

OFFICE OF THE NEVADA STATE TREASURER

Dan Schwartz



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ANNUAL REPORT

JULY 1, 2016—JUNE 30, 2017



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OFFICE OF THE STATE TREASURER



November 18, 2017

Dear Governor Sandoval and Members of the State Legislature:

I am pleased to present the State Treasurer's Office Annual Report for Fiscal Year 2017 as required by NRS 226.120. The Treasurer's Office has gone from strength to strength during the fiscal year ended June 30, 2017.

The 2017 Legislative Session notwithstanding, our office was able to improve the services and returns we owe to Nevada's citizens. We have tripled (closed to quadrupled) interest earnings from the time we took office on the nearly \$3 billion in various State portfolios. In the case of the Local Government Investment Pool (LGIP), our returns are up over ten times. We have emphasized the need for an increased focus on Nevada-based investments by the Nevada Capital Investment Corporation (NCIC). One noteworthy investment was \$1 million to make microloans to Nevada's entrepreneurs and small businesses. Moreover, Nevada has maintained its AA/Aa2, and AA+ credit ratings, even earning a AAA rating on one series of bonds.

Our College Savings and Prepaid Tuition programs have benefitted from the introduction of our mascot, Sage. The kids love him, and they have brought their parents along. We added an incentive to the College Kickstart Program which encouraged parents to claim 16,000 accounts up from a few hundred at the beginning of the year.

We are in the process of increasing efficiencies and customer service in Unclaimed Property, best evidenced by reducing the processing time from 120 days when we took office to 25 days. Finally, our debt management office has saved taxpayers over \$80 million in interest payments through well-timed bond re-fundings.

All these achievements would not have been possible without the great team that has taken charge at the Treasurer's Office. These individuals include Tara Hagan and Grant Hewitt, Chief Deputy and Chief of Staff respectively; and Deputy Treasurers Lori Chatwood, Kim Shafer, Amber Law and Sheila Salehian and all our dedicated and indefatigable staff.

Looking ahead, the Treasurer's Office will build on the successes of the past year. We will continue to improve the return on our State's capital pool, with special attention to the private equity fund (NCIC); we will continue to expand and promote our college savings programs; and, we will further accelerate the ability of Unclaimed Property to return assets to their rightful owners.

Engines to warp speed!

Respectfully submitted,

Dan Schwartz
Nevada State Treasurer



DAN SCHWARTZ Nevada State Treasurer



Dan is Nevada's State Treasurer. He is committed to increasing returns on the \$3 billion in State portfolios; to expanding Nevada's college savings programs; and to improving the State's services in unclaimed property and other areas.

Dan grew up in suburban Chicago and attended Princeton University. He graduated from the undergraduate program at the Woodrow Wilson School of Public Policy and International Affairs in 1972. During his junior year, he studied at the Institut d'Etudes Politiques in Paris and received his Certificate. He holds a law degree from Boston University and a business degree from Columbia.

He served in the United States Army (1972-74) and was stationed in Europe on a Pershing Missile base.

Dan has over 35 years of financial experience across multiple sectors of the banking and securities industry in Houston, New York, and internationally. He is also an experienced and accredited investor in the public and private markets.

Over the past 25 years, Dan has started and built several companies. He served as the CEO of AVCJ Group, Ltd. (AVCJ), which publishes the highly-regarded *Asian Venture Capital Journal*, the first ever print journal to be distributed over the Internet. Dan and his team built AVCJ into Asia's leading source on Asian private equity and venture capital. A UK company purchased AVCJ in 2006.

Dan is also Founder, President and CEO of Qiosk.com, "The World's Newsstand," one of the pioneers and innovative leaders in digital magazine delivery and media. Fifteen years after its creation, Qiosk continues to be profitable and a leader in its field.

Dan is the author of two books, *The Future of Finance: How Private Equity and Venture Capital Will Shape the Global Economy* (published by John Wiley) and *Principles of the American Republic* (published by Sturdy Oak Press).

Dan and his wife, Yanan, live in Las Vegas and Carson City.

MISSION STATEMENT

The Nevada State Treasurer's Office adheres to sound fiscal policy principles—including the prudent and conservative financial management of all State monies—by ensuring the State's money is invested with an emphasis on preservation of assets, then on return, and that the State's debt obligations are paid timely and accurately; that the State's banking relationships, State agency banking needs, and the State's Collateral Pool program are managed to the highest standard; that money entrusted by participants in the Nevada Prepaid Tuition and Nevada 529 College Savings Plans programs; the Governor Guinn Millennium Scholarship program and the Fund for a Healthy Nevada; and that Permanent School Fund dollars are all managed, monitored, and invested prudently; and that unclaimed property held by the State is returned as expeditiously as possible to its rightful owners.

OVERVIEW

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

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

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

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

Statutory responsibilities of the State Treasurer:

- Member of the State Board of Finance;
- Ex-Officio State Disbursing Office for the federal government;
- Administrator of the Municipal Bond Bank;
- Ex-Officio Member of the Board of Trustees of the College Savings Plans of Nevada;
- Nevada College Kick Start Program

- Administrator of the 529 College Savings Plan and Trust Fund;
- Administrator of the Nevada Prepaid Tuition Program and Trust Fund;
- Administrator of the Fund for a Healthy Nevada;
- Member of the Executive Branch Audit Committee;
- President of the Nevada Real Property Corporation;
- Administrator of the Nevada Unclaimed Property Division; and,
- Chair, Nevada Capital Investment Corporation

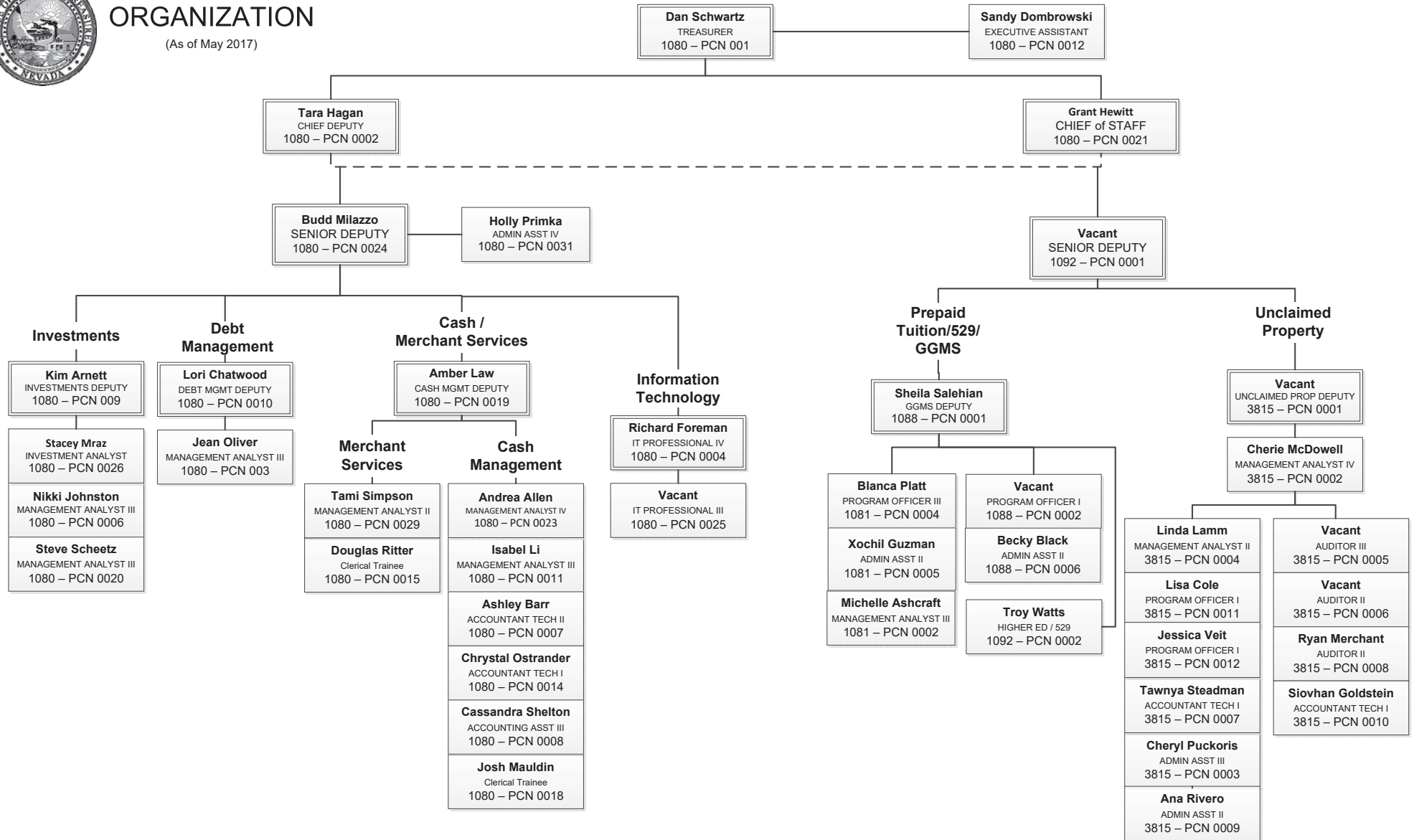
For FY17, the State Treasurer's Office had an approved budget over all functional areas of \$12,387,387, but expended only \$11,236,237, a savings of \$1.1 million. Only 4.4% of the total expenditures were paid for with General Fund appropriation, with the balance being funded by assessments and trust fund transfers.

Concurrently, the State Treasurer's Office earned over \$19 million on the State's portfolios; saved over \$80 million in interest payments through bond refundings; and, protected \$175 million in taxpayer monies by refusing to issue general obligation bonds to fund a phantom automobile plant. Finally, recently initialed public equity investments have generated \$3.6 million in additional returns to the Permanent School Fund which helps increase funding for Nevada K-12 schools.



Office of the State Treasurer ORGANIZATION

(As of May 2017)



COLLEGE SAVINGS PLANS OF NEVADA

The Nevada 529 College Savings Plans, authorized by 26 U.S.C. § 529, are designed to assist parents and students in saving for future college expenses in tax advantaged savings plans. The program is authorized in NRS 353B.

The State Treasurer's Office partners with Ascensus College Savings and Putnam Investments to help Nevada residents and families across the United States save for college. The College Savings Plans of Nevada operates as a qualified tuition program under Section 529 of the Internal Revenue Code. As such, the plans are able to combine tax benefits and flexible features, making them a smart and convenient way to save for college. In 529 plans, earnings in the account grow tax-deferred and, when used for qualified educational expenses at eligible higher education institutions, are federally tax-free. This allows savings to grow faster, providing more money for college-related expenses.

The College Savings Plans of Nevada consist of four direct sold plans managed by Ascensus College Savings—SSGA Upromise 529, Vanguard 529 College Savings Plan, USAA 529 College Savings Plan, and Wealthfront 529 College Savings Plan. The State of Nevada also offers one advisor-sold plan, Putnam 529 for America. As of June 30, 2017, there were 778,398 individual accounts across all five of these plans, with over \$20.5 billion in assets under management.

The various college savings plans offer a variety of market-based savings options. Each portfolio has a different allocation of stock, bond, and money market funds. The investor selects a portfolio depending on his/her own savings goals, risk tolerance, and the amount of time until the child enters college. Anyone may open a 529 college savings account by contributing as little as \$15 to open and \$15/month to maintain. The maximum that can be saved in any of Nevada's 529 Plans is \$370,000 per beneficiary. These accounts may be used for qualified education expenses at any eligible post-secondary school in the world, including two- and four-year colleges, technical and trade schools, and graduate schools. The Board of Trustees of the College Savings Plans of Nevada provides fiduciary oversight of the investment managers, program managers, marketing managers and other vendors supporting the College Savings Programs.

SSGA Upromise 529

The SSGA Upromise 529 Plan is the college savings plan most actively marketed in education and outreach efforts conducted by Treasurer Office staff within the state. The Plan has seen significant in-state account growth since October 2013 with the launch of the Nevada College Kick Start Program.

Silver State Matching Grant Program

The Silver State Matching Grant Program, available within the SSGA Upromise 529 plan, offers low- and middle-income Nevada families a matching grant of up to \$300 in extra college savings per calendar year, with a lifetime maximum grant of \$1,500. Matching grant funds is part of the office's contract with Ascensus, so *no taxpayer dollars are used*. The program was significantly expanded in FY14 to include all Nevada families with a household Adjusted Gross Income of under \$75,000. Last year 352 applications for matching grant money were approved. That means up to \$105,600 in additional funds which will be set aside for Nevada families saving for

college to help their children achieve the dream of pursuing higher education when they graduate from high school

Vanguard 529 Plan

Nevada's Vanguard 529 College Savings Plan is one of the largest in the nation, with 348,449 accounts and assets of just over \$15.4 billion under management as of June 30, 2017. This industry leading plan is consistently ranked as one of the best by financial rating agencies. For 2017, Nevada's Vanguard 529 Plan received an overall rating of "Gold" from Morningstar, a leading provider of independent investment research in North America, Europe, Australia, and Asia. A "Gold" rating was only given to 4 plans in the entire United States last year, with Nevada's Vanguard plan being one of them! See details of the 4 "Gold" plans below.

Morningstar Analyst Ratings for 529 College-Savings Plans

Gold Rating (4 plans out of 64 ranked received a Gold rating)

Illinois:	Bright Start College Savings
Virginia:	Invest529
Nevada:	The Vanguard 529 College Savings Plan
Utah:	Utah Educational Savings Plan

USAA 529 College Savings Plan

In partnership with USAA Investment Management, the USAA 529 College Savings Plan is geared toward military families. The program is nationally recognized for its strong performance.

USAA Distinguished Valor Matching Grant Program Expanded

The State Treasurer's Office, working in conjunction with the USAA 529 College Savings Plan, established the USAA Distinguished Valor Matching Grant Program in January 2011 to allow families of Purple Heart recipients the opportunity to receive up to \$1,500 in matching funds to their USAA 529 College Savings Plan contributions. It is the only such matching grant program in the nation. Previously only open to Purple Heart recipients from Nevada who had served in Operation Enduring Freedom or Iraqi Freedom, the program has been expanded to include all active duty US military and reservists who are Nevada residents.

Putnam 529 for America

Sold in Nevada and nationally through financial advisors, Putnam 529 for America showed promising growth during FY17. As of June 30, 2017, the plan had \$428.5 million in assets under management and 20,146 total accounts.

Wealthfront 529 Plan

The Wealthfront 529 Plan is new to the college savings lineup. Featuring low fees and automated investment options, the plan had \$53.53 million in assets under management and 5,088 total accounts as of June 30, 2017.

Historical charts

The following charts underscore the overall growth of accounts and assets under management over the past six years, including double the number of Nevada accounts.

Number of National Accounts:

Year	SSGA Upromise 529	Vanguard 529 Plan	USAA 529 Plan	Putnam 529 Plan	Wealthfront 529	Total
2013	153,837	230,323	178,657	16,859	N/A	579,676
2014	153,128	255,357	206,333	18,306	N/A	633,124
2015	148,868	285,571	232,427	19,506	N/A	686,372
2016	144,571	314,967	251,858	20,229	N/A	731,625
2017	136,382	348,449	268,333	20,146	5,088	778,398

Assets Under Management:

Year	SSGA Upromise 529	Vanguard 529 Plan	USAA 529 Plan	Putnam 529 Plan	Wealthfront 529	Total
2013	\$1,084,540,000	\$8,184,020,000	\$1,690,800,000	\$302,780,137	N/A	
2014	\$1,237,190,000	\$10,417,310,000	\$2,210,580,000	\$367,909,671	N/A	
2015	\$1,276,391,819	\$11,716,947,923	\$2,479,562,950	\$397,081,967	N/A	
2016	\$1,309,730,000	\$12,850,740,000	\$2,703,540,000	\$397,471,521	N/A	
2017	\$1,389,190,100	\$15,432,000,000	\$3,271,140,000	\$428,589,198	\$53,530,000	\$20,574,449,198

Number of Nevada Accounts:

Year	SSGA Upromise 529	Vanguard 529 Plan	USAA 529 Plan	Putnam 529 Plan	Wealthfront 529	Total
2013	3,956	3,214	2,085	360	N/A	9,615
2014*	4,537	3,604	2,490	425	N/A	11,056
2015*	5,396	4,118	2,798	451	N/A	12,763
2016*	5,983	4,695	3,014	457	N/A	14,149
2017	7,207	5,371	3,319	488	33	16,385

*Account numbers adjusted for fiscal years 2014, 2015, and 2016 to remove the original 3,550 College Kick Accounts that were in the rural pilot program and originally counted as SSGA Upromise 529 Accounts. See Nevada College Kick Start section for further details.

Education and Outreach Initiatives - Increased Nevada Participation

With the intent of increasing participation in the College Savings Plans of Nevada and the Nevada Prepaid Tuition program, the State Treasurer's Office continued its grassroots education and outreach campaign to Nevada residents by highlighting the value of saving for college and the ease of enrollment into the College Savings programs. Several avenues that continue to be successful in promoting these programs include:

- Dedicating an in-state field representative in both Reno and Las Vegas to work with local businesses and organizations to increase awareness of the SSGA Upromise 529 Plan, college savings in general, and to provide assistance to Nevada families in establishing accounts for their children.
- Expanding the \$529 College Savings Day Contest to award \$529 college savings accounts to randomly selected online entries during the months of May and September.

- Participating in numerous community events, such as Parent Teacher Association Conventions, school counselor meetings, back-to-school nights, Reno Aces baseball games, children's museums, back-to-school fairs, and other events throughout the State.

Nevada College Kick Start Program

In fall 2013, the Treasurer's Office launched the Nevada College Kick Start Program (CKS), which establishes \$50 college savings accounts for all public school kindergarten students in the state. This is the first statewide, universal children's savings account program in the United States and, as such, has garnered much national attention. The accounts are established using a portion of the program manager fees paid to the Treasurer's Office, *not taxpayer dollars*.

CKS accounts are held within a master account in the SSGA Upromise 529 Plan. The account is invested in the age-based portfolio which most closely matches the age of the students. CKS accounts are controlled by the State Treasurer's Office and can only be used for qualified education expenses at an eligible institution by the student. There are no fees to participate. Data needed to enroll students in the program is provided to the office by the State Department of Education and is secured by contract and cannot be shared with anyone else.

As of June 30, 2017 there were 135,357 students participating in the program. Funding for student accounts totaled just over \$6.7 million. Based on 2017 legislative changes (AB475) parents will have to manually "claim" their child's Kick Start account by the time the child enters the 5th grade to ensure the funds are available to apply towards postsecondary education once they graduate from high school. The following chart shows the total number total of college kick start accounts that were claimed and total number of college savings accounts that were linked as of June 30, 2017.

Claimed CKS Accounts			Linked SSGA Accounts			Participating in Other Nevada 529 Plans								
	Claimed Accounts	Total CKS Accounts per cohort				Nevada Prepaid Tuition Program	Vanguard 529 College Savings Plan	Putnam 529 for America	Wealthfront 529 College Savings Plan	USAA 529 College Savings Plan	Total other NV 529 Plans Identified	Total CKS Accounts who also have a NV 529 account	Other - another state's 529 plan	
Existing		New	Total Linked											
Cohort														
2013		3827	34,519	107	102	209	17	10	0	0	7	34	243	16
2014		3779	33,477	68	99	167	18	11	0	0	14	43	210	13
2015		4257	33,774	70	113	183	20	13	0	1	10	44	227	13
2016	4406	33,587	68	396	464	31	34	1	0	30	96	560	36	
Total	16,269	135,357	313	710	1023	86	68	1	1	61	217	1240	78	

NEVADA PREPAID TUITION PROGRAM

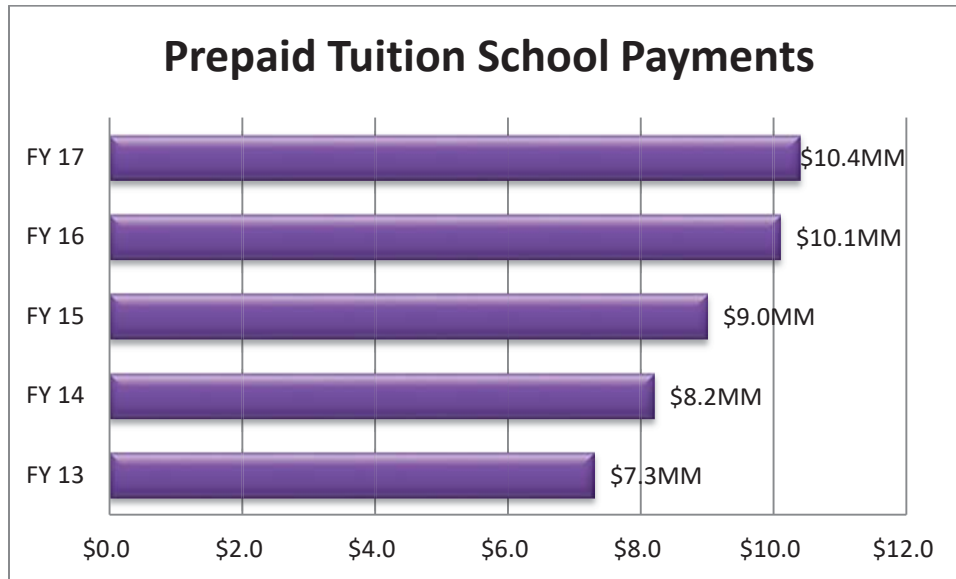
The Nevada Prepaid Tuition program enables parents, grandparents, and other family members to lock in future in-state college tuition rates at today's prices. However, benefit usage is NOT restricted to Nevada. The Nevada Prepaid Tuition Program is authorized by 26 U.S.C. § 529. *The program is designed to assist parents in saving for future college tuition in a Prepaid Tuition 529 College Savings Plan, which offers tax advantages to account holders. The Program is authorized under NRS 353B.*

The Nevada Prepaid Tuition Program, which began in 1998, continues to offer a smart savings option to Nevada residents and/or graduates of the Nevada System of Higher Education to lock in Nevada's in-state college tuition rates for their newborn to ninth grade children. The program provides parents, grandparents, extended family members, and friends a variety of options, which makes participation in the program easy and convenient.

As of the latest actuarial report completed by an independent outside firm, the funded status of the Nevada Prepaid Tuition Program is 132.7%, as of June 30, 2017. This is an increase from the previous fiscal year, and the strongest funded status in the 20 year history of the program. Contracts may be purchased with a lump sum payment, paid monthly over 5 years, or monthly until the child is ready to attend college. At the conclusion of FY17, a total of 20,267 children had enrolled in the program, and the Nevada Higher Education Tuition Trust Fund held assets of \$255.9 million, an increase of 924 children and \$28.5 million respectively over the prior year. This year, the program continued its education and outreach efforts as part of the umbrella campaign which includes all of the Treasurer's Office educational programs and 529 college savings options.



According to an article from Georgetown University, by the year 2020, 65% of the jobs in the economy will require postsecondary education and training beyond high school. The Nevada Prepaid Tuition Program offers Nevadans an opportunity to properly prepare for those jobs by purchasing in state tuition today for tomorrow's usage. The contracts are transferable to another family member, including a first cousin, and can be used in or out of state at eligible institutions of higher learning. As of June 30, 2017, there were 3,055 students using their benefits. The program paid out over \$10.4 million in tuition benefits on behalf of these students in FY17, an increase of roughly 2% from FY16.



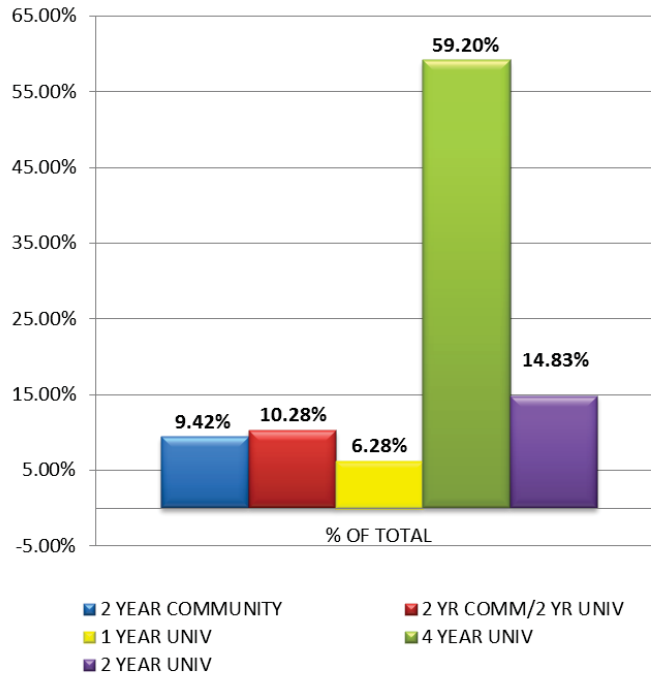
The amount of tuition distributions continues to increase each year, proportional to the number of students using their benefits, including private and/or out-of-state institutions. In FY 17, 35.18% of tuition payments were made to private and/or out-of-state institutions, an increase of roughly 8% over FY 16, while 64.8% remained in-state during the year.

During FY17, the Program maintained its open enrollment period mirroring the previous two fiscal years. Enrollment opened November 1 and concluded at the end of April. The Program enrolled 924 new students. Families in this state clearly realize the importance of saving for college and the value of the Prepaid Tuition Program. Slightly over 59% of the contracts sold purchased a 4 year university plan with 39.2% paying the contracts off in one lump sum payment. Nevada is one of only eleven states which still offer a prepaid tuition program.

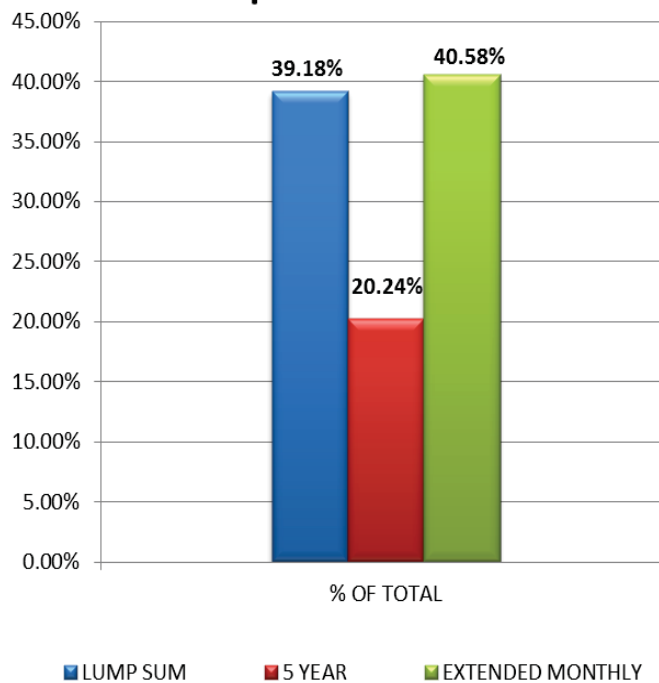
It is not surprising that Nevada families are realizing the advantage of enrollment in this program when you look at the fact that college tuition and fees have risen 1,120% since 1978, and student loan debt continues to rise. According to data by the Federal Reserve Bank of New York, student loan debt increased to \$1.34 trillion as of the second quarter 2017. That's an increase of \$85 billion from the prior year, and over \$550 billion more than the total U.S. credit card debt of \$784 billion.

The Nevada Prepaid Tuition program is flexible, affordable and the benefits can even be used at institutions across the United States that accept the Free Application for Federal Student Aid (FAFSA). The Nevada Prepaid Tuition Program offers an alternative to acquiring student loans to pay for college tuition. The Treasurer's website, NVPrepaid.gov allows convenient online enrollment, access to program forms, the ability to make contract payments, and to perform basic account updates and changes. Similar to the previous fiscal years, the most popular plan remains the 4-year university plan, paid for through extended monthly payments, with the lump sum option just slightly behind the extended payment option.

The Plans Families Purchased



How Families are Paying for Prepaid Tuition Plans



FINANCIAL LITERACY

In accordance with NRS 353B.350(5), “the Endowment Account must be used for the deposit of any money received by the Nevada College Savings Program that is not received pursuant to a savings trust agreement and, in the determination of the State Treasurer, is not necessary for the use of the Administrative Account. The money in the Endowment Account may be expended.”

Annual funding of \$175,000 for financial literacy outreach efforts was initially approved by the College Savings Board in April 2010 and continuously renewed through July 2017 as part of the long term year College Savings Plan.

Financial Literacy in Nevada: The State Treasurer’s Office approach to providing increased financial literacy education in Nevada to students, parents, teachers, and other professionals includes:

- Providing financial support to local nonprofit organizations who teach financial literacy such as The Andson Foundation, and Junior Achievement.
- Supporting the Annual Nevada Women’s Money Conferences.
- Sponsoring the Education Kiosk in Junior Achievements Finance Park exercise as part of a 12 week Financial Literacy Program taught to 8th graders in Clark County.

Financial Literacy Outreach

Treasurer Dan Schwartz is passionate about educating Nevadan’s in financial matters so they will become more economically prepared to deal with cyclical and personal economic conditions. To this end, the Nevada State Treasurer’s Office continued financial literacy outreach activities in FY17 aimed at educating Nevada parents and children about the importance of learning about and managing personal finances. These activities and programs, offered in partnership with organizations such as The Andson Foundation, the International Association of Working Mothers, and Junior Achievement included the following activities:

1) The Andson Foundation:

The Andson Foundation has been a long-standing partner of the Nevada State Treasurer’s Office in assisting to provide high quality financial education and after school tutoring in reading and math to students in the Clark County School District. In the spring of 2017, Andson provided personal financial workshops for students accepted into the Summer Business Institute in Clark County, in conjunction with the MyPath curriculum to educate students about money management at a critical time in their lives - handling their first paychecks! Topics included developing a budget, creating a savings plan, understanding taxes, investing strategies, saving for higher education, and evaluating loans (student/car/etc.).

2) Hosting the Mujeres y Dinero Nevada Women’s Money Conferences:

In FY17, the Treasurer’s Office and the College Savings Board of Nevada once again sponsored the Latina Women’s Money Conference, called Mujeres y Dinero. It was conducted entirely in Spanish, and held in Reno, Nevada. The conference included a resource expo, a money mentor program, and nationally renowned women authors and speakers who provided attendees with invaluable advice on taking control of their personal finances. In addition, the conference offered a new option to support

college savings plan enrollments in a more engaging, results-driven way. During registration, attendees were given the opportunity to book a one-on-one appointment with a representative from the Nevada State Treasurer's Office to discuss all of the college savings options available through the Nevada College Savings Plans Program.

3) Sponsoring Junior Achievement's Finance Park:

In FY17, the Treasurer's Office and the College Savings Board of Nevada sponsored the Education Kiosk in "Finance Park". The Finance Park experience offers students personal financial management and career exploration through classroom instruction and active participation in a simulated community. As a reality-based, hands-on simulation, Finance Park enables middle schoolers to build the foundation to make intelligent, lifelong, personal financial decisions. The focus of the College Savings staff support of the Education kiosk is sharing the fact that student loans are not the only way to pay for college. Through one-on-one education and the use of handouts, STO staff informed students on the power of saving for higher education through 529 college savings plan choices while they still have almost 5 years to save before they go to college.

GOV. GUINN MILLENNIUM SCHOLARSHIP

In 1999, the Legislature unanimously approved the dedication of 40 percent of Nevada's Tobacco Master Settlement Agreement payments to fund the Millennium Scholarship Program, which by legislative decree during the 2005 session was renamed after former Gov. Kenny Guinn. Graduates of the class of 2000 were the first recipients of the scholarship.

The program provides scholarship funding toward attendance at an eligible college or university located within the State of Nevada to qualifying high school graduates. Scholarship requirements are posted on the Millennium Scholarship website – www.nvggms.gov.

There is no application process for the student to complete. Nevada high schools electronically submit the names of eligible students to the Millennium Scholarship Program in the Treasurer's Office. Including the graduating class of 2017, more than 171,547 high school seniors have been deemed eligible to receive the Millennium Scholarship. The average utilization rate, as of July 2017, is 63% percent since the program was established. As of October 2017, more than \$411 million has been distributed to 129,491 Millennium Scholars, who collectively, have earned more than 42,293 associate, bachelor, and other certificates and degrees.

Now in its 17th year, the Gov. Guinn Millennium Scholarship Program (GGMS) continues to encourage and support students in their pursuit of higher education in Nevada.

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

- Operate the program's database (MiSL: Millennium Scholarship Ledger), which collects, stores, and maintains data on Millennium Scholars, providing a dedicated website for student access.
- Collect initial eligibility data from 17 county school districts, 50 private high schools, adult education, and home school applicants so they can be provided award packets with the scholarship information.
- Conduct outreach efforts throughout the state at college fairs, schools, private companies, PTA meetings, and other venues to provide the latest information about the Millennium Scholarship Program.
- Collaborate with representatives of each NSHE institution, NSHE System Administration, System Computing Services, Nevada Association of School Superintendents, and the Nevada Department of Education to support the program.

Governor Guinn Memorial Wall



KENNY C. GUINN MEMORIAL MILLENNIUM SCHOLARSHIP

Senate Bill 220 establishing the Kenny C. Guinn Memorial Millennium Scholarship was unanimously passed during the 2011 Legislative Session. It was expanded during the 2013 Legislative Session to award scholarships to two recipients each year, one from a Northern school and one from a Southern school.

Following the tragic death of former Gov. Kenny C. Guinn in July 2010, at the request of former First Lady Dema Guinn, the Treasurer's Office worked closely with the Guinn family to create a separate account within the Gov. Guinn Millennium Scholarship Trust Fund to accept donations in his honor. The Treasurer's Office then partnered with the late Senator William Raggio and Senator Ben Kieckhefer during the 2011 Legislative Session to craft and pass Senate Bill 220, which established the Kenny C. Guinn Memorial Millennium Scholarship. In 2013, Senate Bill 102 amended NRS to allow the scholarship be given to two students annually, with one recipient being a student in Northern Nevada and the other in Southern Nevada. The legislation passed unanimously both times.

Eligibility Requirements:

1. Must be a current Millennium Scholar;
2. Must be entering his/her senior or last year of college with 90 or more credits at an eligible institution (eligible institutions are the University of Nevada, Reno; University of Nevada Las Vegas; Great Basin College; Nevada State College; and Sierra Nevada College);
3. Be enrolled in and remain enrolled in a course of study leading to licensure in elementary or secondary education;
4. Maintain a college grade point average of not less than 3.5 on a 4.0 grading scale;
5. Make a commitment to teaching in Nevada upon graduation; and
6. Have a commendable record of community service.

Award

The award can be used to help pay the educational expenses of the recipients for their senior year of college which are not already met by the student's GGMS scholarship funding, including registration fees, laboratory fees and expenses, and to purchase required textbooks and course materials.

The Kenny C. Guinn Memorial Millennium Trust Fund continues to have a strong financial position with a balance of \$168,746. The two annual maximum awards of \$4,500 each will be available to pay recipients for many years to come.

UNCLAIMED PROPERTY DIVISION

The State of Nevada's Unclaimed Property Division currently safeguards more than \$786 million in unclaimed property, believed to belong to individuals and businesses who have, at some point, resided in the Silver State.

Each year businesses and government agencies turn over millions of dollars worth of abandoned property to the State, where it remains in perpetuity until claimed by its rightful owner. This property may include securities, payroll checks, utility deposits, insurance proceeds, refunds, and physical property.

Nevada Unclaimed Property advertises a list of presumed property owners annually in a major newspaper in each of Nevada's counties, and holds an annual auction for physical property.



Unclaimed Property Owner Claims

The Unclaimed Property Division paid 32,983 claims in FY17, an increase of 77% from FY16. Unclaimed Property returned over \$36.2 million to rightful owners. In FY17, 42% of all claims were paid via our online approval system, Fast Track, which is an increase of 16% over FY16. This continues an upward trend which demonstrates that more claimants are able to easily file their claims online for property each year. While Nevada Revised Statutes require all claims to be reviewed within 90 days of receipt, the division maintained a 30 day or less processing time on 58% of all approved claims. Additionally, 42% of all claims paid via our online approval system were approved programmatically through our FastTrack process.

Unclaimed Property Owner Outreach

At the conclusion of FY17, the state was holding approximately \$786 million in unclaimed property. The State Treasurer's Office, Nevada Unclaimed Property Division, continues to utilize many methods to reunite rightful owners with their unclaimed property:

- Public notices being published in 17 newspapers throughout the state identifying unclaimed property held by the state, along with the name of the rightful owner.
- In FY17, the Division made a concerted effort to locate and return FDIC funds to rightful owners, including locating, contacting, and assisting rightful owners with claim forms. The effort enabled the office to return \$905,680 in bank funds – a 19% increase over FY16.
- Member of the National Database website sponsored by the National Association of Unclaimed Property Administration (NAUPA), which provides a national search engine for unclaimed property.

Unclaimed Property Collections

Over \$71 million was collected from holders in FY17, bringing the total of property safeguarded by the Nevada Unclaimed Property Division to nearly \$786 million. A transfer of \$25.8 million was provided to the General Fund.

Holder's Voluntary Disclosure Agreement Programs

As part of the Division's continuing efforts to assist holders, a Voluntary Disclosure Agreement (VDA) program was established in FY10 to encourage non-compliant businesses to conform to Nevada's unclaimed property laws without penalties being added. The VDA program provides an avenue for businesses, which may not have realized they were out of compliance, with an opportunity to work with the Unclaimed Property Division to submit past due reports. In FY17, more than \$632,000 was reported as a result of the VDA program.

Annual Safe Deposit Box Content Auction

Each year, the Unclaimed Property Division attempts to locate lost owners of Safe Deposit Boxes. Following a two-year period of remaining unclaimed, the contents are auctioned. The auction occurs annually, and proceeds of the auction are transferred to the state's General Fund, though the rightful owner retains the ability to claim the proceeds from the sale indefinitely. In FY17, the auction proceeds totaled \$146,259.

CASH MANAGEMENT DIVISION

The primary duty of the Cash Management Division is to manage the State's banking relationships, Merchant Services, and assist State agencies with their banking needs. The Division is also responsible for the Treasurer's Office administrative and accounting functions.

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



Cash Management Division staff in Carson City

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

As manager of the State's electronic payment acceptance program, the Treasurer's office maintains over 150 merchant accounts, and with the transition to Wells Fargo Merchant Services State agencies receive next day funding on all electronic transactions. In addition, the Treasurer's Office maintains a website for electronic payment acceptance featuring information and forms for assisting agencies through the merchant services process. In fiscal year 2017, the Treasurer's Office started a Merchant Services Education and Outreach Program assisting State agencies with Payment Card Industry Data Security Standards (PCI DSS), credit card reconciliation, and overall merchant services processes related to accepting electronic payments, such as credit and debit cards.

Cash Management personnel are responsible for the accounting and distribution of funds relating to the Tobacco Master Settlement Agreement (MSA). State law requires 40% of the funds be allocated to the Gov. Guinn Millennium Scholarship Fund and 60% to the Fund for a Healthy Nevada. Nevada received approximately \$39.3 million in MSA funds in FY17 enabling Cash Management to distribute approximately \$15.7 million to Millennium recipients and \$23.6 million to the Healthy Nevada program.

The Cash Management Division also allocates revenues from the lease of federal lands in Nevada. Under NRS 328, these revenues are shared between the Department of Education's Distributive School Account, county treasurers, and school districts based on the percentage of revenues collected in those various jurisdictions.

The Treasurer's Office continues to seek more efficient and safe means by encouraging the use of items such as cash vaults, remote deposit, positive pay, and ACH blocks and filters, which State agencies can use to carry out their financial transactions.

INVESTMENT DIVISION

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

The Investment Division has four staff members—the Deputy Treasurer of Investments, an Investment Analyst, and two Management Analyst III positions. Staff responsibilities include investment and accounting activities relating to the General Portfolio, Local Government Investment Pool (LGIP), and the Permanent School Fund (PSF), as well as oversight of the NVEST investment advisers. The Higher Education Tuition Trust fund is overseen by the Nevada College Savings Board as part of the Prepaid Tuition Program. Please see the Prepaid Tuition Program section of this report for more information. Additionally, the Investment Division manages the Nevada Collateral Pool Program.



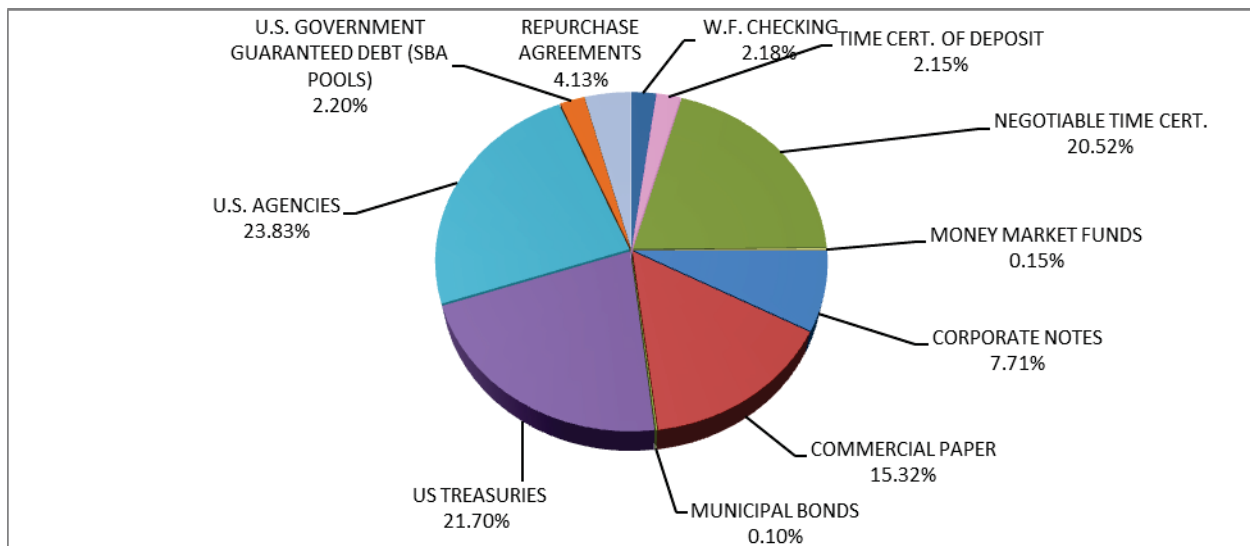
General Portfolio

The State's General Portfolio is invested in U.S. Treasury and Agency securities, high quality corporate notes, commercial paper, negotiable and time certificates of deposit, municipal bonds, money-market funds, and securities guaranteed 100% by the US government such as Small Business Administration (SBA) pools. Securities holdings are diversified to prevent over-concentration by maturity, issuer, or security class. The State Treasurer maintains a conservative, moderately active investment strategy, which provides the ability to take advantage

of market opportunities as they occur by analyzing projected cash flow needs. Portfolio maturities are structured to reduce the likelihood of a forced sale of securities in any but the most severe circumstances.

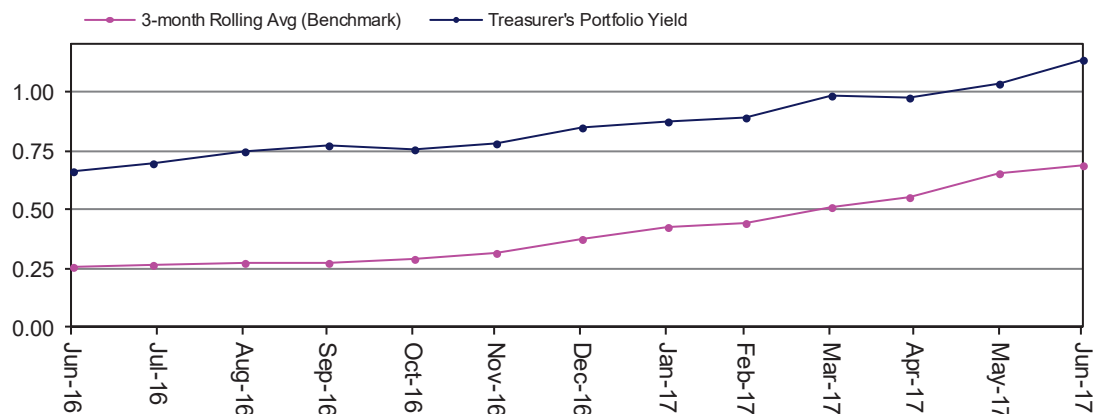
In FY16, the State's investment policies were amended to accommodate the use of registered investment advisors to manage a portion of the State's General Portfolio. The State Treasurer's manages the portion of the Portfolio utilized for operating funding, while the portion of the Portfolio not needed for immediate expenses is managed by two registered investment advisers, Chicago Equity Partners and MacKay Shields. The managers utilize longer-term fixed income investments which have increased the overall returns to the General Portfolio.

The FY17 General Portfolio's book value as of June 30, 2017 was \$2.324 billion. The following chart provides a breakdown of total investments held as of the end of FY17. Total realized earnings for FY17 were \$19,288,094, representing a yield of 0.77%.



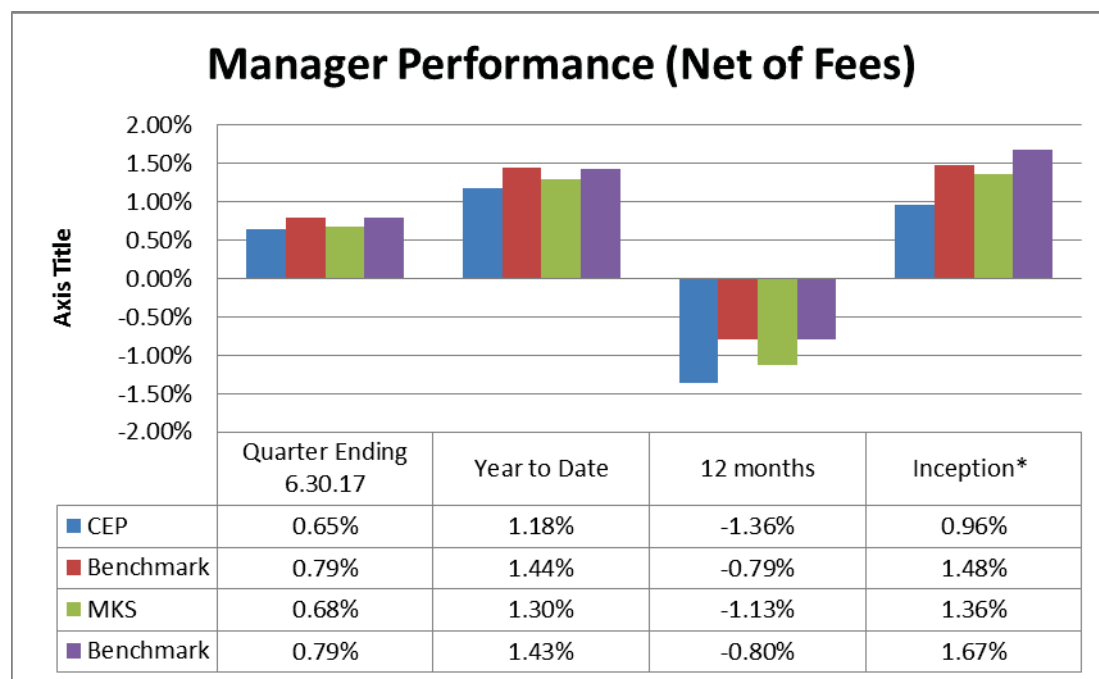
Performance of Operating Portion of General Portfolio vs. Benchmark

As of June 30, 2017, the yield on the portion of the General Portfolio used for operating expenses was 1.137%. A new customized benchmark has been created using a combination of the three month T-bill and two year treasury notes. A three month rolling average of this benchmark for this period was .69% with an average maturity of 218 days. The average maturity of the State's operating portfolio was .39 years or 144 days.



Performance of Outside Managers' Performance vs. Benchmark

The performance net of fees since inception for the period ending June 30, 2017 for manager Chicago Equity Partners (CEP) is 0.96% and for Mackay Shields (MKS) is 1.36%*. Both of these returns are based on a time-weighted rate of return which is defined as the compounded growth rate of \$1 over the period being measured. These funds have been assigned the Bloomberg Barclays Intermediate Government Credit A or better benchmark. The Nevada statutory requirements prevent managers from investing in certain securities and fewer corporate notes which is the cause of the difference in manager performance versus the benchmark. *CEP inception date is August 2015 and MKS is December 2015.

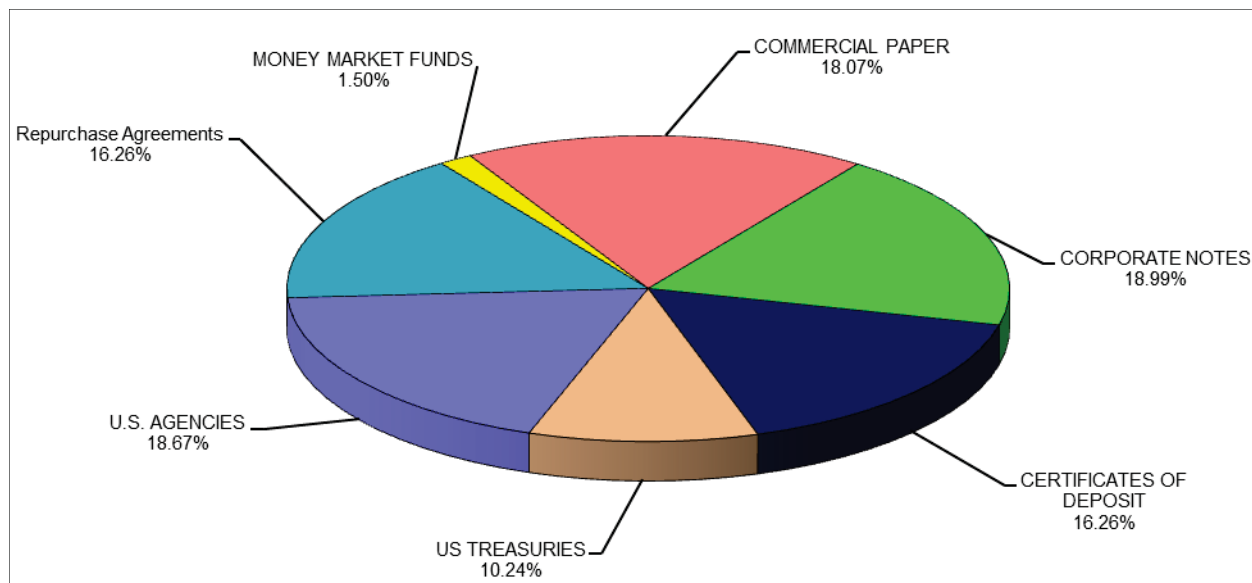


Local Government Investment Pool

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

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

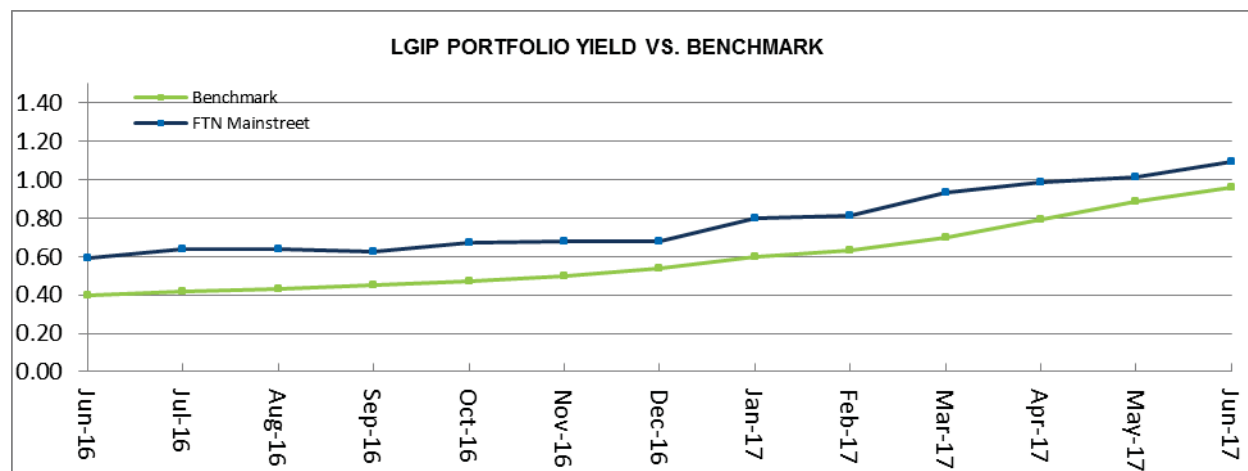
The LGIP investment strategy incorporates the matching of maturing securities to the anticipated cash needs of the participants. Approximately 10% of the fund matures on a daily basis to ensure sufficient liquidity is available to meet both anticipated and unanticipated withdrawals. The LGIP imposes a Minimum Liquidity Requirement, which projects the cash flow needed to meet identified obligations within a rolling four-week period, and has maturing securities aligned accordingly. The following chart provides a breakdown of total investments held as of the end of June 30, 2017.



Performance vs. Benchmark

As of July 1, 2015, registered investment advisor, FTN Financial Services Mainstreet Capital Advisors (FTN), began managing the LGIP Portfolio. FTN created a custom blended benchmark to assess performance in the LGIP*. As of the end of FY17, the LGIP was outperforming this benchmark by 13.2 basis points. There were 87 LGIP members at the close of FY17, comprised of cities, counties, school districts, and various special districts across the State. The LGIP's book value on June 30, 2017 was \$830,127,460. The LGIP's investment objectives include safety of principal, portfolio liquidity, and market return, consistent with a conservative, short

duration portfolio. The Weighted Average Maturity (WAM) of the portfolio at fiscal year-end is 130 days.



NVEST

NVEST is an alternative investment program for local governments, the objective of which is to provide higher returns than the LGIP. The minimum account size is \$3 million. NVEST participants, working with one of three registered investment advisors, can customize their portfolios based on their risk tolerances and other factors. During late FY 2015, an RFP was issued to select managers for the NVEST program. The firms chosen were Atlanta Capital, Government Portfolio Advisors and Chicago Equity Partners. As of June 30, 2017, the NVEST portfolios had a total book value of \$116,671,414 and consisted of 3 participants.

<u>Entity</u>	<u>Manager</u>	<u>Book Value</u>
Clark Co School District	Atlanta Capital	\$ 97,491,142.63
City of Elko	Government Portfolio Advisors	\$ 4,816,941.41
City of Fernley	Atlanta Capital	\$ 14,363,329.80
		\$ 116,671,413.84

Collateral Pool Program

Under Nevada Revised Statute (NRS) 356.350, the State Treasurer is required to establish a program for “the monitoring of collateral of public funds.” The Nevada Pooled Collateral Program offers state and local government agencies an efficient, cost effective, and safe alternative method for securing public funds. The primary objective is to reduce risk while, at the same time, decrease the overall collateral requirement for depositories. By centralizing the administration and reporting functions through the Investment Division, government agencies and depositories recognize cost savings in terms of operational support and collateral efficiency. Each financial institution is required to maintain as collateral (at a third party repository) acceptable securities having a fair market value that is at least 102% of the amount of the aggregate uninsured ledger balances of the public money held by the depository. Participating financial institutions must report each day the amount of deposits held and the value of the

corresponding pledged collateral. Any under collateralization must be rectified by the financial institution by the close of business on the day the under collateralized deposits are reported.

At the conclusion of FY17, there were 307 public entities throughout the State participating in the Collateral Pool Program, with deposits in 16 financial institutions and a daily balance on June 30, 2017 of \$1.837 billion with pledged collateral of \$2.177 billion, which calculates to \$374 million in excess collateral.

Permanent School Fund

The Permanent School Fund was created to account for monies received from estates that escheat to the State, proceeds from the sale of federal lands given to the State, and fines collected under the penal laws of the State that are pledged only for education purposes under Article 11, Section 3 of the Constitution of the State of Nevada. Per NRS 355.050, the State Treasurer shall have charge of all the investments of money and the sale of all securities of the State Permanent School Fund. In August 2015, the Treasurer chose to phase in public equity investments through an external manager, Vanguard.

All earnings on the Fund's assets are apportioned among several Nevada school districts. Additionally, school districts may enter into guarantee agreements with the State Treasurer whereby the money in the Fund is used to guarantee the debt service payments on certain bonds issued by school districts. The amount of guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million.

As of June 30, 2017, the book value of the fixed-income investments of the Permanent School Fund totaled \$256,826,089, the public equity investments totaled \$46,264,000 and the private equity book value totaled \$37,123,965. The total portfolio as of June 30, 2017 totaled \$340,214,054.

Nevada Capital Investment Corporation

In 2011, the State Legislature passed Senate Bill 75, authorizing up to \$50 million non-tax dollars in the Permanent School Fund to be invested in private equity investments through a newly created non-profit corporation, the Nevada Capital Investment Corporation (NCIC). This private equity fund, called the Silver State Opportunities Fund (SSOF), is a first in the history of the State of Nevada. Sponsored by the Nevada State Treasurer's Office and supported by dozens of stakeholders during the 2011 Legislative Session, this fund focuses on new businesses in Nevada, existing Nevada businesses that are expanding, or in businesses which agree to relocate to this State.

In Fiscal Year 2017, SSOF was fully committed as of May 13, 2016. Approximately, 85% (\$37.7 million) of committed capital has been drawn from the Permanent School Fund as of June 30, 2017.

In terms of financial performance, the Fund is generating a 2.52% net annual return to the State's PSF. On a gross basis, the Fund is generating a 7.01% Internal Rate of Return. As of June 30, 2017 NCIC has contributed \$37.7 million and received \$5.8 million in distributions, resulting in \$31.9 million in net contributed capital.

The Fund's impact on the State extends beyond the returns to the PSF; the Fund's activities are helping to create a private equity ecosystem in the State and providing local companies with access to the broader private investment community. Since the program's launch in 2012, SSOF managers opened four new offices and hired four local private equity investment professionals. The combination of investing capital directly into the state and developing a network of new investors, who are coming to Nevada in local businesses, is critical to developing a vibrant private capital ecosystem.

DEBT MANAGEMENT DIVISION

Per Nevada Revised Statutes (NRS) 226.110 (10), the State Treasurer is directly responsible for the issuance of any debt obligation authorized on behalf of and in the name of the State, except for issuances by the Colorado River Commission, the University of Nevada System, and the Department of Business and Industry which issue various types of debt under a range of levels of autonomy. Subsection 11 allows the State Treasurer to organize and facilitate statewide pooled financing programs, including lease purchases, for the benefit of the state and any political subdivisions.

In Fiscal Year (FY) 17, the State Treasurer's Office successfully conducted four bond sales comprised of five series of bonds:

BONDS ISSUED IN FY2017						
	Series	Original Amount	New Money	PV Savings	TIC	Term
Lease Revenue Refunding Certificates of Participation LCB Project	2016	\$ 3,730,000	\$ -	\$ 440,562	2.22%	10yrs
Open Space, Parks, and Natural Resources	2016B	\$ 1,023,500	\$ 1,023,500	\$ -	0.33%	10 mths
Capital Improvement and Cultural Centers Bonds	2016C	\$ 35,180,000	\$ 35,180,000	\$ -	2.81%	19yrs
Natural Resources and RFDG Bonds	2016D	\$ 13,610,000	\$ 1,345,000	\$ 1,533,231	2.16%	13yrs
Highway Improvement Revenue (MVFT) Bonds	2017	\$ 167,665,000	\$ 167,665,000	\$ -	3.46%	18yrs
		\$ 221,208,500	\$ 205,213,500	\$ 1,973,793		

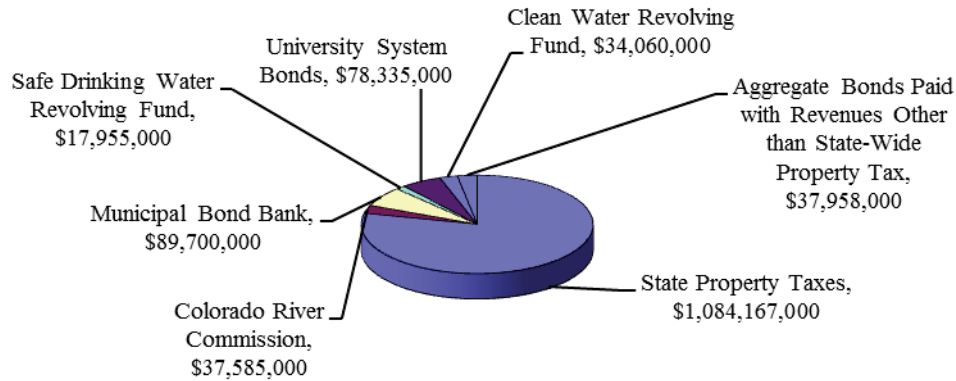
The combined principal (or par value) amount of the bonds was \$221,208,500. The terms of the bonds ranged from 10 months to 19 years and the true interest cost (TIC) ranged from 0.33% to 3.46%, which represents historically low rates. The refunding bonds produced just over \$1.9 million in present value savings to the State and its municipalities.

General Obligation Debt

The State Treasurer is responsible for the issuance and maintenance of the following types of general obligation (GO) debt: Capital Improvement Bonds, Municipal Bond Bank Bonds, State Revolving Fund Bonds, Historic Preservation Bonds, Natural Resources Bonds, and other miscellaneous GO bonds and securities. The State requires GO bonds to be legislatively authorized and secured by that portion of the ad valorem tax revenue dedicated to the payment of GO debt to the extent other monies are not available. The State's gross GO debt decreased from \$1.47 billion as of June 30, 2016 to \$1.38 billion as of June 30, 2017 due to refundings and the payment of principal during FY17.

The following chart illustrates the breakout of the State's \$1.38 billion Gross General Obligation Debt as of June 30, 2017.

Gross General Obligation Debt as of June 30, 2017



During FY17, the Debt Management Division processed debt service payments for existing GO debt totaling approximately \$175.63 million.

Gross General Obligation Debt FY17 Debt Service Payments			
	Principal	Interest	Total
State Property Taxes	\$91,736,500	\$54,624,613	\$146,361,113
Aggregate Bonds Paid with Revenues Other Than Property Tax	2,162,000	1,731,901	3,893,901
Clean Water Revolving Fund	6,130,000	1,651,228	7,781,228
Safe Drinking Water Revolving Fund	3,020,000	549,094	3,569,094
Municipal Bond Bank	4,300,000	3,502,219	7,802,219
Nevada System of Higher Education	0	3,233,950	3,233,950
Colorado River Commission	1,475,000	1,514,567	2,989,567
Total FY17 Debt Service	\$108,823,500	\$66,807,571	\$175,631,071

Municipal Bond Bank

NRS 350A.140 designates the State Treasurer as administrator of the Nevada Municipal Bond Bank. In accordance with NRS 350A.150, the amount of State securities issued to acquire municipal securities may not exceed \$1.8 billion outstanding at any time.

The State's Municipal Bond Bank program was established in 1981 to assist municipalities in undertaking local projects which foster and promote the protection and preservation of the property and natural resources of the State. Without this fund, municipalities might otherwise face the prospect of prohibitive interest rates.

The Board of Finance must approve the issuance of State GO and revenue securities under the Bond Bank Act. As of June 30, 2017, the outstanding par amount of securities issued pursuant to the Act was \$89,700,000.

Debt Service Reserves

Nevada's Consolidated Bond Interest and Redemption Fund (the "Bond Fund") is used to receipt the collection of the 17-cent property tax revenue dedicated to pay GO bonds, payment of the principal and interest on the State's GO bonds, and to reserve monies for future GO bond debt service payments. The reserve within the Bond Fund is funded from the excess of applicable property tax revenues over the required debt service payments plus interest earnings on the Bond Fund. The Bond Fund is available to provide ready reserves to meet current debt service obligations to the extent monies are insufficient from current property tax revenues.

The State's current debt management policy has as an objective to maintain a reserve within the Bond Fund balance at the end of each fiscal year equal to at least 50% of next fiscal year's debt service payments on GO bonds (exclusive of those bonds considered to be self-supporting and paid by other available revenues)..

As of June 30, 2017, the reserve amount within the Bond Fund was approximately \$128 million, or approximately 88% of the FY18 debt service payments payable from property taxes.

Debt Affordability Analysis

A committee comprised of representatives from the Governor's Finance Office, the Department of Taxation, and the Legislative Counsel Bureau meets at a minimum biannually to forecast the estimated revenue to be received from its assessed property tax. The State Treasurer's Office attends these meetings and utilizes the committee's projections in the preparation of the General Obligation Debt Capacity and Affordability Report which is published each biennium. In the interim, the Debt Management Division updates the affordability analysis after each securities issuance and as needed.

The General Obligation Debt Capacity and Affordability Report is utilized by the Governor in preparing his recommended budget. The report is then presented to the State Legislature. The Legislature relies upon the report when considering the issuance of securities during the following biennium, determining the ad valorem tax rate for the payment of securities for the next biennium, and reviewing future debt capacity and affordability over the next ten years.

State Debt Capacity

In addition to the General Obligation Debt Capacity and Affordability Report, prepared by the Debt Management Division, the issuance of GO bonds is also limited by the State Constitution. Article 9, Section 3 which limits the aggregate principal amount of the State's outstanding GO debt to 2% of the total reported assessed valuation of the State. The limitation does not extend to debt incurred for the protection and preservation of any property or natural resources of the State, or for the purpose of obtaining the benefits thereof.

Subject to the constitutional debt limitation, the Legislature may authorize the issuance of debt for any public purpose.

As of June 30, 2017, the constitutional debt limit stood at \$2.30 billion. the outstanding debt subject to this limit was \$1.03 billion and the remaining constitutional debt capacity was \$1.26 billion.

Constitutional Debt Limitation and Capacity⁽¹⁾				
Effective June 30	Assessed Valuation	Debt Limitation	Outstanding Debt Subject to Limitation	Remaining Constitutional Debt Capacity
2013	\$85,058,177,087	\$1,701,163,542	\$1,178,185,000	\$522,978,542
2014	\$92,727,490,889	\$1,854,549,818	\$1,151,010,000	\$703,539,818
2015	\$101,414,649,154	\$2,028,292,983	\$1,127,220,000	\$901,072,983
2016	\$108,331,564,829	\$2,166,631,297	\$1,082,845,000	\$1,083,786,297
2017	\$114,727,736,818	\$2,294,554,736	\$1,034,015,000	\$1,260,539,736
⁽¹⁾ Estimated by State of Nevada Controller's Office				

Nevada's Credit Ratings

Credit rating agencies provide an independent assessment of the relative creditworthiness of municipal securities. The rating system consists of letter grades that convey each company's assessment of the ability and willingness of a borrower to repay its debt in full and on time. Many investors rely upon these letter grades as a means of assessing the likelihood of repayment.

Credit ratings issued by the bond rating agencies are a major factor in obtaining the lowest cost of borrowed funds in the municipal bond market. Credit rating agencies base ratings on the assessment of the credit worthiness of an issuer with respect to a specific obligation.

There are several factors that rating agencies consider in assigning credit ratings: financial, economic, debt, and administration/management. Rating agencies believe debt management is an important factor in evaluating issuers and assigning credit ratings, which ultimately determine the borrowing cost of funds.

At the conclusion of FY17, the state’s GO debt was rated AA+, Aa2, and AA respectively by the three major rating agencies: Fitch Ratings, Moody’s Investors Service, and S & P Global. The State’s strong “AA” rating is just below the highest rating category of “AAA.”

Ratings			
	Fitch	Moody's	S&P
General Obligation	AA+	Aa2	AA
Safe Drinking Water Revolving Fund	AA+	Aa2	AAA
Water Pollution Control Revolving Fund	AA+	Aa2	AA
Certificates of Participation	AA	Aa3	AA-
Highway Revenue	AA+	Aa2	AAA
Unemployment Compensation Revenue	AAA	Aaa	AAA
Permanent School Fund Guarantee	N/A	Aaa	AAA

Permanent School Fund Guarantee Program

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

PSFG secured bonds carry the highest possible rating of “AAA” by Moody’s and S & P Global—thus providing Nevada school districts with greater access to public credit markets and reduced borrowing costs. The State Treasurer is tasked with the responsibility of administering the PSFG.

Fundamental to the PSFG is the legal authorization of the PSF to guarantee school district debt, which includes ensuring timely debt service payment, coupled with strong oversight and enforcement provisions. If a district fails to make a timely payment, the State Treasurer is required to withdraw a sufficient amount of money from the PSF in order to make a timely debt service payment. The withdrawal from the PSF and payment of debt service on the bonds is considered a loan to the school district. The loan must be repaid to the State from either school district money available to pay debt service on the bonds which are PSF guaranteed or from withholdings of state aid due to the district.

The maximum amount of principal that can be guaranteed by the State for any Nevada school district is limited to \$40,000,000. Further, the total amount of bonds that can be guaranteed by the State is limited to 250% of the lower of the cost or fair market value of the assets in the PSF. Based on the current balance of the PSF, the maximum principal that can be guaranteed is more than \$750 million. As of June 30, 2017 \$274,364,900 in bonds had been guaranteed, or authorized by the State Board of Finance to be guaranteed, by the PSF.

ACHIEVING A BETTER LIFE EXPERIENCE ABLE

In accordance with NRS 427A.882 through 472A.896, the State Treasurer shall establish and carry out the Nevada ABLE Savings Program to comply with the requirements of a qualified Achieving a Better Life Experience (ABLE) program pursuant to 26 U.S.C. § 529A as amended.

The Nevada State Treasurer's Office Nevada's ABLE Act program was launched in early 2017, and Treasurer Schwartz is very excited to bring this opportunity to Nevada families. Staff worked with a multi-state consortium to conduct a Request for Proposal (RFP) and selected Ascensus as the provider and record-keeper for the program. Nevada entered into a contract with Ascensus and the consortium which includes 13 states in addition to Nevada. As of June 30, 2017, Nevada ABLE had 59 accounts with assets totaling \$128,770.

The ABLE Act allows eligible Nevadans with disabilities to create a special savings account for many personal expenses aimed at improving their lives. Family members and friends can also contribute to the account. On December 19, 2014, the ABLE Act was passed by a majority in Congress while the Nevada Legislature passed SB 419 to authorize the State Treasurer's Office to implement the Nevada's ABLE Program. The Aging and Disability Services Division is responsible for education and outreach.

For more information regarding the ABLE Act, please head to <http://nv.savewithable.com>.

Staff Profiles



Grant Hewitt was named Chief of Staff for the Nevada State Treasurer's office in January 2015. As Chief of Staff, Grant serves as the office's liaison with other government officials and dignitaries, oversees all internal and external communication, as well as the coordination of special projects, and supervises the office's personnel. Prior to joining the Treasurer's office, Grant served as President of Red Point Strategies; a Southern Nevada based consulting firm specializing in strategic counsel to 501c3 and 501c4 organizations. Grant holds a Bachelor of Science degree in Political Science from Texas Christian University.

Chief Deputy Treasurer **Tara Hagan** for Northern Nevada joined the State Treasurer's Office in June 2012. Her responsibilities include assisting with investment responsibilities related to the Nevada College Savings Plans, serving as the point person for the Nevada Capital Investment Corporation. Tara previously served nearly five years as the Executive Director of the Nevada Deferred Compensation Program, where she was responsible for managing the daily operations. Prior to this position, Tara was the Regional Manager for ING Financial Services where she was responsible for the relationship management of several government defined contribution plans in California and Nevada. Tara holds a Bachelor of Arts degree in journalism and political science from the University of Iowa.



Sheila Salehian, Executive Director of the Governor Guinn Millennium Scholarship program and Deputy Treasurer for College Savings joined the Treasurer's Office in January 2012. Sheila's responsibilities include oversight of the first 529 College Savings Program in Nevada and The Nevada Prepaid Tuition Program. She is also responsible for outreach and administration of the office's many Financial Literacy programs. Prior to joining the Treasurer's office, Sheila worked in the Financial Services Industry for over 22 years, holding a variety of Relationship Manager, Area Director, & Information Technology liaison roles for a Fortune 100 company. Sheila holds a Bachelor of Business Administration degree from the University of Iowa.



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

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



Amber Law accepted the position of Deputy Treasurer of Cash Management in March 2016. Amber has served in governmental finance and accounting since 2005, and previously worked for the State Treasurer's Office from 2007 to 2012. She will graduate in the spring of 2017 from the Nevada Certified Public Manager Program. Amber's duties include managing the Cash Management Division which oversees the State's banking relationships, the reconciliation of bank transactions with state accounting records, the e-payment merchant services program, and administers the state's check distribution program. She also oversees the day to day budget process, biennial budget request, purchasing, contract management, revenue forecasts, reports and financial statements for the Treasurer's Office.

Kimberly Arnett serves as the agency's Deputy Treasurer for Investments. Kim is responsible for management of the investment activities conducted through and for the Treasurer's Office, including the state's \$2.1 billion General Portfolio, \$581 million Local Government Investment Pool, and the \$308 million Permanent School Fund, among others. Before joining the Treasurer's Office in March 2016, Kim has worked for the Controller's Office, the Legislative Counsel Bureau's Audit Division and the Treasurer's Office as the Deputy Treasurer for Cash Management. Kim received her Bachelors of Science degree in 1998 from Sonoma State University. Prior to working for the State, Kim was employed by a public accounting firm in Reno. She is a Certified Public Accountant. Kim lives in Dayton with her husband, Rick, and her two sons.





Sandy Dombrowski serves as Executive Assistant to State Treasurer Dan Schwartz. She joined the office in October 2007. Her duties include scheduling, administrative tasks, assisting with inquiries and correspondence from constituents and elected officials, and other responsibilities assigned by the Treasurer. Sandy previously was a customer service representative and executive office receptionist for the Secretary of State's Office, as well as serving as back up to the Secretary's Executive Assistant.

Financial Section

2017 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

UNCLAIMED PROPERTY

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2017 and June 30, 2016

Revenues	2017	2016
Unclaimed Property Receipts		
Utility Companies	\$ 1,783,045	\$ 1,523,947
Insurance Companies	9,907,905	9,348,607
Financial Institutions	21,751,701	26,589,100
Security Sales & Dividends	13,229,416	9,250,098
Local Governments	1,818,128	7,803,295
Other State Governments	1,054,854	1,363,710
Other Businesses	19,405,142	20,331,735
Audit Proceeds	504,653	101,675
Direct Payment From FDIC	249,969	27,726
Penalties, Interest and Other	2,150,048	689,362
Total Revenues	<u>71,854,862</u>	<u>77,029,253</u>
Expenditures		
Payments to Claimants	36,178,968	28,513,821
Payments FDIC Claimants	905,680	759,815
Personnel Costs	678,913	636,395
Contractual Services	950,607	1,135,841
Operating Costs	132,807	147,377
Advertising and Public Relations	120,475	7,304
Total Expenditures	<u>38,967,450</u>	<u>31,200,552</u>
Other Financing Sources (Uses)		
Transfer to General Fund	(25,837,947)	(38,960,791)
Transfer to Educational Trust Fund	(105,351)	0
Transfer to Gov. Guinn Scholarship Fund	<u>(7,600,000)</u>	<u>(7,600,000)</u>
Total Other Financing Sources (Uses)	<u>(33,543,298)</u>	<u>(46,560,791)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(655,886)	(732,089)
Beginning Balance, July 1	12,893,778	13,625,867
Ending Balance, June 30	<u>\$ 12,237,892</u>	<u>\$ 12,893,778</u>

Cash Basis - Unaudited

2017 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

MILLENNIUM SCHOLARSHIP TRUST FUND Statement of Revenues, Expenditures and Changes in Fund Balance For the Fiscal Years Ended June 30, 2017 and June 30, 2016

Revenues	2017	2016
Tobacco Settlement Income	\$ 15,883,500	\$ 15,496,417
Appropriation	20,000,000	-
Interest Income	71,269	68,299
Prior Year Correction	-	-
Refunds	1,074	8,608
Total Revenues	<u>35,955,843</u>	<u>15,573,324</u>
Expenditures		
Scholarship Payments	31,948,531	30,381,826
Personnel	216,879	206,286
Travel	919	2,672
Administrative	95,891	115,847
Total Expenditures	<u>32,262,221</u>	<u>30,706,630</u>
Other Financing Sources (Uses)		
Transfer from College Savings Endowment Account	-	-
Transfer from Treasurer	313,690	324,804
Transfer from Unclaimed Property	7,600,000	7,600,000
Total Other Financing Sources (Uses)	<u>7,913,690</u>	<u>7,924,804</u>
Excess of revenues and other financing sources over expenditures and other financing uses	11,607,312	(7,208,502)
Beginning Balance, July 1	16,897,248	24,105,750
Ending Balance, June 30	<u>\$ 28,504,560</u>	<u>\$ 16,897,248</u>

Cash Basis - Unaudited

2017 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

PREPAID TUITION TRUST FUND

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2017 and June 30, 2016

Revenues	2017	2016
Participant Contributions	\$ 17,910,470	\$ 16,718,808
Application Fees	92,000	96,600
Administrative Charges	28,600	29,198
Interest Income	19,449	14,313
Investment Gain (Loss)	5,307,828	12,218,317
Total Revenues	<u>23,358,347</u>	<u>29,077,235</u>
Expenditures		
Tuition Payments	10,435,951	10,139,549
Personnel Costs	208,932	201,097
Travel	1,355	2,939
Operating Costs	416,889	413,285
Contract Cancellation Refunds	2,002,828	2,323,553
Contract Rollover Payments	109,610	102,092
Total Expenditures	<u>13,175,564</u>	<u>13,182,516</u>
Other Financing Sources (Uses)		
Transfer from College Savings Endowment Account	-	1,820,000
Transfer from College Savings to Pay Operating	627,175	617,322
Total Other Financing Sources (Uses)	<u>627,175</u>	<u>2,437,322</u>
Excess of revenues and other financing sources over expenditures and other financing uses	10,809,958	18,332,041
Beginning Balance, July 1	188,162,079	169,830,038
Prior Period Adjustment	-	-
Ending Balance, June 30	<u>\$ 198,972,037</u>	<u>\$ 188,162,079</u>

Cash Basis - Unaudited

2017 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

COLLEGE SAVINGS

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2017 and June 30, 2016

Revenues	2017	2016
Investment Management Fees	\$ 5,131,046	\$ 5,941,901
Gifts and Donations	7,420	-
Noncash Revenues	495,733	536,202
Settlement Income	-	-
Interest Income	39,905	24,820
Cost Allocation/Fund Transfers	3,449,351	3,272,682
Total Revenues	<u>9,123,454</u>	<u>9,775,605</u>
Expenditures		
Personnel	212,703	227,300
Operating	3,238,122	3,046,673
In-Kind Marketing	495,733	536,202
Total Expenditures	<u>3,946,557</u>	<u>3,810,174</u>
Other Financing Sources (Uses)		
Administrative Transfers		
College Savings	3,449,351	3,272,682
Millennium Scholarship	313,690	324,804
Prepaid Tuition	627,175	617,322
Transfer to Prepaid Tuition Trust Fund	-	1,820,000
College Kick Start	-	-
Cost Allocation	3,728	166
Settlement Expenses	3,420	2,040
Total Other Financing Sources (Uses)	<u>4,397,364</u>	<u>6,037,014</u>
Excess of revenues and other financing sources over expenditures and other financing uses	779,533	(71,583)
Beginning Balance, July 1	5,082,437	5,154,019
Ending Balance, June 30	<u>\$ 5,861,970</u>	<u>\$ 5,082,436</u>

Cash Basis - Unaudited

2017 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

CONSOLIDATED BOND INTEREST & REDEMPTION FUND

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2017 and June 30, 2016

Revenues		
Taxes	2017	2016
Real Property	\$ 124,185,673	\$ 121,260,775
Personal Property	15,047,662	14,519,193
Centrally Assessed Property	8,078,915	9,131,873
	<u>147,312,250</u>	<u>144,911,842</u>
Other		
Lease Purchase Building Rent	6,663,702	4,326,113
Interest Income	1,237,212	681,489
Excess Escrow Funds	22	3
	<u>7,900,937</u>	<u>5,007,605</u>
Total Revenues	<u>155,213,187</u>	<u>149,919,447</u>
Expenditures		
Personnel	188,259	185,128
Statewide Cost Allocation (SWCAP)	5,643	-
Operating	-	4,046
Professional Services	867,322	-
Trust Agent Fees	32,247	19,360
	<u>1,093,471</u>	<u>208,534</u>
Debt Service		
Bond Principal Redemption	109,992,500	97,518,000
Bond Interest Expense	62,292,056	66,047,460
	<u>172,284,556</u>	<u>163,565,460</u>
Total Expenditures	<u>173,378,027</u>	<u>163,773,994</u>
Other Financing Sources (Uses)		
Transfers from State Agencies	19,930,235	19,295,378
Dept of Cons. & Natural Res. - Arbitrage		
US Treasury - Build America Bonds Subsidy	1,235,419	1,236,082
State Treasurer's Assessment	203,520	493,030
Transfers-out		
Transfer to UCCSN	(169,125)	(172,250)
Transfer to Local Government	-	-
Transfer to Public Works Board	-	-
Net Proceeds from Refundings	1,325	-
Net Prior Year Refunds/Expenditures	-	(5,539)
Bond Proceeds for Cost of Issuance	871,422	-
Total Other Financing Sources (Uses)	<u>22,072,796</u>	<u>20,846,701</u>
Excess of revenues and other financing sources over expenditures and other financing uses	3,907,957	6,992,156
Beginning Balance, July 1	124,082,258	116,426,447
Balance Forward Prior Year from other accounts	1,552,438	616,393
Prior Period Adjustment	-	47,263
Ending Balance, June 30	<u>\$ 129,542,653</u>	<u>\$ 124,082,258</u>

Cash Basis - Unaudited

2017 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

MUNICIPAL BOND BANK BOND INTEREST & REDEMPTION FUND

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2017 and June 30, 2016

	2017	2016
Revenues		
Receipts from municipalities-Interest	\$ 3,508,219	\$ 2,262,428
Receipts from municipalities-Principal	\$ 4,540,000	\$ 4,825,000
Other		
Interest Income	2,574	1,550
Reimbursement of Expenses	975	172,435
Total Revenues	<u>8,051,768</u>	<u>7,261,413</u>
Expenditures		
Administrative Costs	611	170,995
Transfer to Administration	3,166	-
Trust Agent Fees	975	1,788
	<u>4,752</u>	<u>172,782</u>
Debt Service		
Bond Principal Redemption	4,540,000	4,825,000
Bond Interest Expense	3,508,219	2,262,428
	<u>8,048,219</u>	<u>7,087,428</u>
Total Expenditures	<u>8,052,971</u>	<u>7,260,211</u>
Other Financing Sources (Uses)		
Reversion to General Fund	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(1,203)	1,202
Beginning Balance, July 1	1,203	-
Ending Balance, June 30	<u>\$ -</u>	<u>\$ 1,202</u>

odd # years balance reverts to General Fund

even # years balances forward to the following year or pursuant to NRS 350A.190 2(d)

money reverted to General Fund and closed with zero balance

Cash Basis - Unaudited

2017 ANNUAL REPORT

STATE OF NEVADA OFFICE OF THE STATE TREASURER

FUND FOR HEALTHY NEVADA

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2017 and June 30, 2016

Revenues	2017	2016
Tobacco Settlement Income	\$ 23,825,251	\$ 23,244,626
Interest Income	227,464.44	160,070.62
Appropriations	-	-
Refund of Unused Grant Money	0	778
Total Revenues	<u>24,052,715</u>	<u>23,405,474</u>
Expenditures		
Operating	<u>64,755</u>	<u>63,039</u>
Total Expenditures	<u>64,755</u>	<u>63,039</u>
Other Financing Sources (Uses)		
Transfer to Department of Health and Human Services		
Administrative Services	892,019	889,203
Senior RX Program	2,426,206	2,506,289
Children & Disabled Persons	4,920,401	5,090,718
Aging Services	6,891,929	7,043,110
Disability RX	471,289	579,061
Differential Response	1,290,731	1,328,056
Traumatic Brain Injury	252,363	388,523
Autism	2,520,231	2,509,799
Family Resource Center	1,366,852	1,370,192
Taskforce Support	26,652	26,462
Consumer Health Asst	167,423	118,874
Tobacco Cessation	992,486	989,599
Public and Behavioral Health	4,405,667	5,234,974
Transfer to Millennium Scholarship	-	-
Total Other Financing Sources (Uses)	<u>26,624,248</u>	<u>28,074,859</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(2,636,288)	(4,732,424)
Beginning Balance, July 1	34,034,783	38,767,206
Prior Year Adjustment		-
Ending Balance, June 30	<u>\$ 31,398,495</u>	<u>\$ 34,034,782</u>

Cash Basis - Unaudited