Mississippi Prepaid Affordable College Tuition Program

Independent Auditor’s Reports and Financial Statements

June 30, 2019

Mississippi Prepaid Affordable College Tuition Program

June 30, 2019

Contents

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Independent Auditor's Report

Board of Directors
College Savings Plans of Mississippi
Mississippi Prepaid Affordable College Tuition Program
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Mississippi Prepaid Affordable College Tuition Program (the Program) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Prepaid Affordable College Tuition Program as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, the financial statements of the Program are intended to present the financial position, the changes in financial position and cash flows only for the portion of the business-type activities of the State of Mississippi that is attributable to the transactions of the Program. They do not purport to, and do not present fairly, the financial position of the State of Mississippi as of June 30, 2019, and the changes in its financial position and cash flows for the year then ended, in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report of Summarized Comparative Information

We have previously audited the Program's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
December 3, 2019

Mississippi Prepaid Affordable College Tuition Program

Balance Sheet

June 30, 2019
(With Summarized Information for 2018)

	2019			
	3317000000 Trust Fund	3317100000 Administrative Fund	Total	2018 Total
Assets and Deferred Outflows of Resources				
Current assets				
Cash and cash equivalents	$ 11,286,815	$ 226,719	$ 11,513,534	$ 8,994,414
Due from transfer agent	37,929	-	37,929	-
Due from other funds	-	200,000	200,000	-
Interest and dividends receivable	268,991	-	268,991	468,763
Total current assets	11,593,735	426,719	12,020,454	9,463,177
Noncurrent assets				
Investment securities	302,710,362	-	302,710,362	314,840,093
Total noncurrent assets	302,710,362	-	302,710,362	314,840,093
Deferred outflows of resources	-	67,944	67,944	100,765
Total assets and deferred outflows of resources	$ 314,304,097	$ 494,663	$ 314,798,760	$ 324,404,035
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)				
Current liabilities				
Warrants payable	$ 285,790	$ 145,795	$ 431,585	$ 562,974
Accounts payable and accruals	592,020	190,929	782,949	391,212
Tuition benefits and expense payable	39,762,460	-	39,762,460	38,409,055
Total current liabilities	40,640,270	336,724	40,976,994	39,363,241
Long-term liabilities				
Tuition benefits and expense payable	378,042,704	-	378,042,704	396,501,205
Compensated absences	-	33,339	33,339	35,878
Net other postemployment benefits liability	-	48,659	48,659	50,172
Net pension liability	-	997,978	997,978	997,404
Total long-term liabilities	378,042,704	1,079,976	379,122,680	397,584,659
Total liabilities	418,682,974	1,416,700	420,099,674	436,947,900
Deferred inflows of resources	-	31,961	31,961	28,783
Net position (deficit)				
Unrestricted	(104,378,877)	(953,998)	(105,332,875)	(112,572,648)
Total liabilities, deferred inflows of resources and net position	$ 314,304,097	$ 494,663	$ 314,798,760	$ 324,404,035

Mississippi Prepaid Affordable College Tuition Program

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2019
(With Summarized Information for 2018)

	2019			
	3317000000 Trust Fund	3317100000 Administrative Fund	Total	2018 Total
Operating Revenues				
Contract income	$ 11,641,484	$ -	$ 11,641,484	$ 10,349,235
Total operating revenues	11,641,484	-	11,641,484	10,349,235
Operating Expenses				
Salaries and travel	-	548,584	548,584	659,222
Contractual services	-	1,221,512	1,221,512	1,227,727
Commodities and supplies	-	4,617	4,617	21,871
Tuition benefits and expense	13,052,008	-	13,052,008	16,381,655
Total operating expenses	13,052,008	1,774,713	14,826,721	18,290,475
Operating Loss	(1,410,524)	(1,774,713)	(3,185,237)	(7,941,240)
Nonoperating Revenues				
Net investment income	10,425,010	-	10,425,010	24,769,593
Transfers	(1,800,000)	1,800,000	-	-
Net other financing sources	8,625,010	1,800,000	10,425,010	24,769,593
Increase in Net Position	7,214,486	25,287	7,239,773	16,828,353
Net Position - Beginning of Year	(111,593,363)	(979,285)	(112,572,648)	(129,401,001)
Net Position - End of Year	$ (104,378,877)	$ (953,998)	$ (105,332,875)	$ (112,572,648)

Mississippi Prepaid Affordable College Tuition Program

Statement of Cash Flows

Year Ended June 30, 2019
(With Summarized Information for 2018)

	2019			
	3317000000 Trust Fund	3317100000 Administrative Fund	Total	2018 Total
Operating Activities				
Contract payments received	$ 11,641,484	$ -	$ 11,641,484	$ 10,349,235
Cash payments for tuition	(30,320,571)	-	(30,320,571)	(28,398,424)
Cash payments to suppliers for goods and services	-	(1,214,607)	(1,214,607)	(1,239,561)
Cash payments to employees for services	-	(505,580)	(505,580)	(517,243)
Net cash used in operating activities	(18,679,087)	(1,720,187)	(20,399,274)	(19,805,993)
Noncapital Financing Activities				
Operating transfers	(1,600,000)	1,600,000	-	-
Net cash provided by (used in) noncapital financing activities	(1,600,000)	1,600,000	-	-
Investing Activities				
Purchases of investments	(95,896,699)	-	(95,896,699)	(122,532,919)
Sales and maturities of investments	114,527,705	-	114,527,705	131,444,881
Net investment income received	4,287,388	-	4,287,388	3,829,946
Net cash provided by investing activities	22,918,394	-	22,918,394	12,741,908
Increase (Decrease) in Cash and Cash Equivalents	2,639,307	(120,187)	2,519,120	(7,064,085)
Cash and Cash Equivalents, Beginning of Year	8,647,508	346,906	8,994,414	16,058,499
Cash and Cash Equivalents, End of Year	$ 11,286,815	$ 226,719	$ 11,513,534	$ 8,994,414
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating loss	$ (1,410,524)	$ (1,774,713)	$ (3,185,237)	$ (7,941,240)
Adjustment to reconcile operating loss to net cash used in operating activities				
Decrease in tuition benefits and expense payable	(17,105,096)	-	(17,105,096)	(12,329,391)
Adjustment to net pension expense	-	36,319	36,319	146,689
Adjustment to net OPEB expense	-	(1,259)	(1,259)	(429)
Increase (decrease) in other liabilities	(163,467)	19,466	(144,001)	318,378
Net cash used in operating activities	$ (18,679,087)	$ (1,720,187)	$ (20,399,274)	$ (19,805,993)

Mississippi Prepaid Affordable College Tuition Program

Notes to Financial Statements

June 30, 2019

Note 1: Summary Of Significant Accounting Policies

Organization

Mississippi Prepaid Affordable College Tuition Program (MPACT or the Program) operates a prepaid college tuition program. The Program enters into a contract with a purchaser which provides that, in return for a specified actuarially determined payment, MPACT will provide the contract beneficiary's undergraduate tuition and mandatory fees at any Mississippi public university or community college depending on contract type. If the contract beneficiary attends an out-of-state or private accredited institution, MPACT will pay to that institution an amount up to, but not in excess of, the average tuition and mandatory fees at Mississippi's public universities or community colleges. The purchase amount is based on several factors, including tuition costs, the beneficiary's age and grade in school, anticipated investment earnings and anticipated tuition rate increases and risk premiums. MPACT's obligations to contract holders, beneficiaries or others are backed by the full faith and credit of the State of Mississippi. In the event the Program is discontinued, any qualified beneficiary who has been accepted by and is enrolled or is within five years of enrollment in an institution of higher learning or any in-state or out-of-state regionally accredited private four or two-year college or university shall be entitled to exercise the complete benefits of the Program. All other contract holders would receive a refund of principal paid into the Program, plus an amount of interest not less than the prevailing rates of interest paid by bank savings accounts.

Due to actual investment earnings being less than the Program assumptions, the Program has operated at a net deficit for the last 18 years (see analysis of sensitivity of net tuition benefits and expenses payable to changes in the assumed rate of return on investments, net of investment expenses in *Note 3*). In August 2012, the Board of Directors voted to suspend accepting new contracts while an independent actuarial analysis was being performed. This actuarial analysis was completed in April 2013. The Board of Directors reopened the Program to new enrollment effective October 1, 2014. New contracts will be referred to as "Horizon Contracts," while contracts purchased prior to October 1, 2014 are referred to as "Legacy Contracts."

MPACT operates under the provisions of Mississippi Code Ann. (1972), Section 37-155-1 through Section 37-155-27. The effective date of the enabling legislation was July 1, 1996. MPACT is administratively located within the State of Mississippi Treasury Department (State Treasury). The Program is governed by the 13-member College Savings Plans of Mississippi Board of Directors consisting of the following members: the State Treasurer (or designee), the Commissioner of Higher Education (or designee), the Executive Director of the Community and Junior College Board (or designee), the Department of Finance and Administration Executive Director (or designee), one member from each congressional district as appointed by the Governor with the advice and consent of the Senate and four nonvoting advisory members appointed by the Lieutenant Governor and the Speaker of the Mississippi House of Representatives.

Reporting Entity

MPACT is a part of the State of Mississippi's reporting entity and is reported as a proprietary fund in the State of Mississippi Comprehensive Annual Financial Report (CAFR). These financial statements and the accompanying notes relate directly to MPACT. Mississippi Affordable College Savings Program issues separate financial statements.

MPACT is comprised of the following proprietary funds:

- Trust Fund (Fund 3317000000) includes contract tuition payments, interest earnings from investments and disbursements to universities and colleges for tuition.

- Administrative Fund (Fund 3317100000) operates the administrative functions of MPACT.

Basis of Presentation

The financial statements contained in this report are prepared using the economic resources measurement focus on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when services or benefits are received. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and standards of the Governmental Accounting Standards Board (GASB).

MPACT distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. Operating revenues and expenses for MPACT include the contract revenue and expenses associated with covered tuition and fees and other related costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Prior Year Comparative Totals

The financial statements include certain prior year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a complete presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Plan's 2018 financial statements from which the information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MPACT defines cash equivalents as demand deposit accounts and cash in the State Treasury.

Contract Income

Contract income represents the payments received from contract holders.

Investment Securities

Investments in equity securities with readily determinable fair values, all investments in debt securities, investments in open-end mutual funds and certain investments in interest-earning investment contracts are reported at fair value, with gains and losses included as a component of revenues and expenses. Fair value is determined using quoted market prices. The net investment income reported in the statement of revenues, expenses and changes in net position include both realized and unrealized gains and losses and dividends and interest.

The value of certain investments is measured at fair value using the net asset value per share (or its equivalent) practical expedient.

The Program provides for investments in various investment securities. In general, investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the accompanying balance sheet.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future reporting periods are reported as deferred outflows of resources and deferred inflows of resources. At June 30, 2019 and 2018, deferred outflows of resources and deferred inflows of resources were comprised of the following:

	Deferred Outflows of Resources	
	2019	**2018**
Pension plan (*Note 4)*	$ 65,698	$ 98,626
OPEB plan (*Note 5)*	2,246	2,139
	$ 67,944	$ 100,765

	Deferred Inflows of Resources	
	2019	**2018**
Pension plan (*Note 4)*	$ 24,600	$ 21,784
OPEB plan (*Note 5)*	7,361	6,999
	$ 31,961	$ 28,783

Tuition Benefits and Expense Payable

Tuition benefits and expense payable represents the actuarially determined present value of future tuition obligations and the Program expenses, net of the present value of future payments expected to be made to the Trust Fund by installment contract holders.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cost-Sharing Defined Benefit Other Postemployment Benefit Plan

MPACT participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, the State of Mississippi State and School Employees' Life and Health Insurance Plan, (the OPEB Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interfund Transactions

All administrative expenses are recorded in the Administrative Fund. These expenses are funded by operating transfers from the Trust Fund, since the Administrative Fund has no source of revenue.

Note 2: Deposits and Investment Securities

Deposits

Custodial credit risk is the risk that in the event of a bank failure, MPACT's deposits may not be returned to it. The Program's deposit policy for custodial credit risk requires compliance with the provisions of state law. Mississippi Code Ann. (1972), Section 37-155-9(v)(iii) requires MPACT funds to be deposited in federally insured institutions domiciled in the State of Mississippi or a custodial bank which appears on the State Treasury's approved depository list and/or safekeeper list. Deposits of the Program are entirely insured or collateralized with securities.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasury under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the Program's funds are protected through a collateral pool administered by the State Treasury. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasury to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Program's investments in money market mutual funds, classified as cash equivalents, were rated AAA by Standard and Poor's at June 30, 2019. Other cash equivalents were not rated at June 30, 2019.

Investment Securities

MPACT funds are invested according to the relevant statutes and the investment policies adopted by the Board of Directors. Mississippi law authorizes the MPACT Trust Fund to invest in bonds or other general obligations of the State of Mississippi and its political subdivisions, obligations of the U.S. Treasury, Federal Land Bank bonds, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes, debentures or obligations guaranteed by the U.S. Government, bonds of the Tennessee Valley Authority, bonds of other states, corporate bonds of investment grade and other fixed income investments. Additionally, MPACT is permitted to invest in equity securities, including covered call or put options on securities traded on a regulated exchange, that are determined by the Board of Directors to be consistent with the investment statutes and policies. The statute sets limits in terms of the percentage of the total investments of the Trust Fund that may be placed in any one category or type of investment. For a complete description of allowable investments, see Mississippi Code Ann. (1972), Section 37-155-9(v).

Investment securities consisted of the following at June 30:

	2019		2018	
	Cost	**Fair Value**	**Cost**	**Fair Value**
U.S. Treasuries	$ 2,546,392	$ 3,591,643	$ 2,674,920	$ 3,335,576
U.S. Agency obligations	21,332,356	22,184,039	23,262,956	23,072,353
Corporate debt securities	12,173,062	12,772,970	15,773,656	15,525,252
Corporate equity securities				
Domestic	125,275,763	147,675,131	124,759,586	160,868,032
Open-ended comingled funds - foreign	67,961,319	66,669,420	64,178,927	60,164,844
Real estate funds	14,469,214	15,193,985	14,969,126	17,019,231
Mortgage and other asset-backed securities	34,451,283	34,623,174	36,115,597	34,854,805
	$ 278,209,389	$ 302,710,362	$ 281,734,768	$ 314,840,093

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MPACT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the government and are held by either the counterparty or the counterparty's trust department or agent. Mississippi Code Ann. (1972), Section 37-155-9(v)(x) requires all investments be clearly marked to indicate ownership by MPACT and, to the extent possible, be registered in the name of MPACT. Investments are entirely uninsured and are held by third parties in MPACT's name.

Interest Rate Risk

Interest rate risk is defined as the risk MPACT may face should changes in interest rates adversely affect the fair value of its investments. The price of a fixed income security typically moves in the opposite direction of the change in interest rates.

Maturities of fixed income securities by type at June 30, are as follows:

		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
June 30, 2019					
U.S. Treasuries	$ 3,591,643	$ -	$ -	$ -	$ 3,591,643
U.S. Agency obligations	22,184,039	5,563	1,023,227	3,985,849	17,169,400
Corporate debt securities	12,772,970	1,137,368	2,604,448	3,164,131	5,867,023
Mortgage and other asset-backed securities	34,623,174	618,379	4,961,530	4,478,106	24,565,159
	$ 73,171,826	$ 1,761,310	$ 8,589,205	$ 11,628,086	$ 51,193,225
June 30, 2018					
U.S. Treasuries	$ 3,335,576	$ -	$ -	$ -	$ 3,335,576
U.S. Agency obligations	23,072,353	70,226	1,240,476	5,378,792	16,382,859
Corporate debt securities	15,525,252	-	3,297,832	6,863,096	5,364,324
Mortgage and other asset-backed securities	34,854,805	583,346	4,785,310	4,894,961	24,591,188
	$ 76,787,986	$ 653,572	$ 9,323,618	$ 17,136,849	$ 49,673,947

The investment policy statement for MPACT does not include a requirement that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Mortgage and other asset-backed securities, including collateralized mortgage obligations (CMOs), are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO’s established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates, while others are more significantly sensitive to interest rate fluctuations.

In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reductions in interest payments cause a decline in cash flows and, thus, a decline in fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the fair value of the security.

Other asset-backed securities are bonds or notes backed by banks, credit card companies or other credit providers. The originator of the loan or accounts receivables paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, asset-backed securities have been structured as pass-throughs and as structures with multiple-bond classes.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Program's investments in fixed income securities were rated as follows at June 30:

Government-sponsored enterprise obligations implicitly guaranteed by the United States.

	2019	2018
AAA	$ -	$ -
Not rated	18,123,218	20,595,539
	$ 18,123,218	$ 20,595,539

Other Debt Securities

	2019	2018
AAA	$ 3,494,850	$ 5,207,841
AA	3,287,367	2,965,497
A	9,859,199	10,995,077
BBB	3,615,834	4,578,890
BB	-	-
B	-	-
Not rated	-	-
	$ 20,257,250	$ 23,747,305

The above charts do not include equity securities, obligations of the U.S. Treasury, U.S. agencies or securities explicitly guaranteed by the U.S. Government. State law requires a minimum quality rating of AAA by Standard and Poor's for corporate short-term obligations. This law also requires corporate and taxable municipal bonds to be of investment grade as rated by Standard and Poor's, with bonds rated BAA/BBB, not to exceed 5% of total fixed income investments.

Credit risk for derivatives held by MPACT results from the same considerations as other counterparty risk assumed by MPACT, which is the risk that a borrower will be unable to meet its obligation.

Foreign Currency Risk

Foreign currency and investment risk relates to adverse effects on the fair value of an investment from changes in foreign exchange rates.

MPACT's investments in individual foreign equities are invested in open-ended comingled funds of foreign equities of which MPACT owns shares.

Note 3: Tuition Benefits and Expense Payable

Tuition benefits and expense payable are recorded as both a current and a long-term liability. Installment contract holders are not contractually bound to continue making installment payments. The future tuition obligations are recorded at an actuarially determined present value, which results in the recognition of tuition benefit expense and a corresponding increase in tuition benefits payable.

Actuarially Determined Funding Status

Presented below is the total tuition benefits obligation of the Program, separated by Legacy Contracts and Horizon Contracts. The standardized measurement is the actuarial present value (APV) of the future tuition obligation. This valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases. The tuition benefits obligation was determined as part of the latest available actuarial valuation as of June 30, 2019.

Significant actuarial assumptions used and results from the most recent actuarial valuation are as follows:

	Legacy Contracts	Horizon Contracts	Legacy Contracts	Horizon Contracts
	2019		2018	
Assumptions				
Rate of return on investment	6.80%	6.80%	6.80%	6.80%
Future tuition increases				
4-year universities	5.50%	5.50%	5.50%	5.50%
2-year community colleges	5.00%	5.00%	5.00%	5.00%
Results				
Actuarial value of assets	$ 269,215,469	$ 48,634,857	$ 278,588,581	$ 35,702,970
Payments to be received from installment contract purchases	10,098,195	19,844,354	12,921,118	18,546,696
	279,313,664	68,479,211	291,509,699	54,249,666
APV of tuition benefits and expenses payable - long-term	388,274,955	59,472,758	418,404,526	47,973,548
Net tuition benefits and expenses payable (over) under actuarial value of assets	$ (108,961,291)	$ 9,006,453	$ (126,894,827)	$ 6,276,118
Net assets as percentage of total tuition benefits and expenses payable	71.94%	115.14%	69.67%	113.08%
Tuition benefits and expenses payable, net - includes the following APV of future payments				
Payments to be made for tuition, fees, expenses and contract cancellations for all contracts sold	$ 388,274,955	$ 59,472,758	$ 418,404,526	$ 47,973,548
Payments to be received from installment contract purchases	(10,098,195)	(19,844,354)	(12,921,118)	(18,546,696)
Tuition benefits and expenses payable, net	$ 378,176,760	$ 39,628,404	$ 405,483,408	$ 29,426,852

In accordance with the funding policy adopted by the Board, the Program has implemented an actuarial value of asset method (also known as an asset smoothing method or funding value of asset method). The method spreads investment income above or below the assumed rate of return over a three-year period, subject to a 20% corridor around the market value. This method is intended to reduce the volatility of the annual measurement of the funded status. The Program experienced an investment return below the assumed rate of return in 2019 of approximately $8.5 million, which will be recognized as an decrease to the actuarial value of assets at approximately $2.8 million in the current year and the two subsequent years. The Program experienced an investment return above the assumed rate of return in 2018 of approximately $4.3 million, which will be recognized as an increase to the actuarial value of assets at approximately $1.4 million in the years 2018 through 2020.

Sensitivity of Net Tuition Benefits and Expenses Payable to Changes in the Assumed Rate of Return on Investments, Net of Investment Expenses

MPACT's net tuition benefits and expenses payable have been calculated using an assumed rate of return of 6.80%, net of investment expenses of .50%, yielding a net rate of 6.30% for the year ended June 30, 2019. The following table presents MPACT's net tuition benefits and expenses payable calculated using an assumed rate of return, net of investment expenses, 100 basis points higher and 100 basis points lower than the current rate.

	100 Basis Points Decrease (5.30%)	Current Rate (6.30%)	100 Basis Points Increase (7.30%)
Legacy Contracts	$ (129,088,993)	$ (108,961,291)	$ (90,430,732)
Horizon Contracts	1,937,604	9,006,453	15,041,584
	$ (127,151,389)	$ (99,954,838)	$ (75,389,148)

As described in *Note 1*, the Board of Directors established Legacy Contracts and Horizon Contracts in 2014. Under the funding policy established by the Board, the unfunded liability attributable to Legacy Contracts will not be paid by future Horizon Contract purchases. As noted above, the Legacy plan has a deficit of approximately $109 million as of June 30, 2019. This deficit is expected to grow at the assumed rate of 6.30% per year. The Legacy Plan is projected to be insolvent before the end of the 2027 fiscal year if all assumptions are met. Both the Legacy and Horizon Plans are backed by the full faith and credit of the State of Mississippi.

Change in Actuarial Valuation Assumptions

Valuation Assumptions

There were no changes in assumptions since the last valuation.

Note 4: Pension Plan

Plan Description

MPACT contributes to Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments (COLA) and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing the Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 601.359.3589 or 1.800.444.PERS or online at http://www.pers.ms.gov.

Benefits Provided

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A COLA payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00% compounded for each fiscal year thereafter.

Contributions

Plan provisions and the PERS Board of Trustees' authority to determine contribution rates are established by Mississippi Code Ann. (1972), Section 25-11-1 et seq., and may be amended only by the Mississippi Legislature.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Contribution rates for PERS are established in accordance with actuarial contribution requirements determined through the most recent June 30 annual valuation and adopted by the PERS Board of Trustees. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plan based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan.

Employees are required to contribute 9.00% of their annual pay. The employer's contractually required contribution rate for the year ended June 30, 2019, was 15.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2019 and 2018, contributions to the pension plan from MPACT were $60,734 and $62,130, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, MPACT reported a liability of $997,978 and $997,404, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. MPACT's proportion of the net pension liability was based on employer contributions to PERS for the Plan's fiscal year ended June 30, 2018, relative to the total employer contributions of participating employers to PERS. At June 30, 2018, MPACT's proportion was 0.006%, which was consistent with its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, MPACT recognized pension expense of $78,664 and $70,123, respectively. At June 30, 2019 and 2018, MPACT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2019		
Difference between expected and actual experience	$ 4,376	$ 4,207
Net difference between projected and actual earnings on pension plan investments	-	19,841
Changes of assumptions	588	552
Changes in proportion	-	-
Contributions subsequent to the measurement date	60,734	-
	$ 65,698	$ 24,600
June 30, 2018		
Difference between expected and actual experience	$ 14,329	$ 7,278
Net difference between projected and actual earnings on pension plan investments	-	12,806
Changes in assumptions	22,167	1,700
Changes in proportion	-	-
Contributions subsequent to the measurement date	62,130	-
	$ 98,626	$ 21,784

At June 30, 2019, MPACT reported $60,734 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2020	$ 11,545
2021	(3,232)
2022	(23,460)
2023	(4,489)
	$ (19,636)

Actuarial Assumptions

The total pension liability in the June 30, 2018 and 2017, actuarial valuations were determined using the following actuarial assumptions and other inputs:

Inflation	3.00%
Salary increases	3.25% -18.50%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, set forward one year for males.

The actuarial assumptions used in the June 30, 2018 and 2017, valuations were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016. The experience report is dated April 18, 2017.

For the years ended June 30, 2018 and 2017, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
U.S. Broad	27%	4.60%
International equity	18%	4.50%
Emerging markets equity	4%	4.75%
Global	12%	4.75%
Fixed income	18%	0.75%
Real assets	10%	3.50%
Private equity	8%	5.10%
Emergin debt	2%	2.25%
Cash	1%	0.00%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% at June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%), and that participating employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MPACT's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

MPACT's proportionate share of the net pension liability has been calculated using a discount rate of 7.75% at June 30, 2018. The following presents MPACT's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	$ 1,314,051	$ 997,978	$ 735,280

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR, which can be obtained at http://www.pers.ms.gov.

Payable to the Pension Plan

At June 30, 2019 and 2018, MPACT had no amounts payable for outstanding contributions to the pension plan.

Note 5: Other Postemployment Benefit Plan

Plan Description

The following brief description of the State of Mississippi State and School Employees' Life and Health Insurance Plan (the OPEB Plan) is provided for general information purposes only. Participants should refer to Title 25 Chapter 15 of the Mississippi statutes as amended or the OPEB Plan Document for more complete information.

The OPEB Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the OPEB Board) administers the OPEB Plan. The OPEB Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The OPEB Plan is maintained solely for the benefit of eligible employees, dependents and retirees. The OPEB Plan is a fund of the State of Mississippi (the State).

The 14-member OPEB board, which administers the OPEB Plan, is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of

Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The OPEB Board has a fiduciary responsibility to manage the funds of the OPEB Plan. The OPEB Plan maintains a budget approved by the OPEB Board.

Benefits Provided

The OPEB Plan provides for other postemployment benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

Contributions

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The OPEB Board has the sole authority for setting life and health insurance premiums for the OPEB Plan.

Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the OPEB Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the OPEB Plan to the State, then the OPEB Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the OPEB Board may impose a premium surcharge in an amount the actuarially determined to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the OPEB Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the OPEB Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the OPEB Plan. If the assets of the OPEB Plan were to be exhausted, participants would not be responsible for the OPEB Plan's liabilities.

For the year ended June 30, 2019, contributions to the OPEB Plan from MPACT were $2,246.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, MPACT reported a liability of $48,659 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. MPACT's proportion of the net OPEB liability was determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the plan in the fiscal year of all employers. This allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee. At June 30, 2018, MPACT's proportion was 0.0063%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, MPACT recognized OPEB expense of $987 and $1,711, respectively. At June 30, 2019 and 2018, MPACT reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2019		
Changes of assumptions or other inputs	$ -	$ 3,467
Changes in proportion and differences between MACS's contributions and proportionate share of contributions	-	3,894
Contributions subsequent to the measurement date	2,246	-
	$ 2,246	$ 7,361
June 30, 2018		
Changes of assumptions or other inputs	$ -	$ 2,555
Changes in proportion and differences between MACS's contributions and proportionate share of contributions	-	4,444
Contributions subsequent to the measurement date	2,139	-
	$ 2,139	$ 6,999

At June 30, 2019, MPACT reported $2,246, as deferred outflows of resources related to OPEB resulting from MPACT contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB at June 30, 2019, will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2020	$ (1,502)
2021	(1,502)
2022	(1,502)
2023	(1,502)
2024	(1,138)
Thereafter	(215)
	$ (7,361)

Actuarial Methods and Assumptions

Year Ended June 30,	2019	2018
Actuarial valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2018	June 30, 2017
Experience study	April 18, 2017	April 18, 2017
Actuarial assumptions		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	3.00%	3.00%
Long-term expected rate of return	4.50%	NA
Discount rate	3.89%	3.56%
Projected cash flows	NA	NA
Projected salary increases	3.25%-18.50%	3.25%-18.50%
Healthcare cost trend rates	7.25% decreasing to 4.75% by 2028	7.75% decreasing to 5.00% by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 and June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return

The long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Sensitivity of MPACT's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

MPACT's proportionate share of the net OPEB liability has been calculated using a discount rate of 3.89%. The following presents MPACT's proportionate share of the net OPEB liability calculated using a discount rate 1% higher and 1% lower than the current discount rate.

	1.00% Decrease (2.89%)	Current Discount Rate (3.89%)	1.00% Increase (4.89%)
Proportionate share of the net OPEB liability	$ 53,936	$ 48,659	$ 44,119

MPACT's proportionate share of the net OPEB liability has been calculated using health care trend rates of 7.25% decreasing to 4.75% by 2028. The following presents MPACT's proportionate share of the net OPEB liability calculated using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1.00% Decrease	Current Health Care Cost Trend Rates	1.00% Increase
Proportionate share of the net OPEB liability	$ 45,073	$ 48,659	$ 57,729

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued plan financial report.

Payable to the OPEB Plan

At June 30, 2019, MPACT did not have a payable for any outstanding amounts of contributions to the OPEB Plan.

Note 6: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2019				
Investments by fair value level				
U.S. Treasuries	$ 3,591,643	$ 3,591,643	$ -	$ -
U.S. Agency obligations	22,184,039	-	22,184,039	-
Corporate debt securities	12,772,970	-	12,772,970	-
Corporate equity securities				
Domestic	147,675,131	147,675,131	-	-
Mortgage and other asset-backed securities	34,623,174	-	34,623,174	-
	220,846,957	151,266,774	69,580,183	-
Investments measured at the net asset value (NAV) [A]				
Open-ended comingled funds - foreign	66,669,420	-	-	-
Real estate funds	15,193,985	-	-	-
	81,863,405	-	-	-
	$ 302,710,362	$ 151,266,774	$ 69,580,183	$ -

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Investments by fair value level				
U.S. Treasuries	$ 3,335,576	$ 3,335,576	$ -	$ -
U.S. Agency obligations	23,072,353	-	23,072,353	-
Corporate debt securities	15,525,252	-	15,525,252	-
Corporate equity securities				
Domestic	160,868,032	160,868,032	-	-
Mortgage and other asset-backed securities	34,854,805	-	34,854,805	-
	237,656,018	164,203,608	73,452,410	-
Investments measured at the NAV [A]				
Open-ended comingled funds - foreign	60,164,844	-	-	-
Real estate funds	17,019,231	-	-	-
	77,184,075	-	-	-
	$ 314,840,093	$ 164,203,608	$ 73,452,410	$ -

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. MPACT held no Level 3 securities at June 30, 2019 or 2018.

The valuation method for investments measured at the NAV per share (or its equivalent) is presented below.

		Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
June 30, 2019						
Open-ended comingled funds - foreign (A)	$	66,669,420	$	-	Daily	Up to 30 days
Real estate funds (B)		15,193,985		-	Daily	Up to 60 days
June 30, 2018						
Open-ended comingled funds - foreign (A)	$	60,164,844	$	-	Daily	Up to 30 days
Real estate funds (B)		17,019,231		-	Daily	Up to 60 days

(A) This category includes two investments in open-ended comingled funds that take both long and short positions, primarily in foreign common stocks.

(B) This category includes three real estate funds that invest primarily in U.S. commercial real estate and timberland. The investment in the timberland fund can be redeemed upon the maturity of the fund. Distributions from the timberland fund will be made as the underlying investments of the funds are liquidated. The U.S. commercial real estate funds have quarterly liquidity availability.

Note 7: Tax Status

The Board of the Program has, based on the opinion of tax counsel, held the view that the Program Fund is exempt from federal income taxation. The Board has taken the position that the Trust Fund is tax-exempt in its relationship and position as an agency and instrumentality of the State of Mississippi. The Mississippi statutes which establish the Trust Fund (Section 37-155-1-27) specify that it is a state “agency and instrumentality” as confirmed by an official Attorney General’s opinion. The Administrative Fund, which is a fund of a state agency, is not subject to income taxation under general principles of federal tax law.

When the Small Business Job Protection Act of 1996 became law, Section 529 was added to the Internal Revenue Code of 1986. This code section provides that a “qualified state tuition program” is exempt from all federal income taxation except that relating to unrelated business income (which is unlikely to apply to MPACT given its current investment policies and because the Program’s sources of revenue do not include unrelated business income).

In March 1998, the Board received an official ruling from the Internal Revenue Service that MPACT qualifies under Section 529 and is thus exempt from federal taxation. Accordingly, no provision has been made in these financial statements for accrual of income taxes for the years ended June 30, 2019 or 2018.

Required Supplementary Information

Mississippi Prepaid Affordable College Tuition Program

Schedules of the Employer's Proportionate Share of the Net Pension Liability

	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.006%	0.006%	0.006%	0.006%	0.006%	0.003%
Employer's proportionate share of the net pension liability	$ 997,978	$ 997,404	$ 1,071,750	$ 927,482	$ 728,290	$ 415,678
Employer's covered-employee payroll	394,476	393,194	358,190	346,229	344,394	181,889
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	253.0%	253.7%	299.2%	267.9%	211.5%	228.5%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%	61.02%

Notes to Schedule:

Information above is presented as of the measurement date.

The average expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the beginning of the measurement period decreased from 3.37 years for the 2017 measurement period to 3.90 for the 2018 measurement period.

Mississippi Prepaid Affordable College Tuition Program

Schedules of the Employer's Pension Contributions

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 60,734	$ 62,130	$ 61,928	$ 56,145	$ 54,531	$ 54,242
Contributions in relation to the contractually required contribution	60,734	62,130	61,928	56,145	54,531	54,242
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 385,613	$ 394,476	$ 393,194	$ 356,476	$ 346,229	$ 344,394
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%

Notes to Schedule:
Information above is presented as of the employer's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become available.

Changes in Assumptions:

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table Projected to 2016 using Scale BB rather than the RP-2000 Combined Mortality Table Projected, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate-of-return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

In 2017, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. In 2017, the wage inflation assumption was reduced from 3.75% to 3.25%. In 2017, withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. Finally, the percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

Changes in Benefit Provisions:

In 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by The Wall Street Journal on December 31 of each preceding year, with a minimum rate of 1% and a maximum rate of 5%.

Mississippi Prepaid Affordable College Tuition Program

Schedules of the Employer's Proportionate Share of the Net OPEB Liability

	2019	2018	2017
Employer's proportion of the net OPEB liability	0.0063%	0.0064%	0.0070%
Employer's proportionate share of the net OPEB liability	$ 48,659	$ 50,172	$ 57,435
Employer's covered-employee payroll	394,476	393,194	358,190
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	12.3%	12.8%	16.0%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

Notes to Schedule:

Information above is presented as of the measurement date.

Information is not currently available for prior years; additional years will be displayed as they become available.

A trust was created June 28, 2018 for the OPEB Plan.

Mississippi Prepaid Affordable College Tuition Program

Schedules of the Employer's OPEB Contributions

	2019	2018	2017
Contractually required contribution	$ 2,246	$ 2,139	$ 1,974
Contributions in relation to the contractually required contribution	2,246	2,139	1,974
Contribution deficiency (excess)	$ -	$ -	$ -
Employer's covered-employee payroll	$ 385,613	$ 394,476	$ 393,194
Contributions as a percentage of covered-employee payroll	0.58%	0.54%	0.50%

Notes to Schedule:
Information above is presented as of the employer's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become available.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
College Savings Plans of Mississippi
Mississippi Prepaid Affordable College Tuition Program
Jackson, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of Mississippi Prepaid Affordable College Tuition Program (the Program), which comprise the balance sheet as of June 30, 2019, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2019, which contained an "Emphasis of Matter" paragraph regarding the entity reflected in the financial statements and "Other Matter" paragraph regarding the omission and inclusion of required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
December 3, 2019