
U.S. government securities	2,147,913,276	2,142,267,450
Repurchase agreements	834,113,000	834,113,000
Other investments	5,130	73,963
Total investments	\$ 3,513,780,404	3,508,203,411

Investments are recorded at acquisition cost except "other" investments that 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.

### 3. Demand Deposit and Collection Accounts

The demand deposit accounts on Appendix D are used to manage the state's daily receipt, disbursement, and transfer activities and to segregate funds available for investing.

The demand deposit accounts consist of the following:



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Demand Deposit Accounts

	June 30, 2014		June 30, 2013		June 30, 2012	
	Bank Balance (\$)	Number of Accounts	Bank Balance (\$)	Number of Accounts	Bank Balance (\$)	Number of Accounts
US Bank	89,043	1	21,066	1	19,521,037	1
Central Bank	177,858,617	32	170,849,347	31	116,710,766	30
Commerce Bank	8,285,228	9	8,812,671	9	10,423,780	9
Bank of New York	0	0	0	0	75,076,252	2
Wells Fargo	75,100,857	2	75,014,605	2	0	0
UMB Bank	36,741	1	13,939	1	249,250	4

The collection bank accounts on Appendix D consist of three master concentration accounts and their related collection accounts. The master General Concentration, Conservation Concentration, and Lottery Concentration accounts were at Central Bank at June 30, 2014, 2013 and 2012 and have been reported above. The related collection account bank balances were \$2,571,803, \$2,243,064 and \$2,641,064, at June 30, 2014, 2013 and 2012, 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 (Appendix D) for the appropriated funds demand deposits represent the book balance net of amounts invested.

4. 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 Appendix D represent specific investments made or held by the State Treasurer on behalf of the Pansy 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 Pansy Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments that 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.