



Susan Montee, CPA
Missouri State Auditor

Office of State Treasurer

Year Ended
June 30, 2008

March 2009
Report No. 2009-29



auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, CPA

March 2009

The following report is our audit of the Office of the State Treasurer for the year ended June 30, 2008.

On January 10, 2005, Sarah Steelman was inaugurated as the forty-fourth Treasurer of the State of Missouri. Her term as State Treasurer expired in January 2009. On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Treasurer of the state of Missouri.

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, 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.

Although no findings are included in this report on the Office of State Treasurer, our report number 2008-32 for the year ended June 30, 2007 included a finding related to fiscal year 2008 transactions.

All reports are available on our Web site: auditor.mo.gov

YELLOW SHEET

OFFICE OF STATE TREASURER

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FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Honorable Sarah Steelman
and
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 years ended June 30, 2008 and 2007. 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, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years 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 years ended June 30, 2008 and 2007, and those reports were prepared in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2008 and 2007, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 23, 2009, 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 opinions on the 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 an opinion 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 History, 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.



Susan Montee, CPA
State Auditor

January 23, 2009

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Patrick M. Pullins, M.Acct. Joseph Adrian Tina Gildehaus, M.Acct.



SUSAN MONTEE, CPA
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 Sarah Steelman
and
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 years ended June 30, 2008 and 2007, and have issued our report thereon dated January 23, 2009. 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

In planning and performing our audit, we considered the Office of State Treasurer'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the office's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the office's financial statements that is more than inconsequential will not be prevented or detected by the office's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the office's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.



Susan Montee, CPA
State Auditor

January 23, 2009

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, 2008.

HIGHLIGHTS

- The assets of the Treasurer's Office exceeded its liabilities by \$876,075. The entire amount may be used to meet the office's ongoing obligations.
- The office's total net assets increased by \$397,043. The increase in net assets was caused by an increase in the revenues received in FY 2008 as compared to revenues from FY 2007.
- As of the close of the current fiscal year, the Treasurer's Office governmental funds reported combined ending fund balances of \$816,629, an increase of \$375,521 in comparison with the prior year. The total amount is available for spending as of July 1, 2008, 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 3 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, specifically special revenue funds. 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 Information Fund and the State Treasurer's General Operations 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 2008, the Treasurer's Office governmental funds reported combined ending fund balances of \$816,629, an increase of \$375,521 over fiscal year 2007. 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
Unreserved	\$812,521	\$4,108	\$816,629

The Treasurer's General Operations Fund was the primary operating fund for the Treasurer's Office in fiscal year 2008. At the end of fiscal year 2008, the Treasurer's General Operations Fund reported a total fund balance of \$812,521. The net increase in fund balance during fiscal year 2008 was \$375,975. Revenues of the Treasurer's General Operations Fund totaled \$2,853,867, and expenditures of the Treasurer's General Operations Fund totaled \$2,477,892. Contributing factors follow:

- In fiscal year 2008, the third year of operation, 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 to compensate for the prior year fund balance spent down in FY 2007 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 2008. At the end of fiscal year 2008, the Treasurer's Information Fund reported a total fund balance of \$4,108. The net decrease in fund balance during fiscal year 2008 was \$454. Revenues of the Treasurer's Information Fund totaled \$1,007. Expenditures of the Treasurer's Information Fund totaled \$292 in fiscal year 2008. Contributing factors follow:

- In fiscal year 2008, the Treasurer's Information Fund had both revenues and expenditures which were less than amounts collected and spent in fiscal year 2007 for the preparation, reproduction, or dissemination of information or publications of the State Treasurer's Office.

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 \$21,522. This is primarily due to an increase in fees charged by the fund. The fee increase was implemented in October 2007 after fiscal year 2007 ended with a net operating loss and significantly reduced the fund's cash balance.

NEXT YEAR'S BUDGET

The Treasurer's Office budget for fiscal year 2009 continued the same appropriation levels as the fiscal year 2008 budget with two exceptions. The first was a 3 percent increase in salaries and related increases to the associated fringe benefits pursuant to the Governor's recommendations in the state budget. The second was the adjustment to the Treasurer's salary and associated fringe benefits as a result of the recommendations of the State Salary Commission.

Events taking place after the fiscal year end include:

- The contract for the state's Electronic Banking Services was awarded to Central Bank for the period October 1, 2008 through September 3, 2010. The contract contains 2, one-year renewal options.
- The contract for the state's General Depository Services expired on December 31, 2008. The State Treasurer's Office has exercised its final renewal option for the period January 1, 2009 through December 31, 2010.
- Clint Zweifel was elected as Missouri's State Treasurer on November 4, 2008. He took office on January 12, 2009.

Fund Financial Statements

**OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S GENERAL OPERATIONS
FUND 0164**

	June 30,	
	2008	2007
Assets		
Cash and Cash Equivalents	\$ 70,600	108,509
Investments	861,268	463,112
Total Assets	\$ 931,868	571,621
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 34,049	30,342
Accrued Payroll	41,822	57,766
Due to Other Funds	43,476	46,967
Total Liabilities	119,347	135,075
Fund Balances:		
Unreserved	812,521	436,546
Total Fund Balances	812,521	436,546
Total Liabilities and Fund Balances	\$ 931,868	571,621

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

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S GENERAL OPERATIONS
FUND 0164

	Year Ended June 30,	
	2008	2007
Revenues:		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	\$ 2,500	(514)
Interest	2,851,111	1,956,167
Cost Reimbursement/Miscellaneous	256	5,636
 Total Revenues	 <u>2,853,867</u>	 <u>1,961,289</u>
Expenditures:		
Current:		
General Government	<u>2,477,892</u>	<u>2,440,844</u>
 Total Expenditures	 <u>2,477,892</u>	 <u>2,440,844</u>
 Excess Revenues (Expenditures)	 <u>375,975</u>	 <u>(479,555)</u>
Other Financing Sources (Uses):		
Transfers Out	<u>0</u>	<u>(1,819)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(1,819)</u>
 Excess Expenditures and Net Change in Fund Balances	 375,975	 (481,374)
 Fund Balances - Beginning	 <u>436,546</u>	 <u>917,920</u>
 Fund Balances - Ending	 \$ <u><u>812,521</u></u>	 <u><u>436,546</u></u>

:

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

**OFFICE OF STATE TREASURER
COMPARATIVE BALANCE SHEET
TREASURER'S INFORMATION
FUND 0255**

	June 30,	
	2008	2007
Assets		
Cash and Cash Equivalents	\$ 313	941
Investments	3,821	4,016
Total Assets	\$ 4,134	4,957
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 26	395
Total Liabilities	26	395
Unreserved	4,108	4,562
Total Fund Balances	4,108	4,562
Total Liabilities and Fund Balances	\$ 4,134	4,957

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

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TREASURER'S INFORMATION
FUND 0255

	Year Ended June 30,	
	2008	2007
Revenues:		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	\$ 13	37
Cost Reimbursement/Miscellaneous	994	991
Total Revenues	<u>1,007</u>	<u>1,028</u>
Expenditures:		
Current:		
General Government	292	1,257
Total Expenditures	<u>292</u>	<u>1,257</u>
Excess Revenues (Expenditures)	<u>715</u>	<u>(229)</u>
Other Financing Sources (Uses):		
Transfers Out	<u>(1,169)</u>	<u>(5,169)</u>
Total Other Financing Sources (Uses)	<u>(1,169)</u>	<u>(5,169)</u>
Net Change in Fund Balances	(454)	(5,398)
Fund Balances - Beginning	<u>4,562</u>	<u>9,960</u>
Fund Balances - Ending	<u>\$ 4,108</u>	<u>4,562</u>

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

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515**

	June 30,	
	2008	2007
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 2,391	1,968
Investments	29,170	8,399
Accounts Receivable, Net	1,428	1,376
Due from Other Funds	38,783	31,508
Noncurrent Assets:		
Restricted Assets:		
Equipment	42,877	38,054
Less Accumulated Depreciation	(38,134)	(38,054)
Total Capital Assets (Net of Accumulated Depreciation)	4,743	0
Total Assets	76,515	43,251
Liabilities		
Current Liabilities:		
Accounts Payable	15,149	3,062
Accrued Payroll	730	864
Due to Other Funds	661	495
Noncurrent Liabilities:		
Compensated Absences	529	906
Total Liabilities	17,069	5,327
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,743	0
Unrestricted	54,703	37,924
Total Net Assets	\$ 59,446	37,924

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

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515

	Year Ended June 30,	
	2008	2007
Operating Revenues		
Charges for Services	\$ 140,251	124,012
Total Operating Revenues	<u>140,251</u>	<u>124,012</u>
Operating Expenses		
Personal Service	33,430	35,155
Operations	83,770	125,635
Inventories	517	773
Depreciation	80	3,492
Total Operating Expenses	<u>117,797</u>	<u>165,055</u>
Operating Income (Loss)	<u>22,454</u>	<u>(41,043)</u>
Non-Operating Revenues (Expenses)		
Investment Earnings:		
Net Increase (Decrease) in the Fair Value of Investments	<u>77</u>	<u>151</u>
Total Non-Operating Revenues (Expenses)	<u>77</u>	<u>151</u>
Income (Loss) Before Transfers	22,531	(40,892)
Transfers Out	<u>(1,009)</u>	<u>(1,104)</u>
Change in Net Assets	21,522	(41,996)
Total Net Assets - Beginning	<u>37,924</u>	<u>79,920</u>
Total Net Assets - Ending	<u>\$ 59,446</u>	<u>37,924</u>

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

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CASH FLOWS
CENTRAL CHECK MAILING SERVICE REVOLVING
FUND 0515**

	June 30,	
	2008	2007
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 140,199	124,033
Payments to Suppliers	(72,200)	(126,356)
Payments to Employees	(33,775)	(34,598)
Net Cash Provided (Used) by Operating Activities	<u>34,224</u>	<u>(36,921)</u>
Cash Flows from Noncapital Operating Activities		
Due to (from) Other Funds	(7,275)	4,499
Transfers to (from) Other Funds	(1,009)	(1,104)
Net Cash Provided (Used) by Noncapital Operating Activities	<u>(8,284)</u>	<u>3,395</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(4,823)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,823)</u>	<u>0</u>
Cash Flows from Investing Activities		
Purchase of Investments	(20,694)	20,717
Net Cash Provided (Used) by Investing Activities	<u>(20,694)</u>	<u>20,717</u>
Net Increase (Decrease) in Cash	423	(12,809)
Cash and Cash Equivalents, Beginning of Year	1,968	14,777
Cash and Cash Equivalents, End of Year	<u>2,391</u>	<u>1,968</u>
Reconciliation of Operating Income of Net Cash Provided (Used) by Operating Activities		
Operating Income	22,454	(41,043)
Depreciation Expense	80	3,492
Changes in Assets and Liabilities:		
Accounts Receivable	(52)	21
Accounts Payable	12,087	52
Accrued Payroll	(134)	33
Compensated Absences Payable	(377)	525
Due to Other Funds	166	(1)
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,224</u>	<u>(36,921)</u>

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

**OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863**

	June 30,	
	2008	2007
Assets		
Cash and Cash Equivalents	\$ 731,615	2,597,746
Investments at Fair Value	8,925,182	11,087,091
Capital Assets:		
Equipment	50,617	36,537
Less: Accumulated Depreciation	(25,956)	(17,125)
Total Capital Assets, Net	<u>24,661</u>	<u>19,412</u>
 Total Assets	 <u>9,681,458</u>	 <u>13,704,249</u>
Liabilities		
Accounts Payable	11,870	279,826
Accrued Payroll Payable	15,071	19,590
Due to Other Funds	<u>14,849</u>	<u>8,759</u>
 Total Liabilities	 <u>41,790</u>	 <u>308,175</u>
Net Assets		
Net Assets Held in Trust for Other Purposes	\$ <u>9,639,668</u>	<u>13,396,074</u>

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

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ABANDONED FUND ACCOUNT
FUND 0863

	Year Ended June 30,	
	2008	2007
Additions		
Increase (Decrease) in Appreciation of Assets	\$ 32,890	145,862
Total Investment Earnings	32,890	145,862
Unclaimed Property	(1,352,147)	(27,669,252)
Total Additions	(1,319,257)	(27,523,390)
Deductions		
Administrative Expenses	2,428,317	2,257,937
Depreciation	8,801	5,271
Total Deductions	2,437,118	2,263,208
Change in Net Assets	(3,756,375)	(29,786,598)
Net Assets - Beginning	13,396,074	43,183,476
Prior Period Adjustment	(31)	(804)
Net Assets - Ending	\$ 9,639,668	13,396,074

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, and 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, 2008, 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, 2008, 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. All major sources of revenue, including taxes, licenses, fees, permits, and governmental contributions are susceptible to accrual when available within 60 days. 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 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 three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Central Check Mailing Service Revolving Fund Statement of Cash Flows are also reported under this definition. Cash balances of the Central Check Mailing Service Revolving Fund, Abandoned Fund Account Fund, Treasurer's Information Fund, and Treasurer's General Operations Fund are pooled with other state funds and invested by the State Treasurer.

E. Investments

These are long-term investments 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.

G. Capital Assets

Capital assets, which include equipment, 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.

Equipment is depreciated using the straight-line method of depreciation over a useful life of 5 years.

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, 2008.

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. Statutes 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 five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or repurchase agreements maturing within ninety days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2008.

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 Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

The 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 1.5 years, and holding at least 40

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. During fiscal year 2008, 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. (Moody's) and Standard & Poor's Corporation (S&P). The Treasurer does not have any additional policies regarding credit ratings of investments.

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

C. Securities Lending Program

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. As of October 2004, Bank of New York began acting as the State Treasurer's custodial bank and securities lending agent. 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 United States 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, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities:				
Equipment, Governmental Funds	\$ 130,261	\$ 81,161	\$ 0	\$ 211,422
Equipment, Proprietary Funds	<u>38,054</u>	<u>4,823</u>	<u>0</u>	<u>42,877</u>
Total Equipment	168,315	85,984	0	254,299
Less Accumulated Depreciation for:				
Equipment, Governmental Funds	(39,918)	(46,053)	0	(85,971)
Equipment, Proprietary Funds	<u>(38,054)</u>	<u>(80)</u>	<u>0</u>	<u>(38,134)</u>
Total Accumulated Depreciation	<u>(77,972)</u>	<u>(46,133)</u>	<u>0</u>	<u>(124,105)</u>
Governmental Activities Capital Assets, Net	\$ <u>90,343</u>	\$ <u>39,851</u>	\$ <u>0</u>	\$ <u>130,194</u>

4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ <u>144,988</u>	\$ <u>156,759</u>	\$ <u>157,561</u>	\$ <u>144,186</u>	\$ <u>144,186</u>
Total Governmental Activities	\$ <u>144,988</u>	\$ <u>156,759</u>	\$ <u>157,561</u>	\$ <u>144,186</u>	\$ <u>144,186</u>

5. Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2008, is shown below:

	Governmental Funds	Proprietary Fund	Balance June 30, 2008
<u>Accounts Payable:</u>			
Vendors	\$ 34,075	\$ 15,149	\$ 49,224
Employees	41,822	730	42,552
 Total Accounts Payable	 \$ <u>75,897</u>	 \$ <u>15,879</u>	 \$ <u>91,776</u>
<u>Accounts Receivable:</u>			
Customers	\$ 0	\$ 1,428	\$ 1,428
 Total Accounts Receivable	 \$ <u>0</u>	 \$ <u>1,428</u>	 \$ <u>1,428</u>

6. Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2008, is shown below:

<u>Due To/From Other Funds</u>			
	Treasurer's General Operations Fund	Central Check Mailing Service Revolving Fund	Totals
<u>Due to Other Funds:</u>			
General Government	\$ 43,476	\$ 661	\$ 44,137
 Totals	 \$ <u>43,476</u>	 \$ <u>661</u>	 \$ <u>44,137</u>
<u>Due From Other Funds:</u>			
General Government	\$ 0	\$ 38,783	\$ 38,783
 Totals	 \$ <u>0</u>	 \$ <u>38,783</u>	 \$ <u>38,783</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. Subsequent Events

Events taking place after the fiscal year end include:

The contract for the state's Electronic Banking Services was awarded to Central Bank for the period October 1, 2008 through September 3, 2010. The contract contains two, one-year renewal options.

The contract for the state's General Depository Services expired on December 31, 2008. The State Treasurer's Office has exercised its final renewal option for the period January 1, 2009 through December 31, 2010.

Clint Zweifel was elected as Missouri's State Treasurer on November 4, 2008. He took office on January 12, 2009.

Required Supplementary Information

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2008**

	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	\$ 572,134	\$ 572,134	\$ 572,134	\$ 0	\$ 4,961	\$ 4,961	\$ 4,961	\$ 0
Resources (Inflows):								
Interest	2,813,219	2,813,219	2,851,367	38,148	0	0	0	0
Intergovernmental	0	0	0	0	8,200	8,200	994	(7,206)
Total Resources (Inflows)	<u>2,813,219</u>	<u>2,813,219</u>	<u>2,851,367</u>	<u>38,148</u>	<u>8,200</u>	<u>8,200</u>	<u>994</u>	<u>(7,206)</u>
Amount Available for Appropriation	<u>3,385,353</u>	<u>3,385,353</u>	<u>3,423,501</u>	<u>38,148</u>	<u>13,161</u>	<u>13,161</u>	<u>5,955</u>	<u>(7,206)</u>
Charges to Appropriations (Outflows):								
General Government	1,989,821	1,994,127	1,915,929	78,198	8,000	8,000	291	7,709
Transfers Out	648,974	649,319	577,692	71,627	1,555	1,555	1,539	16
Total Charges to Appropriations	<u>2,638,795</u>	<u>2,643,446</u>	<u>2,493,621</u>	<u>149,825</u>	<u>9,555</u>	<u>9,555</u>	<u>1,830</u>	<u>7,725</u>
Ending Budgetary Fund Balance	<u>\$ 746,558</u>	<u>\$ 741,907</u>	<u>\$ 929,880</u>	<u>\$ 187,973</u>	<u>\$ 3,606</u>	<u>\$ 3,606</u>	<u>\$ 4,125</u>	<u>\$ 519</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(859,280)				(3,812)	
Investments at Fair Value			861,268				3,821	
Accounts Payable			(34,049)				(26)	
Accrued Payroll			(41,822)				0	
Due to Other Funds			(43,476)				0	
Fund Balance - GAAP Basis			<u>\$ 812,521</u>				<u>\$ 4,108</u>	

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

**OFFICE OF STATE TREASURER
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

	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	\$ 1,012,106	\$ 1,012,106	\$ 1,012,106	\$ 0	\$ 11,208	\$ 11,208	\$ 11,208	\$ 0
Resources (Inflows):								
Interest	2,369,000	2,369,000	1,958,344	(410,656)	0	0	0	0
Intergovernmental	0	0	3,459	3,459	3,200	3,200	991	(2,209)
Total Resources (Inflows)	<u>2,369,000</u>	<u>2,369,000</u>	<u>1,961,803</u>	<u>(407,197)</u>	<u>3,200</u>	<u>3,200</u>	<u>991</u>	<u>(2,209)</u>
Amount Available for Appropriation	<u>3,381,106</u>	<u>3,381,106</u>	<u>2,973,909</u>	<u>(407,197)</u>	<u>14,408</u>	<u>14,408</u>	<u>12,199</u>	<u>(2,209)</u>
Charges to Appropriations (Outflows):								
General Government	1,905,865	1,918,865	1,831,902	86,963	8,000	8,000	2,454	5,546
Transfers Out	641,393	642,554	569,873	72,681	4,799	4,799	4,784	15
Total Charges to Appropriations	<u>2,547,258</u>	<u>2,561,419</u>	<u>2,401,775</u>	<u>159,644</u>	<u>12,799</u>	<u>12,799</u>	<u>7,238</u>	<u>5,561</u>
Ending Budgetary Fund Balance	\$ <u>833,848</u>	\$ <u>819,687</u>	\$ <u>572,134</u>	\$ <u>(247,553)</u>	\$ <u>1,609</u>	\$ <u>1,609</u>	\$ <u>4,961</u>	\$ <u>3,352</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(463,625)				(4,020)	
Investments at Fair Value			463,112				4,016	
Accounts Payable			(30,342)				(395)	
Accrued Payroll			(57,766)				0	
Due to Other Funds			(46,967)				0	
Fund Balance - GAAP Basis			\$ <u>436,546</u>				\$ <u>4,562</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, 2008, has been presented at the bottom of the Budgetary Comparison Schedule shown on the previous page of RSI and includes data presented, on this basis, for the fiscal year, and for adjustments made in the one-month lapse period, July 1 through July 31.

The "original budget" expenditures and transfers represent the amounts originally appropriated for each fund. The "final budget" expenditures and transfers include increases 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,					
	2008			2007		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	\$ 1,000,000	962,285	37,715	1,000,000	866,674	133,326
Refunds of excess interest from the linked deposit program	363	363	0	100	0	100
Total General Revenue Fund	1,000,363	962,648	37,715	1,000,100	866,674	133,426
TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,508,122	1,447,667	60,455	1,459,089	1,404,599	54,490
Expense and equipment	270,655	253,261	17,394	270,655	251,182	19,473
Treasurer state owned building	215,350	215,001	349	176,121	176,121	0
Total Treasurer's General Operations Fund	1,994,127	1,915,929	78,198	1,905,865	1,831,902	73,963
TREASURER'S INFORMATION FUND						
Expense and equipment	8,000	291	7,709	8,000	2,454	5,546
Total Treasurer's Information Fund	8,000	291	7,709	8,000	2,454	5,546
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	22,309	22,019	290	21,659	21,659	0
Expense and equipment	225,000	76,687	148,313	225,000	126,437	98,563
Total Central Check Mailing Service Revolving Fund	247,309	98,706	148,603	246,659	148,096	98,563
SECOND INJURY FUND						
Personal service	40,572	40,572	0	39,390	39,390	0
Expense and equipment	3,280	3,271	9	3,280	3,280	0
Total Second Injury Fund	43,852	43,843	9	42,670	42,670	0
ABANDONED FUND ACCOUNT FUND						
Personal service	502,331	489,225	13,106	487,700	477,783	9,917
Expense and equipment	98,600	60,348	38,252	98,600	76,145	22,455
Advertising and auctions	870,000	862,065	7,935	561,000	551,691	9,309
Payment of claims for abandoned property	35,000,000	30,642,979	4,357,021	23,200,000	21,635,424	1,564,576
Total Abandoned Fund Account Fund	36,470,931	32,054,617	4,416,314	24,347,300	22,741,043	1,606,257
Total All Funds	\$ 39,764,582	35,076,034	4,688,548	27,550,594	25,632,839	1,917,755

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,	
	2008	2007
Personal service	\$ 1,999,482	1,943,431
Travel	6,010	14,752
Expense and equipment	419,947	403,642
Communications expense	43,245	39,305
Professional services	773,208	518,410
Equipment repairs and maintenance	67,481	63,620
Equipment and software purchases	161,034	147,581
Abandoned fund claim payments	30,642,979	21,635,424
Replacement of outlawed checks	962,285	866,674
Refunds of excess interest from the linked deposit program	363	0
Total Expenditures	<u>\$ 35,076,034</u>	<u>25,632,839</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, 2008

	Furniture and Equipment	Motor Vehicles	Total General Fixed Assets
Balance, June 30, 2007	\$ 821,096	16,582	837,678
Additions	100,064	0	100,064
Dispositions	(62,003)	0	(62,003)
Balance, June 30, 2008	<u>\$ 859,157</u>	<u>16,582</u>	<u>875,739</u>

Fund of Acquisition	Balance June 30, 2008
General Revenue Fund	\$ 568,730
Treasurer's General Operations Fund	209,723
Central Check Mailing Service Revolving Fund	42,877
Second Injury Fund	2,093
Abandoned Fund Account Fund	50,617
Treasurer's Information Fund	1,699
Total All Funds	<u>\$ 875,739</u>

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

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

	June 30,				
	2008	2007	2006	2005	2004
APPROPRIATED FUNDS					
Demand Deposits:					
US Bank	\$ 3,254,861	1,260,314	200,000	372,704	12,247,705
Central Bank	2,906,607	(17,643,721)	(124,548,876)	(130,664,664)	(58,532,570)
Premier Bank	23,933	28,400	26,350	70,273	58,705
Commerce Bank	1,003,059	46,689	330,495	0	0
Collection bank accounts	3,200,125	5,100,011	4,417,807	5,570,434	3,953,086
Bank of New York Midwest	35,371	63,555	27,739	(153,823)	0
UMB Bank	(104,051,423)	(157,866,914)	0	0	0
Total Demand Deposits	<u>(93,627,467)</u>	<u>(169,011,666)</u>	<u>(119,546,485)</u>	<u>(124,805,076)</u>	<u>(42,273,074)</u>
Pooled Investments:					
Time deposits	794,573,654	725,919,659	550,500,850	410,099,652	373,397,355
U.S. government securities	3,060,593,602	1,881,814,564	1,332,339,487	1,517,146,443	1,678,892,718
Commercial paper and banker acceptances	255,421,715	1,083,140,450	927,024,030	511,579,780	516,179,983
Repurchase agreements	336,856,001	142,474,000	306,261,001	256,490,000	356,298,000
Total Pooled Investments	<u>4,447,444,972</u>	<u>3,833,348,673</u>	<u>3,116,125,368</u>	<u>2,695,315,875</u>	<u>2,924,768,056</u>
Total Demand Deposits and Pooled Investments	<u>4,353,817,505</u>	<u>3,664,337,007</u>	<u>2,996,578,883</u>	<u>2,570,510,799</u>	<u>2,882,494,982</u>
Special Fund Dedicated Investments:					
U.S. government securities	31,847,311	31,849,243	23,582,012	22,490,817	22,307,523
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	<u>31,852,441</u>	<u>31,854,373</u>	<u>23,587,142</u>	<u>22,495,947</u>	<u>22,312,653</u>
Total Appropriated Funds	<u>4,385,669,946</u>	<u>3,696,191,380</u>	<u>3,020,166,025</u>	<u>2,593,006,746</u>	<u>2,904,807,635</u>
NONAPPROPRIATED FUNDS					
Demand deposits	0	20,328	3,880	12,690,878	12,326,160
Repurchase agreements	26,585,259	21,996,084	2,911,106	5,694,294	8,329,000
US government securities	0	4,910,938	0	0	15,105,450
Commercial paper and banker acceptances	2,500,000	24,977,950	0	0	0
Time deposits	<u>0</u>	<u>50,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Nonappropriated Funds	<u>29,085,259</u>	<u>101,905,300</u>	<u>2,914,986</u>	<u>18,385,172</u>	<u>35,760,610</u>
Total Cash and Investments	<u>\$ 4,414,755,205</u>	<u>3,798,096,680</u>	<u>3,023,081,011</u>	<u>2,611,391,918</u>	<u>2,940,568,245</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,				
	2008	2007	2006	2005	2004
INTEREST RECEIPTS					
General and special funds	\$ 178,680,683	146,727,651	97,587,051	38,422,115	31,319,021
Debt retirement funds	22,937,142	15,978,846	12,820,914	1,828,999	1,684,923
Total Appropriated Funds	201,617,825	162,706,497	110,407,965	40,251,114	33,003,944
Trust funds	2,678,192	4,025,495	187,649	273,652	754,646
Total Interest Receipts	\$ 204,296,017	166,731,992	110,595,614	40,524,766	33,758,590

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, 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.

Equipment is depreciated using the straight-line method of depreciation over a useful life of five years. Accumulated depreciation on general capital assets at June 30, 2008, was \$717,863.

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 five years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within ninety 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 a nationally recognized rating agency and in commercial paper, issued by domestic corporations, which has received the highest rating issued by a nationally recognized rating agency. Investments in banker's acceptances and commercial paper shall mature and become payable not more than ninety 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 1400 bank accounts throughout the state. These accounts include time deposits, 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.

Except for \$30,397, the State Treasurer's deposits at June 30, 2008, 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 depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2008, 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
Repurchase agreements	\$ 363,441,260	363,441,260
U.S. government securities	3,060,593,602	3,067,835,258
Commercial paper	257,921,715	257,901,075
Other investments	31,852,441	31,945,763
Total Investments	\$ 3,713,809,018	3,721,123,356

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in 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 one central demand account at June 30, 2008 and 2007, two at June 30, 2006, four at June 30, 2005, and twenty-three at June 30, 2004. The demand deposits with Central Bank consist of thirty-one central demand accounts at June 30, 2008 and 2007, thirty-four at June 30, 2006, thirty-three at June 30, 2005, and fourteen at June 30, 2004. The demand deposits with Premier Bank consist of two central demand accounts at June 30, 2008, 2007, 2006, 2005, and 2004. The demand

deposits with Bank of New York consist of one central demand account at June 30, 2008, two at June 30, 2007, eight at June 30, 2006, and two at June 30, 2005. The demand deposits with Commerce Bank consist of six central demand accounts at June 30, 2008, and five at 2007 and 2006. The demand deposits with UMB Bank consist of five central demand accounts at June 30, 2008 and 2007. Demand deposit bank balances were \$58,220, \$17,418, \$200,000, \$418,917, and \$20,388,987 at June 30, 2008, 2007, 2006, 2005, and 2004, respectively, for US Bank; and \$2,638,669, \$13,586,834, \$16,490,088, \$11,720,611, and \$77,114,881 at June 30, 2008, 2007, 2006, 2005, and 2004, respectively, for Central Bank; and \$24,705, \$29,362, \$26,347, \$71,568, and \$58,800 at June 30, 2008, 2007, 2006, 2005, and 2004, respectively, for Premier Bank; and \$253 at June 30, 2008 and 2007 and \$0 at June 30, 2006 and 2005 for Bank of New York; and \$103,883 and \$10,974 at June 30, 2008 and 2007, respectively, for UMB Bank; and \$1,136,296, \$163,448 and \$408,003 at June 30, 2008, 2007 and 2006, respectively, for Commerce Bank.

The collection bank accounts on Schedule 4 consist of three master concentration accounts and their related collection accounts at various banks throughout the state. The General Concentration and Conservation Concentration Accounts were at Central Bank at June 30, 2008, 2007, 2006, 2005, and 2004. The Lottery Concentration Account was at Central Bank at June 30, 2008, 2007, 2006, and 2005 and at US Bank at June 30, 2004. Collection account bank balances were \$3,219,655, \$5,107,667, \$4,448,114, \$6,038,641, and \$4,889,141 at June 30, 2008, 2007, 2006, 2005, and 2004, 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

Due to a change in the state's accounting system, as of July 1, 1999, the State Treasurer was 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

History, Organization, and
Statistical Information

OFFICE OF STATE TREASURER
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

The Office of 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 storage and 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.

Sarah Steelman became Missouri's forty-fourth State Treasurer when she took the oath of office on January 10, 2005. Her term expired in January 2009. On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Treasurer of the state of Missouri.

As of June 30, 2008, the office had 43 full-time positions and 6 part-time positions to assist in the accomplishment of its mission. An organization chart follows.

OFFICE OF STATE TREASURER
 ORGANIZATION CHART
 JUNE 30, 2008

