

Fiscal Year 2015  
**Annual  
Report**



*Lynn Fitch*  
STATE TREASURER





This report is available in its entirety online.  
[treasurerlynnfitch.com](http://treasurerlynnfitch.com)

This report is dedicated to the 10 year anniversary of Hurricane Katrina, and the resilience of the Mississippi people who have rebuilt this great state. Many of the photos throughout this report are taken from the Mississippi Gulf Coast days after Hurricane Katrina made landfall.



# Fiscal Year 2015 Annual Report



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# Dear Fellow Mississippians,

I am pleased to submit the Annual Report of the Office of the State Treasurer for the fiscal year ended June 30, 2015 in compliance with Article 4, Section 115 of the Mississippi Constitution. But, still more so, I am honored to provide to the people I serve this record of our commitment to securing and investing the financial trust of this great state.

In many different ways, the Treasurer is the chief steward of the people's money. My staff and I take that responsibility very seriously, watching over every penny like we'd earned it ourselves and seeking the highest return on every dollar invested.

The bonds that we help manage provide funding for important projects in transportation, infrastructure, education, and health care. The Treasurer's Office saved taxpayers \$69 million by being proactive in the way we manage state debt. Your tax dollars should go toward growing our economy and funding education and other priorities, not just toward paying off debt.

We took steps to reorganize the Mississippi Prepaid Affordable College Tuition (MPACT) program, one of Mississippi's two highly successful 529 college savings programs. This fiscal year, we reopened MPACT as a more financially sound program, as well as one that is cost-neutral to Mississippi taxpayers.

When it comes to unclaimed property held by the Treasurer's Office, we are constantly seeking new and better ways to return that money to the rightful owners. In Fiscal Year 2015, we were fairly successful, with 5,349 claims processed for a total of \$9.3 million. That's twice as much as the average yearly distribution since 1982.

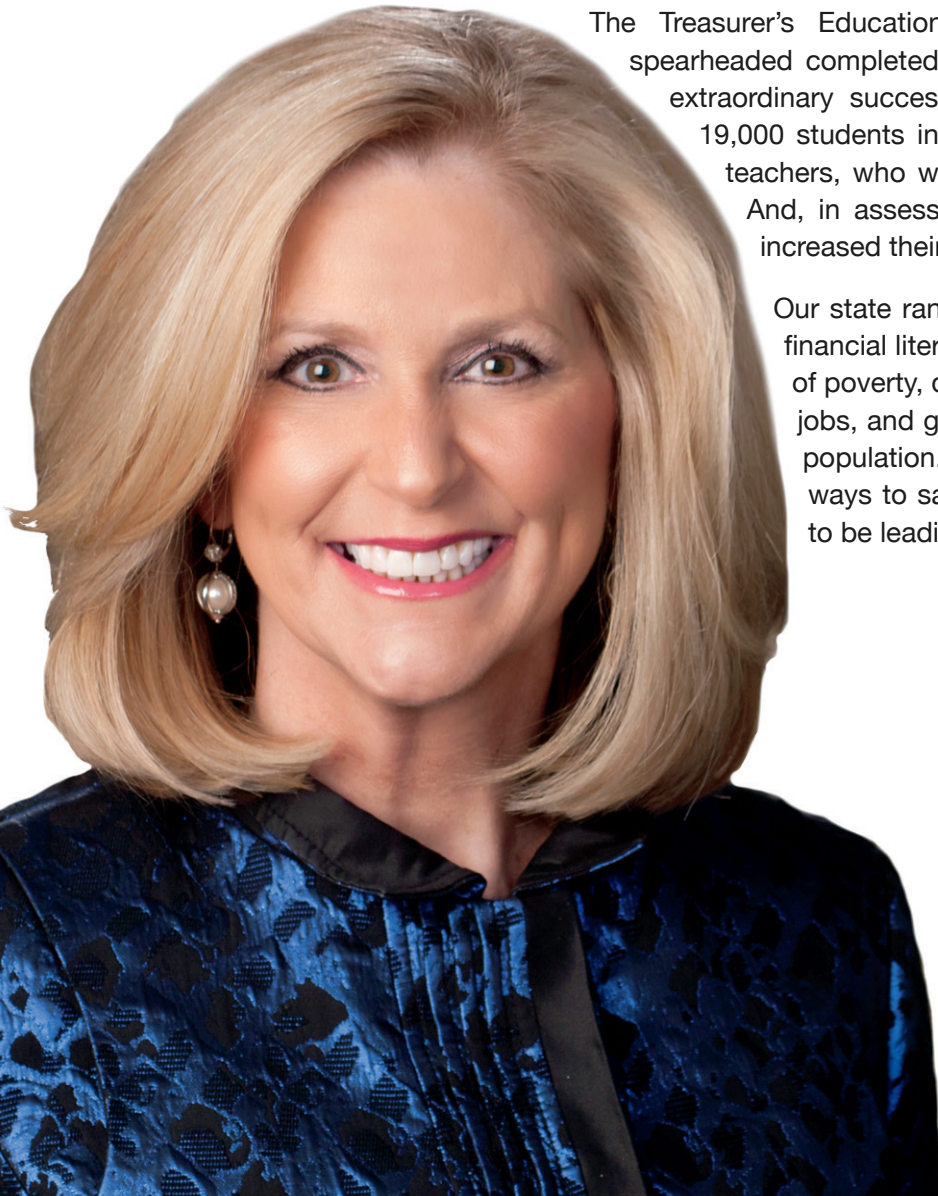
The Treasurer's Education About Money (TEAM) program that I've spearheaded completed its first year in the 2014-15 school year with extraordinary success. This public-private partnership spread to 19,000 students in 230 schools across the state. It trained 555 teachers, who will be able to impact another 55,500 students. And, in assessments, students who completed the program increased their financial awareness a whopping 91%.

Our state ranks at or near the bottom for every standard of financial literacy right now. If we're going to break the cycle of poverty, develop the kind of workforce that attracts good jobs, and grow our economy, we need a financially literate population. Mississippi must educate our youth in the ways to save, spend, and accumulate wealth. I'm proud to be leading this effort for the future of our state.

Yours in service,



Lynn Fitch  
Treasurer







## The Honorable Lynn Fitch, Treasurer

Lynn Fitch was sworn in as Mississippi's 54th Treasurer on January 5, 2012. She is only the second female Treasurer in state history and the first Republican woman to hold that office. Lynn was elected to a second term with nearly 80 percent of the vote on November 3, 2015.

Raised in Holly Springs in Marshall County, Mississippi, Lynn earned both a Bachelor of Business Administration and a Juris Doctorate at the University of Mississippi in Oxford. Lynn began her practice of law at the age of 23 as a Special Assistant Attorney General with the Mississippi Attorney General's Office, where she represented financial and economic development state agencies. She was also in private practice as a bond lawyer with a focus on general and municipal bonds.

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

In her first four years as Treasurer, Lynn returned over \$41 million in Unclaimed Property to its rightful owners and she saved Mississippi taxpayers over \$69 million on bond debt service. Lynn has also made it her mission to improve financial literacy in our state in order to create a stronger economy and better skilled workforce. She leads the Treasurer's Education About Money (TEAM) Initiative, mobilizing educators and community partners to improve personal finance curriculum in every high school in the state.

As the state's Chief Financial Officer, Lynn serves on numerous boards and commissions, including the State Bond Commission and the Public Employees' Retirement System of Mississippi. She is also Vice Chair of the State Financial Officers Foundation (SFOF) and serves on the Executive Committee as Vice President for the Southern Region for the National Association of State Treasurers (NAST).

Lynn attended Harvard's Business School of Management and Leadership Program. She has been active in several professional associations, including the Mississippi Bar Association. Lynn was a 2015 Honoree of the Women in Government Leadership Program by Governing Magazine. In 2012, the Mississippi Commission on the Status of Women commended Lynn for outstanding leadership and the Mississippi Women Lawyers Association selected her as the Outstanding Woman Lawyer of 2012.

The Mississippi Bar Association also recognized her as a Woman Trailblazer and recently named her a Mississippi Bar Fellow. The Mississippi Business Journal named Lynn one of Mississippi's Top 10 Business Women in 2010. And, she is proud to have been named a Woman of Distinction by the Girl Scouts of Greater Mississippi in 2013. Lynn's commitment to community service extends to serving on the boards of several non-profits, including Goodwill Industries, Red Cross of Greater Jackson Area, and the Juvenile Diabetes Research Foundation.



# Our Mission

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

# Our 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.

# Our Values

- Trust
- Transparency
- Accountability
- Respect
- Customer Service
- Teamwork
- Integrity
- Dedication
- Commitment
- Honesty



Hurricane Katrina made landfall in MS on the morning of August 29, 2005. It brought winds of more than 150 miles per hour and 28 foot storm surges. 238 Mississippians lost their lives.



# 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.



# Treasurers of the State of Mississippi

from admission of the State into the Union

## Lynn Fitch

2012-Present

Samuel Brooks	1817-1818	William Jones Miller	1904-1908
Peter Schuyler	1818-1821	George Robert Edwards	1908-1912
Samuel C. Wooldridge	1821-1828	Peter Simpson Stovall	1912-1916
James Phillips, Jr.	1828-1836	John Peroutt Taylor	1916-1920
Charles C. Mayson	1836-1838	Larkin Seyomer Rodgers	1920-1920
James Phillips, Jr.	1838-1838	William Moseley Murry	1920-1924
J. A. Vanhoesen	1838-1839	Ben Shem Lowry	1924-1928
Silas Bowen	1839-1839	Webb Walley	1928-1932
S. Craig	1839-1839	Lewis S. May	1932-1936
James G. Williams	1839-1839	Newton James	1936-1940
Joshua S. Curtis	1840-1841	Lewis S. May	1940-1944
Richard S. Graves	1841-1843	Newton James	1944-1948
William Clark	1843-1847	R. W. May	1948-1952
Richard Griffith	1847-1851	Newton James	1952-1956
William Clark	1851-1854	Robert D. Morrow, Sr.	1956-1960
Shields L. Hussey	1854-1860	Evelyn Gandy	1960-1964
M. D. Haynes	1860-1865	William Winter	1964-1968
W. B. Weaver	1865-1865	Evelyn Gandy	1968-1972
John H. Echols	1865-1869	Brad Dye	1972-1976
William H. Vassar	1869-1874	Ed Pittman	1976-1980
G. H. Holland	1874-1875	John L. Dale	1980-1980
M. L. Holland	1875-1875	Bill Cole III	1980-1988
William L. Hemingway	1875-1890	Marshall Bennett	1988-2003
J. J. Evans	1890-1896	Peyton Prospere	2003-2004
A. Q. May	1896-1900	Tate Reeves	2004-2012
J. R. Stowers	1900-1901		
George W. Carlisle	1901-1902		
Thad B. Lampton	1902-1904		

# Representation of the Executive Branch

The State Treasurer represents the Executive Branch on various boards and commissions. These entities work to further many fundamental functions of our state government, from the development of essential infrastructure to economic development and workforce. These authorities are:

## The State Bond Commission

The State Bond Commission shares with the Legislature responsibility for the direction of Mississippi's economic development debt financing as well as investments in the State's capital improvements. The Commission is comprised of the Governor, the Attorney General, and the State Treasurer. Under Bond Commission guidance, bonds were issued in FY 2015 to foster economic development, to strengthen the economy, and to create jobs. This was made possible through the funding of education, workforce training, and investments in industry. In addition to these financings, the Commission also directed the issuance of debt for improvements in transportation, historic preservation, assistance to communities in planning and development, and education. These actions were taken by the Commission to invest in opportunities that will benefit the residents of the State now and in our future.



Treasurer Fitch visits University of Southern Mississippi's Asbury Hall, which houses the new Nursing School at USM. Asbury Hall was funded in part by private dollars and in part through the proceeds of successful bond sales authorized by the State Bond Commission. The sale of \$157 million in tax-exempt bonds (Series 2015A) and \$129 million in taxable bonds (Series 2015B) were priced to sell in the open market on February 3, 2015.

## The College Savings Plans of Mississippi Board of Directors

The Treasurer serves as an ex-officio member of the College Savings Plans of Mississippi Board of Directors (CSPM). This board is responsible for Mississippi's two college savings programs: MPACT and MACS.



Treasurer Fitch has prioritized saving for college and strengthening financial literacy for the next generation of Mississippians.

The Mississippi Prepaid Affordable College Tuition (MPACT) program is administered by the Office of the State Treasurer. In 2012, the board deferred enrollment to evaluate the long-term sustainability of the program. It reopened in Fiscal Year 2015, its 18th full year of operation, after reforms that make it more financially sound and cost-neutral to the taxpayers. The MPACT program remains backed by the full faith and credit of the State.

The Mississippi Affordable College Savings (MACS) program is our other state-sponsored 529 savings plan that helps Mississippi families save for future qualified college expenses, such as tuition, books, supplies, fees, and even certain room and board expenses.



## The Windstorm Underwriting Association Board of Directors

The Mississippi Windstorm Underwriting Association (MWUA) was established by the Mississippi Legislature in 1987 to provide a method whereby an adequate market for Windstorm and Hail Insurance may be provided in the Coastal Area of Mississippi. MWUA provides coverage for Windstorm and Hail perils only. The MWUA is operated and managed by the Mississippi State Rating Bureau and is administered by a Board of Directors. All rules and regulations are subject to the review of the Commissioner of Insurance. The board consists of eleven members: five representatives from licensed insurance companies, three representatives of insurance agencies (two from the coastal area and one non-coastal), two coastal business representatives, and the State Treasurer.

## The State Prison Emergency Construction and Management Board

The Treasurer serves with the Lieutenant Governor and the Attorney General on the State Prison Emergency Construction and Management Board (SPECM). Established by the Legislature in 1994, SPECM's directive was to double the capacity of the state's penal system over two years via construction of 2,116 new public prison beds and 2,000 beds in privately managed facilities. Through the efforts of SPECM, the Department of Corrections and local law enforcement officers are sending a clear message to the criminal elements in the state that Mississippi is serious about fighting crime and is determined to do whatever it takes in order to ensure public safety for our citizens.

## The Public Employees' Retirement System

The Treasurer is a member of the board of trustees of the Public Employees' Retirement System (PERS), which oversees the administration and operation of the System, including the investment of all System funds, according to legislated authority. PERS active members total more than 163,121 and work in public schools, state government, universities, community colleges, municipalities, counties, highway patrol, the legislature, and other public entities.

In absolute terms, the investment results for fiscal year 2015 produced a total fund return of 3.4%. The System has shown an annualized rate of return of 11.9% for the past 5 years. At the close of the fiscal year, the System's net assets had a market value of \$25.2 billion.\*

	Plan Performance	Benchmark
Domestic equities	6.7%	7.3%
Non-U.S. equities	-5.3%	-4.97%
Global equities	4.9%	1.2%
Debt securities	1.7%	1.9%
Real Estate Investments	10.7%	13.0%
Private Equity Investments	14.9%	10.4%

The board of trustees and PERS staff continually evaluate the asset allocation of the investments of the System with preservation of principal being the primary goal.

## The Mississippi Business Finance Corporation/Mississippi Development Bank

The Treasurer is an ex-officio member of the Mississippi Business Finance Corporation (MBFC), a non-profit corporation with the mission of coordinating a variety of state resources in order to assist businesses in obtaining financing for established new facilities and in expanding existing businesses, as well as positioning the state as an aggressive competitor in the global market.

MBFC serves as a comprehensive financing source, allowing companies locating or expanding in Mississippi to review certain financing and incentive alternatives. The board of directors of MBFC also serves as directors of the Mississippi Development Bank (MDB). MDB was created to issue bonds to make funds available to local governmental units at reduced rates and at more favorable terms to finance infrastructure improvements and for other public purposes.

## The License Tag Commission

The Commission is composed of the Governor, the Attorney General, and the State Treasurer and is authorized to negotiate and contract for the purpose of license or number tags for the passenger and commercial vehicles in Mississippi. Every four years, a new license tag design is selected.

## The Historic Properties Trust Fund Advisory Committee

The Historic Properties Trust Fund was established by the Legislature to promote private fundraising that will encourage the preservation, restoration, and development of significant historic sites around the state.

The Legislature approved the Mississippi Landmark Grant Program during fiscal year 1999, establishing the Mississippi Historic Properties Trust Fund within the State Treasury. Initial funding for the trust was \$10 million set aside from the Unclaimed Property Fund. The interest and income generated by investing this money is transferred quarterly to the Mississippi Landmark Grant Program to be used by the Department of Archives and History for the purpose of acquiring, preserving, restoring, supporting, operating, and administering Mississippi Landmark properties or for specific historical projects. Additional funds come from donations, bequests, gifts, and grants. Boards of Supervisors of counties and governing authorities of municipalities may make contributions to the program for use on specific properties.

## The Mississippi Tort Claims Board

The Tort Claims Board administers the State Tort Claims Fund. The Legislature created this fund to pay claims arising from the abolishment of sovereign immunity of governmental agencies effective July 1, 1993. The sovereign immunity from torts previously enjoyed by state government has been waived to the extent of \$50,000 for torts occurring before July 1, 1997; \$250,000 from July 1, 1997 to July 1, 2001; and \$500,000 after July 1, 2001. The board also approves all state and local government pools and coverage plans. It is the mission of the Mississippi Tort Claims Board to provide administrative and technical support for equitable settlement and payment of claims for injury or damage arising out of the torts of governmental entities and their employees while acting within the course and scope of their employment.

## The Mississippi Public Funds Guaranty Pool Board

Established within the Office of the State Treasurer is a public funds depository commissioned under Section 27-105-5(2) to be administered by a Guaranty Pool Board and the State Treasurer. The purpose of this nine-member board is to monitor compliance and requirements for member banks that pledge securities to public funds.

Any financial institution qualifying as a Guaranty Pool member is required to guarantee public fund deposits against loss caused by the default or insolvency of other Guaranty Pool members and shall execute an agreement of contingent liability in addition to a public deposit pledge agreement.

In the years following Hurricane Katrina, Mississippi rebuilt the Gulf Coast into a once-again thriving tourist magnet. Today, approximately 22 million tourists visit Mississippi each year supporting an industry of 84,000 direct jobs and nearly 30,000 induced jobs.





# Executive Team

**The Executive Team provides direct support to the Treasurer in the execution of her wide-reaching Constitutional responsibilities. The staff serving in Fiscal Year 2015, which follows, has changed as noted.**



## **Jesse Graham Deputy State Treasurer**

Jesse Graham serves as the Deputy Treasurer for Internal Affairs for the Office of the State Treasurer. Jesse has more than 32 years of professional work experience in both the public and private sectors. 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. Jesse and his wife, Helen, have two children, Benjamin and Emily.



## **Laura Jackson Deputy State Treasurer**

Laura Jackson serves as the Deputy Treasurer for External Affairs for the Office of the State Treasurer. Laura began her career in state government in 1987 as a staff auditor for then Auditor Ray Mabus. After 13 years at the Office of the State Auditor, she served as the Bond and Collateral Director for Treasurer Marshall Bennett and Treasurer Tate Reeves. Governor Haley Barbour hired Jackson in 2008 to serve as the Bond Advisory Director for the State Bond Commission. Laura holds both a Bachelor of Science in Accounting and a Master's degree in Business Administration from Mississippi College. Laura and her husband, Kevin, have three children, Anna Kate, Ashley, and Adam.



## **Cory Wilson Senior Advisor and Counsel**

Cory joined the Treasurer's staff in March 2014. He graduated summa cum laude in Economics from the Ole Miss School of Business in 1992. He received a law degree from the Yale Law School in 1995. After clerking for a federal appeals court judge, Cory practiced law with two firms in Jackson. In 2005, Cory was selected as one of twelve White House Fellows, serving as a special assistant to Secretary of Defense Donald H. Rumsfeld. He then served as Chief of Staff for Mississippi Secretary of State Delbert Hosemann for three years before returning to private practice in 2011. Cory and his wife, Stephanie, live in Madison and have a son, Webb. In November 2015, Cory was elected to the Mississippi House of Representatives for District 73, and has since left the Office of the State Treasurer. Michelle Williams serves as the Treasurer's new Chief of Staff.





### **Stacey Allman Director of Accounting**

Stacey Allman graduated from the University of Southern Mississippi with the highest honors. She is a Certified Public Accountant who has worked as an auditor in both in the public and private sectors. She joined the Office of the State Treasurer as the Director of Accounting in 2013 after serving as an Audit Supervisor with the Office of the State Auditor. Yolanda Campbell serves as the new Director of Accounting.



### **Russell Armstrong Director of Information Technology**

Russell Armstrong graduated from Holmes Community College with an Associates Degree in Electronics. He has 21 years of experience in the Information Technology field, 14 years of which have been with the Office of the State Treasurer. He and his wife, Julie, have two children, Abbey and Jay.



### **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. He came to the Treasurer's Office from the Mississippi Press Association. Tony attended Ole Miss and graduated from Mississippi College. He and his wife, Susan, have one daughter, Emison.



### **Ricky Manning Director of Bonds and Collateral**

Ricky Manning is a graduate of Millsaps College with an advanced degree from Mississippi College in Accounting. He has 20 years of experience in both the public and private sectors including working in New York as an equity trader, a portfolio analyst, and later in public accounting. He joined the Office of the State Treasurer in 2008.



## **Emelia Nordan Director of College Savings Mississippi**

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, MACS and MPACT, policy development and oversight for the agency, and coordination of the TEAM (Treasurer's Education About Money) initiative. Emelia and her husband, Trey, live in Madison.



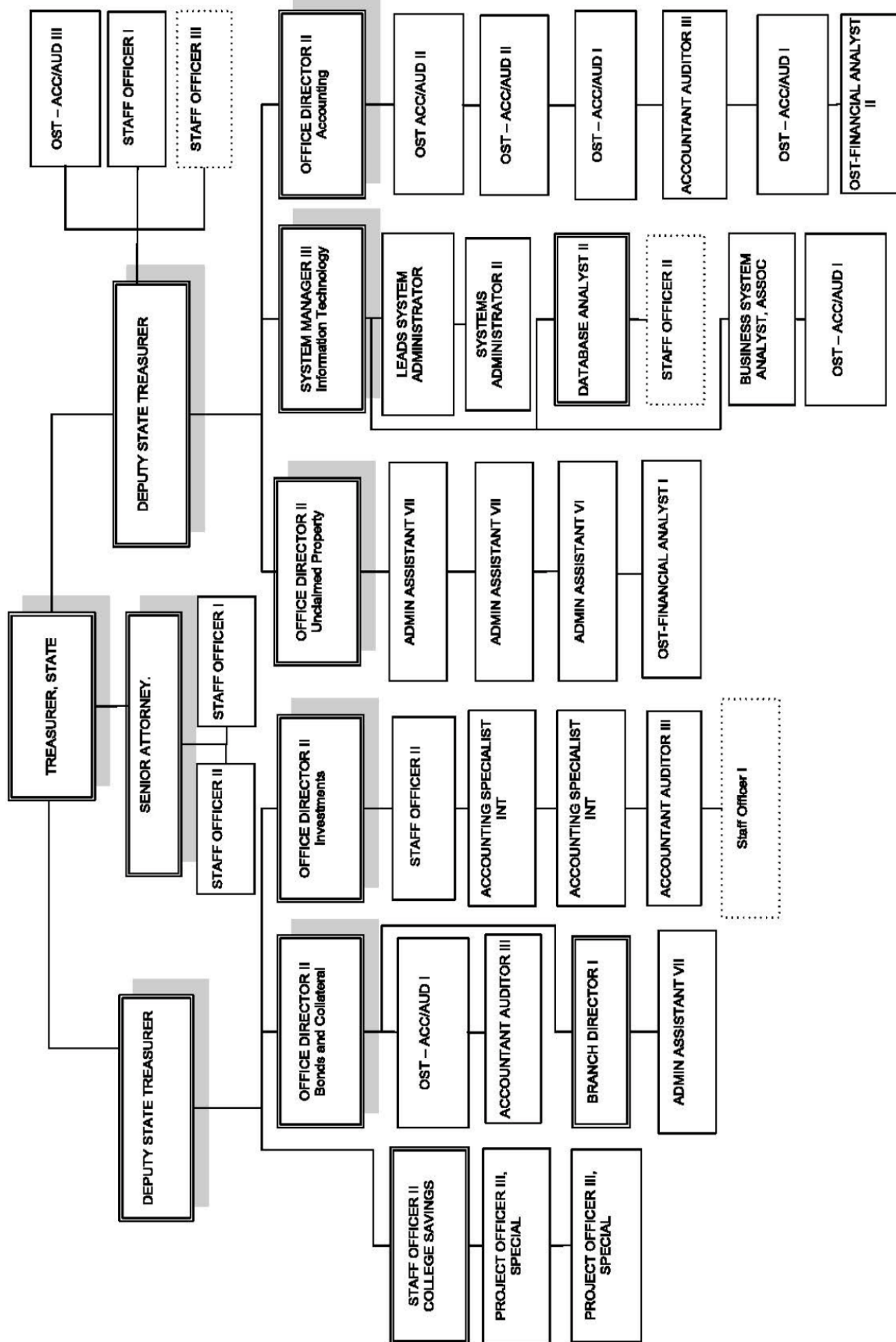
## **Misti Preziosi Director of Investment & Cash Management**

Misti Preziosi has more than ten years of experience in both the public and private sectors. She came to the Treasurer's Office from the Public Employees' Retirement System where she served as Portfolio Manager. A graduate of Mississippi State University, Misti also earned a Master's of Business Administration from Mississippi College. Misti and her husband, Alfonso, live in Pearl.





# Office Of The State Treasurer FY2015 Organizational Chart



# Program Management

These are the core programs and duties within the Office of the State Treasurer.

## Bonds

The Bond Division is responsible for the management of General Obligation and Revenue Bonds issued by the State Bond Commission. General Obligation bonds consist of (1) net direct General Obligation bonds and (2) self-supporting bonds with specific revenue pledged.

This Division ensures the timely payment of all principal and interest for the State's outstanding debt portfolio. In order to facilitate these payments, cash flow must be effectively managed from General Fund Appropriation and Special Fund Transfers. In addition, this Division oversees the creation and distribution of the State's Annual Debt Affordability Study (a plan that was originally released in 2014 to assist the Legislature and State Bond Commission to carefully and prudently manage our debt program).

The Bond Division also monitors the investment earnings on the gross proceeds of all federally tax-exempt bonds issued by the State (defined as "arbitrage"). U.S. Treasury regulations limit the yield at which proceeds on bond issues can be invested. These excess earnings are realized when bonds are sold at tax-exempt interest rates and the proceeds are then invested in securities that earn higher taxable yields. Calculations are performed on these excesses and are reported to the IRS regularly.

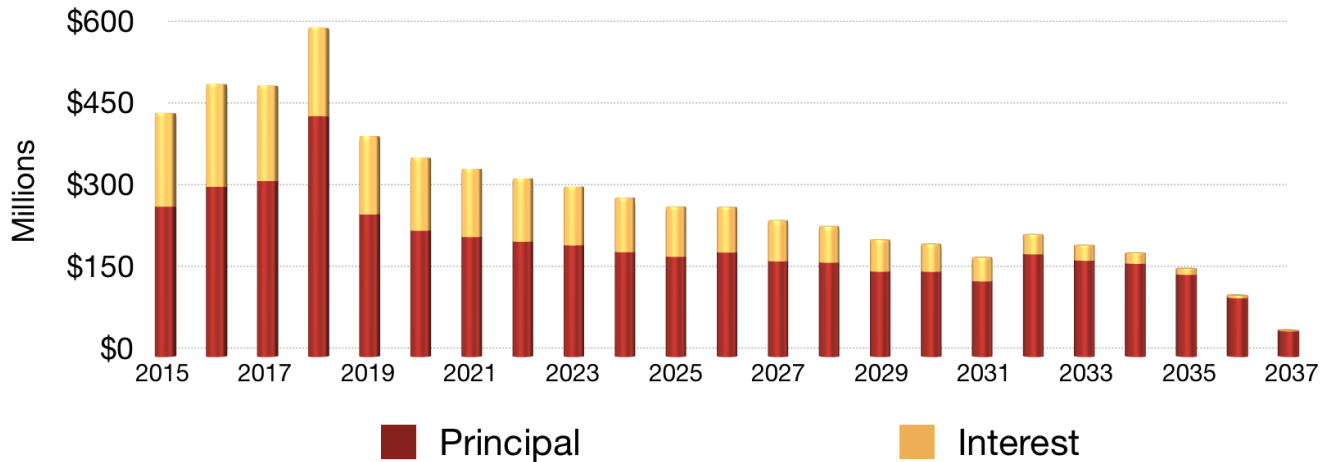
FYE	Net Direct General Obligation Bonds	Self-Supporting General Obligation & Revenue Bonds	Total Bond Indebtedness
FY00	2,030,086,000	238,687,000	2,268,773,000
FY01	2,434,252,000	216,095,000	2,650,347,000
FY02	2,670,148,000	196,670,000	2,866,180,000
FY03	2,823,654,000	181,815,000	3,005,469,000
FY04	2,956,490,000	156,360,000	3,112,850,000
FY05	2,934,090,000	131,950,000	3,066,040,000
FY06	2,987,335,000	106,925,000	3,094,260,000
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

\* as of June 30, 2015



## Debt Service Payments

Principal and interest payments on the State's debt portfolio through FY2037.



Note: A balloon payment from the floating rate bonds is due in FY2018; however, the intent of the State Bond Commission is to restructure those bonds and extend the maturity at that time.

## Bond Issuance in FY2015

During fiscal year 2015, the State of Mississippi issued the following:

### **\$154,685,000 State of Mississippi General Obligation Bonds, Series 2015A (Tax-Exempt)**

These bonds provided funding for the Mississippi Major Economic Impact Act, Kemper County Community Group Home, Long Leaf Trace Improvements, Mississippi Civil Rights Museum and Museum of Mississippi History, Institutions of Higher Learning Capital Improvements, Community and Junior Colleges Capital Improvements, Department of Mental Health – East Mississippi State Hospital Capital Improvements, Jackson Zoo, Lovett Elementary School and Northside Park Repair and Jackson Public School Improvements, Grammy Museum, Alternative Fuel School Bus and Municipal Motor Vehicle Fund, Center for Manufacturing Technology Excellence, Mississippi Museum of Natural Science, Gulf Coast Research Laboratory, William Faulkner Library, Oak Grove High School Auditorium, Snowden Park in the city of Southaven, Mississippi Arts and Entertainment Act, Tammy Wynette Legacy Park, Marty Stuart Center for Country Music, Pascagoula Maritime Museum, Fannie Lou Hamer Cancer Foundation Headquarters, Town of Summit - Standpipe Repair, Hattiesburg Zoo, State Parks Capital Improvements, Mississippi Watershed Repair and Rehabilitation, and Rail Authority of East Mississippi.

### **\$128,950,000 State of Mississippi Taxable General Obligation Bonds, Series 2015B**

These bonds provided funding for the following programs and projects: Mississippi Major Economic Impact – Toyota, Economic Development Highway, Mississippi Technology Alliance, Local Governments Capital Improvements, Development Infrastructure Grant, Mississippi Industry Incentive Financing, Mississippi Major Economic Impact – Yokohama, ACE, Job Protection, Workforce Training, Small Municipalities and Limited Population Counties, Mississippi Railroad Improvements, and Institutions of Higher Learning and State Agencies Capital Improvements.

### **\$249,980,000 State of Mississippi General Obligation Refunding Bonds, Series 2015C (Tax-Exempt)**

These bonds were issued for the purpose of (a) advance refunding and defeasing the Tax-Exempt Refunded Bonds (listed below) and (b) paying certain costs incident to the sale and issuance of the Series 2015C Bonds. These bonds refunded certain maturities of the following issues: (1) \$167,315,000 State of Mississippi General Obligation Bonds, Series 2006D, (2) \$299,020,000 State of Mississippi General Obligation Bonds (Capital Improvements Issue), Series 2007B, and (3) \$133,545,000 State of Mississippi General Obligation Bonds, Series 2008A.

## **\$179,135,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2015D**

These bonds were issued for the purpose of (a) advance refunding and defeasing the Taxable Refunded Bonds (listed below) and (b) paying certain costs incident to the sale and issuance of the Series 2015D Bonds. These bonds refunded certain maturities of the following issues: (1) \$96,600,000 State of Mississippi Taxable General Obligation Bonds, Series 2008B and (2) 120,000,000 State of Mississippi Taxable General Obligation Bonds, Series 2009E.

### **Collateral**

The Office of the State Treasurer's Collateral Division ensures the protection of over \$6 billion in public funds deposited by state agencies and local governments in Treasury-approved financial institutions. The division reviews, tracks, and reconciles collateral pledged to secure public deposits by these financial institutions.

Pledged collateral is continuously evaluated for compliance with all applicable statutes, policies, and depository custodial agreements. The division monitors all pledged securities to make certain that each is an acceptable, valid, and marketable instrument that can secure public funds at all times. Risk assessment reports are analyzed to determine data accuracy, the institution's financial condition, and the maintenance of the institution's appropriate collateral position.

The division oversees the collateralization process for 97 financial institutions approved as public depositories in the Mississippi Statewide Public Funds Collateral Program. On a daily basis, the Office of the State Treasurer monitors collateralization requirements to provide a level of assurance to the State's more than 1,200 public entities that the funds are properly safeguarded.

### **Financial Management and Accounting**

The Financial Management and Accounting Division performs all budgeting and accounting functions essential to the daily operation and management of the Office of the State Treasurer. The division maintains accounting records for approximately 80 Treasury funds as set forth in the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual.

Reconciliations are prepared monthly to the Mississippi Accountability System for Government Information and Collaboration (MAGIC) for each of these treasury funds. GAAP (Generally Accepted Accounting Principles) financial statements are prepared on June 30 of each fiscal

year for these Treasury funds maintained by the Office of the State Treasurer. These GAAP financial statements are included in the Mississippi Comprehensive Annual Financial Report (CAFR) compiled by the Department of Finance and Administration at the end of each fiscal year.

Other major responsibilities include the verification of the receipt of funds transmitted daily to the Treasurer's office from the Department of Finance and Administration and the daily reconciliation of the cash balance in the State Treasury to MAGIC.

The Financial Management and Accounting Division helped coordinate the training and conversion to MAGIC for OST staff to ensure a smooth transition.

The general accounting functions of the division include the approval and processing of vendor invoices, cash receipt deposits, payroll processing, maintenance of all financial records, fund balance reconciliations, preparation of year-end closing records, and the development and implementation of all accounting controls and procedures.

In cooperation with the Mississippi Department of Revenue, the Financial Management and Accounting Division is responsible for disbursing certain tax diversions such as sales, gas severance, oil severance, timber severance, and petroleum to the various counties and municipalities throughout the state. Schedules are maintained by this division detailing all tax diversions by Treasury fund.

The Financial Management and Accounting Division is also responsible for (1) the preparation of the Treasurer's Statement of Condition; (2) the development of the Treasurer's budget requests; (3) purchasing of office supplies and equipment; and (4) the preparation of the monthly payroll.

### **Information Technology**

The Information Technology (IT) Division manages information technology systems and networking infrastructure. IT supports information system processing performed by the Office of the State Treasurer's staff. These systems include commercially developed software along with programs developed in-house providing the agency with highly customized applications that interface with state agencies, commercial banks, and other financial institutions, as required.

The IT Division supports IT resources necessary to accomplish the mission of the Office of the State Treasurer. The information systems included are: the Portfolio Management System, the Unclaimed Property System, the Collateral/Securities System,



the MPACT System, and the Warrant Reconciliation/Daily Cash Balancing System. IT also supports user desktop configurations and grants appropriate access permission for agency personnel required by their role. IT is responsible for business system continuation and provides disaster recovery planning for OST in the event of a catastrophic event.

## College Savings

The College Savings Division administers Mississippi's two 529 College Savings Programs. The Mississippi Prepaid Affordable College Tuition (MPACT) program and the Mississippi Affordable College Savings (MACS) program both exist to encourage parents and grandparents to save for their children and grandchildren's college expenses.

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 (limitations apply).

In the Fall of 2012, MPACT enrollment was deferred until an actuarial audit could be performed to determine the long-term sustainability of the program. Benefits continued for existing MPACT contract holders. After months of work to evaluate the future of the MPACT program, the College Savings Plans of Mississippi Board voted to amend the rules of the program and minimize the risk factors for future contracts. In October 2014, the program reopened for enrollment. The MPACT program remains backed by the full faith and credit of the State.

Policy and activity for College Savings Mississippi is governed by an independent Board of Directors.



Treasurer Fitch delivers four MACS Scholarships to Mississippi students at the 2015 College Savings Mississippi Art Contest.

## Unclaimed Property

The Office of the State Treasurer is responsible for the administration of the Unclaimed Property Act.

The law requires "Holders" such as banks, credit unions, insurance companies, retail stores, utility companies, and other companies doing business in the state of Mississippi to turn over to the Office of the State Treasurer any assets such as money, cash, checks, or stocks that have been abandoned or for which there has been no contact for a period of five (5) years.

The Unclaimed Property Division is charged with trying to locate and return these abandoned funds to the rightful owners or heirs. Since 1982, approximately \$149.2 has been returned.



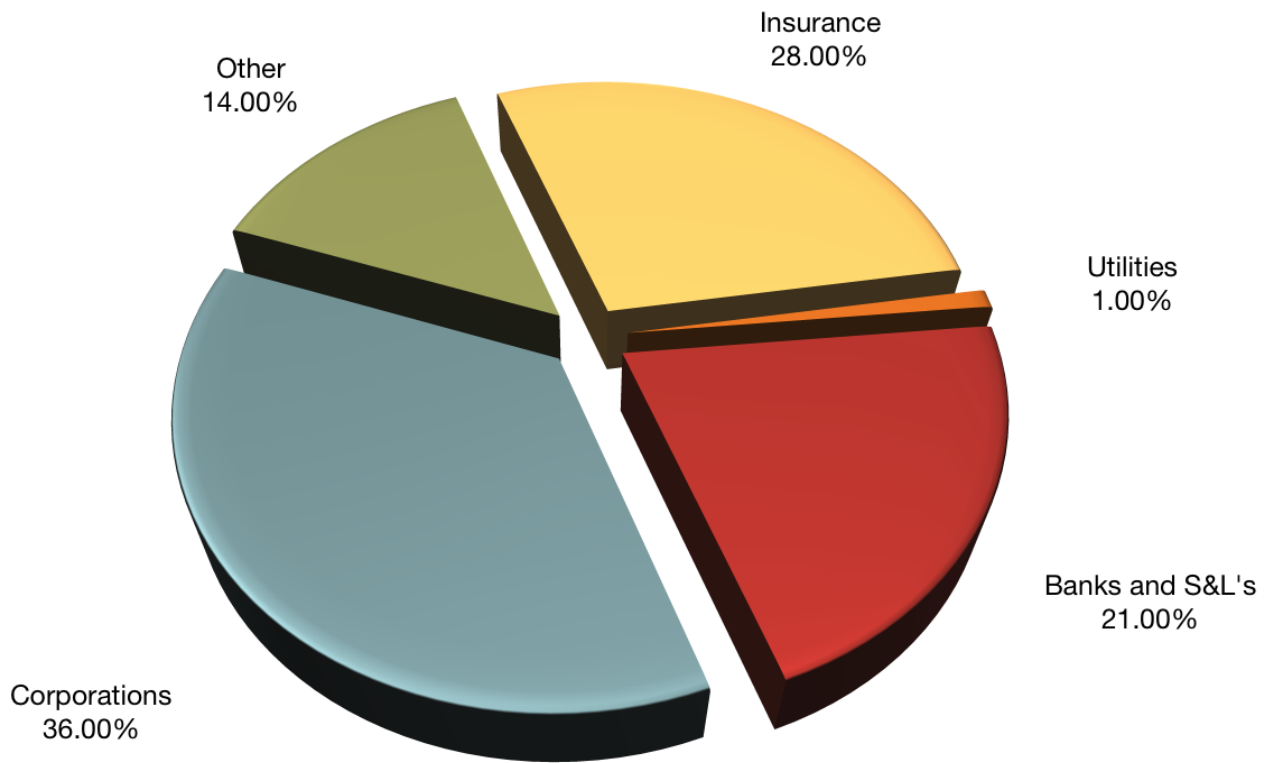
Treasurer Fitch delivers an unclaimed property check to the Hancock Fabrics Headquarters in Baldwyn, MS.

In FY 2015, the Office of the State Treasurer paid 5,349 claims totaling \$9.3 million. Property Holder receipts of \$46.3 million plus 2.1 million shares of stock were recorded in FY 2015. See graphs on page 18.

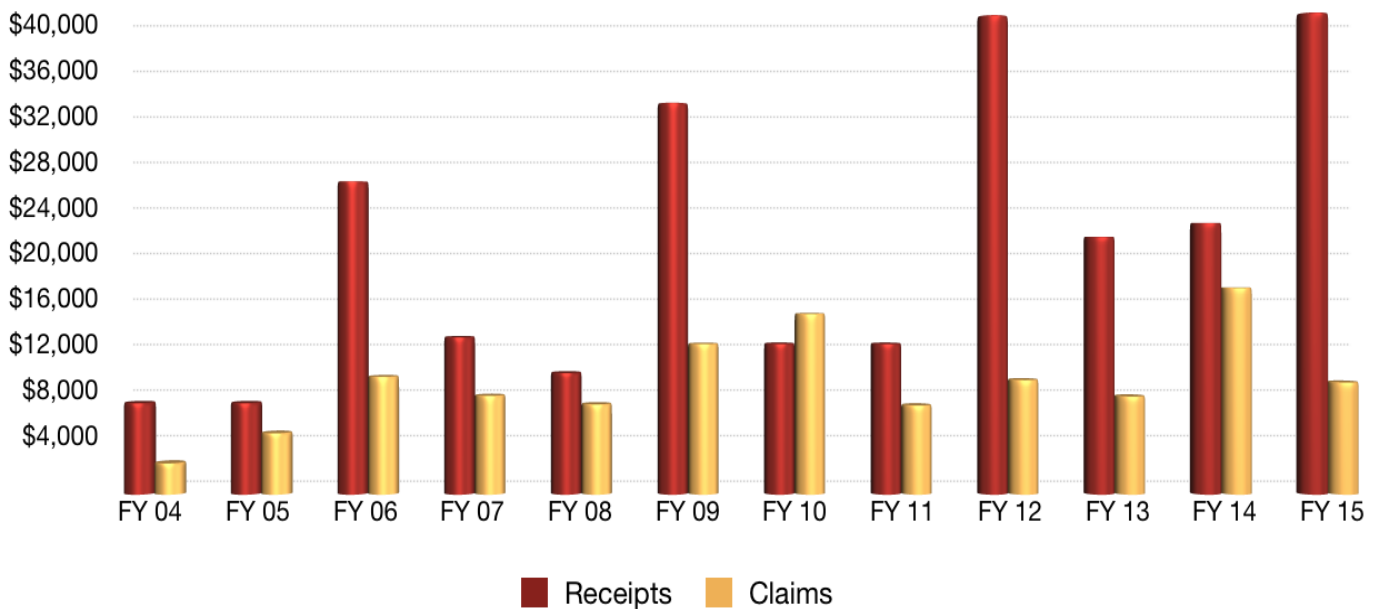
In some cases, the owner moves or dies and the heirs have no knowledge of the abandoned property.

Property becomes lost when a company has no communication with the owner. You should contact the various institutions that hold your money or stock every year, especially when there is an address change or change in marital status.

## FY 2015- Sources of Unclaimed Property



## Unclaimed Property Receipts & Claims (in thousands)





## Investment and Cash Management

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 the excess funds that are not needed for meeting the immediate requirements of the state. The excess cash is determined by a cash flow model provided by the State Treasurer. The cash flow model provides forecasts of revenues and expenditures for the fiscal year, and is used to analyze the amount of cash flow expected to be available for ongoing expenditures of the State.

The excess cash is invested by the Treasurer in securities prescribed in MS Code Ann §27-105-33. The securities in which state funds may be invested include:

- Certificates of deposit with qualified state depositories,
- Repurchase agreements (fully secured by direct U.S. Treasury obligations, direct U.S. Government agency obligations, U.S. Government instrumentalities or U.S. Government Sponsored Enterprise obligations),
- Direct U.S. Treasury obligations, and
- Any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1, et.seq., provided that the portfolio is limited to direct obligations issued by the USA, U.S. Government Sponsored Enterprise obligations, and repurchase agreements fully collateralized by the above-listed securities.

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. These funds are invested with outside money managers in an effort to increase the state's interest earnings on the funds through a diversified portfolio of either equity or fixed income instruments, depending on the fund in question.

The EITF's income may be appropriated by the Mississippi Legislature for the exclusive purpose of the education of elementary and secondary school students and/or vocational training in the state. The WCSRF is the "rainy day" fund for the state and may be used to supplement the General Fund when budget

shortfalls are experienced. The HCTF's income may be appropriated by the Mississippi Legislature for health care purposes and is paid via the HCEF.

The MPACT Fund is invested on behalf of participants in the MPACT program in an effort to generate growth and income to fund both current and future tuition payments for beneficiaries. In addition to the MPACT program, the Treasury oversees the administration of the Mississippi Affordable College Savings Program (MACS).

The tables which follow detail the holdings of the various funds overseen by the Treasury.\*

\*Note that the General Fund investment portfolio holdings reflect the General Fund Investment Pool holdings of the General Fund and Special (Agency) Funds of the state. The Special Fund investment holdings reflect balances of money-market holdings of certain Special-Purpose Funds. General Fund Investment Pool holdings of all Special-Purpose Funds, including the EITF, the WCSRF, the HCTF and HCEF, the MPACT Fund, the WCT, and the Tort Claims Fund, are reflected in the Equity in Internal Investment Pool sector of their tables to more accurately report the balances of those funds.



Following Hurricane Katrina, unemployment soared to nearly 25%. Today, Mississippi's unemployment rate is at a 8-year low under 6%.

# Summary of State Investment Holdings

## Market Value as of June 30, 2015

General Fund Portfolio	
Demand Deposits	\$247,458,973
Interest Bearing Demand Deposits	\$636,800,000
Certificates of Deposit	\$161,602,000
U.S. Government Treasury Obligations	\$499,097,650
U.S. Government Agency Obligations	\$1,700,444,878
Mortgage-Backed Securities	\$340,703,086
<b>Total Investment Portfolio</b>	<b>\$3,586,106,587</b>
Special Fund Portfolio	
Interest-Bearing Demand Deposits	\$3,000,000
<b>Total Investment Portfolio</b>	<b>\$3,000,000</b>
<b>Total General Fund/Special Fund Investments</b>	<b>\$3,589,106,587</b>

Education Improvement Trust Fund (EITF)	
Accrued Interest	\$223,543
Cash/Cash Equivalents	\$368,662
Equity in Internal Investment Pool	\$240,305
Fixed Income	\$46,865,344
<b>Total Education Improvement Trust Fund</b>	<b>\$47,697,854</b>

Working Cash Stabilization Reserve Fund (WCSRF)	
Accrued Interest	\$35,896
Cash/Cash Equivalents	\$1,511,209
Equity in Internal Investment Pool	\$390,099,082
Fixed Income	\$21,413,821
<b>Total Working Cash Stabilization Reserve Fund</b>	<b>\$413,060,008</b>



Health Care Trust Fund (HCTF)	
Accrued Interest	\$19,465
Cash/Cash Equivalents	\$151
Equity in Internal Investment Pool	\$18,481
<b>Total Health Care Trust Fund (HCTF)</b>	<b>\$38,097</b>
Health Care Expendable Fund (HCEF)	
Accrued Interest	\$2,544
Equity in Internal Investment Pool	\$3,667,827
<b>Total Health Care Expendable Fund (HCEF)</b>	<b>\$3,670,371</b>
<b>Total HCTF &amp; HCEF</b>	<b>\$3,708,468</b>

Mississippi Prepaid Affordable College Tuition (MPACT) Fund	
Accrued Interest	\$664,617
Cash/Cash Equivalents	\$11,838,195
Equity in Internal Investment Pool	\$552,957
Fixed Income	\$77,533,036
Domestic Equities	\$166,562,257
International Equities	\$59,536,003
Real Estate (Timberland)	\$5,984,371
<b>Total MPACT Fund</b>	<b>\$322,671,436</b>

Mississippi Affordable College Savings Program (MACS)	
Equity in Internal Investment Pool	\$50,995
Mutual Funds	\$186,623,427
<b>Total MACS Program</b>	<b>\$186,674,422</b>

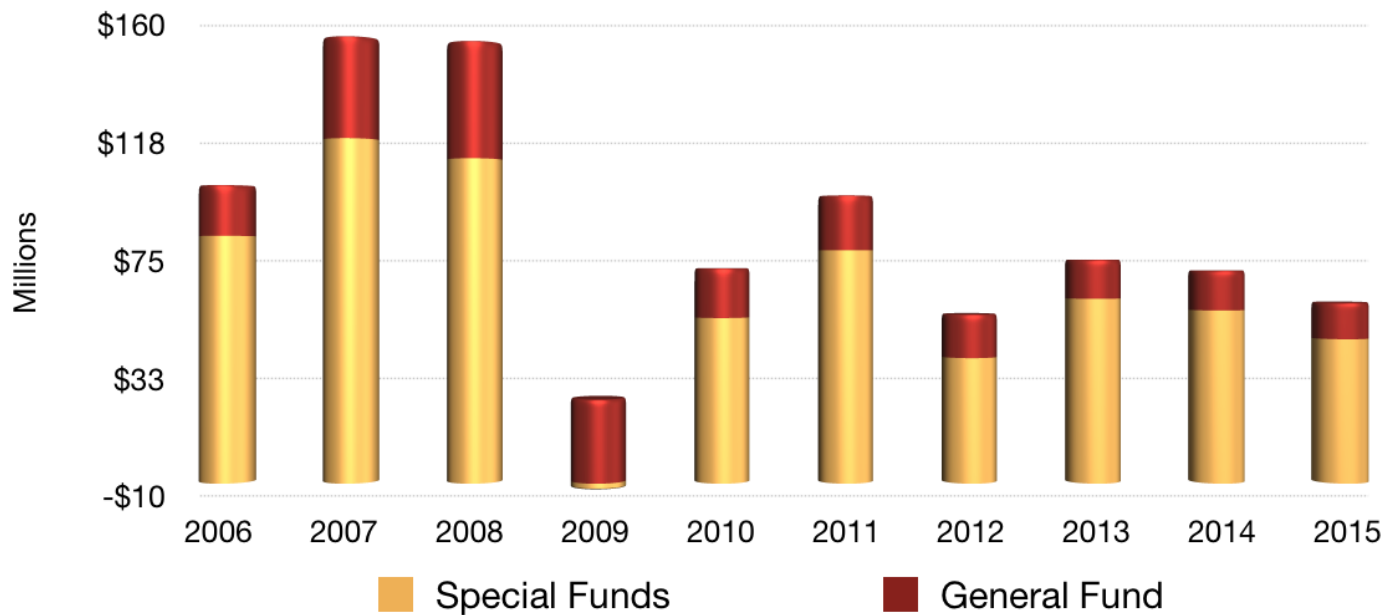
Workers' Compensation Trust Fund	
Accrued Interest	\$156,723
Cash/Cash Equivalents	\$377,808
Equity in Internal Investment Pool	\$5,931,094
Fixed Income	\$25,049,770
<b>Total Workers' Compensation Fund</b>	<b>\$31,515,394</b>

Tort Claims Fund	
Accrued Interest	\$32,062
Cash/Cash Equivalents	\$1,693,188
Equity in Internal Investment Pool	\$1,503,119
Fixed Income	\$11,246,727
<b>Total Tort Claims Fund</b>	<b>\$14,475,096</b>

# Interest Earnings

The Office of the State Treasurer earned \$60.9 million on all state funds in FY2015. Over the last ten years, the State Treasurer has earned approximately \$861 million in interest on state funds.

## State of Mississippi Earnings



## Historical Interest Earned

FY	Special Funds	General Fund	Total Earnings
2006	83,397,123	17,113,213	100,510,336
2007	116,265,412	34,361,343	150,626,755
2008	109,509,010	39,535,010	149,044,020
2009	(1,940,622)	28,251,137	26,310,515
2010	55,726,634	16,702,716	72,429,350
2011	78,574,927	18,462,087	97,037,014
2012	42,249,034	14,667,768	56,916,802
2013	62,205,177	13,136,932	75,342,109
2014	58,264,808	13,431,458	71,696,266
2015	48,593,917	12,314,487	60,908,404
<b>Total</b>	<b>652,845,420</b>	<b>207,996,151</b>	<b>860,821,571</b>



# State Treasury Historical Information

Year Ending June 30, 2015

FINANCIAL INFORMATION					
	2015	2014	2013	2012	2011
General Fund Net Cash Balance	189,981,426	481,038,762	486,890,468	378,551,580	152,721,301
Special Funds Net Cash Balance	3,131,993,964	2,713,553,391	2,610,733,801	2,692,632,032	2,913,426,195
Education Enhancement Funds Net Cash Balance	35,631,729	54,730,720	57,627,705	74,070,913	28,620,246
Clearing Funds Net Cash Balance	-	260,154,527	258,604,081	140,079,886	134,116,903
Total General, Special, Education Enhancement and Clearing Funds	3,357,607,119	3,509,477,400	3,413,856,055	3,285,334,411	3,228,884,645
Special Funds Investment Balances	543,394,439	525,693,187	517,323,535	568,212,768	568,149,845
BALANCE IN THE STATE TREASURY NET OF OUTSTANDING WARRANTS	3,901,001,558	4,035,170,587	3,931,179,590	3,853,547,179	3,797,034,490
Interest Revenue on General, Special, Education Enhancement & Clearing Funds	12,314,487	13,431,458	13,136,932	14,667,768	18,462,087
Interest Revenue on Special Funds Investment Balances	48,593,917	58,264,808	62,205,177	42,249,034	78,574,927
TOTAL INTEREST REVENUE	60,908,404	71,696,266	75,342,109	56,916,802	97,037,014
<b>BONDED INDEBTEDNESS</b>					
General Obligation Bonds:					
Net Direct General Obligation Bonds	4,185,105,000	4,142,675,000	4,055,890,000	4,130,470,000	3,778,535,000
Self-Supporting General Obligation Bonds with Specific Revenue Pledges	0	0	0	995,000	1,955,000
Total General Obligation Bonds	4,185,105,000	4,142,675,000	4,055,890,000	4,131,465,000	3,780,490,000
Revenue Bonds	0	0	0	0	0
TOTAL BONDED INDEBTEDNESS	4,185,105,000	4,142,675,000	4,055,890,000	4,131,465,000	3,780,490,000

# Notes to the Annual Report of the Treasurer

Significant accounting policies applicable to the State Treasurer are described below:

- A. Basis of Accounting- The accompanying Financial Statements of the State Treasurer have been prepared on the cash basis of accounting for the reporting period July 1, 2014 through June 30, 2015. The Treasury's policy is to record receipts when deposited with the Treasurer's Office and disbursements when state warrants are presented to the Treasurer's Office for redemption.
- B. Fund Accounting- The financial activities of the state are recorded in individual funds that are used to observe the restrictions placed on resources and expenditures and to report the financial position of these funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Individual funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or statutory limitations.





The background of the entire page is a large, semi-transparent red seal. The seal features an eagle with its wings spread, perched on a shield. Above the eagle, the words "STATE OF MISSISSIPPI" are written in a circular arc. Below the eagle, the word "TREASURY" is written in a circular arc. The eagle's chest is covered by a shield with a sunburst design.

# Fiscal Year 2015 Annual Report

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