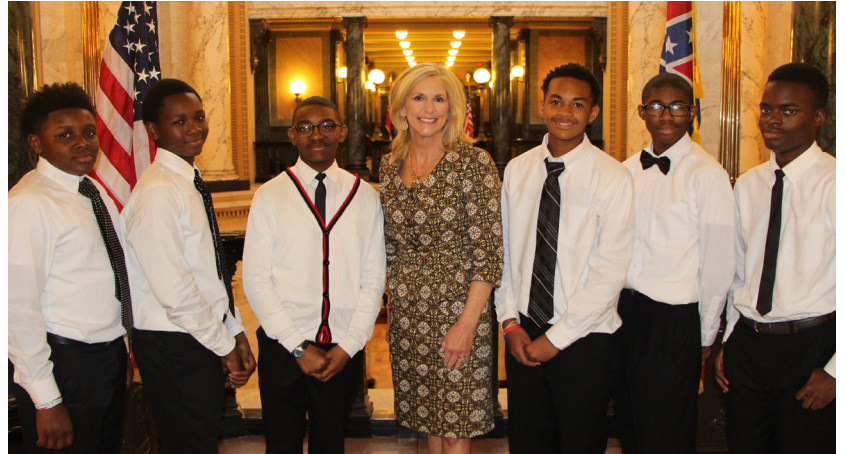


FY ²⁰¹⁷ ANNUAL REPORT



Lynn Fitch
STATE TREASURER

MISSION

To secure and invest the financial trust for the State of Mississippi.



VISION

We are pioneers in banking and financial solutions, and trustworthy stewards of the state trust.

We are transparent in our activities, innovative in our technologies, strategic in our business partnerships, knowledgeable of the financial markets, and providers of excellent customer service to the taxpayers of Mississippi.



VALUES

Trust
Transparency
Accountability
Respect
Customer Service

Teamwork
Integrity
Dedication
Commitment
Honesty



CONTENT

Letter from the Treasurer	2
Treasurer Lynn Fitch	3
Executive Team	4
Representation of the Executive Branch	6
Program Management	8
» Personnel, Procurement, Budgeting & Reporting	8
» Information Technology	8
» Investments, Cash Management & Collateral	9
» College Savings Mississippi & TEAM	10
» Accounting, Bonds & Financial Management	12
» Unclaimed Property	14
» Debt Management Rules	16
Statutory Duties	18

LETTER FROM THE TREASURER



Dear Fellow Mississippians:

I am pleased to present the Fiscal Year 2017 annual report for the Office of the State Treasurer. It has been an honor serving as your Treasurer and I am excited by the great progress the team of dedicated public servants in this office has made on behalf of the State.

As I have noted in previous reports, in many ways, the Treasurer's Office is the State's bank. It is our mission to secure and invest the financial trust for the State of Mississippi. We manage more than 80 Treasury funds. We conduct more than \$26 billion in transactions each year. We invest over \$5 billion in State funds. And, we guard against counterfeit and forged warrants.

But, the Treasurer's office is about so much more than numbers. Our number one concern at all times and in all things we do is for the people of this great State.

For example, we run the state's unclaimed property program. This is abandoned money and stocks that the State holds until we can locate the rightful owners or their heirs. During Fiscal Year 2017, we collected more than \$22.5 million in unclaimed property from banks, insurance companies, and other holders.

More importantly, in Fiscal Year 2017, we distributed nearly \$12 million to people all across the State. This brings the total distributed since I took office in January 2012 up to more than \$69.2 million. This is a not only a great boost to the families and businesses who reclaim their unclaimed money. It is also an important economic stimulus to their communities and to our State.

The Treasurer's Office also runs both of Mississippi's 529 college savings plans – MACS (Mississippi Affordable College Savings) and MPACT (Mississippi Prepaid Affordable College Tuition). With college tuition

continuing to climb, these tax-advantaged programs help to stretch your savings dollar and put higher education or post-secondary vocational training in reach.

This past year, we changed administrators for MACS, giving us new opportunities to improve customer service and gain efficiencies for both programs. And, we also introduced Mississippi to Echo the Mockingbird, the College Savings Mississippi mascot. By aggressively promoting both plans throughout the State, we have increased the assets under management for both programs, which means a more cost-effective program for Mississippians.

Debt management is also an important way that the Treasurer's Office serves the people of this State. We actively monitor the State's debt levels, engage with credit rating agencies, and work to clear debt off the books, all in an effort to make sure that State borrowing is as efficient and cost effective for the taxpayers as possible.

As a member of the State Bond Commission, I was very pleased that we adopted the State's first rules for debt management based on best practices used in other states and on model rules developed by the National Association of Bond Lawyers. These rules will help keep all parties to State borrowing on the same page to ensure that taxpayers always come first.

The remainder of this report will elaborate on these highlights and more. I also encourage you to go to my website, www.treasurerlynnfitch.com to sign up for my bi-weekly newsletter and to follow me on social media for all the latest from the Office of the State Treasurer.

Sincerely,

A handwritten signature in black ink that reads "Lynn Fitch". The signature is stylized with large, flowing loops.

Lynn Fitch
Treasurer, State of Mississippi

THE HONORABLE LYNN FITCH, TREASURER

Re-elected to a second term in 2015, Lynn Fitch is Mississippi's 54th Treasurer.

Raised in Holly Springs, Mississippi, she earned both a Bachelor of Business Administration and a Juris Doctorate at the University of Mississippi. At 23, Lynn began practicing law as a Special Assistant Attorney General and was later in private practice as a bond lawyer.

In 2009, Lynn was selected by Governor Barbour to serve as Executive Director of the Mississippi State Personnel Board. Prior to MSPB, Lynn served as Deputy Executive Director at the Mississippi Department of Employment Security and as Counsel for the Mississippi House of Representatives Ways and Means and Local and Private Legislation Committees.

Lynn attended Harvard's Business School of Management and Leadership Program. She has been active in the National Association of State Treasurers, where she served two terms as Vice President for the Southern Region. In 2016, she was elected by her peers as Chair of the State Financial Officers Foundation.

She was selected as Outstanding Woman Lawyer of 2012, recognized as a Woman Trailblazer by the Mississippi Bar Association, honored as a Mississippi Business Journal Leader in Finance 2016, and named a 2015 Honoree of the Women in Government Leadership Program by Governing Magazine.

Lynn also serves on the boards of several charitable organizations, including Goodwill and the Juvenile Diabetes Research Foundation. As Treasurer, she also serves on the Board of Trustees for the Public Employees' Retirement System of Mississippi (PERS) and will chair the Board in the coming year.



Treasurer Fitch and U.S. Senator Bill Cassidy of Louisiana during an event in Madison, Mississippi.



Treasurer Fitch participating in a panel discussion during the She Should Run event sponsored by the Mississippi State University's Student Association.



Treasurer Fitch and former U.S. Attorney General John Ashcroft visit during an event in Ridgeland, Mississippi.

EXECUTIVE TEAM



Jesse Graham
Deputy State Treasurer

Jesse has more than 28 years of professional work experience in both public and private sector. He came to the Treasurer's office from the Mississippi State Personnel Board where he served as the Assistant Deputy over Administrative Services. Jesse is a graduate of Mississippi State University in Starkville.



Michelle Williams
Chief of Staff

Michelle joined the Treasurer's staff in December 2015. She comes to Mississippi from Washington, D.C., where she spent more than two decades working in public policy and law. During her time on Capitol Hill, Michelle worked for six members of Congress, including two as Chief of Staff. She also ran Government Affairs for the Becket Fund, a public interest law firm. Michelle holds an undergraduate degree in Politics from Mount Holyoke College and a JD from William and Mary's School of Law.



Yolanda Campbell
Director of
Accounting, Bonds, &
Financial Management

Yolanda has more than 17 years of professional work experience in both the public and private sectors. Prior to joining the Office of the State Treasurer in July 2015, she was an audit manager in the Agency Audit division of the Office of the State Auditor. Yolanda holds a Bachelor of Business Administration degree from Delta State University and is a Certified Public Accountant.





Russell Armstrong
Director of Information
Technology

Russell Armstrong graduated from Holmes Community College with an Associates Degree in Electronics. He has 24 years of experience in the Information Technology field, 17 years of which have been with the Office of the State Treasurer.



Paula Nielsen
Director of Investments,
Cash Management
& Collateral

Paula has over five years of experience in the area of Investments and Finance. Prior to joining the Office of the State Treasurer in June of 2017, she worked at the Mississippi Public Employee Retirement System in the role of Lead Portfolio Manager, overseeing both the US Equity and International Equity portions of the state pension's portfolio.



Tony Geiger
Director of Unclaimed
Property

Tony Geiger has more than 20 years of experience in management, marketing and sales. He has worked as an energy consultant as well as in business development. Tony attended Ole Miss and graduated from Mississippi College.



Samuel Cole
Director of Administrative
Services

Samuel joined the Office of the State Treasurer in 2012 as an accountant. He has over 9 years of experience in budgeting, accounting, and customer service. Samuel received a Bachelors in Business Administration with an emphasis in Accounting from Mississippi College.



Emelia Nordan
Director of College Savings
Mississippi & Policy

Emelia Nordan began her career at the Office of the State Treasurer as a marketing specialist for College Savings Mississippi and then served as Policy Director. She is a graduate of the Trent Lott Leadership Institute at the University of Mississippi and has a degree in Public Policy Leadership. Emelia is responsible for management of the two state sponsored College Savings Programs, MPACT and MACS, policy development and oversight for the agency, and coordination of the TEAM (Treasurer's Education About Money) initiative.



Gordon McMullin
Legislative and
Communications Assistant

Gordon McMullin joined the Office of the State Treasurer in 2016. He came to the office after serving on Governor Bryant's re-election campaign and inauguration committee. Gordon graduated in 2012 from the University of Mississippi, where he served as Vice President of the Legal Studies' Student Association.

REPRESENTATION OF THE EXECUTIVE BRANCH

As a part of her statutory duties, Treasurer Fitch sits on and heads several state boards, including:

» College Savings Mississippi

Treasurer Fitch is the Chair of the Board of Directors for the College Savings Plans of Mississippi. The Board governs Mississippi's two highly successful 529 college savings plans, the Mississippi Affordable College Savings plan (MACS) and the Mississippi Prepaid Affordable College Tuition plan (MPACT).



Treasurer Fitch presents a check to a Museum-goer during the 2017 529 Day held at the Mississippi Childrens Museum. September is College Savings Month in Mississippi.

» State Prison Emergency Construction and Management Board

» Revenue Estimating Committee

» Mississippi Business Finance Corporation

» Mississippi Tort Claims Board

» Public Employees' Retirement System of Mississippi (PERS)

The Board of Trustees for PERS oversees the administration and operation of the System, including the investment of all System funds, according to legislative authority. As of June 30, 2017, it served 153,032 active members with a total of 880 participating employers. Also as of that date, the System served 171,912 inactive and retired members.

In Fiscal Year 2017, total assets and liabilities were \$31 billion and \$3.9 billion, respectively. Funding for the System comes from three primary sources: employer contributions (\$1.1 billion in Fiscal Year 2017), member contributions (\$573 million), and investment income (\$3.5 billion). Investment income spiked in Fiscal Year 2017, up from \$134 million in Fiscal Year 2016, due to a very favorable 14.96% performance that year.

Fiscal Year ending June 30, 2017

Asset Allocation at Fair Value	Long-Term Target Asset Allocation
Equities..... 63.0%	Equities.....61.0%
Debt securities..... 19.0%	Debt securities..... 20.0%
Real estate 10.0%	Real estate..... 10.0%
Private equity..... 7.0%	Private equity..... 8.0%
Cash and equivalents.. 1.0%	Cash and equivalents.. 1.0%

» Mississippi Development Bank

» Windstorm Underwriting Association Board of Directors

» State Bond Commission

The State Bond Commission has three members: the Governor, the Attorney General, and the Treasurer. The Legislature has the responsibility of passing bond bills, authorizing the issuance of State debt for specific programs and projects. The Bond Commission has the responsibility of issuing that debt in the most cost-effective way for the taxpayers.

Under Section 115 of the Mississippi Constitution, there is a debt limit set annually. Debt may not exceed 1 ½ times the sum of all State revenue collections during any of the preceding four fiscal years. The debt limit is set based on the highest of those four years.

FYE	Constitutional Debt Limit	FYE Total Bond Indebtedness	Debt as % of Limit
2008	12,009,366,365	3,163,440,000	26.34%
2009	12,451,109,180	3,426,630,000	27.52%
2010	12,451,109,180	3,488,867,000	28.02%
2011	12,451,109,180	3,786,480,000	30.41%
2012	12,451,109,180	4,131,465,000	33.18%
2013	12,505,103,786	4,055,890,000	32.43%
2014	12,823,921,730	4,155,815,000	32.41%
2015	13,312,193,788	4,185,105,000	31.44%
2016	13,312,193,788	4,388,070,000	32.96%
2017	13,312,193,788	4,319,915,000	32.45%

» Mississippi Public Funds Guaranty Pool Board

The Guaranty Pool Board is established in Section 27-105-6 of the Mississippi Code. As of June 30, 2017, the total public funds deposits in the Guaranty Pool were \$4,899,246,789, representing 60.72% of total public funds in the Collateral program institutions. Also as of that date, there were 19 approved banks in the

Guaranty Pool:

BancorpSouth Bank
Bank of Brookhaven
Bank of Commerce
Bank of Yazoo City
BankFirst Financial Services
BankPlus
First Bank
First National Bank of Clarksdale
First Security Bank
Metropolitan Bank
PriorityOne Bank
Regions Bank
Renasant Bank
RiverHills Bank
The Citizens National Bank of Meridian
The Commercial Bank
The First A National Banking Association
Trustmark National Bank
United Mississippi Bank

» License Tag Commission

» Historic Properties Trust Fund Advisory Committee

» These two divisions at the Office of the State Treasurer provide the core support functions for all the work that we do. They are essential to our mission to safeguard the public trust.

PERSONNEL, PROCUREMENT, BUDGETING & REPORTING DIVISION



This division performs the human resources, purchasing, and budgeting work for the Office of the State Treasurer. This includes the yeoman's work in drafting the office's annual budget requests, in cooperation with all other divisions.

In addition, they provide key accounting and administrative support for holder reporting for the Unclaimed Property division. They are the voice and face of this office on a daily basis.

Personnel, Procurement, Budgeting & Reporting Team
Members: (Top L - R) Robyn Louis, Peggy Coleman
(Bottom L - R) Director: Samuel Cole, Angela Temple

INFORMATION TECHNOLOGY DIVISION

This division manages the information technology systems and networking infrastructure for the Office of the State Treasurer.

They support all information system processing performed in the office, from fundamental, commercially available software to highly customized applications developed in-house that interface securely with state agencies, commercial banks, and other financial institutions.



The professionals in this division regularly participate in workshops and seminars on IT security to stay ahead of those who would cheat Mississippi taxpayers. In Fiscal Year 2017, the Office of the State Treasurer stopped 23 forgeries and 70 counterfeit warrants (or checks) thanks largely to their efforts.

Information Technology Team Members:
(Top L - R) Ed Cole, Gloria Hasseltine, Shemeka Wright
(Bottom L - R) Chris Carlson, Arreone Hill, Director: Russell Armstrong,

INVESTMENTS, CASH MANAGEMENT & COLLATERAL DIVISION

The investment objectives of the Investment and Cash Management Division are safety, liquidity, and return. On a monthly basis, the State Treasurer and the Executive Director of the Department of Finance and Administration (DFA) analyze the amount of cash in the General Fund and Special Funds of the State to determine what excess funds are not needed for meeting the State's immediate requirements. The excess cash is invested by the Treasurer as prescribed in Section 27-105-33 of the Mississippi Code. .

The State Treasurer also invests the monies of the Educational Improvement Trust Fund (EITF), the Working Cash Stabilization Reserve Fund (WCSRF), the Health Care Trust Fund/Expendable Fund (HCTF/ HCEF), the Mississippi Prepaid Affordable College Tuition Fund (MPACT), the Worker's Compensation Fund (WCT), and the Tort Claims Fund.



Investments & Cash Management Team Members:
(Top L - R) Stephanie Etter, Ava Bliss, Director: Paula Nielsen, Felicia Myrick (Bottom L - R) Donna Eargle, Max Seage, Christina Huerta

Interest on General Fund/Special Fund Portfolio	\$34,536,174.82 (fiscal year to date)
General Fund/Special Fund Portfolio Balance	\$3,161,057,436
MPACT (Assets Under Management)	\$317,158,969
MACS (Assets Under Management)	\$213,902,388
Education Trust Fund (Assets Under Management)	\$47,816,871
Workers Compensation Fund (Assets Under Management)	\$26,066,507
Working Cash Fund (Assets Under Management)	\$22,474,157
Tort Claims Fund (Assets Under Management)	\$11,961,874

As of June 30, 2017

COLLEGE SAVINGS & TEAM DIVISION



College Savings Mississippi Team Members: (L - R)
Johanna Beeland, Taylor Mullins, Echo, Brady Sistrunk,
Director: Emelia Nordan

This division runs both of Mississippi's highly successful college savings plans – MACS (Mississippi Affordable College Savings program) and MPACT (Mississippi Prepaid Affordable College Tuition program). Both plans allow tax-advantaged investments for college savings. Qualified withdrawals for higher education expenses are federal and state income tax-exempt. Account owners may also qualify for up to a \$20,000 Mississippi State income tax deduction. Funds can be used at eligible schools nationwide, with some limitations.

Policy and activity for the College Savings Mississippi is governed by an independent Board of Directors. Treasurer Fitch chairs the Board as part of her statutory responsibilities.

MACS on June 30, 2017

12,489 current active accounts

Increase of 5.4% over FY2016

\$213,902,388 assets under management

Increase of 11.2% over FY2016

MACS can be used to pay for tuition, fees, certain room and board expenses, books, and even laptop and other technology. You can save as little as \$25 per month, making it an affordable option for any size budget. If your employer offers payroll deposit, you can save for as little as \$15 per paycheck. In Fiscal Year 2017, we had 151 payroll deposit partners across the State.

In 2012, the College Savings Mississippi Board temporarily deferred enrollment in MPACT in order to conduct the first actuarial audit analysis of the program. The audit confirmed the Board's suspicions that MPACT was on a path to financially collapse under its own weight. So, the Board restructured MPACT to make it more cost effective for savers, as well as cost neutral for taxpayers.

When MPACT reopened to enrollment in 2014, the accounts opened before deferral became known as Legacy contracts while the new accounts became known as Horizon contracts. The Board continues to do an actuarial audit of both the Legacy and Horizon accounts annually.

The audit received by the Board for Fiscal Year 2016 had good news for MPACT-Horizon, which was 117.2% funded, holding zero liability for State taxpayers.

But, MPACT-Legacy still suffers from a funding shortfall. Pursuant to the Board's funding policy, this shortfall is reported to the Legislature each year and a 10% cash infusion is requested. In March 2017, the Board reported to the Legislature that MPACT-Legacy is only 72.1% funded, carrying a liability of \$126.4 million.



Treasurer Fitch and Echo visiting with families at a Big Brothers Big Sisters event in Jackson, Mississippi.

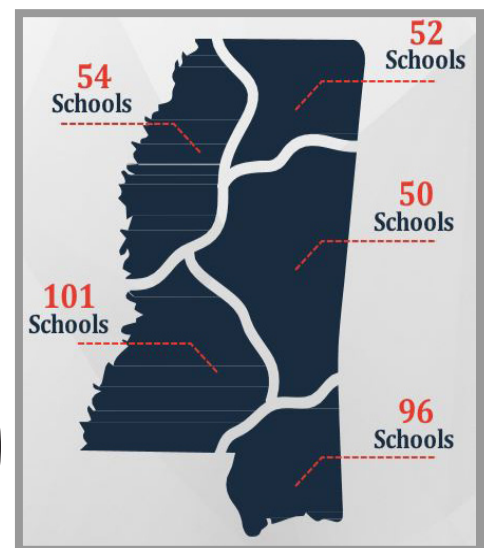
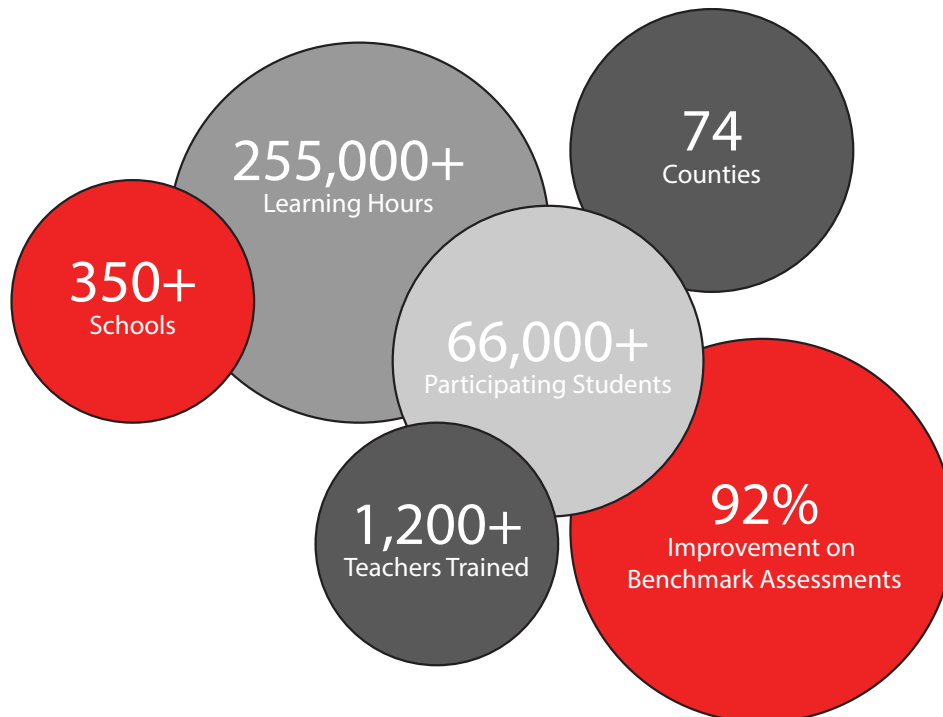
This division also sets up a variety of events across the State to both raise awareness of the need to save for a college education and to provide MACS scholarships to Mississippi students. These include the annual Egg Bowl Tuition Toss, the 529 Day baby promotion, and the school art contest, to name a few. In addition, in collaboration with the Governor's Office, they help Mississippi recognize September as College Savings Month.

Like saving for college, fundamental financial literacy is a key to ensuring Mississippi's youth are prepared for their very best tomorrows. To promote financial education in Mississippi's schools, Treasurer Fitch developed the Treasurer's Education About Money (TEAM) initiative. This public-private partnership provides teacher training and classroom resources to participating high and middle schools across the State, at no cost to the schools, teachers, parents, or students.



Treasurer Fitch and Mr. Don Hinton of the Mississippi High School Activities Association during the 2017 Tuition Toss in Oxford, Mississippi.

TEAM Gets Results: First 3 Years



ACCOUNTING, BONDS & FINANCIAL MANAGEMENT DIVISION

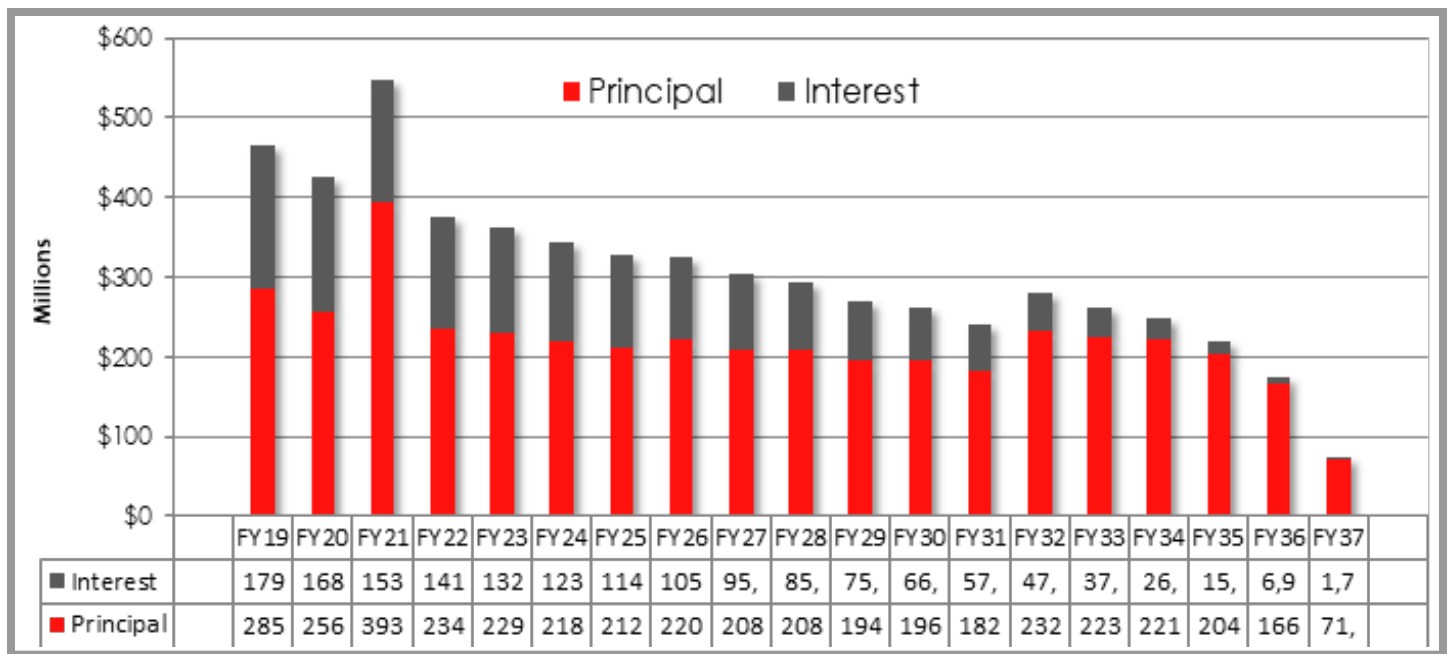


Accounting, Bonds & Financial Management Team
Members: (Top L - R) Krista Robinson, Gloria Whitten, Joshua Dixon (Bottom L - R) Director: Yolanda Campbell, Tenisha Wells

According to Moody's Investors Services, the net tax-supported debt per capita for Mississippi is \$1,707. This is the amount each man, woman, and child in our State owes in State debt. The national median for this figure is \$1,025, giving Mississippi a rank of 15th in the nation. This debt is 4.88% of our State GDP, compared to the national median of 2.21%, and 5.0% of personal income, compared to the national median of 2.5%.

In November 2016, the State Bond Commission approved the State's first debt management rules, giving guidance to the Legislature, agency and local entities seeking bond funds, and others involved in the debt process to ensure that debt is authorized and issued in the most strategic and cost-effective manner possible. These new rules were drawn from best practices used by other states and model rules developed by the National Association of Bond Lawyers. They were finalized in January 2017 in Title 12, Part 7, Chapter 1 of the Mississippi Administrative Code. The full and final rules are published at the end of this report.

FYE	Net Direct General Obligation Bonds & Notes	Self-Supporting General Obligation & Revenue Bonds	Total Bond Indebtedness
FY07	3,158,200,000	81,950,000	3,240,150,000
FY08	3,084,125,000	79,315,000	3,163,440,000
FY09	3,422,840,000	3,790,000	3,426,630,000
FY10	3,485,982,000	2,885,000	3,488,867,000
FY11	3,784,525,000	1,955,000	3,786,480,000
FY12	4,130,470,000	995,000	4,131,465,000
FY13	4,055,890,000	0	4,055,890,000
FY14	4,155,815,000	0	4,155,815,000
FY15	4,185,105,000	0	4,185,105,000
FY16	4,188,070,000	200,000,000	4,388,070,000
FY17	4,123,320,000	196,595,000	4,319,915,000



This graph and table show projected debt payments. A balloon payment from floating rate bonds is due in FY 2018; however, the intent of the State Bond Commission is to restructure those bonds and extend the maturity at that time.

FY	Principal	Interest	Total
FY19	285,760,000	179,873,120	465,633,120
FY20	256,900,000	168,350,053	425,250,053
FY21	393,285,000	153,919,449	547,204,449
FY22	234,390,000	141,627,140	376,017,140
FY23	229,390,000	132,639,980	362,029,980
FY24	218,900,000	123,871,841	342,771,841
FY25	212,270,000	114,952,047	327,222,047
FY26	220,955,000	105,536,354	326,491,354
FY27	208,530,000	95,772,139	304,302,139
FY28	208,250,000	85,776,358	294,026,358
FY29	194,755,000	75,822,779	270,577,779
FY30	196,875,000	66,163,208	263,038,208
FY31	182,640,000	57,069,230	239,709,230
FY32	232,210,000	47,559,181	279,769,181
FY33	223,885,000	37,083,422	260,968,422
FY34	221,220,000	26,349,829	247,569,829
FY35	204,640,000	15,799,351	220,439,351
FY36	166,550,000	6,978,376	173,528,376
FY37	71,745,000	1,706,150	73,451,150

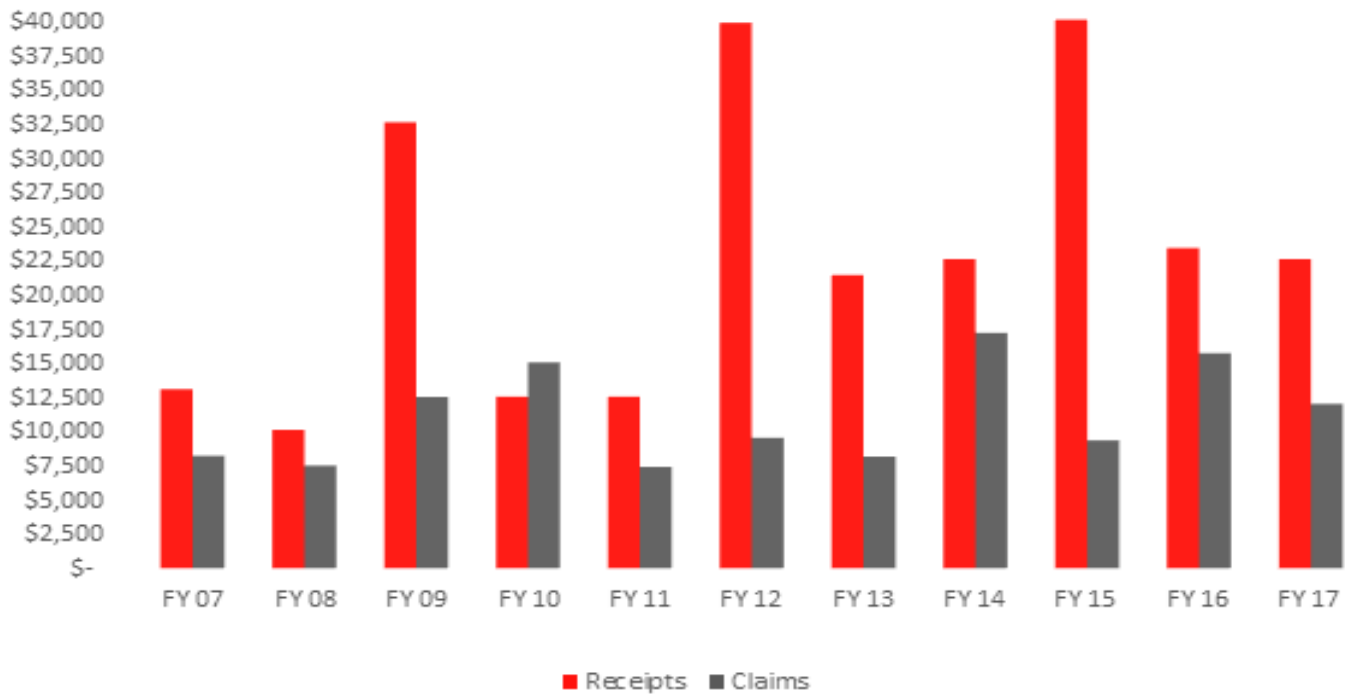
UNCLAIMED PROPERTY DIVISION



Under Mississippi's Uniform Disposition of Unclaimed Property Act (Miss. Code Ann. § 89-12-59), funds that have been abandoned for a period of five years are reported and remitted to the Treasurer. Every bank, credit union, insurance company, travelers' check company, utility, and business association having such funds is required to report them to the State Treasurer every three years.

Unclaimed Property Team Members:
(Top L - R) John Sallis, Director: Tony Geiger, Ben Malpass,
Keith Tanner (Bottom L - R) Missy Zebert, Dwight Pugh,
Debbie Brown

Unclaimed Property Receipts & Claims (in thousands)



This graph provides historical receipts and claims for the system for the past 11 years.

Fiscal Year	# Claims Initiated	# Claims Paid	Total Paid	# Reports Received	Total Received
FY2013	27,761	5,309	\$8,151,684.68	8,831	\$13,763,555.04
FY2014	27,994	5,189	\$17,159,330.57	9,291	\$17,025,529.35
FY2015	11,781	5,349	\$9,317,669.78	12,193	\$46,332,128.23
FY2016	10,554	10,131	\$15,681,356.71	6,274	\$22,386,124.94
FY2017	7,936	5,042	\$11,988,812.36	7,812	\$22,549,864.54



We continue to improve upon the process of reporting unclaimed property to the State to increase collection of funds. In Fiscal Year 2017, 7,812 property holder receipts, totaling \$22,549,864.54, were reported to the Treasurer's Office. This included 92,000 shares of stock.

We also continue to aggressively seek out the rightful owners of their property to ensure that the money the State is holding is returned as quickly as possible. In Fiscal Year 2017, we paid out, 5,042 claims, totaling \$11,988,812.36. The unclaimed property database is online and fully searchable at www.TreasurerLynnFitch.com.

For four years, the Treasurer's Office has hosted a booth at the Mississippi State Fair to help citizens find their unclaimed property. At the 2016 Fair, we helped fair-goers file 1,182 claims and paid out \$1,923,271.43. Over the course of those four years, we have returned more than \$10 million in unclaimed property to its rightful owners.



Rule 1.2A Project Compliance with Debt Management Objectives

Unless otherwise directed by law, the State Bond Commission may only issue general obligation debt on behalf of the State of Mississippi if the project for which the debt is issued meets the following criteria:

- (1) In the instance of issuance of a tax-exempt bond, the project is for public use and does not meet any of the Private Activity Bond tests specified in 26 U.S. Code § 141, et. seq. (Subpart A – Private Activity Bonds); or, in the instance of issuance of a Private Activity Bond, the Commission has clear and convincing evidence of economic use and benefit, including economic development, job creation, or other improvement of the public welfare;
- (2) The project asset has a life equal to or longer than the life of its corresponding debt;
- (3) No expenditures were made before the anticipated delivery date of the bonds, except in situations where the entity obtains a Declaration of Intent from the State Bond Commission;
- (4) The authorized entity has submitted sufficient information to ensure the project asset is specific, not generic in nature; and
- (5) The project is not the funding of salaries or other recurring expenses.

For purposes of examining projects, the State Bond Commission may use definitions also utilized by the Governmental Accounting Standards Board, or GASB, where appropriate.

Members of the Bond Commission may consider the financial impact on taxpayers throughout the state and over the lifetime of the bond repayment. Members of the Bond Commission may also consider whether the benefit of the project is primarily to the state or to the local economy, and whether other state, federal or private funding mechanisms (including but not limited to, local bonds, privilege taxes, grants, loans from the Mississippi Development Bank, Mississippi Development Authority, the Mississippi Department of Environmental Quality, USDA Rural Development, and/or from a direct appropriation) might be available and more appropriate to generate the required funding for the project.

The members of the Bond Commission should endeavor to make themselves fully available to the members of the Legislature so that only projects that meet the above criteria are included in bond bills brought before the Legislature for passage.

Entities with projects authorized by the Legislature in bond bills are strongly urged not to rely on such funds until such time as the Bond Commission has approved the corresponding debt.

The members of the Bond Commission should endeavor to ensure that all projects included in any resolution brought before the Bond Commission meet the above criteria. Entities with projects authorized by the Legislature in bond bills are urged to provide the members of the Bond Commission with any information requested and as necessary to ensure that these guidelines are met. The Department of Finance and Administration shall gather sufficient information from non-State agency entities to allow the members of the Bond Commission to evaluate the project based on these criteria. Source: §31-17-1, 31-18-3, 31-18-5, 31-17-153, 31-17-101

Rule 1.4A Selection of Bond Counsel

The State of Mississippi selects bond counsel through a competitive or negotiated selection process to provide bond and tax counsel services related to the issuance of general obligation and revenue bonds of the State. Bond counsel are expected to provide validity opinions, tax opinions, tax counsel services, disclosure counsel services related to the State's preliminary statement and final official statement, and additional special services as may be required from time to time. It is essential that bond counsel have the necessary expertise to provide an opinion that can be relied on and will be able to assist the issuer in completing transactions in a timely manner.

The State Bond Commission will establish a list of eligible firms that may serve as bond counsel through a Request for Qualifications (RFQ) issued on behalf of the Commission through the Department of Finance & Administration (DFA). The RFQ will set out eligibility requirements for respondents, selection process, scope of services, conditions for submitting responses, proposal content, evaluation criteria, and any additional information necessary for ensuring both that the highest quality bond counsel is selected and that the selection process is transparent, fair, and efficient. The Bond Commission shall review its relationships with bond counsel on a regular basis.

Prospective bond counsel must meet the following criteria:

- 1) Must be listed in the section entitled "Municipal Bond Attorneys" in the Mississippi section of the most recent edition of The Bond Buyer's Municipal Marketplace;
- 2) Must have given solo validity and tax opinions in municipal financing transactions since passage of the federal Tax Reform Act of 1986

or must have served as co-counsel in giving validity and tax opinions in at least four separate municipal financing transactions since passage of the federal Tax Reform Act of 1986;

- 3) In instances for which specialized tax advice beyond normal bond counsel services may be required, must have attorneys who practice full-time in the area of public finance tax law or must be able to identify a sufficient alternative to providing competent specialized tax advice;
- 4) In instances for which specialized securities law services beyond normal bond counsel services may be required, must have attorneys who practice full-time in the area of municipal securities law or must be able to identify a sufficient alternative to providing competent specialized municipal securities law advice;
- 5) Must have no relationships or activities that might present a conflict of interest for the State;
- 6) The lawyer(s) who will be primarily responsible for providing the legal services necessary (a) must be licensed or admitted to practice law in Mississippi, (b) must satisfy the requirements of (2) above, and (c) must agree to primarily perform the legal service requested in Mississippi; and
- 7) Must carry a level of malpractice insurance, including deductible, to cover errors and omissions, improper judgment, or negligence appropriate for the magnitude of the issue.

When necessary, the State Bond Commission may select an eligible firm to serve as bond counsel for a specific financing or financing related matter. The selection of bond counsel for a specific financing or financing related matter will be accomplished through a competitive selection process unless the State Bond Commission deems it necessary to use a negotiated process due to the complexity or the specific nature of the service required of bond and tax counsel.

Bond counsel proposals submitted for competitive selection will be evaluated solely on:

- (1) Fees and expenses; and
- (2) The ability to provide specialized legal and tax services that may be required for the specific financing for which bond and tax counsel are being sought.

When bond counsel is selected through the negotiated selection process, the reasonableness of the bond counsel fees and expenses should be evaluated based on the criteria laid out in the American Bar Association's Model Rules of Professional Conduct Rule 1.5(a):

- (1) The time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the legal service properly;
- (2) The likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the lawyer;
- (3) The fee customarily charged in the State for similar legal services;
- (4) The amount involved and the results obtained;
- (5) The time limitations imposed by the client or by the circumstances;
- (6) The nature and length of the professional relationship with the client;
- (7) The experience, reputation, and ability of the lawyer or lawyers performing the services; and
- (8) Whether the fee is fixed or contingent, and if contingent, the fee agreement must be in writing and signed by the State.

No member of the Mississippi Legislature, any elected or appointed State official, or any partner or associate of any member of the Legislature or any elected or appointed State official may receive any compensation from any selected bond counsel which is any way related to the legal services to be performed by the bond counsel.

Source: §31-17-1, 31-18-3, 31-18-5, 31-17-153, 31-17-101

STATUTORY DUTIES OF THE STATE TREASURER

The elected office of the State Treasurer is created under Article 5, Section 134 of the Mississippi Constitution. The Mississippi Code details the fiduciary responsibilities of the Treasurer. Specifically, the State Treasurer's statutory duties are to:

- » invest and account for general, special, clearing, and special investment funds as well as bond proceeds, according to specific legislative authorization and direction;
- » account for and invest trust funds in the custody of the Treasurer;
- » account for and disburse funds for scheduled payments on bonded indebtedness;
- » prepare all reports and maintain all records required by the Federal Tax Reform Act for calculating any required arbitrage rebate;
- » distribute proportionate tax revenues to counties, cities, and other taxing districts of the state;
- » monitor the cash position of all Treasury funds to ensure that cash balances are invested immediately and sufficient cash balances are on hand to pay obligations as they become due;
- » provide a cash flow projection for the timing of receipts and disbursements;
- » identify and recommend to other state agencies the use of cash management techniques which speed collection and increase earnings on investment balances;
- » prepare semi-annual GAAP report packages on all funds managed by the Treasurer for inclusion in the Comprehensive Annual Financial Report prepared by the Department of Finance and Administration;
- » act as custodian of unclaimed property reported to the Treasurer and attempt to locate the rightful owners so that they may claim their property;
- » serve as Treasurer to the Mississippi Employment Security Commission;
- » ensure that all state deposits in approved depository institutions are collateralized at 105% of the deposit balance according to statute;
- » serve as custodian for securities pledged to the state and its agencies;
- » annually approve and issue a commission to all financial institutions serving as depositories for state funds;
- » process and pay all warrants issued by the state in payment of its obligations;
- » administer the Mississippi Prepaid Affordable College Tuition (MPACT) Program and invest the corpus of the MPACT Trust Fund on behalf of the purchasers of state-guaranteed college tuition contracts; and
- » oversee the Mississippi Affordable College Savings (MACS) Program and monitor performance of the MACS Program Manager.

This report is available in its entirety online at
www.TreasurerLynnFitch.com.



FY ²⁰¹⁷ ANNUAL REPORT



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