

Fiscal Year 2013
**Annual
Report**

OFFICE OF THE STATE TREASURER

Lynn Fitch, State Treasurer

This report is available in its entirety online.
treasurerlynnfitch.com



Employees of the Treasurer's Office select a staff volunteer project each year. For Fiscal Year 2013, the organization chosen was The Mustard Seed in Brandon, a non-profit center that seeks to meet the spiritual, physical, emotional, and intellectual needs of adults with developmental disabilities. Many of the photos in this report feature Seedsters and their ceramic artwork.

Fiscal Year 2013 Annual Report

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Dear Fellow Mississippians,

I am honored to submit the Annual Report of the Office of the State Treasurer for the fiscal year ended June 30, 2013, in compliance with Article 4, Section 115 of the Mississippi Constitution. This report is a record of the commitment we share to secure and invest the financial trust for the State of Mississippi.

Our state and nation faced continuing economic challenges in 2013. Mississippi Economist Darrin Webb believes our state is looking at a slow growth economy with employment levels seeing a possible fifth year of decline. With these risks remaining and the economy still weak by historical standards, my office is committed to being credible and trustworthy stewards of the state trust, 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.

Despite the financial challenges, the Office of the State Treasurer undertook many outstanding actions the past 12 months. Not only did these cumulative actions help save the taxpayers millions, they enabled the office to put millions back into the state economy.

The Unclaimed Property Division paid 5,309 claims and returned \$8.1 million dollars to the rightful owners. The Bond Division converted and restructured more than \$217 million dollars in Variable Rate Bonds, achieving Debt Service savings of \$15.1 million in taxpayer dollars.

Our team met with the ratings agencies in Mississippi updating them on the financial condition of the state and highlighting our economic growth. Once again, Mississippi maintained its good credit rating from Moody's,

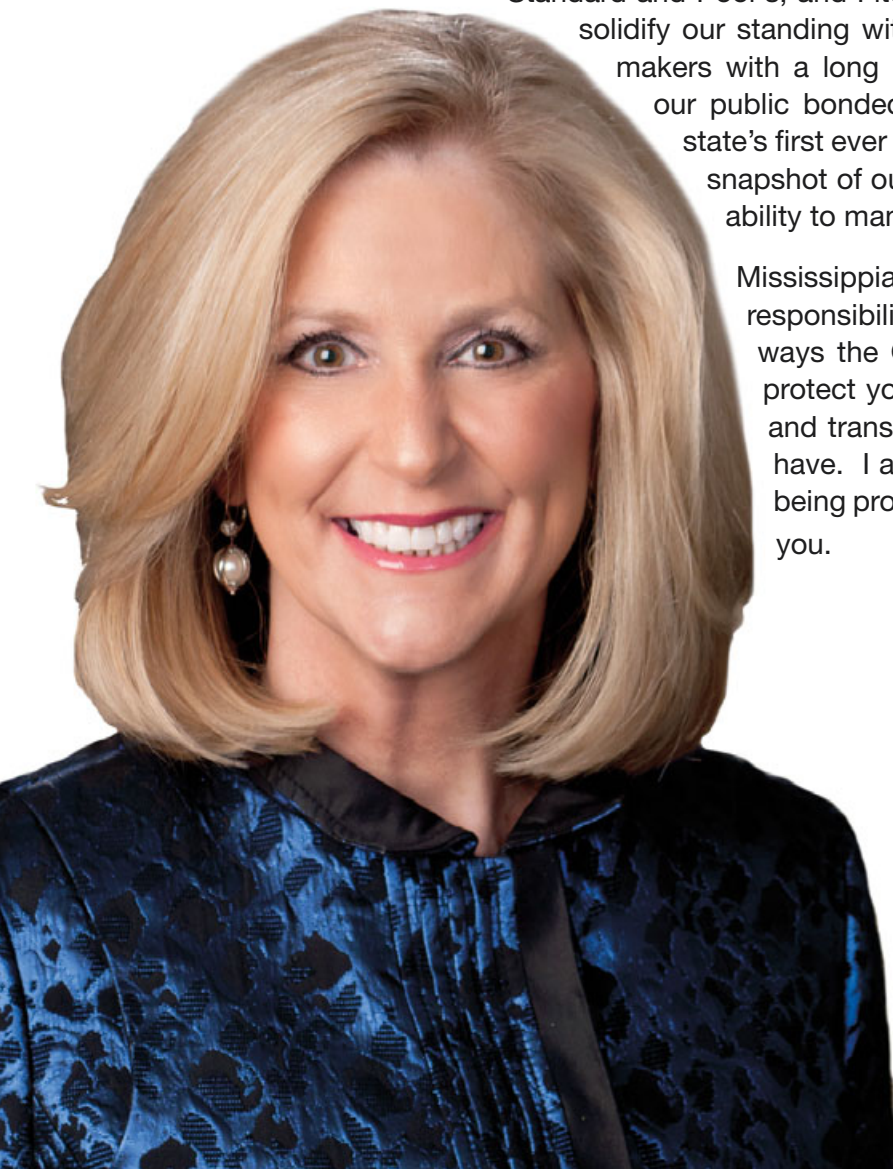
Standard and Poor's, and Fitch this fiscal year with ratings (Aa2/AA/AA+). To solidify our standing with the rating agencies, and to provide decision-makers with a long range planning tool for managing and lowering our public bonded indebtedness, our office began preparing the state's first ever Debt Affordability Study. The Study will provide a snapshot of our debt through 2013 and will forecast the state's ability to manage that debt in a prudent way.

Mississippians deserve strong leadership and fiscal responsibility. Our 2013 Annual Report outlines some of the ways the Office of the State Treasurer is working hard to protect your tax dollars, ensuring efficiency, accountability and transparency. These are values my office will always have. I am proud of our efforts and of the results that are being produced. It is truly an honor and a privilege to serve you.

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, as the first Republican woman to hold that office, and as only the second female Treasurer in Mississippi history.

Lynn was raised in Holly Springs, Marshall County, Mississippi. She attended the University of Mississippi in Oxford, where she earned both a Bachelor of Business Administration and a Juris Doctorate. After graduation, at the age of 23, Lynn began practicing law as a Special Assistant Attorney General with the Mississippi Attorney General's Office representing financial and economic development state agencies. She also was 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 MSPB, Lynn served as Deputy Executive Director of External Affairs at the Mississippi Department of Employment Security. Lynn has served as Counsel for the Mississippi House of Representatives Ways and Means and Local and Private Legislation Committees.

Treasurer Fitch has accomplished a great deal in her first two years in office. She has returned over \$28 million in Unclaimed Property to its rightful owners. She saved Mississippi taxpayers \$33 million by refinancing state bonds. Lynn has also made it her mission to improve financial literacy in our state in order to create a stronger and better skilled workforce. To achieve that goal, Lynn leads the Treasurer's Education About Money (TEAM) Initiative, mobilizing educators and community partners to enhance the personal finance curriculum in every high school in the state.

As the state's Chief Financial Officer, Treasurer Fitch serves on numerous boards and commissions including the State Bond Commission and the Public Employees Retirement System of Mississippi, among others. She has also been recognized for her philanthropy, serving on the boards of several non-profits including Goodwill Industries, Red Cross of Greater Jackson Area and The Juvenile Diabetes Research Foundation.

Lynn attended Harvard's Business School of Management and Leadership Program. She has also been active in several professional associations including The National Association of State Treasurers, the State Financial Officers Foundation and The Mississippi Bar Association. In 2012, The Mississippi Commission on the Status of Women commended her for outstanding leadership. The Mississippi Women Lawyers Association selected Lynn as the Outstanding Woman Lawyer of 2012. She was also recognized as a Woman Trailblazer by the Mississippi Bar Association. Mississippi Business Journal named Lynn as one of Mississippi's Top 10 Business Women in 2010. She is also proud to have been named a Woman of Distinction by the Girl Scouts of Greater Mississippi in 2013.

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



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;
- to account for and invest trust funds in the custody of the Treasurer;
- to account for and disburse funds for scheduled payments on bonded indebtedness;
- to prepare all reports and maintain all records required by the Federal Tax Reform Act for calculating any required arbitrage rebate;
- to distribute proportionate tax revenues to counties, cities, and other taxing districts of the state;
- to 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;
- to provide a cash flow projection for the timing of receipts and disbursements;
- to identify and recommend to other state agencies the use of cash management techniques which speed collection and increase earnings on investment balances;
- to 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;
- to act as custodian of unclaimed property reported to the Treasurer and attempt to locate the rightful owners so that they may claim their property;
- to serve as Treasurer to the Mississippi Employment Security Commission;
- to ensure that all state deposits in approved depository institutions are collateralized at 105% of the deposit balance according to statute;
- to serve as custodian for securities pledged to the state and its agencies;
- to annually approve and issue a commission to all financial institutions serving as depositories for state funds;
- to process and pay all warrants issued by the state in payment of its obligations;
- to 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 to 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	Thad B. Lampton	1902-1904
Peter Schuyler	1818-1821	William Jones Miller	1904-1908
Samuel C. Wooldridge	1821-1828	George Robert Edwards	1908-1912
James Phillips, Jr.	1828-1836	Peter Simpson Stovall	1912-1916
Charles C. Mayson	1836-1838	John Peroutt Taylor	1916-1920
James Phillips, Jr.	1838-1838	Larkin Seyomer Rodgers	1920-1920
J. A. Vanhoesen	1838-1839	William Moseley Murry	1920-1924
Silas Bowen	1839-1839	Ben Shem Lowry	1924-1928
S. Craig	1839-1839	Webb Walley	1928-1932
James G. Williams	1839-1839	Lewis S. May	1932-1936
Joshua S. Curtis	1840-1841	Newton James	1936-1940
Richard S. Graves	1841-1843	Lewis S. May	1940-1944
William Clark	1843-1847	Newton James	1944-1948
Richard Griffith	1847-1851	R. W. May	1948-1952
William Clark	1851-1854	Newton James	1952-1956
Shields L. Hussey	1854-1860	Robert D. Morrow, Sr.	1956-1960
M. D. Haynes	1860-1865	Evelyn Gandy	1960-1964
W. B. Weaver	1865-1865	William Winter	1964-1968
John H. Echols	1865-1869	Evelyn Gandy	1968-1972
William H. Vassar	1869-1874	Brad Dye	1972-1976
G. H. Holland	1874-1875	Ed Pittman	1976-1980
M. L. Holland	1875-1875	John L. Dale	1980-1980
William L. Hemingway	1875-1890	Bill Cole III	1980-1988
J. J. Evans	1890-1896	Marshall Bennett	1988-2003
A. Q. May	1896-1900	Peyton Prospere	2003-2004
J. R. Stowers	1900-1901	Tate Reeves	2004-2012
George W. Carlisle	1901-1902		

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 2013 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, preservation of history, 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.

The College Savings Plans of Mississippi Board

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

The Mississippi Prepaid Affordable College Tuition (MPACT) program began its sixteenth full year of operation in fiscal year 2013, and is administered by the Office of the State Treasurer. In FY2013, enrollment in the MPACT Program was deferred while the Board of Directors evaluated the long-term sustainability of the program. A first-ever actuarial audit was performed confirming that MPACT faced a significant funding

shortfall and had many areas in which risks and assumptions were not reflected in prior pricing. The MPACT program remains backed by the full faith and credit of the State, and the Board of Directors worked diligently in FY2013 to evaluate how best to manage the program for the future.



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

During FY2000, the Legislature approved the MACS (Mississippi Affordable College Savings) program as a complementary program to MPACT. The MACS program opened for enrollment in March 2001. TIAA-CREF Tuition Financing, Inc., an affiliate of the Teachers Insurance and Annuity Association College Retirement Equity Fund (TIAA-CREF) manages the MACS Program. During FY2013, the MACS program accounts reached a total enrollment of 12,255 children. The MACS fund holds \$157.6 million dollars in assets.

Mississippi Health Care Trust Fund

The Treasurer serves as Chairman of the 13-member Board of the Mississippi Health Care Trust Fund, established by the 1999 Mississippi Legislature. The board oversees the investments of the trust fund totaling \$28.1 million dollars.

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 (5) representatives from licensed insurance companies and three (3) representatives of insurance agencies (2) from the coastal area and 1 non-coastal along with two (2) 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



Excel by 5 (an early childhood learning non-profit) will be headquartered in the historic Canton Courthouse.

of 2,116 new public prison beds and 2,000 beds in privately managed facilities. 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 Economic Development Strategic Planning Task Force

Created by the Legislature in 1989, the purpose of the task force was to develop and implement a long-term strategic plan to revitalize the state's economy and prepare Mississippi for competition in the global market. The Treasurer sits on the board with a group of leaders from the public and private sectors. The first task force approved plan was presented to the state legislature in 1990. The plan, known as Seizing the Future: A Commitment to Competitiveness, began the process of implementing a strategic, comprehensive statewide economic development plan. In addition, the Governor formed a broad-based group, Momentum Mississippi, that effectively functions as the long range economic development organization for the state.

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 PERS, including the investment of all System funds according to legislated authority. PERS active members total more than 160,805 and work in public schools, state government, universities, community colleges, municipalities, counties, highway patrol, legislature and other public entities.

In absolute terms, the investment results for fiscal year 2013 produced a total fund return of 13.4%. PERS has shown an annualized rate of return of 5.6% for the past 5 years. System net assets increased from \$20.2 billion dollars to \$22.0 billion dollars based on market value through cash flow and investment performance.

For the 2013 fiscal year, domestic, non-U.S., and global equities had returns of 22.9%, 14.2% and

17.7%, respectively, compared to PERS benchmark returns of 21.5% for domestic equities, 14.1% for non-U.S. equities and 17.2% for global equities. PERS' debt securities returned 0.6% compared with -0.7% return of the Barclays Capital Aggregate Bond Index. Real Estate investments experienced returns of 11.9% for the year end as compared with PERS' benchmarks which returned 14.3%, 10.8% and 10.2%. Private Equity investments had a return of 10.6% compared to the PERS benchmark return of 11.1%. The total return of 13.4% compares favorably with PERS' Total Fund Benchmark of 11.5%.

The board of trustees and 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, in expanding existing businesses, and to position the state as an aggressive competitor in the global market.



The MBFC provided bond financing to the Ole Miss Athletics Association for a basketball arena and parking garage.

MBFC serves as a comprehensive financing source, allowing companies locating or expanding in Mississippi to review certain financing and incentive alternatives through the corporation. 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 Treasurer is a member of 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 dollars 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 Torts Claims Board

The Treasurer serves as a member of the Tort Claims Board, which 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 depositories commissioned under Section 27-105-5(2) to be administered by a Guaranty Pool Board and the State Treasurer. The purpose of the 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.



Del Harrington, Community Relations Director at the Mustard Seed, was proud to show off original works by Seedsters.



The Mustard Seed is busy at Christmas so assistance from Treasury staff members was welcomed.

Executive Team

The Executive Team provides direct support to the Treasurer in the execution of her wide reaching Constitutional responsibilities.



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 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. 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's degree 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.



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.



Thomas Bounds Director of Information Technology

Thomas Bounds is a graduate of the University of Southern Mississippi. He has over 40 years of experience in the public and private sectors, many of those spent in the beef and poultry processing industries and the rural health care sector. Thomas returned to state government as the Director of Information Technology and has been in that position for the past 13 years. He and his wife Jean have two sons and five grandchildren.



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 working in New York as an equity trader, a portfolio analyst, and later moving into public accounting. He joined the Office of the State Treasurer five years ago. He and his wife Shannon have two children:



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.



Claire Whittington Director of College Savings Mississippi

Claire Whittington began her career at the Office of the State Treasurer in 2006 as a Marketing Specialist for College Savings Mississippi. In 2012, she was named Director and has helped develop the programs with a variety of new policies and strategies. She graduated Magna Cum Laude from Mississippi College. Claire and her husband Jason live in Brandon.



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 5-Year Debt Affordability Study (a plan that was

first created in 2013 to assist the Legislature and State Bond Commission to carefully and prudently manage our debt program).

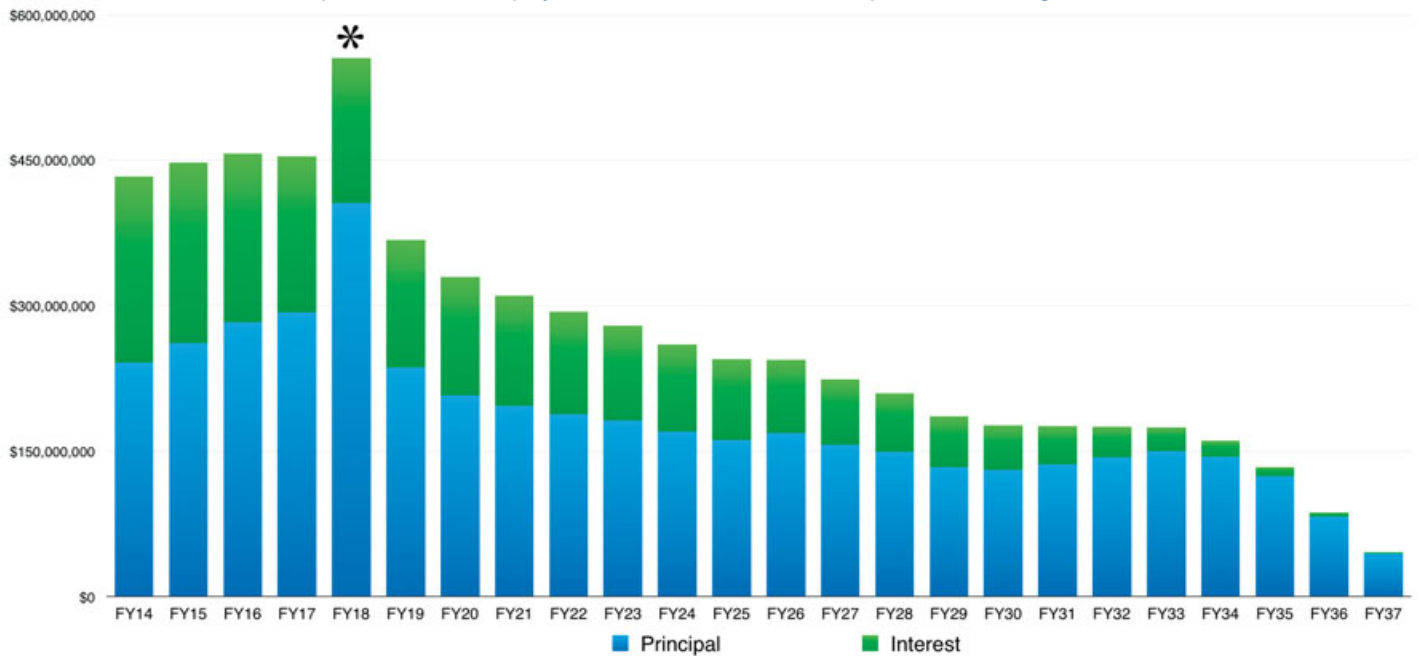
The Bond Division also monitors the investment earnings on the gross proceeds of all federally tax-exempt bonds issued by the State (defined as "arbitrage"). U.S. Treasury regulations limit the yield at which proceeds on bond issues can be invested. These excess earnings are realized when bonds are sold 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 & Notes	Self-Supporting General Obligation & Revenue Bonds	Total Bond Indebtedness
2000	2,030,086,000	238,687,000	2,268,773,000
2001	2,434,252,000	216,095,000	2,650,347,000
2002	2,670,148,000	196,670,000	2,866,818,000
2003	2,823,654,000	181,815,000	3,005,469,000
2004	2,956,490,000	156,360,000	3,112,850,000
2005	2,934,090,000	131,950,000	3,066,040,000
2006	2,987,335,000	106,925,000	3,094,260,000
2007	3,158,200,000	81,950,000	3,240,150,000
2008	3,084,125,000	79,315,000	3,163,440,000
2009	3,422,840,000	3,790,000	3,426,630,000
2010	3,485,982,000	2,885,000	3,488,867,000
2011	3,784,525,000	1,955,000	3,786,480,000
2012	4,130,470,000	995,000	4,131,465,000
2013	4,055,890,000	0	4,055,890,000

* as of June 30, 2013

Debt Service Payments

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



* 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 FY2013

During fiscal year 2013, the State of Mississippi issued the following:

\$57,120,000 Taxable General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012A

These bonds were issued for the purpose of converting the unhedged portion of the \$140,000,000 (original principal amount) State of Mississippi Taxable Variable Rate General Obligation Bonds (Nissan North America, Inc. Project), Series 2003A from a weekly interest rate to fixed interest rates through a current refunding of the 2003A Nissan Bonds.

\$43,900,000 General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012B

These bonds were issued for the purpose of converting the unhedged portion of the \$83,500,000 (original principal amount) State of Mississippi General Obligation Bonds (Nissan North America, Inc. Project), Series 2003C (Variable Rate Securities) from

a weekly interest rate to fixed interest rates through a current refunding of the 2003C Nissan Bonds that are presently outstanding.

\$100,490,000 Taxable General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012C (LIBOR Index)

These bonds were issued for the purpose of effecting the conversion of the 2003 Refunded Swap Bonds (consisting of the hedged portion of the Taxable Series 2003A and Series 2003B Nissan North America, Inc. Project Bonds) from a weekly interest rate to a LIBOR Index interest rate by currently refunding the 2003 Refunded Swap Bonds. The Series 2012C Bonds will bear interest at a per annum rate equal to 100% of one month LIBOR plus .70% for the Initial Interest Period, reset monthly for each Interest Reset Period commencing on or after September 1, 2012. One month LIBOR will be determined by the Calculation Agent. The Series 2012C Bonds will mature on November 1, 2017.

\$78,625,000 General Obligation Refunding Bonds (Capital Improvements Projects), Series 2012D (SIFMA Index)

These bonds were issued for the purpose of effecting the conversion of the Refunded Capital Improvements Bonds (consisting of the hedged Series 2005 and Series 2007 Capital Improvements Bonds) from a weekly interest rate to an Adjusted SIFMA Rate by currently refunding the Refunded Capital Improvements Bonds. The Series 2012D Bonds will bear interest at the Adjusted SIFMA Rate (the SIFMA Rate plus .53% for the initial Adjusted SIFMA Rate). Except for the initial Adjusted SIFMA Rate, the Adjusted SIFMA Rate will be determined by the Calculation Agent. The Series 2012D Bonds will mature on September 1, 2017.

\$71,985,000 Taxable General Obligation Refunding Bonds, Series 2012E

The Series 2012E Bonds were issued for the purpose of advance refunding and defeasing the following Taxable Refunding Bonds: \$97,070,000 (original principal amount) State of Mississippi Taxable General Obligation Bonds (Local Governments Capital Improvements, 2004 Shipyard Improvements, Development Infrastructure Improvements, Small Municipalities Grant Program, Emerging Crops Fund, Major Economic Program, Rural Impact Program, Business Incubator Program, Existing Industry Program, Job Protection, ACE Fund, Museum Program, Children's Museum Program, 2004-2005 IHL Improvements and Series 2005D Refunding Projects), dated as of December 1, 2005.

\$171,860,000 General Obligation Refunding Bonds, Series 2012F (Tax-Exempt)

The Series 2012F Bonds were issued for the purpose of advance refunding and defeasing the following Tax-Exempt Refunded Bonds: \$150,235,000 (original principal amount) State of Mississippi General Obligation Bonds (Watershed Repair and Rehabilitation Cost-Share Program, Moon Lake State Park, Public Libraries Capital Improvements, DFA Projects, Local System Bridge Replacement and the Rehabilitation Fund, the Rural Fire Truck Act

and Refunding Series 2005C Notes Projects), Series 2005, dated as of December 1, 2005; \$167,315,000 (original principal amount) State of Mississippi General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B.B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt) Project), Series 2006D, dated as of November 1, 2006; \$299,020,000 (original principal amount) State of Mississippi General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated December 1, 2007.

\$39,740,000 Taxable General Obligation Bonds, Series 2012G

The Series 2012G Bonds were issued for the purpose of providing funds for the following: Existing Industry Program, ACE Fund, Rural Impact Program, Economic Development Highway Program, Sustainable Energy Program, Railroad Improvement Fund, MDA Workforce Training, 2011 IHL and State Agencies Capital Improvements Act and 2011 Community and Junior Colleges Capital Improvements Act.

\$136,680,000 General Obligation Bonds, Series 2012H (Tax-Exempt)

The Series 2012H Bonds were issued for the purpose of providing funds for the following: 2010 IHL and State Agencies Capital Improvements Act, 2010 Bureau of Building State-Owned Buildings Discretionary Act, 2011 Community and Junior Colleges Capital Improvements Act, 2011 IHL and State Agencies Capital Improvements Act, 2011 Bureau of Building State-Owned Buildings Discretionary Act, Marine Resources Equipment and Facilities Act, State Highway Bridge Rehabilitation Act and Vision 21 High Priority Projects Act.

Collateral

The Office of the State Treasurer's Collateral Division ensures the protection of state funds deposited by agencies 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 their 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 Statewide Automated Accounting System (SAAS) 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 Treasury from the Department of Finance and Administration and the daily reconciliation of the cash balance in the State Treasury to SAAS.

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.

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.

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.

Information Technology

The Information Technology (IT) Division builds, plans, programs, manages and supports all the IT systems and technology that are used by the Office of the State Treasurer. These systems run programs developed in-house in conjunction with commercially developed software, providing the agency with highly customized applications that also interface with other agencies, banks, and other financial institutions as required.

The IT Division supports the computer resources necessary to accomplish the mission of the Office of the State Treasurer. These resources include a Local Area Network (LAN), seventeen Windows 2008 servers, two dedicated UNIX servers running in a virtual environment, PCs in each division, and access to the state computer center. The mission critical information systems include the Portfolio Management System, the Unclaimed Property System, the Collateral/Securities System, the Mississippi Prepaid Affordable College Tuition System, and the Warrant Reconciliation and Daily Cash Balancing System. Support also includes configuring network access, setting up and making changes to existing workstations, and assigning access rights at various levels to key personnel and making sure there is a disaster recovery backup 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) programs exist to encourage parents and grandparents to save for their children's college expenses.

Both plans allow tax-free investments as you save for college, and qualified withdrawals for higher education expenses are federal and state income tax-free. Account owners also qualify for up to a \$20,000 Mississippi State income tax deduction. Funds can be used at eligible schools nationwide.

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. MACS enrollment increased 33% during the period in which MPACT was closed.

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

Unclaimed Property

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

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

The Unclaimed Property Division is charged with trying to locate the rightful owners of such assets.

Since 1982, approximately \$136 million dollars has been returned to the rightful owners.

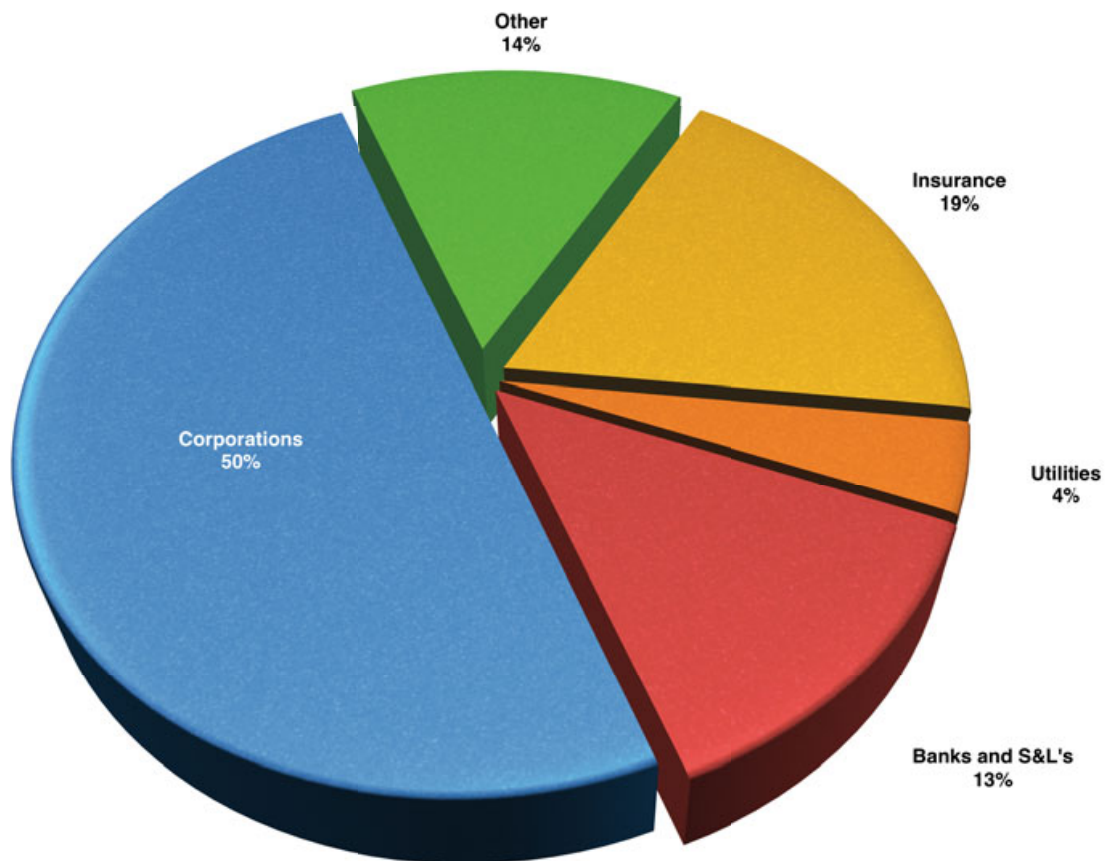
In FY2013, the Office of the State Treasurer paid 5,309 claims totaling \$8.1 million dollars. Property receipts of \$23.1 million dollars were recorded in FY2012. The cash balance in the fund at the end of FY2013 was \$65 million dollars while the total value of properties held is \$188.3 million dollars.

In some cases, the owner dies and the heirs have no knowledge of the property. Approximately one in five people in the state has unclaimed assets.

Property often becomes lost due to a company having no communication with the rightful owner. You should contact institutions that hold your money or property every year, especially when there is an address change or change in marital status.

For security reasons, most financial institutions do not forward mail. Keep accurate financial records and record all insurance policies, bank account numbers with bank names and addresses, types of accounts, stock certificates, and rent and utility deposits.

Graph II
FY 2013- Sources of Unclaimed Property



Graph III
Unclaimed Property Receipts & Charts(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 MISS. 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 United States Treasury obligations, United States Government agency obligations, United States Government instrumentalities or United States Government sponsored enterprise obligations), direct United States Treasury obligations, United States Government agency obligations, United States Government instrumentalities or United States Government sponsored enterprise 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 United States of America, United States government sponsored enterprise obligations and to repurchase agreements fully collateralized by the above-listed securities.

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

Tables IV through XI on the next two pages 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 previously issued Bond Fund investments and 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 Fund, and the Tort Claims Fund, are reflected in the Cash/Cash Equivalent sector of their tables to more accurately report the balances of those funds.

Summary of State Investment Holdings

Market Value as of June 30, 2013

Table IV - General Fund/Special Fund Portfolio

General Fund Portfolio	
Demand Deposits	\$215,734,592
Interest-Bearing Demand Deposits	\$452,300,000
Certificates of Deposit	\$159,528,000
U.S. Government Treasury Obligations	\$320,455,250
U.S. Government Agency Obligations	\$1,868,824,394
Mortgage-Backed Securities	\$422,664,369
Total Investment Portfolio	\$3,439,506,605
Special Fund Portfolio	
Interest-Bearing Demand Deposits	\$7,710,000
Total Investment Portfolio	\$7,710,000
Total General Fund/Special Fund Investments	\$3,447,216,605

Table V - Mississippi Education Improvement Trust Fund

Accrued Interest	\$291,653
Cash/Cash Equivalents	\$489,890
Fixed Income	\$46,938,029
Total Education Improvement Trust Fund	\$47,719,572

Table VI - Mississippi Working Cash Stabilization Reserve Fund (Rainy Day Fund)

Accrued Interest	\$51,278
Cash/Cash Equivalents	\$27,423,203
Fixed Income	\$20,517,404
Total Working Cash Stabilization Reserve Fund	\$47,991,885

Table VII - Mississippi Health Care Trust Fund (HCTF)

Accrued Interest	\$48,722
Cash/Cash Equivalents	\$8,159,025
Domestic Equities	\$0
International Equities	\$0
Real Estate (Timberland)	\$17,900,068
Total Health Care Trust Fund (HCTF)	\$26,107,865
Mississippi Health Care Expendable Fund (HCEF)	
Cash/Cash Equivalents	\$1,956,777
Total Health Care Expendable Fund (HCEF)	\$1,956,777
Total HCTF & HCEF	\$28,064,642

Table VIII - Mississippi Prepaid Affordable College Tuition (MPACT) Fund

Accrued Interest	\$990,340
Cash/Cash Equivalents	\$18,597,293
Fixed Income	\$61,318,747
Domestic Equities	\$173,057,951
International Equities	\$35,844,695
Real Estate (Timberland)	\$5,999,116
Total MPACT Fund	\$295,808,142

Table IX - Mississippi Affordable College Savings Program (MACS)

Assorted Mutual Funds	\$157,594,490
Total MACS Program	\$157,594,490

Table X - Mississippi Workers' Compensation Fund

Accrued Interest	\$128,948
Cash/Cash Equivalents	\$4,511,533
Fixed Income	\$24,322,879
Total Workers' Compensation Fund	\$28,963,360

Table XI - Mississippi Tort Claims Fund

Accrued Interest	\$35,737
Cash/Cash Equivalents	\$533,518
Fixed Income	\$12,332,843
Total Tort Claims Fund	\$12,902,098

Interest Earnings

The Office of the State Treasurer earned \$75 million dollars on all state funds in FY2013. Over the last eleven years, the State Treasurer has earned approximately \$912 million in interest on state funds. Graph I illustrates the historical interest earnings on state funds as well as the distribution of those earnings between Special Funds and General Funds. Table XII provides the underlying data on interest earnings.

Graph I
State of Mississippi Earnings

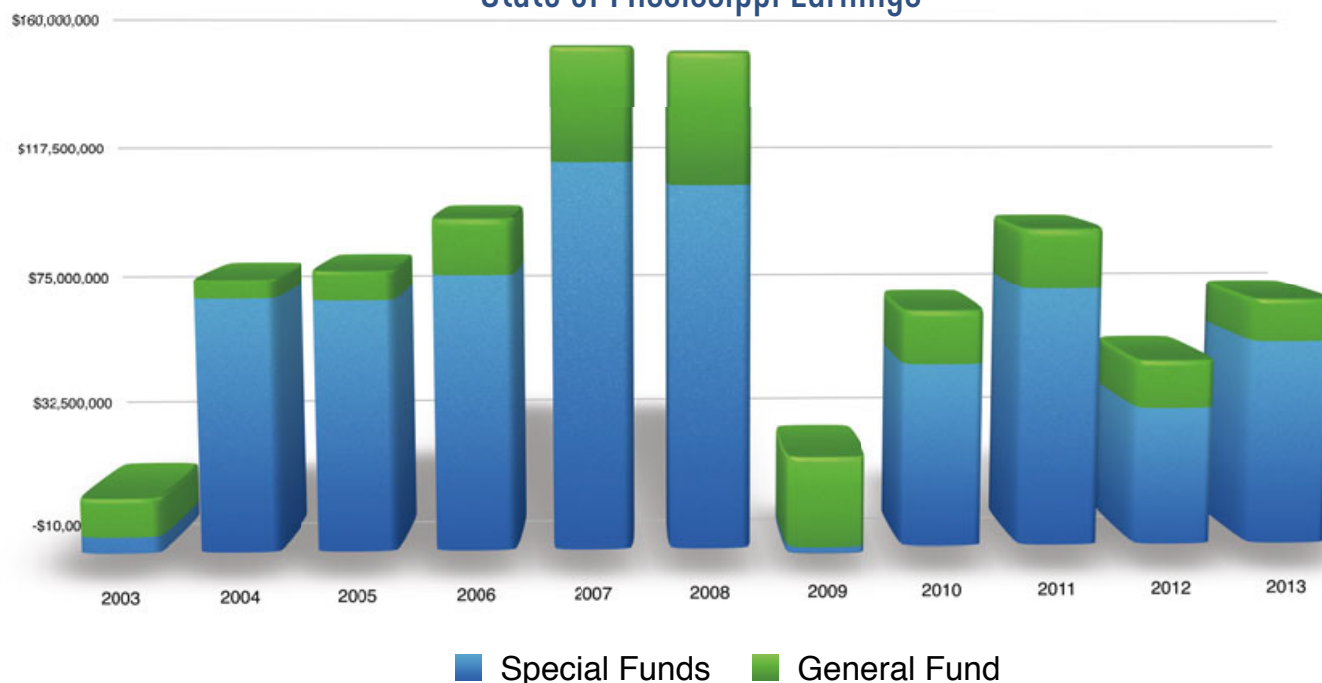


Table XII
Historical Interest Earned

FY	Special Funds	General Fund	Total Earnings
2003	4,624,944	12,075,431	16,700,375
2004	76,460,471	5,847,512	82,307,983
2005	75,767,254	9,143,390	84,910,644
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
Total	702,839,364	209,296,539	912,135,903

Summary of General, Special, Education Enhancement and Clearing Funds

Year Ending June 30, 2013

GENERAL FUND

Net Cash Balance at June 30, 2012	378,551,580
Add: Outstanding Warrants at June 30, 2012	8,268,157
Prior Year Adjustments	(251,071,335)
Adjusted Cash Balance at July 1, 2012	135,748,402
Add: Receipts	5,124,018,291
Less: Disbursements	4,766,470,446
Cash Balance at June 30, 2013	493,296,247
Less: Outstanding Warrants at June 30, 2013	6,405,779
General Fund Net Cash Balance at June 30, 2013	486,890,468

SPECIAL FUNDS

Net Cash Balance at June 30, 2012	2,692,632,032
Add: Outstanding Warrants at June 30, 2012	52,755,432
Prior Year Adjustments	251,330,236
Adjusted Cash Balance at July 1, 2012	2,996,717,700
Add: Receipts	12,438,789,025
Less: Disbursements	12,775,202,984
Cash Balance at June 30, 2013	2,660,303,741
Less: Outstanding Warrants at June 30, 2013	49,569,940
Special Funds Net Cash Balance at June 30, 2012	2,610,733,801

EDUCATION ENHANCEMENT FUNDS

Net Cash Balance at June 30, 2012	74,070,913
Add: Outstanding Warrants at June 30, 2012	33,739
Prior Year Adjustments	(731,921)
Adjusted Cash Balance at July 1, 2012	73,372,731
Add: Receipts	346,651,095
Less: Disbursements	362,378,616
Cash Balance at June 30, 2013	57,645,210
Less: Outstanding Warrants at June 30, 2013	17,505
Education Enhancement Funds Net Cash Balance at June 30, 2013	57,627,705

CLEARING FUNDS

Net Cash Balance at June 30, 2012	140,079,886
Add: Outstanding Warrants at June 30, 2012	519
Adjusted Cash Balance at July 1, 2012	140,080,405
Add: Receipts	118,563,796
Less: Disbursements	36,990
Cash Balance at June 30, 2013	258,607,211
Less: Outstanding Warrants at June 30, 2013	3,130
Clearing Funds Net Cash Balance at June 30, 2013	258,604,081

RECAP OF ALL FUNDS

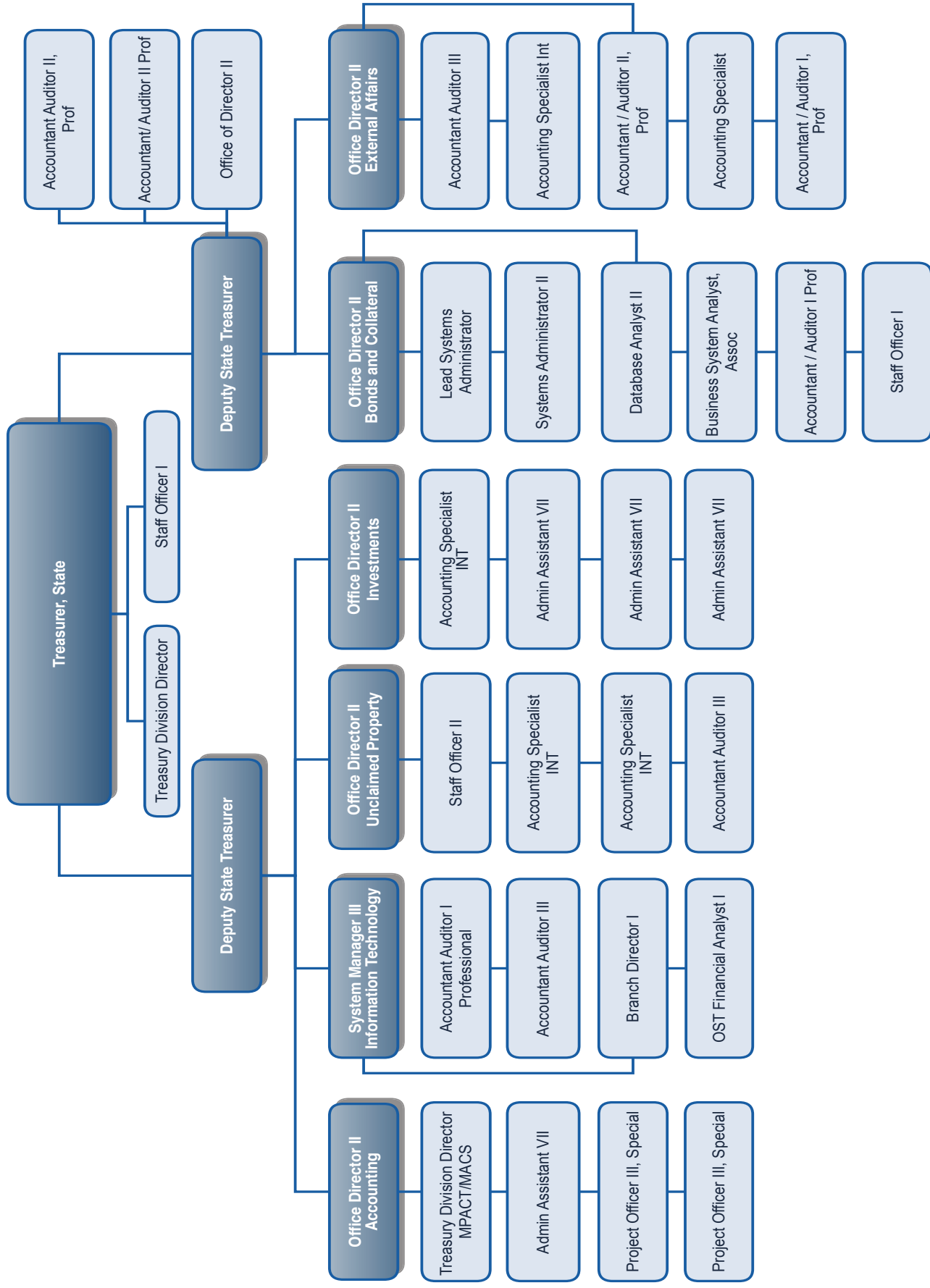
Net Cash Balance at June 30, 2012	3,285,334,411
Add: Outstanding Warrants at June 30, 2012	61,057,847
Prior Year Adjustments	(473,020)
Adjusted Cash Balance at July 1, 2012	3,345,919,238
Add: Receipts	18,028,022,207
Less: Disbursements	17,904,089,036
Cash Balance at June 30, 2013	3,469,852,409
Less: Outstanding Warrants at June 30, 2013	55,996,354
General, Special, Education Enhancement & Clearing Funds Net Cash Balance at June 30, 2013	3,413,856,055

State Treasury Historical Information

Year Ending June 30

FINANCIAL INFORMATION		2013	2012	2011	2010	2009
General Fund Net Cash Balance		486,890,468	378,551,580	152,721,301	101,041,160	19,125,065
Special Funds Net Cash Balance		2,610,733,801	2,692,632,032	2,913,426,195	2,450,787,624	2,547,678,824
Education Enhancement Funds Net Cash Balance		57,627,705	74,070,913	28,620,246	35,358,344	27,401,638
Clearing Funds Net Cash Balance		258,604,081	140,079,886	134,116,903	128,997,759	121,513,795
Total General, Special, Education Enhancement and Clearing Funds		3,413,856,055	3,285,334,411	3,228,884,645	2,716,184,887	2,715,719,322
Special Funds Investment Balances		517,323,535	568,212,768	568,149,845	616,834,256	605,405,969
BALANCE IN THE STATE TREASURY NET OF OUTSTANDING WARRANTS		3,931,179,590	3,853,547,179	3,797,034,490	3,333,019,143	3,321,125,291
Interest Revenue on General, Special, Education Enhancement & Clearing Funds		13,136,932	14,667,768	18,462,087	16,702,716	28,251,167
Interest Revenue on Special Funds Investment Balances		62,205,177	42,249,034	78,574,927	55,726,634	-1,940,622
TOTAL INTEREST REVENUE		75,342,109	56,916,802	97,037,014	72,429,350	26,310,545
BONDED INDEBTEDNESS						
General Obligation Bonds:						
Net Direct General Obligation Bonds	4,055,890,000		4,130,470,000	3,778,535,000	3,485,982,000	3,422,830,000
Self-Supporting General Obligation Bonds with Specific Revenue Pledges	0		995,000	1,955,000	2,885,000	3,790,000
Total General Obligation Bonds	4,055,890,000		4,131,465,000	3,780,490,000	3,488,867,000	3,426,620,000
Revenue Bonds	0	0	0	0	0	0
TOTAL BONDED INDEBTEDNESS		4,055,890,000	4,131,465,000	3,780,490,000	3,488,867,000	3,426,620,000

Office Of The State Treasurer FY2013 Organizational Chart



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 Statement of the State Treasurer have been prepared on the cash basis of accounting for the reporting period July 1, 2012 through June 30, 2013. 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.



Fiscal Year 2013
**Annual
Report**

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