

Mississippi



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

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Mississippi



Fiscal Year Ended June 30, 2016

Department of Finance and Administration

Post Office Box 267
Jackson, MS 39205

Laura D. Jackson
Executive Director



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PHIL BRYANT
GOVERNOR



April 21, 2017

To the Members of the Legislature and my Fellow Mississippians:

As Governor of the State of Mississippi, I present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2016. This report details Mississippi's financial statements and accounting controls.

Business and consumer confidence continue to surge. In Mississippi, this has manifested itself in the lowest unemployment rate since 2001. The focus remains on creating new jobs, education reform, creating a skilled workforce, and improved government efficiency. Although our hard work thus far has produced economic gains and employment growth, we still have work to do. I hope that continued economic growth and fiscal discipline will serve to further sustain the state's financial stability.

Sincerely,

A blue ink cursive signature of Phil Bryant.

Phil Bryant

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Mississippi

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Introduction

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**STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION**

**LAURA D. JACKSON
EXECUTIVE DIRECTOR**



April 21, 2017

To Governor Bryant, Members of the Legislature, and Citizens of the State of Mississippi:

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2016 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

State managers are responsible for establishing and maintaining internal controls to ensure that adequate accounting data is compiled to allow preparation of financial statements in conformity with GAAP. Because the cost of a control should not exceed the benefits likely to be derived, internal controls have been implemented to provide reasonable, but not absolute, assurance regarding the reliability of the financial statements. I believe the information as presented is complete and accurate in all material respects.

Pursuant to Section 7-7-211(d), Mississippi Code Annotated (1972), the Office of the State Auditor has performed an 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, of the State's basic financial statements. An unmodified opinion is presented as the first page of the financial section of this report. Also, as required by federal law, the State Auditor has undertaken a single audit of the State as a whole, which will include a report on compliance and internal control over compliance on major federal program funds expended by state government. This report, along with the report on internal control over financial reporting and on compliance and other matters, will be published separately.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of

transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Auditor's report.

Profile of the Government

Mississippi is named for the Mississippi River, which forms its western boundary and empties into the Gulf of Mexico. The name translated from Native American folklore means "Father of Waters." Mississippi was organized as a territory in 1798 and was admitted as the 20th State to the Union on December 10, 1817. The state's constitution separates the legal powers of state government into three distinct branches - the legislative, the executive, and the judicial.

The financial statements present information on the financial position and operations of state government as a single comprehensive reporting entity. The state's various agencies, commissions, departments and boards that comprise the state's reporting entity are included in this report in accordance with criteria established by the Governmental Accounting Standards Board (GASB). The state's reporting entity is also comprised of its discretely presented component units for which the State is financially accountable. The criteria used in defining the State's reporting entity are fully discussed in Note 1 to the financial statements.

The state provides a full range of services to enhance and protect the lives of its citizenry. These services include among others: education; health and social services; public safety and justice; recreation and resource development and protection; business regulation; and highway construction and maintenance.

Mississippi state law requires both the Governor and the Legislative Budget Committee to submit an overall balanced budget at the beginning of each annual session for the ensuing fiscal year. The Legislature legally enacts an annual state budget through passage of specific departmental appropriation bills. The Governor has the power to approve or veto each line item appropriation; however, vetoes are subject to legislative override. For the majority of the appropriations, the legal level of budgetary control is at the agency level by activity or function as well as by major expenditure classification. Unexpended appropriations at June 30 are available for subsequent expenditure if they have been encumbered and are presented for payment during the succeeding two-month lapse period.

Factors Affecting Financial Condition

For the first time since the Great Recession, Mississippi is likely to have experienced its second year of consecutive growth in 2016. The state has struggled to gain momentum since 2008 with real gross domestic product (GDP) falling in four of the last seven years. Recently revised data from the Bureau of Economic Analysis (BEA) show that the state's economy expanded 0.5% in 2015. This meager growth was on the heels of a 0.9% decline in 2014 and a 0.2% decline in 2013. The BEA will not release its first estimate for FY 2016 until later this year, but their most recent estimate for the year-over-year growth for the first 9 months of 2016 reflects a 2.3 percent growth rate. Since the economy appears to have slowed in the second half of the year, the annual rate of growth will be closer to 2.0 percent. Apart from 2012, economic growth has not exceeded 0.5% in any year since 2008.

Income growth improved in 2016 relative to 2015 as personal income in Mississippi rose 3.2% for the year. This growth is below the 3.9% observed in the southeastern states and the 3.6% observed nationally. However, personal income growth increased in Mississippi in 2016, unlike the southeast and the United States. In FY 2015, incomes grew 1.8% in Mississippi compared to 4.6% in the region and 4.5% for the nation. Withholdings data show positive albeit modest income growth. Not correcting for inflation, withholdings were up 2.7% in 2016, much improved over the 1.9% growth in 2015. However, with the higher inflation that occurred in 2016, the real or inflation adjusted growth in both years was 1.6%.

Employment growth began the year with a strong upward trend, but fell significantly in the second quarter. The third quarter saw a modest recovery but the momentum was lost in the fourth quarter. On average, employment grew 1.0% in 2016 over 2015. This is below the 1.2% growth observed in 2015 but is in line with the growth observed during the 2012-2014 period. The state added an average of 10,875 jobs in 2016. The largest number of job gains occurred in eating establishments, followed by health care services, transportation, warehousing, and retail trade. The industry experiencing the largest decline in the state was construction.

In a year that saw national manufacturing employment decline 0.2%, the state managed a 0.8% gain in 2016. While this growth was the slowest in three years, it is noteworthy that after declining nearly every year since

1995, the state has added manufacturing jobs in four of the last five years. Manufacturing workweek length has also remained high.

Building permits grew a modest 3.1% in 2016. This is remarkably slower than the unusually strong growth in 2015 of 22.8%. However, permit growth was strong in the first two months of 2017. Based on the FHFA House Price Index, year-over-year housing prices for the first three quarters of 2016 were up 3.8%. This is an improvement over the 2.9% observed in the same period of 2015.

After declining most of 2016, The Mississippi Index of Leading Economic Indicators has risen for six consecutive months. The gain in February (the most recent month available) was the strongest since April and was supported by six of the seven components of the index. The index, coupled with strong national consumer and business confidence, offers support for moderately improved growth going into 2017.

Long-term Financial Planning

For the first half of FY 2017, General Fund revenue excluding settlements, Working Cash Stabilization Reserve Fund transfers and non-budgeted transfers are \$51 million below the prior year and \$97.5 million below the Sine Die estimate. Both sales and income taxes have underperformed expectations. With all transfers included, revenues are \$43.5 million above the prior year and \$2 million below the estimate. The revenue estimating committee met in November 2016 and acknowledged the possibility of a further decline in revenue for the remainder of 2017. However, the committee was optimistic that revenue should increase, although slightly, in fiscal year 2018.

Major Initiative

Mississippi is ahead of schedule on the Continental Tire project, which is one of the largest economic development projects in Mississippi history. Site clearing started in September 2016. The Mississippi plant will be Continental Tire Corporation's most technologically advanced plant in the United States. The company plans to invest \$1.4 billion in the State and create approximately 2500 jobs in the Hinds County area.


Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its CAFR for the fiscal year ended June 30, 2015. This was the twenty-ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was possible by the dedicated services of the staff of the Office of Financial Reporting within the Department of Finance and Administration, along with the cooperation and support of the Office of the State Auditor, and the various agency heads and employees who assisted and contributed to its preparation.

Respectfully yours,


Laura D. Jackson

Mississippi

Officials of State Government

Executive Branch

Governor

Phil Bryant

Lieutenant Governor

Tate Reeves

Secretary of State

Delbert Hosemann

State Auditor

Stacey Pickering

State Treasurer

Lynn Fitch

Attorney General

Jim Hood

**Commissioner of Agriculture
and Commerce**

Cindy Hyde-Smith

Commissioner of Insurance

Mike Chaney

Transportation Commissioners

Dick Hall

Tom King

Mike Tagert

Public Service Commissioners

Brandon Presley

Cecil Brown

Sam Britton

State Fiscal Officer

Laura Jackson

Legislative Branch

Speaker of the House of Representatives

Philip Gunn

Speaker Pro Tempore

of the House of Representatives
Greg Snowden

President Pro Tempore of the Senate

Terry C. Burton

Secretary of Senate

Liz Welch

Clerk of the House of Representatives

Andrew Ketchings

Legislative Budget Office

Debbie Rubisoff, Director

**Joint Legislative Committee on
Performance Evaluation and
Expenditure Review**

James A. Barber, Director

Judicial Branch

Supreme Court of Mississippi**Chief Justice**

William L. Waller, Jr.

Presiding Justices

Jess H. Dickinson

Michael K. Randolph

Justices

Ann H. Lamar

James W. Kitchens

Leslie D. King

Josiah D. Coleman

James D. Maxwell II

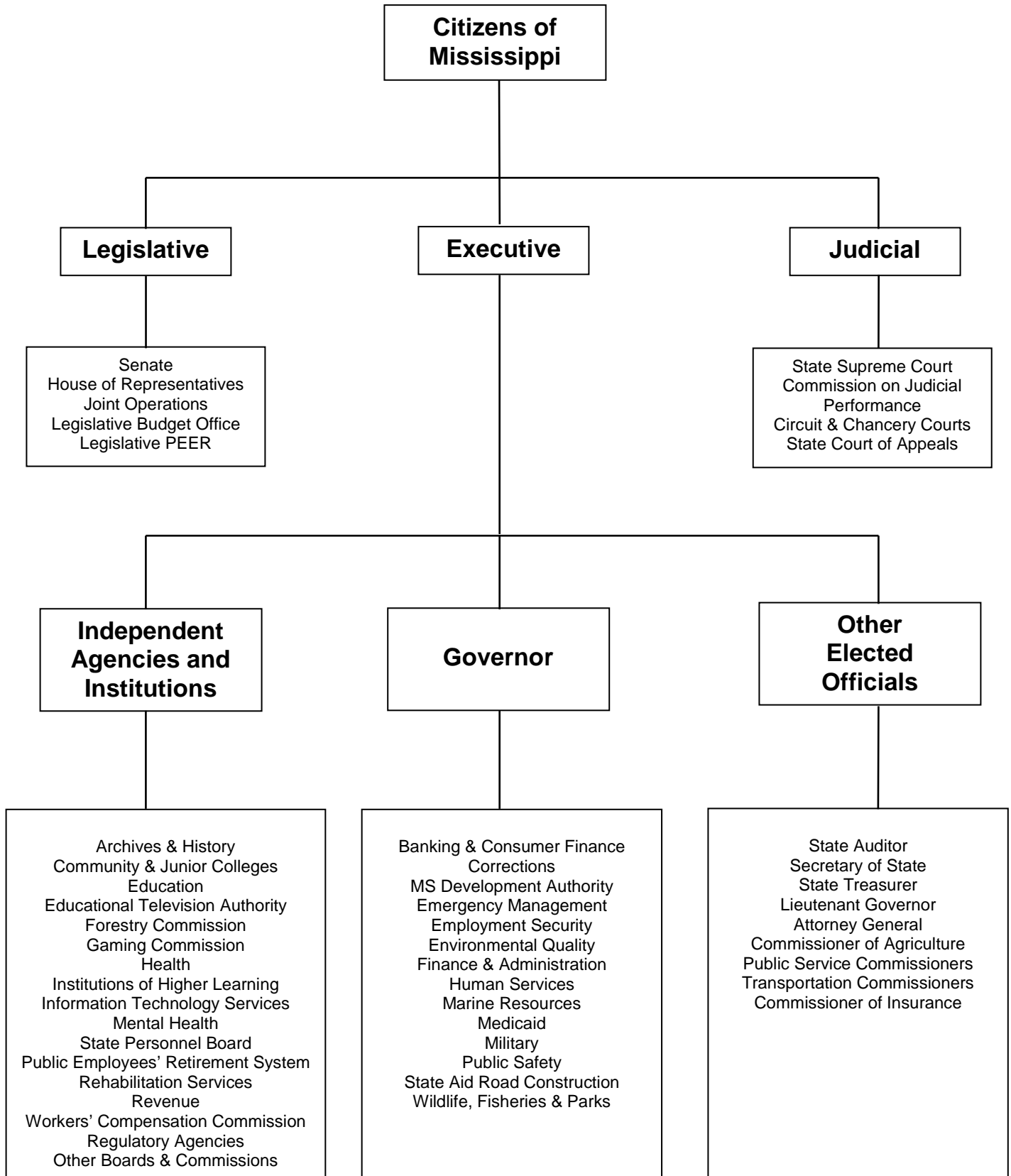
Dawn H. Beam

Clerk of the Supreme Court

Muriel Ellis

Mississippi

Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State'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 opinions on these financial statements based on our audit. We did not audit the financial statements of:

- Government-wide Financial Statements
- Governmental Activities
 - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the Mississippi Authority for Educational Television, the State Agencies Self-Insured Workers' Compensation Trust Fund, the Department of Marine Resources and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Public Safety, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks, the Mississippi Department of Health, the Mississippi Department of Education, the Mississippi Department of Human Services which, in the aggregate, represent 7% and 17%, respectively, of the assets and revenues of the governmental activities;
- Business-type Activities
 - AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, the Mississippi Department of Corrections Canteen Fund and the Unemployment Compensation Fund which, in the aggregate, represent 96% and 47%, respectively, of the assets and revenues of the business-type activities;

- Component Units
 - the Universities and the nonmajor component units.
 - Fund Financial Statements
 - Governmental Funds
 - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the Mississippi Authority for Educational Television, the Department of Marine Resources, and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Public Safety, the Department of Rehabilitation Services, and the Department of Wildlife, Fisheries and Parks, the Mississippi Department of Health, the Mississippi Department of Education, the Mississippi Department of Human Services which, in the aggregate, represent 18% and 13%, respectively, of the assets and revenues of the General Fund;
 - Proprietary Funds
 - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program and the Unemployment Compensation Fund which are considered major enterprise funds;
 - Aggregate Remaining Funds
 - the State Agencies Self-Insured Workers' Compensation Trust Fund and selected funds at the Department of Information Technology Services and the Department of Finance and Administration – Office of Insurance within the Internal Service Fund;
 - nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services and the Veterans' Home Purchase Board;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;
- all of which represent 99% and 99%, respectively, of the assets and revenues of the aggregate remaining funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

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 of 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 State's internal control. Accordingly, we express no such opinion. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi

Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. 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 and other auditors have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedules of Employer Contributions and corresponding notes, the Schedules of Changes in the Net Pension Liability, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Funding Progress – Other Postemployment Benefits listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 and the other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The introductory section, the supplementary information such as the combining and individual fund financial statements and supporting schedules and the statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of the other auditors, the combining and individual fund financial statements and supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2017, on our consideration of the State'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 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 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 State's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Stephanie C. Palmertree". The signature is written in a cursive, flowing style.

STEPHANIE C. PALMERTREE, CPA, CGMA
Director, Financial and Compliance
Audit Division

Jackson, Mississippi
April 21, 2017

Management's Discussion and Analysis

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

Government-wide - The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,952,286,000 (reported as "net position"). Of this amount, a negative \$5,400,624,000 was reported as "unrestricted net position", which means that it would be necessary to convert a portion of the restricted component of net position to unrestricted if the government's ongoing obligations to citizens and creditors were immediately due and payable. The State had \$4,431,757,000 in restricted net position. Net position of governmental activities and business-type activities increased by \$839,150,000 and \$127,082,000, respectively.

Fund Level - At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$4,361,868,000, which is \$158,039,000 more than the previous year. Federal government revenues continued their downward trend with many programs ending and others not being renewed. Revenues from taxes also decreased while charges for services and court assessments and settlements increased. Expenditures continued to rise slightly over the prior year.

Long-term Debt - The total outstanding net long-term bonds and notes were \$5,681,741,000 at June 30, 2016. During the year, the State issued \$626,348,000 in bonds and notes, net of premiums. These bonds and notes were issued primarily for refunding and capital improvements.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the State's basic financial statements, which include government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains required supplementary information and other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the State's finances. These statements consist of the statement of net position and the statement of activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net position presents all of the State's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements for the primary government report two types of activities:

Governmental Activities - The State's basic services are reported here, including general government; education; health and social services; law, justice and public safety; recreation and resource development; regulation of business and professions; and transportation. Taxes and federal grants finance most of these activities.

Business-type Activities - The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. State fair and coliseum operations; home mortgage loans to veterans; port facilities; and unemployment compensation services are examples of these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These categories use different accounting approaches and should be interpreted differently.

Governmental Funds - Most of the State's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Mississippi

However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the State's near-term financing requirements. Governmental funds are comprised of the General Fund, which is presented separately as a major fund, and permanent funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds - The State maintains two types of proprietary funds: enterprise and internal service. Enterprise funds charge fees for services to outside customers. They are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting, and are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds provide personnel, insurance, and information technology services to other state agencies, as well as other governmental entities, on a cost reimbursement basis. Because these services primarily benefit governmental rather than business-type functions, they have been included in governmental activities on the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Unemployment Compensation Fund, the Port Authority at Gulfport Fund, and the Prepaid Affordable College Tuition Fund are presented separately as major funds, with the nonmajor enterprise funds combined into a single column. The internal service funds are presented in a single column on the proprietary fund statements as well. The eight nonmajor enterprise funds and the three internal service funds are presented in detail in the combining financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Because these resources are not available to support the State's own programs, fiduciary funds are not reported in the government-wide financial statements. The State's fiduciary activities are presented in a statement of fiduciary net position and a statement of changes in fiduciary net position, with related combining financial statements. These funds, which include pension trust funds, private-purpose trust funds, and agency funds, are reported using the accrual basis of accounting.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements. Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on the government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements. Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit financial statements.

Other Information

This report also contains the following required supplementary information (RSI): the Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds, the Schedule of Employer Contributions, the Schedules of the Proportionate Share of the Net Pension Liability, and the Schedules of Funding Progress for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following RSI.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State of Mississippi's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: Department of Finance and Administration, Office of Financial Reporting, P. O. Box 1060, Jackson, MS 39215.

Mississippi

Government-wide Financial Analysis

Net Position

The State's combined net position for governmental and business-type activities increased \$966,232,000 in fiscal year 2016. Current year net position is \$13,952,286,000 in contrast to the prior year balance of \$12,986,054,000. The majority of the increase can be attributed to a court assessment arising from The Deepwater Horizon Incident. The State was awarded \$750,000,000 over a period of 18 years. Business-type activities reported positive balances in all three components of net position, while governmental activities and the State as a whole continued to reflect a negative balance in the unrestricted component of net position.

Net position consisted primarily of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net investment in capital assets increased \$627,435,000 from the previous year. The governmental activities' increase of \$472,210,000 was primarily due to additions to construction in progress related to building projects, as well as additions to infrastructure for roads, highways, and bridges. The business-type activities' increase of \$155,225,000 can be attributed to ongoing construction projects at the Port Authority at Gulfport.

Restricted net position represents resources that are subject to externally imposed restrictions. Restricted net position decreased by \$84,910,000 during fiscal year 2016. The decrease is a result of a reclassification of tax revenues from restricted to unrestricted.

The remaining net position is classified as unrestricted. As of June 30, 2016, the State had a deficit unrestricted net position of \$5,400,624,000. The deficit is due, in part, to the State issuing debt on behalf of component units and other entities for construction, repair and renovation of non-state capital assets. The positive unrestricted balance of \$131,592,000 in business-type activities may be used to meet ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those resources may be used.

Net Position

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 7,087,466	\$ 6,371,968	\$ 1,343,027	\$ 1,362,028	\$ 8,430,493	\$ 7,733,996
Capital assets	15,754,679	15,375,583	565,919	412,657	16,320,598	15,788,240
Total Assets	22,842,145	21,747,551	1,908,946	1,774,685	24,751,091	23,522,236
Deferred outflows of resources	645,660	375,115	5,077	2,958	650,737	378,073
Noncurrent liabilities	8,620,077	7,879,320	453,109	498,805	9,073,186	8,378,125
Other liabilities	2,124,321	2,114,440	110,053	54,333	2,234,374	2,168,773
Total Liabilities	10,744,398	9,993,760	563,162	553,138	11,307,560	10,546,898
Deferred inflows of resources	140,107	364,756	1,875	2,601	141,982	367,357
Net position:						
Net investment in capital assets	14,372,421	13,900,211	548,732	393,507	14,921,153	14,293,718
Restricted	3,763,095	3,869,799	668,662	646,868	4,431,757	4,516,667
Unrestricted	(5,532,216)	(6,005,860)	131,592	181,529	(5,400,624)	(5,824,331)
Total Net Position	\$ 12,603,300	\$ 11,764,150	\$ 1,348,986	\$ 1,221,904	\$ 13,952,286	\$ 12,986,054

Mississippi

Changes in Net Position

Operating grants and contributions of \$7,066,304,000 and taxes of \$6,886,235,000 were the State's major revenue sources. Together, they accounted for 78.4 percent of total revenues. Revenue from taxes decreased \$49,764,000 and operating grants and contributions increased by \$4,237,000 over the prior year. As in the prior year, the majority of the State's total expenses were related to the health and social services function at \$7,851,381,000 or 46.6 percent. Expenses within this function rose over the prior year by \$171,486,000 as medical expenses continued their upswing. Unemployment compensation expenses were down by \$8,023,000 as fewer claims were filed driven by an improving economy.

Changes in Net Position

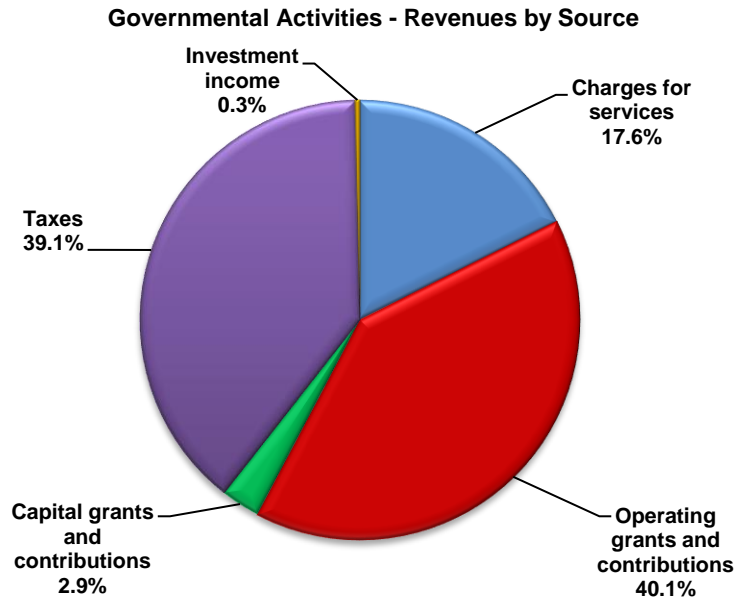
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 3,107,275	\$ 2,325,299	\$ 163,138	\$ 192,836	\$ 3,270,413	\$ 2,518,135
Operating grants and contributions	7,064,684	7,059,002	1,620	3,065	7,066,304	7,062,067
Capital grants and contributions	508,194	487,083			508,194	487,083
General Revenues:						
Taxes	6,886,235	6,935,999			6,886,235	6,935,999
Investment income	56,300	53,689	12,234	28,585	68,534	82,274
Total Revenues	17,622,688	16,861,072	176,992	224,486	17,799,680	17,085,558
Expenses:						
General government	2,814,758	2,951,973			2,814,758	2,951,973
Education	3,647,055	3,383,767			3,647,055	3,383,767
Health and social services	7,851,381	7,679,895			7,851,381	7,679,895
Law, justice and public safety	858,504	967,422			858,504	967,422
Recreation and resource development	460,031	556,790			460,031	556,790
Regulation of business and professions	43,001	40,760			43,001	40,760
Transportation	725,192	675,713			725,192	675,713
Interest on long-term debt	253,752	225,512			253,752	225,512
Unemployment compensation			101,445	109,468	101,445	109,468
Port Authority at Gulfport			27,120	26,202	27,120	26,202
Prepaid affordable college tuition			16,304	27,122	16,304	27,122
Other business-type			34,905	37,902	34,905	37,902
Total Expenses	16,653,674	16,481,832	179,774	200,694	16,833,448	16,682,526
Excess/(Deficit) before Transfers	969,014	379,240	(2,782)	23,792	966,232	403,032
Transfers	(129,864)	(103,182)	129,864	103,182		
Change in Net Position	839,150	276,058	127,082	126,974	966,232	403,032
Net Position - Beginning	11,764,150	11,488,092	1,221,904	1,094,930	12,986,054	12,583,022
Net Position - Ending	\$ 12,603,300	\$ 11,764,150	\$ 1,348,986	\$ 1,221,904	\$ 13,952,286	\$ 12,986,054

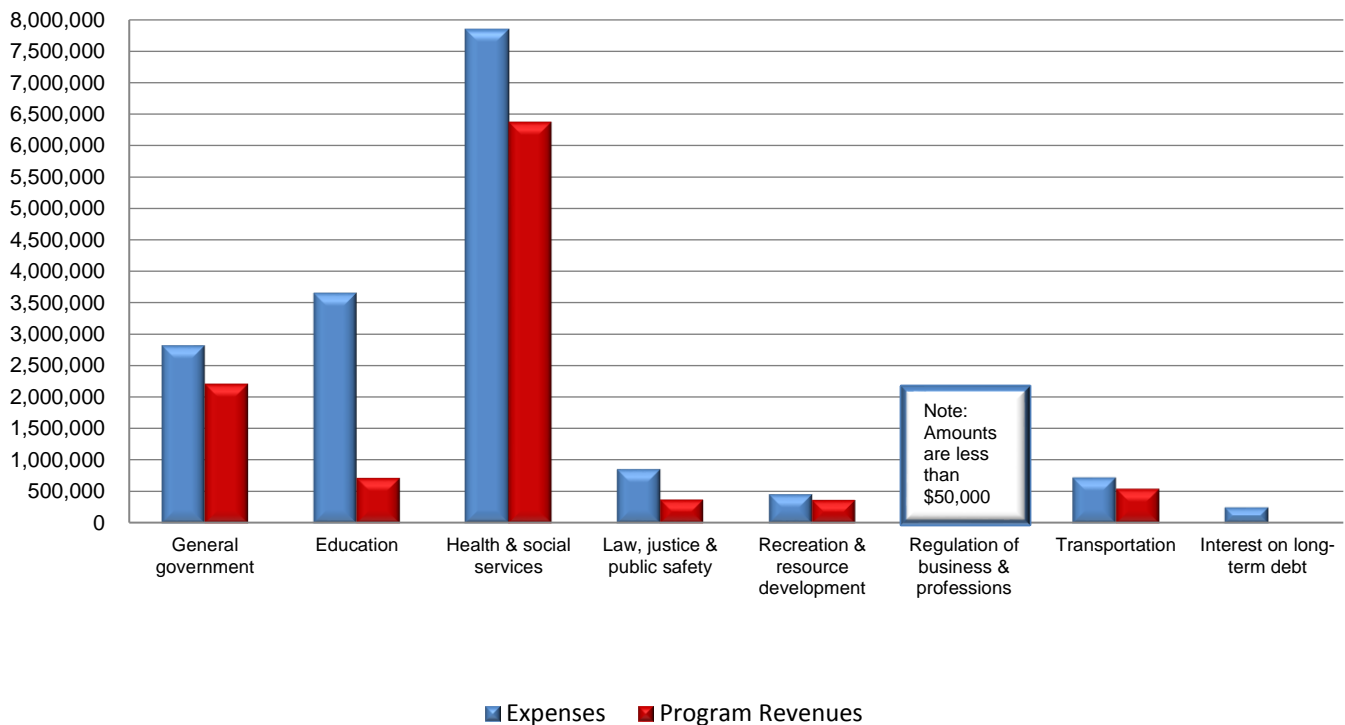
Mississippi

Governmental Activities

Governmental activities increased the State's net position by \$839,150,000 for fiscal year 2016. Charges for services increased by \$781,976,000, in comparison to the prior year. The majority of both expenses and program revenues were in the health and social services function at \$7,851,381,000 and \$6,377,077,000, respectively. Education expenses of \$3,647,055,000 exceeded program revenues of \$726,303,000 resulting in a negative \$2,920,752,000 to be funded from general revenues.



Governmental Activities - Expenses and Program Revenues
(amounts expressed in thousands)

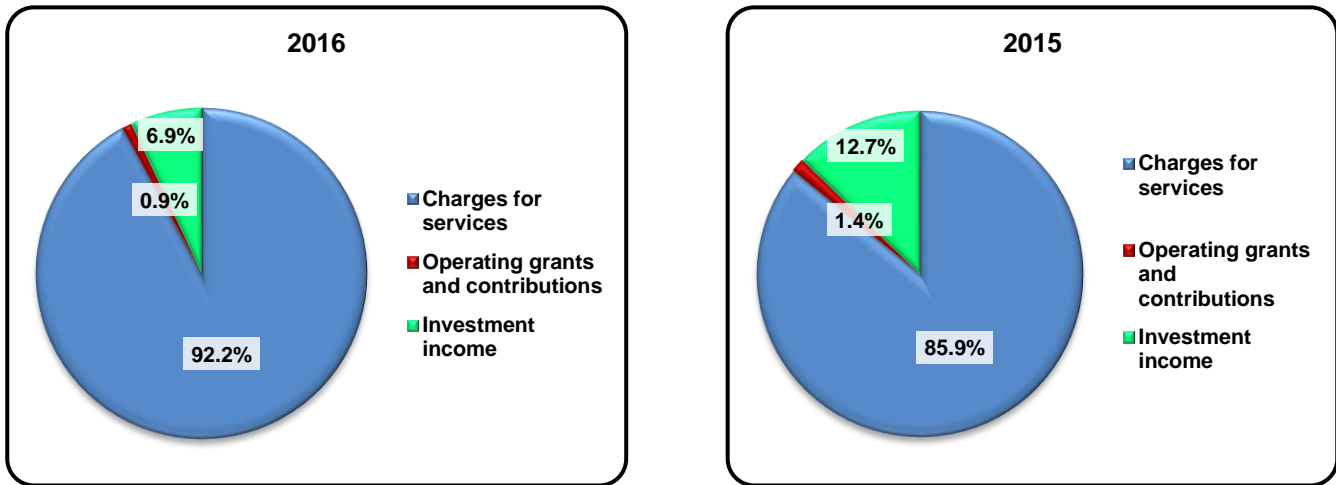


Mississippi

Business-type Activities

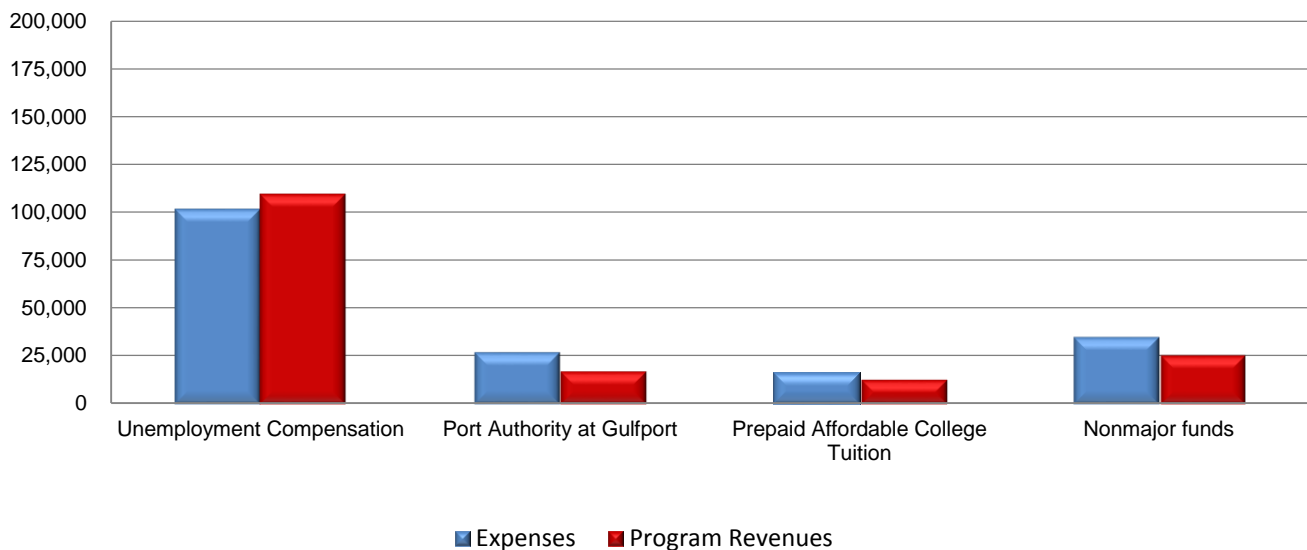
Business-type activities increased the State's net position by \$127,082,000. The percentage of revenues from charges for services continued to decrease as federal revenue for the Emergency Unemployment Compensation program diminished. The amount of investment income decreased from the prior year, as did the investment income as a percentage of total revenues, due to market conditions. For the current year, the Unemployment Compensation Fund had decreases in both program revenues and expenses with a positive change in net position of \$21,351,000 as the trend continued with fewer people filing for unemployment benefits.

Business-type Activities - Revenues by Source



Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



Mississippi

Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

At June 30, 2016, the governmental funds reported combined fund balances of \$4,361,868,000, indicating an increase of \$158,039,000 from the prior year. Within fund balances, \$109,201,000 or 2.5 percent was classified as nonspendable. The majority of the fund balance, \$3,653,892,000 or 83.8 percent was restricted. Committed fund balance equaled \$41,724,000 or one percent of the total. Assigned fund balance comprised \$10,072,000 or .2 percent while the remaining 12.5 percent, or \$546,979,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The General Fund increased its fund balance by \$156,699,000 from the prior year to an ending fund balance of \$4,297,854,000. Overall, taxes decreased \$77,192,000 or 1.1 percent. There was a \$117,896,000 decrease in corporate income and franchise tax revenues resulting from weak corporate tax collections. Sales and use tax revenues rose \$50,979,000 while gasoline and other motor fuel revenues increased by 1.2 percent. Federal government revenues decreased by \$5,461,000 as several federal grant programs reached the end of their funding periods. Court assessments and settlements revenue increased 134.3 percent due to the State's share of a settlement agreement between the Gulf States and the BP entities with respect to economic and other claims arising from the Deepwater Horizon Incident.

Health and social services expenditures increased slightly during fiscal year 2016, rising by 1.6 percent over the prior fiscal year. Medicaid inflation was the main contributor for the increase in expenditures. The Centers for Medicare and Medicaid Services estimated inflation at 4.1 percent. The Federal Medical Assistance Percentage also rose creating an increase in medical expenditures.

Proprietary Funds

The Unemployment Compensation Fund experienced an increase in net position of \$21,351,000 as compared to the prior year. Assessments' revenue decreased by 21.7 percent due to legislation that allowed certain employers to pay a zero percent tax rate. Operating expenses decreased by \$8,023,000 from the prior year as a result of a reduction in claims and benefits expense as the economy continued to gradually improve. As a result of the end of the Emergency Unemployment Compensation program, federal revenue declined by \$1,410,000.

The Port Authority at Gulfport Fund increased net position by \$112,922,000 as compared to an \$84,855,000 increase reported in the prior year. Operating revenues and expenses increased slightly by \$2,037,000 and \$1,346,000 respectively. The increase in net position is attributable to the \$122,023,000 received in federal pass through grants from other state agencies which enabled the Port to continue the implementation of its facility restoration plan.

The Prepaid Affordable College Tuition Fund's net position decreased by \$12,387,000. Tuition receipts increased by 2.9 percent over the prior year. The 43.3 percent decrease in claims and benefits expense was directly related to changes in the program's actuarially determined present value of future tuition obligations and a slight reduction in the assumed rate of tuition increases that was implemented in the actuarial valuation. Investment income decreased due to the change in market conditions.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2016 General Fund revenues was 1.7 percent. This estimate was revised to sine die, which reflected a 1.1 percent growth, and revised in April 2016 to reflect a growth of 1.6 percent. Actual fiscal year 2016 General Fund revenue collections were \$22,217,000 or .4 percent lower than the prior year. These revenues were \$145,690,000 below estimated amounts. Revenue from sales tax grew by \$27,818,000 or 1.4 percent. Individual income tax increased by \$26,004,000 or 1.5 percent. However, corporate income and franchise tax decreased \$117,826,000 or 16.5 percent.

The final expenditure budget was \$33,605,000 less than the original budget and actual expenditures were \$4,412,000 less than the final budget. Amounts budgeted but not expended during the year are reappropriated in the following year or are retained in the General Fund and made available for the subsequent year budget allocations.

During the 2016 budget process, an estimate of the amount of funds available from the prior year was included with current year revenue projections to determine the amounts to be budgeted in the current year. The overstatement of the beginning fund balance resulted in a deficit in the original budget ending balance.

Mississippi

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for governmental and business-type activities as of June 30, 2016 were \$21,384,829,000, less accumulated depreciation of \$5,064,231,000, resulting in a net book value of \$16,320,598,000. For the current fiscal year, governmental activities and business-type activities increased by \$379,096,000 and \$153,262,000, respectively. These changes amount to 2.5 and 37.1 percent increases, respectively, over the prior year.

Major capital asset events during fiscal year 2016 included the following:

Construction in progress for governmental activities had the largest increases and decreases of any asset class with \$818,248,000 and \$618,943,000, respectively. Mississippi Department of Transportation accounts for the majority of the increase with \$731,452,000. The Department of Finance and Administration added \$55,236,000 which included building projects for the Department of Public Safety Central Mississippi Crime Lab, the Mississippi Museum's Civil Rights and History Museum, and the Mississippi Department of Health Lab addition. Decreases to construction in progress are primarily for completed Mississippi Department of Transportation projects moved to infrastructure.

Governmental activities added \$472,864,000 to infrastructure for roads, highways and bridges. These additions included pavement rehabilitation projects in Hinds, Jackson, Scott, and Clarke counties. Bridges were constructed and rehabilitated in Washington, Holmes, Clarke, Perry, and Hinds counties. The Surface Transportation Program (Urban street projects) were completed in Prentiss, Attala, and Madison counties. Interstate and highway projects were completed in Jefferson Davis, Marshall, Lincoln, Hinds, and Boliver counties.

During fiscal year 2016, net capital assets for business-type activities increased by \$153,262,000. The Port Authority at Gulfport added \$161,552,000 to construction in progress, which includes continuation of the West Pier Wharf upgrades, the Bulk Storage Facility, and the Tenant Maintenance and Repair Shop. Construction of the three rail mounted gantry crane is nearing completion. Projects completed and moved to infrastructure and land improvements included the East Pier Retaining Wall and wharf upgrades. The completed projects were valued at \$29,735,000.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 16 addresses the State's outstanding long-term contracts related to the construction of state and county roads, highways, and bridges, as well as building projects for various state agencies.

Capital Assets, Net of Depreciation

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,328,614	\$ 2,281,727	\$ 130,425	\$ 130,416	\$ 2,459,039	\$ 2,412,143
Software	130,207	104,036			130,207	104,036
Buildings	1,507,928	1,503,879	52,659	54,144	1,560,587	1,558,023
Land improvements	128,696	136,755	27,604	23,323	156,300	160,078
Machinery and equipment	238,580	249,267	7,516	7,769	246,096	257,036
Infrastructure	6,963,777	6,842,347	119,138	99,877	7,082,915	6,942,224
Construction in progress	4,456,877	4,257,572	228,577	97,128	4,685,454	4,354,700
Total	<u>\$ 15,754,679</u>	<u>\$ 15,375,583</u>	<u>\$ 565,919</u>	<u>\$ 412,657</u>	<u>\$ 16,320,598</u>	<u>\$ 15,788,240</u>

Mississippi

Debt Administration

As of June 30, 2016, outstanding general obligation debt for the State was \$4,399,445,000, including premiums. General Obligation Refunding bonds of \$1,720,648,000, Capital Improvements bonds of \$1,145,250,000, and Industry Incentive Financing bonds of \$354,690,000 comprise 73.2 percent of this outstanding debt. During the current fiscal year, the State issued \$298,895,000 in general obligation bonds which are reported in governmental activities. In addition, the State issued \$71,125,000 of refunding notes to advance refund notes payable which are reported in governmental activities. Within business-type activities, general obligation bonds decreased by \$2,974,000 as the Port Authority at Gulfport continued to repay its long-term debt.

Limited obligation bonds of \$200,000,000 were issued during fiscal year 2016 to provide funding for the repair, rehabilitation and replacement of bridges on state maintained highways. These bonds are to be repaid primarily from gaming revenue. As of June 30, 2016, outstanding limited obligation debt for the State was \$226,507,000 including premiums.

Outstanding Long-term Debt Bonds and Notes

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds and notes	\$ 4,389,749	\$ 4,381,327	\$ 9,696	\$ 12,670	\$ 4,399,445	\$ 4,393,997
Limited obligation bonds	226,507				226,507	
Notes payable	1,055,789	1,113,994			1,055,789	1,113,994
Total	<u>\$ 5,672,045</u>	<u>\$ 5,495,321</u>	<u>\$ 9,696</u>	<u>\$ 12,670</u>	<u>\$ 5,681,741</u>	<u>\$ 5,507,991</u>

Mississippi has a rating of AA from Standard and Poor's, AA+ from Fitch, and Aa2 from Moody's. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and the potential for future economic diversification.

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2016, the State's constitutional legal debt limit remained at \$13,312,194,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 13 to the financial statements.

Economic Factors and Next Year's Budget

Mississippi's average unemployment rate decreased from 6.5 percent for calendar year 2015 to 5.8 percent for calendar year 2016. The State continues to lag behind the 2016 national average of 4.9 percent. Personal income grew by 1.3 percent in calendar year 2016 as the economy continues to slowly improve.

Although Mississippi's economy is experiencing growth, it is not translating into more revenue. State law allows the Governor to reduce budgets and take funds from the Working Cash Stabilization Reserve Fund when revenue collections do not meet expectations. Early in FY 2017, the Governor took a proactive approach to resolve an error in the State's revenue projections by making General Fund budget adjustments of \$56,802,000. Additionally, as state tax collections were underperforming, budget cuts were made in January, February, and March totaling \$114,421,000. The adjustments and cuts reduced the FY 2017 budgets and achieved an aggregate savings of \$171,223,000.

The Governor also directed the State Fiscal Officer to transfer \$11,061,000 from the Working Cash Stabilization Reserve Fund to prevent deeper cuts. Mississippi law allows the State Fiscal Officer to transfer \$50 million per fiscal year to the State General Fund to stabilize the budget when the state is experiencing revenue shortfalls. Legislation was passed giving the authority for an additional \$50 million transfer in FY 2017, if needed. Therefore, \$88,939,000 of Working Cash Stabilization Reserve Fund authority remains if revenues do not pick up before the end of FY 2017.

Revenue collected by the Department of Revenue (DOR) continues to perform poorly compared to FY 2016. DOR collections from the beginning of FY 2017 through March 31, 2017 were down by \$142,246,000 or 3.85 percent. Total DOR collections cited do not include settlements from the Attorney General's office of \$68,393,000 or the transfers—previously mentioned—from the Working Cash Stabilization Reserve Fund. The state remains optimistic that revenue collections will see a future uptick; however, precautionary measures are being taken by state agencies to prepare for an uncertain FY 2018.

Mississippi

Basic Financial Statements

Mississippi

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	\$ 3,560,187	\$ 77,856	\$ 3,638,043	\$ 2,050
Cash and cash equivalents	402,858	704,618	1,107,476	500,060
Investments	25,200		25,200	265,805
Receivables, net	840,992	51,611	892,603	329,991
Restricted assets:				
Cash and cash equivalents		150	150	
Due from other governments, net	450,809	455	451,264	127
Internal balances	(45,419)	45,419		
Due from component units	2,073		2,073	
Due from primary government				47,821
Inventories	36,896	304	37,200	33,759
Prepaid items		402	402	33,351
Loans and notes receivable, net	47,542	6,306	53,848	38,546
Other assets				10,576
Total Current Assets	5,321,138	887,121	6,208,259	1,262,086
Noncurrent assets:				
Investments	118,054	290,259	408,313	644,605
Receivables, net	725,209		725,209	
Due from other governments, net	652,861		652,861	
Loans and notes receivable, net	270,204	165,197	435,401	175,453
Restricted assets:				
Cash and cash equivalents		450	450	193,079
Investments				950,885
Capital assets:				
Land and construction in progress	6,785,491	359,002	7,144,493	777,521
Other capital assets, net	8,969,188	206,917	9,176,105	3,279,710
Other assets				20,206
Total Noncurrent Assets	17,521,007	1,021,825	18,542,832	6,041,459
Total Assets	22,842,145	1,908,946	24,751,091	7,303,545
Deferred Outflows of Resources				
Refunding	128,382		128,382	25,673
Pensions	517,278	5,077	522,355	480,786
Total Deferred Outflows	\$ 645,660	\$ 5,077	\$ 650,737	\$ 506,459

(Continued on Next Page)

Mississippi

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Warrants payable	\$ 53,949	\$ 1,144	\$ 55,093	\$
Accounts payable and other liabilities	629,262	45,575	674,837	226,122
Contracts payable	94,056	7,574	101,630	
Income tax refunds payable	272,775		272,775	
Due to other governments	296,021	9,425	305,446	15
Due to component units	47,821		47,821	
Due to primary government				2,073
Claims and benefits payable	97,725	40,970	138,695	
Deposits	89,355	1,774	91,129	768
Unearned revenues	119,058	492	119,550	125,531
Pollution remediation obligation	7,228		7,228	
Bonds and notes payable, net	411,464	3,022	414,486	40,670
Lease obligations payable	5,607	77	5,684	4,645
Other liabilities				61,970
Total Current Liabilities	2,124,321	110,053	2,234,374	461,794
Noncurrent liabilities:				
Due to other governments	2,533	12,616	15,149	
Claims and benefits payable	38,001	410,228	448,229	
Derivative instruments	50,201		50,201	
Other postemployment benefits payable	174,154		174,154	
Pollution remediation obligation	35,718		35,718	
Bonds and notes payable, net	5,260,581	6,674	5,267,255	1,094,836
Lease obligations payable	9,655	121	9,776	99,145
Liabilities payable from restricted assets:				
Deposits		150	150	
Net pension liability	2,948,290	22,740	2,971,030	2,424,933
Other liabilities	100,944	580	101,524	270,509
Total Noncurrent Liabilities	8,620,077	453,109	9,073,186	3,889,423
Total Liabilities	10,744,398	563,162	11,307,560	4,351,217
Deferred Inflows of Resources				
Interest rate swaps	782		782	
Pensions	139,325	1,875	141,200	68,568
Total Deferred Inflows	\$ 140,107	\$ 1,875	\$ 141,982	\$ 68,568

Mississippi

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	14,372,421	548,732	14,921,153	2,858,728
Restricted for:				
Expendable:				
General government	99,670		99,670	
Education	107,159		107,159	
Health and social services	512,453		512,453	
Law, justice and public safety	139,946		139,946	
Recreation and resources development	1,398,502		1,398,502	
Regulation of business and professions	45,143		45,143	
Transportation	684,793		684,793	
Capital projects	367,437		367,437	
Debt service	335,687		335,687	1,974
Unemployment compensation benefits		667,769	667,769	
Other purposes		893	893	575,689
Nonexpendable:				
Education	58,919		58,919	796,467
Health and social services	2,025		2,025	
Recreation and resources development	11,361		11,361	
Unrestricted (deficit)	(5,532,216)	131,592	(5,400,624)	(842,639)
Total Net Position	\$ 12,603,300	\$ 1,348,986	\$ 13,952,286	\$ 3,390,219

The accompanying notes to the financial statement are an integral part of this statement.

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Mississippi

Statement of Activities

For the Year Ended June 30, 2016 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,814,758	\$ 2,210,377	\$ 13,293	\$ 2,794
Education	3,647,055	19,932	706,359	12
Health and social services	7,851,381	585,302	5,789,449	2,326
Law, justice and public safety	858,504	131,126	242,070	4,919
Recreation and resource development	460,031	78,449	296,102	657
Regulation of business and professions	43,001	45,203	482	19
Transportation	725,192	36,886	16,929	497,467
Interest on long-term debt	253,752			
Total Governmental Activities	16,653,674	3,107,275	7,064,684	508,194
Business-type activities:				
Unemployment compensation	101,445	107,658	1,612	
Port Authority at Gulfport	27,120	17,244		
Prepaid affordable college tuition	16,304	12,775		
Other business-type	34,905	25,461	8	
Total Business-type Activities	179,774	163,138	1,620	
Total Primary Government	\$ 16,833,448	\$ 3,270,413	\$ 7,066,304	\$ 508,194
Component units:				
Universities	\$ 3,564,795	\$ 2,127,828	\$ 503,562	\$ 43,588
Nonmajor	39,109	30,199	2,449	170
Total Component Units	\$ 3,603,904	\$ 2,158,027	\$ 506,011	\$ 43,758

General revenues:

Taxes:

Sales and use
Gasoline and other motor fuel
Individual income
Corporate income and franchise
Insurance
Other

Investment income

Other

Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions
and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (588,294)	\$	\$ (588,294)	
(2,920,752)		(2,920,752)	
(1,474,304)		(1,474,304)	
(480,389)		(480,389)	
(84,823)		(84,823)	
2,703		2,703	
(173,910)		(173,910)	
(253,752)		(253,752)	
(5,973,521)		(5,973,521)	
	7,825	7,825	
	(9,876)	(9,876)	
	(3,529)	(3,529)	
	(9,436)	(9,436)	
	(15,016)	(15,016)	
(5,973,521)	(15,016)	(5,988,537)	
			\$ (889,817)
			(6,291)
			(896,108)
3,361,075		3,361,075	
425,205		425,205	
1,734,040		1,734,040	
577,114		577,114	
314,756		314,756	
474,045		474,045	
56,300	12,234	68,534	14,654
			204,800
			835,471
			37,615
(129,864)	129,864		
6,812,671	142,098	6,954,769	1,092,540
839,150	127,082	966,232	196,432
11,764,150	1,221,904	12,986,054	3,193,787
\$ 12,603,300	\$ 1,348,986	\$ 13,952,286	\$ 3,390,219

Mississippi

Governmental Funds

Balance Sheet

June 30, 2016 (Expressed in Thousands)

	General	Permanent	Totals
Assets			
Equity in internal investment pool	\$ 3,249,586	\$ 2,693	\$ 3,252,279
Cash and cash equivalents	313,047	2,363	315,410
Investments	45,348	58,974	104,322
Receivables, net	1,565,196	479	1,565,675
Due from other governments, net	1,102,771		1,102,771
Due from other funds	17,290	230	17,520
Due from component units	392		392
Inventories	36,896		36,896
Loans receivable, net	317,746		317,746
Total Assets	\$ 6,648,272	\$ 64,739	\$ 6,713,011
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Warrants payable	\$ 52,377	\$	\$ 52,377
Accounts payable and accruals	642,044	725	642,769
Contracts payable	94,056		94,056
Income tax refunds payable	272,775		272,775
Due to other governments	298,174		298,174
Due to other funds	78,779		78,779
Due to component units	47,776		47,776
Claims payable	9,147		9,147
Unearned revenues	108,734		108,734
Total Liabilities	1,603,862	725	1,604,587
Deferred inflows of resources:			
Deferred revenues	746,556		746,556
Fund balances:			
Nonspendable			
Inventories	36,896		36,896
Principal	15,000	57,305	72,305
Restricted			
General government	96,275		96,275
Education	102,285	4,874	107,159
Health and social services	500,314	327	500,641
Law, justice and public safety	133,460		133,460
Recreation and resources development	1,396,919	1,508	1,398,427
Regulation of business and professions	45,143		45,143
Transportation	669,663		669,663
Capital projects	367,437		367,437
Debt service	335,687		335,687
Committed			
General government	7,495		7,495
Education	9,440		9,440
Law, justice and public safety	18,971		18,971
Recreation and resources development	5,818		5,818
Assigned			
General government	6,729		6,729
Education	68		68
Law, justice and public safety	1,797		1,797
Recreation and resources development	1,478		1,478
Unassigned	546,979		546,979
Total Fund Balances	4,297,854	64,014	4,361,868
Total Liabilities, Deferred Inflows and Fund Balances	\$ 6,648,272	\$ 64,739	\$ 6,713,011

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2016 (Expressed in Thousands)

Total fund balances for governmental funds \$ 4,361,868

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds:

Land	\$ 2,328,614	
Construction in progress	4,456,877	
Software	155,628	
Buildings	2,137,275	
Land improvements	272,761	
Machinery and equipment	714,920	
Infrastructure	10,571,501	
Accumulated depreciation	<u>(4,918,600)</u>	15,718,976

Deferred outflows of resources reported in governmental activities are not
financial resources and therefore are not reported in the governmental funds:

Refunding of debt	128,382	
Pensions	<u>510,326</u>	638,708

Deferred inflows of resources reported in governmental activities are not
financial resources and therefore are not reported in the governmental funds:

Interest rate swaps	(782)	
Pensions	<u>(138,587)</u>	(139,369)

Some of the State's revenues will be collected after year-end but are not
available soon enough to pay for the current period's expenditures and
therefore are deferred in the funds as deferred inflows of resources.

746,556

Long-term liabilities and related accrued interest are not due and payable in the
current period and therefore are not reported in the governmental funds:

General obligation bonds and notes	(4,178,374)	
Limited obligation bonds	(200,000)	
Notes payable	(980,491)	
Unamortized premiums	(313,180)	
Derivative instruments	(50,201)	
Capital lease obligations	(13,565)	
Accrued compensated absences	(109,911)	
Pollution remediation obligation	(42,946)	
Net pension liability	(2,917,065)	
Other postemployment benefits payable	(174,154)	
Claims payable	(3,225)	
Accrued interest payable	<u>(58,367)</u>	(9,041,479)

Internal service funds are used by management to charge the costs of
certain activities, such as insurance and telecommunications, to individual
funds. The assets and liabilities of the internal service funds are included
in governmental activities in the statement of net position.

318,040

Net position of governmental activities \$ 12,603,300

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2016 (Expressed in Thousands)

	General	Permanent	Totals
Revenues			
Taxes:			
Sales and use	\$ 3,375,755	\$	\$ 3,375,755
Gasoline and other motor fuel	424,615		424,615
Individual income	1,733,198		1,733,198
Corporate income and franchise	573,873		573,873
Insurance	314,756		314,756
Other	474,045		474,045
Licenses, fees and permits	569,717		569,717
Federal government	7,494,821		7,494,821
Investment income	66,516	2,354	68,870
Charges for sales and services	382,441		382,441
Rentals	25,409	95	25,504
Court assessments and settlements	384,080		384,080
Other	616,821	9	616,830
Total Revenues	16,436,047	2,458	16,438,505
Expenditures			
Current:			
General government	2,228,370		2,228,370
Education	3,643,091	118	3,643,209
Health and social services	7,806,591		7,806,591
Law, justice and public safety	861,793		861,793
Recreation and resources development	458,957		458,957
Regulation of business and professions	42,123		42,123
Transportation	1,062,860		1,062,860
Debt service:			
Principal	358,206		358,206
Interest and other fiscal charges	244,996		244,996
Total Expenditures	16,706,987	118	16,707,105
Excess of Revenues over (under) Expenditures	(270,940)	2,340	(268,600)
Other Financing Sources (Uses)			
Bonds and notes issued	498,895		498,895
Capital leases issued	3,420		3,420
Insurance recovery	1,498		1,498
Payments to note escrow agent	(76,405)		(76,405)
Premiums on bonds and notes issued	56,328		56,328
Refunding notes issued	71,125		71,125
Transfers in	4,082		4,082
Transfers out	(131,304)	(1,000)	(132,304)
Net Other Financing Sources (Uses)	427,639	(1,000)	426,639
Net Change in Fund Balances	156,699	1,340	158,039
Fund Balances - Beginning	4,141,155	62,674	4,203,829
Fund Balances - Ending	\$ 4,297,854	\$ 64,014	\$ 4,361,868

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2016 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 158,039

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 853,664	
Depreciation expense	(468,192)	385,472

Various capital asset related transactions affect the statement of activities but have no impact on governmental funds. These transactions include disposition of capital assets by sale, trade, or scrap. (9,629)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net loss of the internal service funds is reported with governmental activities. (13,912)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

Premiums on notes and refunding bonds and notes issued	(56,328)	
Bonds and notes issued	(498,895)	
Refunding notes issued	(71,125)	
Capital leases issued	(3,420)	
Payments of debt principal	358,206	
Payments to bond escrow agent	76,405	
Accrued interest payable	1,044	
Interest at refunding	(1,119)	(195,232)

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Donations of equipment	1,028	
Change in claims payable	444	
Change in compensated absences	7,325	
Change in deferred revenues	589,712	
Change in other postemployment benefits payable	(16,680)	
Change in pollution remediation obligation	143	
Change in fair value of investment derivative	(17,827)	
Change in fair value of borrowing derivative	6,610	
Change in pension costs, net	(59,610)	
Amortization of premiums	28,449	
Amortization of deferred amount on refunding	(25,182)	514,412

Change in net position of governmental activities \$ 839,150

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Proprietary Funds

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Assets			
Current assets:			
Equity in internal investment pool	\$	\$ 740	\$ 231
Cash and cash equivalents	640,112	34,197	10,065
Investments			
Receivables, net	44,383	1,529	1,047
Restricted assets:			
Cash and cash equivalents		150	
Due from other governments, net	423	32	
Due from other funds	413	41,133	
Due from component units			
Inventories			
Prepaid items		52	
Loans and notes receivable		646	
Total Current Assets	685,331	78,479	11,343
Noncurrent assets:			
Investments			288,157
Loans and notes receivable		14,518	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets:			
Land and construction in progress		353,683	
Other capital assets, net		176,743	
Total Noncurrent Assets		545,394	288,157
Total Assets	\$ 685,331	\$ 623,873	\$ 299,500
Deferred Outflows of Resources			
Pension		1,006	354

Enterprise Funds

				Governmental	
				Activities -	
				Internal	
				Service	
				Funds	
Nonmajor		Totals			
Funds					
\$	76,885	\$	77,856	\$	307,908
	20,244		704,618		87,447
					408
	4,652		51,611		526
			150		
			455		899
	10,416		51,962		31,814
					1,681
	304		304		
	350		402		
	5,660		6,306		
	118,511		893,664		430,683
	2,102		290,259		38,525
	150,679		165,197		
			450		
	5,319		359,002		
	30,174		206,917		35,703
	188,274		1,021,825		74,228
\$	306,785	\$	1,915,489	\$	504,911
	3,717		5,077		6,952

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Liabilities			
Current liabilities:			
Warrants payable	\$	\$	\$ 168
Accounts payable and other liabilities	70	39,329	2,056
Contracts payable		7,574	
Due to other governments	9,245		
Due to other funds	1,976		3
Due to component units			
Claims and benefits payable	6,106		34,864
Deposits			
Bonds payable		3,022	
Unearned revenues	165	262	
Lease obligations payable			
Total Current Liabilities	17,562	50,187	37,091
Noncurrent liabilities:			
Due to other governments			
Claims and benefits payable			410,228
Bonds payable		6,674	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		150	
Net pension liability		5,627	927
Other liabilities		264	41
Total Noncurrent Liabilities		12,715	411,196
Total Liabilities	17,562	62,902	448,287
Deferred Inflows of Resources			
Pension		166	25
Net Position			
Net investment in capital assets		520,730	
Restricted for:			
Expendable			
Unemployment compensation benefits	667,769		
Other purposes		450	
Unrestricted (deficit)		40,631	(148,458)
Total Net Position	\$ 667,769	\$ 561,811	\$ (148,458)

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds

Mississippi

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	\$	\$ 16,138	\$
Assessments	107,658		
Investment income			
Federal agencies	1,612		
Rentals			
Fees			
Tuition receipts			12,775
Other			
Total Operating Revenues	109,270	16,138	12,775
Operating Expenses			
Cost of sales and services			
General and administrative		3,530	592
Contractual services		16,004	1,282
Commodities		307	7
Depreciation		7,120	
Claims and benefits	101,445		14,423
Other			
Total Operating Expenses	101,445	26,961	16,304
Operating Income (Loss)	7,825	(10,823)	(3,529)
Nonoperating Revenues			
Revenue from counties		982	
Insurance recovery		124	
Gain on disposal of capital assets			
Investment income	13,577	465	(8,858)
Total Nonoperating Revenues	13,577	1,571	(8,858)
Nonoperating Expenses			
Loss on disposal of capital assets		110	
Interest and other fiscal charges		49	
Total Nonoperating Expenses		159	
Income (Loss) before Capital Contributions and Transfers	21,402	(9,411)	(12,387)
Capital Contributions			
Transfers In		122,333	
Transfers Out	(51)		
Change in Net Position	21,351	112,922	(12,387)
Total Net Position - Beginning	646,418	448,889	(136,071)
Total Net Position - Ending	\$ 667,769	\$ 561,811	\$ (148,458)

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 17,601	\$ 33,739	\$ 801,642	
	107,658		
6,123	6,123		
	1,612		
5,549	5,549		
175	175		
	12,775		
2,113	2,113	14	
31,561	169,744	801,656	
11,576	11,576		
11,159	15,281	17,354	
8,373	25,659	65,332	
2,064	2,378	1,080	
1,502	8,622	2,758	
	115,868	735,271	
173	173		
34,847	179,557	821,795	
(3,286)	(9,813)	(20,139)	
	982		
	124		
31	31		
927	6,111	5,253	
958	7,248	5,253	
49	159		
9	58	102	
58	217	102	
(2,386)	(2,782)	(14,988)	
		2,718	
8,672	131,005	299	
(1,090)	(1,141)	(1,941)	
5,196	127,082	(13,912)	
262,668	1,221,904	331,952	
\$ 267,864	\$ 1,348,986	\$ 318,040	

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Cash Flows from Operating Activities			
Cash receipts from federal agencies	\$ 1,574	\$	\$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		16,272	12,775
Cash receipts from assessments	120,769		
Cash payments to suppliers for goods and services		(14,651)	(1,204)
Cash payments to employees for services		(3,228)	(468)
Cash payments for claims and benefits	(103,043)		(26,526)
Other operating cash receipts			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	19,300	(1,607)	(15,423)
Cash Flows from Noncapital Financing Activities			
Transfers in		104,063	
Transfers out	(51)	(6)	
Revenues from counties		982	
Proceeds from other governments			
Net Cash Provided by			
Noncapital Financing Activities	(51)	105,039	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(140,805)	
Principal received on notes receivable		6,630	
Proceeds from sales of capital assets		26	
Principal paid on bonds and capital asset contracts		(2,974)	
Interest paid on bonds and capital asset contracts		(505)	
Proceeds from insurance recovery		124	
Net Cash Provided by (Used for) Capital and Related			
Financing Activities		(137,504)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		49,609	114,948
Purchases of investments		(57)	(105,919)
Investment income	13,577	531	4,319
Net Cash Provided by Investing Activities	13,577	50,083	13,348
Net Change in Cash and Cash Equivalents	32,826	16,011	(2,075)
Cash and Cash Equivalents - Beginning	607,286	19,526	12,371
Cash and Cash Equivalents - Ending	\$ 640,112	\$ 35,537	\$ 10,296

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$	\$	1,574	\$
			212,307
20,655	49,702		578,518
	120,769		
(22,399)	(38,254)		(53,317)
(10,547)	(14,243)		(15,801)
	(129,569)		(741,292)
2,468	2,468		2
23,924	23,924		
(15,657)	(15,657)		
(1,556)	714		(19,583)
8,685	112,748		567
(1,090)	(1,147)		(1,672)
	982		
697	697		
8,292	113,280		(1,105)
(385)	(141,190)		(2,431)
	6,630		
37	63		
(74)	(3,048)		(1,081)
(9)	(514)		(102)
	124		
(431)	(137,935)		(3,614)
	164,557		7,865
(2,102)	(108,078)		(10,480)
956	19,383		5,119
(1,146)	75,862		2,504
5,159	51,921		(21,798)
91,970	731,153		417,153
\$ 97,129	\$ 783,074	\$	395,355

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation	Prepaid Affordable College Tuition	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ 7,825	\$ (10,823)	\$ (3,529)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		7,120	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	13,095	(4)	
Due from other governments	(147)	(13)	
Due from other funds	163	1	
Due from component units			
Inventories			
Prepaid items		53	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			(172)
Accounts payable and other liabilities	9	1,655	323
Due to other governments	(1,952)		
Due to other funds	12		2
Due to component units			
Claims and benefits payable	334		(12,182)
Unearned revenues	(39)	150	
Pension cost		254	135
Total adjustments	11,475	9,216	(11,894)
Net Cash Provided by (Used for) Operating Activities	\$ 19,300	\$ (1,607)	\$ (15,423)

Noncash Capital and Related Financing and Investing Activities

Capital contributions			
Loss on disposal of capital assets		110	
Change in market value of investments		2	(23,670)

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds

Nonmajor Funds		Totals		Governmental Activities - Internal Service Funds	
\$	(3,286)	\$	(9,813)	\$	(20,139)
	1,502		8,622		2,758
	429		13,520		(120)
	82		(78)		(33)
	(2,611)		(2,447)		(9,766)
					(494)
	244		244		
	(25)		28		
	2,730		2,730		
	(373)		(545)		(484)
	(641)		1,346		1,130
	1		(1,951)		14
	(174)		(160)		12,859
					22
			(11,848)		(6,492)
	4		115		(365)
	562		951		1,527
	1,730		10,527		556
\$	(1,556)	\$	714	\$	(19,583)

Mississippi

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2016 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	\$ 662	\$ 44	\$ 9,288
Cash and cash equivalents	820,155		50,614
Investments, at fair value:			
Short-term investments	234,555	2,287	
Long-term debt securities	4,976,565	69,047	
Equity securities	14,614,579	82,233	
Private equity	1,518,728		
Real estate investments	2,593,987	11,303	
Life insurance contracts		26,800	
Securities lending:			
Short-term investments	353,630		
Long-term debt securities	2,966,482		
Receivables, net:			
Employer contributions	80,203		
Employee contributions	45,087		
Investment proceeds	445,796		
Interest and dividends	79,564	130	
Other	1,140	84	413
Commodity inventory			1,172
Capital assets:			
Land and construction in progress	22,076		
Other capital assets, net	13,064		
Total Assets	28,766,273	191,928	\$ 61,487
Deferred Outflow of Resources			
Pension		29	
Liabilities			
Warrants payable	132	1	347
Accounts payable and accruals	830,412	289	1,672
Due to other governments			1,151
Amounts held in custody for others			58,317
Net Pension Liability		155	
Obligations under securities lending	3,318,706		
Total Liabilities	4,149,250	445	\$ 61,487
Deferred Inflow of Resources			
Pension		4	
Net Position			
Net position restricted for pensions and trust beneficiaries	\$ 24,617,023	\$ 191,508	

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund
Additions		
Contributions:		
Employer	\$ 1,055,072	\$
Plan participant	574,963	25,060
Total Contributions	1,630,035	25,060
Net Investment Income:		
Net change in fair value of investments	(335,671)	(430)
Interest and dividends	538,894	3,613
Securities lending:		
Income from securities lending	24,892	
Interest expense and trading costs from securities lending	(5,463)	
Managers' fees and trading costs	(89,116)	
Net Investment Income	133,536	3,183
Other Additions:		
Administrative fees	598	153
Other	35	
Total Other Additions	633	153
Total Additions	1,764,204	28,396
Deductions		
Benefits	2,433,505	22,112
Refunds to terminated employees	113,010	
Administrative expenses	16,362	937
Depreciation	509	
Total Deductions	2,563,386	23,049
Change in Net Position	(799,182)	5,347
Net Position - Beginning	25,416,205	186,161
Net Position - Ending	\$ 24,617,023	\$ 191,508

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Component Units

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	\$	\$ 2,050	\$ 2,050
Cash and cash equivalents	473,441	26,619	500,060
Investments	237,936	27,869	265,805
Receivables, net	327,036	2,955	329,991
Due from other governments		127	127
Due from primary government	47,654	167	47,821
Inventories	32,211	1,548	33,759
Prepaid items	33,076	275	33,351
Notes receivable, net	38,546		38,546
Other assets	10,547	29	10,576
Total Current Assets	1,200,447	61,639	1,262,086
Noncurrent assets:			
Investments	644,605		644,605
Notes receivable, net	175,453		175,453
Restricted assets:			
Cash and cash equivalents	191,186	1,893	193,079
Investments	943,885	7,000	950,885
Capital assets:			
Land and construction in progress	756,458	21,063	777,521
Other capital assets, net	3,127,448	152,262	3,279,710
Other assets	20,206		20,206
Total Noncurrent Assets	5,859,241	182,218	6,041,459
Total Assets	7,059,688	243,857	7,303,545
Deferred Outflows of Resources			
Refunding	25,673		25,673
Pension	477,107	3,679	480,786
Total Deferred Outflows	502,780	3,679	506,459

(Continued on Next Page)

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Component Units

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

	Universities	Nonmajor	Totals
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	221,812	4,310	226,122
Due to other government		15	15
Due to primary government	515	1,558	2,073
Deposits		768	768
Unearned revenues	125,019	512	125,531
Bonds and notes payable	40,670		40,670
Lease obligations payable	4,553	92	4,645
Other liabilities	61,970		61,970
Total Current Liabilities	454,539	7,255	461,794
Noncurrent liabilities:			
Bonds and notes payable	1,091,636	3,200	1,094,836
Lease obligations payable	98,854	291	99,145
Net pension liability	2,402,927	22,006	2,424,933
Other liabilities	269,411	1,098	270,509
Total Noncurrent Liabilities	3,862,828	26,595	3,889,423
Total Liabilities	4,317,367	33,850	4,351,217
Deferred Inflows of Resources			
Pension	67,549	1,019	68,568
Net Position			
Net investment in capital assets	2,689,304	169,424	2,858,728
Restricted for:			
Debt service		1,974	1,974
Other purposes	571,706	3,983	575,689
Permanent endowments:			
Nonexpendable	789,467	7,000	796,467
Unrestricted	(872,925)	30,286	(842,639)
Total Net Position	\$ 3,177,552	\$ 212,667	\$ 3,390,219

Mississippi

Component Units

Statement of Activities

For the Year Ended June 30, 2016 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Universities	Nonmajor	Total
Universities	\$ 3,564,795	\$ 2,127,828	\$ 503,562	\$ 43,588	\$ (889,817)	\$	\$ (889,817)
Nonmajor	39,109	30,199	2,449	170		(6,291)	(6,291)
Total	\$ 3,603,904	\$ 2,158,027	\$ 506,011	\$ 43,758	(889,817)	(6,291)	(896,108)
General revenues:							
Investment income					13,603	1,051	14,654
Other					201,150	3,650	204,800
Payment from State of Mississippi					835,471		835,471
Contributions to permanent endowments					37,615		37,615
Total General Revenues and Contributions					1,087,839	4,701	1,092,540
Change in Net Position					198,022	(1,590)	196,432
Net Position - Beginning					2,979,530	214,257	3,193,787
Net Position - Ending					\$ 3,177,552	\$ 212,667	\$ 3,390,219

The accompanying notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

June 30, 2016

Note 1 - Significant Accounting Policies

The significant accounting policies applicable to the State of Mississippi are described below.

- A. Basis of Presentation** - The accompanying financial statements of the State have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.
- B. Financial Reporting Entity** - For GAAP financial reporting purposes, the State's reporting entity includes all funds of the State's various commissions, departments, boards, elected officials, universities, and other organizational units (hereinafter referred to collectively as "agencies"). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following considerations: 1) appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board.

As required by GAAP, these financial statements present the primary government and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with that of the primary government. The blended component unit is:

Public Employees' Retirement System of Mississippi (PERS) - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its four pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2016, and their report has been issued under separate cover. The Comprehensive Annual Financial Report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Discretely presented component units, which are legally separate from the State, are reported in a separate column of the government-wide financial statements. The State reports the following major discretely presented component unit:

Universities - The Board of Trustees of State Institutions of Higher Learning (IHL), appointed by the primary government, consists of Alcorn State University, Delta State University, Jackson State University, Mississippi State University, Mississippi University for Women, Mississippi Valley State University, the University of Southern Mississippi, and the University of Mississippi. IHL is a body corporate and politic. The State provides financial support to IHL through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Universities are the financial data of their significant fund-raising foundations. Because the restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the Universities.

The State reports the following nonmajor discretely presented component units:

Mississippi Business Finance Corporation - This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and a financial benefit/burden relationship exists. The Corporation and the State work together, providing support, one to the other, in the State's economic development.

Mississippi Coast Coliseum Commission - This is a legally separate entity created and established as a body corporate and politic. This is a political subdivision of the State. Expenditures are subject to legislative approval. The Commission is fiscally dependent on the primary government and a financial benefit/burden relationship exists. The Commission establishes, promotes, develops, locates, constructs, maintains and operates a multi-purpose coliseum and related facilities within Harrison County, Mississippi.

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Mississippi Development Bank – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and a financial benefit/burden relationship exists. The Bank and the State work together, providing support, one to the other, in the State's economic development.

Mississippi Prison Industries Corporation – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will on the corporation. A financial benefit/burden relationship exists. The Corporation leases and manages the prison industry programs of the Mississippi Correctional Industries.

Pat Harrison Waterway District – This is a legally separate entity created and established as a body corporate and politic. The State does not appoint the voting majority of the board. The District is fiscally dependent and a financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District provides flood relief along the Pascagoula River and its tributaries and preserves and protects these waters for future generations and for economic enhancement of the area and its industrial growth.

Pearl River Basin Development District – This is a legally separate entity created and established as a body corporate and politic. The State does not appoint the voting majority of the board but the District is fiscally dependent and a financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District handles the preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, agricultural and manufacturing purposes, for recreational uses, flood control, timber development, irrigation, navigation, and pollution abatement.

Pearl River Valley Water Supply District – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will. A financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District operates and maintains the Ross Barnett Reservoir and surrounding district lands to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will. A financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District provides for a plan of conservation, recreation, water control and utilization, agricultural development and economic advancement within the district.

The discretely presented component units are audited by independent auditors, and their financial statements are issued under separate covers. The audited financial statements are available from each discretely presented component unit.

State officials are also responsible for appointing the members of the boards of other related organizations, but the primary government's financial accountability for these related organizations does not extend beyond making the appointments. These related organizations are Mississippi Hospital Equipment and Facilities Authority, Mississippi Home Corporation and Mississippi Industries for the Blind.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. The primary government is further subdivided between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position presents all of the State's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. GAAP requires that net position be subdivided into three categories:

Net investment in capital assets - capital assets net of accumulated depreciation and related deferred outflows of resources reduced by outstanding balances for bonds, notes and other debt net of unspent debt proceeds and related deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - assets and deferred outflows of resources less any related liabilities and deferred inflows of resources that are restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - assets that are not classified as net investment in capital assets or restricted net position.

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. Certain indirect costs have been included as part of the program expenses

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reported for the various functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and any sources of revenue that are not reported as program revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. Major individual enterprise funds are reported as separate columns in the fund financial statements.

- D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation** – The government-wide financial statements and the financial statements of the proprietary funds and fiduciary funds (excluding agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The State considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include sales taxes, individual income taxes, corporate income taxes and federal grants. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures are recognized upon receipt of goods and services.

The State reports the following major governmental fund:

The General Fund accounts for all activities of the State not specifically required to be accounted for in other Funds. Transactions are related to general government, education, health and social services, law, justice and public safety, recreation and resource development, regulation of business and professions, transportation, capital projects, and debt service.

The State reports the following major enterprise funds:

The Unemployment Compensation Fund accounts for the collection of unemployment insurance assessments from employers and the payment of unemployment benefits to eligible claimants. Funds are also provided by the federal government and investment income.

The Port Authority at Gulfport Fund accounts for operations of a public port providing facilities for foreign and domestic trade. Funding is provided by gross receipts from port operations, proceeds from bond issues and investment income. Expenses include port operation, construction and the payment of maturing bond interest and principal.

The Prepaid Affordable College Tuition Fund accounts for operations of a prepaid college tuition program. Funding is provided by the purchasers' specified actuarially determined payments and investment income.

Additionally, the State reports the following funds:

Governmental funds:

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Funds:

Enterprise Funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds account for the operations of state agencies that render services and provide goods to other state agencies or governmental units on a cost-reimbursement basis. These activities include personnel

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services, information technology and risk management. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

Fiduciary Funds:

Pension Trust Funds account for transactions, assets, liabilities and net position available for plan benefits of the State's Public Employee Retirement System.

Private-purpose Trust Fund accounts for operations of a college savings program under Section 529 of the Internal Revenue Code. Funding is provided by participants' contributions and investment earnings.

Agency Funds account for funds distributed to the various counties and municipalities of the State; for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the State has the right or obligation to distribute them to state funds or to various entities or individuals; and for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

- E. Equity in Internal Investment Pool and Cash and Cash Equivalents** - Equity in internal investment pool is cash equity with the Treasurer and consists of pooled demand deposits and investments recorded at fair value. Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within 90 days of the date acquired by the State.

In accordance with IHL policy, all highly liquid investments with an original maturity date of three months or less are included as cash and cash equivalents for the Universities, a major component unit.

- F. Fair Value Measurements** – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB establishes a fair value reporting hierarchy to maximize the use of observable inputs when measuring fair value and defines the three levels of inputs as noted below:

Level 1 – Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or futures contracts.

Level 2 – Assets and liabilities valued based on observable market data for similar instruments. Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for assets and liabilities, either directly or indirectly.

Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market and instruments, which are valued based on the best available data. Fair value is estimated using unobservable inputs that are significant to the fair value of the assets or liabilities. Level 3 assets may include instruments for which the determination of fair value requires significant management judgment or estimation.

- G. Investments** - Investments, including any land or other real estate held as investments by endowments, are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Changes in the fair value of investment derivative instruments, including derivative instruments that are determined to be ineffective as hedges, are reported as investment income in the government-wide Statement of Activities.

Investments of the pension trust funds are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. The fair value of commingled real estate investment funds is based on independent appraisals, while Real Estate Investment Trusts (REIT) traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

- H. Receivables** - Receivables represent amounts due to the State for revenues earned that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." Receivables are reported net of allowances for uncollectible accounts where applicable.

- I. Interfund Activity** - In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated

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in order to avoid distorting the direct costs and program revenues of the applicable functions. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

J. Interfund Balances - Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities. Fiduciary funds' receivables and payables have been reclassified to accounts receivable and accounts payable, respectively, on the government-wide Statement of Net Position.

K. Inventories and Prepaid Items - Inventories of supplies and materials are stated at cost, generally using the first-in, first-out method. Cost of inventories held for use by the Department of Transportation is determined by the weighted average method. Inventories of supplies and materials of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

L. Restricted Assets - Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets.

M. Capital Assets - Capital assets are reported, net of depreciation, in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their acquisition value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or acquisition value on the date of donation, software - \$1,000,000, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$5,000, infrastructure - \$100,000, and construction in progress - based on the project's class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated service lives of the respective assets. Estimated service lives include 5 to 20 years for software, 40 years for buildings, 20 years for land improvements, 5 to 15 years for machinery and equipment, 3 years for computer equipment, 5 to 15 years for heavy and outdoor equipment, and 3 to 10 years for vehicles. The estimated service life varies from 12 to 50 years for infrastructure, based on the individual asset.

The State owns various collections, works of art and historical treasures that have not been capitalized because they are held for public exhibition, education or research, and are protected and preserved. The proceeds from sales of such items are used to acquire other items for the collections. These collections include paintings, photographs, various objects of art, historical and scientific artifacts, antique furniture, clothing, books, and relics.

N. Claims and Benefits Payable - In the government-wide and proprietary fund financial statements, a liability for an insurance claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

In the Prepaid Affordable College Tuition Fund (a major proprietary fund), claims and benefits payable represents the actuarially determined present value of future tuition obligations. In the Unemployment Compensation Fund (a major proprietary fund), claims and benefits payable represents amounts incurred prior to the reporting date.

O. Accumulated Unpaid Personal Leave and Major Medical Leave - State law authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless employees present medical evidence that their physical condition is such that they can no longer work in a capacity of state government.

The State's obligation for accumulated unpaid personal leave, up to the maximum of 30 days per employee, is reported as "Other Liabilities" in the government-wide financial statements, as well as proprietary and fiduciary fund financial statements. In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The State uses the last-in, first-out method of recognizing use of compensated absences. The reported liability applicable to all funds includes the related fringe benefits that the State as employer is required to pay when the accrued compensated absences are liquidated.

Accumulated unpaid major medical leave is not accrued, except in the Universities, because it is not probable that the compensation will be paid in a lump sum other than in the event of severe illness. However, state law authorizes the

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Universities to make payment for a maximum of 30 days in a lump sum upon termination of employment for nine-month faculty members eligible to receive retirement benefits.

- P. Unearned Revenues and Deferred Inflows of Resources** - Unearned revenues are recognized when assets are received prior to being earned in an exchange transaction. Deferred revenues are reported in the governmental fund financial statements as deferred inflows of resources until such time as the revenues become available.
- Q. Pensions** – Net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense have been measured using the same basis as the PERS fiduciary net position. For the purpose of determining the PERS fiduciary net position, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.
- R. Net Position/Fund Balance** - Net Position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources on government-wide, proprietary and fiduciary funds financial statements and Fund Balance on governmental funds financial statements. Fund Balances of governmental funds are classified as:

Nonspendable - amounts that cannot be spent because they are not in a spendable form (not expected to be converted to cash) or are legally required to be maintained intact. Examples include inventories and permanent fund principal.

Restricted - amounts where legally enforceable constraints are imposed by an external party such as a grantor, or by the constitution, or by the State Legislature at the same time the revenue is created.

Committed - amounts where constraints are imposed by bills which become law after passage by the State Legislature, the highest decision-making authority in the State. These constraints are imposed separately from the creation of the revenue. The revenue cannot be used for any other purpose unless the State Legislature removes or changes the specified use by taking the same formal action that originally imposed the constraint.

Assigned - amounts where constraints are imposed on the use of resources through the intent of the State Legislature or by its delegation to each agency director.

Unassigned - the residual amount of the General Fund, which is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred for purposes in which all classifications of spendable fund balance are available, it is the State's general policy to use the fund balances in the following order: restricted, committed, assigned, and unassigned.

- S. Federal Grants** - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.
- T. Bonds and Notes** - Bond and note proceeds, premiums and discounts are reported as other financing sources or uses in the governmental fund financial statements. In the government-wide and proprietary fund financial statements, bond and note premiums and discounts, as well as refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds and notes using the straight-line method. Bonds and notes payable are reported net of the applicable unamortized bond and note premium and discount while refunding charges are reported as deferred outflows or deferred inflows of resources. Issuance costs are recognized as debt service expenditures/expenses in the period incurred.
- U. Changes in Accounting Standards** - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The State early implemented GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* in the current fiscal year. The provisions of these standards have been incorporated into the financial statements and the notes. The implementations of GASB Statements No. 76, No. 79, and No. 82 did not have a material impact on the State's financial statements and the notes.

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Note 2 - Other Accounting Disclosures

- A. Net Position Restricted by Enabling Legislation** - The State's net position restricted by enabling legislation represent resources which a party external to government, such as citizens, public interest groups, or the judiciary, can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net position reports \$4,431,757,000 of restricted net position, of which \$255,612,000 is restricted by enabling legislation.
- B. Deficit Net Position** - At June 30, 2016, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net position of \$148,458,000. The deficit is a result of actual investment earnings being less than actuarial assumptions. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) and Personnel Board (an internal service fund) have deficit net positions of \$695,000 and \$5,379,000, respectively. These deficits are results of the actuarially determined pension liability reported in the funds' financial statements.
- C. Working Cash Stabilization Reserve Account** - The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches \$40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. For fiscal year 2016, the Account balance in excess of \$40,000,000 may be permanently transferred to the General Fund to cover deficits. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5% maximum is again attained. At June 30, 2016, the Account, as reported in the General Fund, has an unassigned fund balance of \$292,945,000.
- D. Fund Balances** - In previous years, the restricted fund balance as reported in the General Fund included an amount that had not been assigned to other funds. During fiscal year 2016, \$295,295,000 of the General Fund's fund balance in general government was reclassified from restricted to unassigned. At June 30, 2016, the State's restricted, committed and assigned fund balances are summarized by purpose as follows (amounts expressed in thousands):

	Restricted	Committed	Assigned
Governmental Funds			
General			
General Government			
Fiscal Affairs	\$ 32,360	\$ 6,975	\$ 6,729
Regulatory	19,587	41	
Other	44,328	479	
Education	102,285	9,440	68
Health and Social Services	500,314		
Law, Justice and Public Safety			
Highway Safety	46,192	2,872	
Judicial and Justice	37,673	5,685	
Other	49,595	10,414	1,797
Recreation and Resources Development			
Industrial Development	656,383	3,368	268
Natural Resources	643,269		
Other	97,267	2,450	1,210
Regulation of Business and Professions	45,143		
Transportation			
Highways	479,765		
State Roads and Bridges	121,721		
Other	68,177		
Capital Projects	367,437		
Debt Service	335,687		
Total General Fund	3,647,183	41,724	10,072
Permanent			
Education	4,874		
Health and Social Services	327		
Recreation and Resources Development			
Wildlife Conservation	1,508		
Total Permanent Fund	6,709		
Total Governmental Funds	\$ 3,653,892	\$ 41,724	\$ 10,072

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Note 3 - Interfund Transactions

At June 30, 2016, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To						Total
	General	Permanent	Internal Service	Unemployment Compensation	Port Authority at Gulfport	Nonmajor Enterprise	
Governmental:							
General	\$	\$ 230	\$ 27,121	\$ 6	\$ 41,133	\$ 10,289	\$ 78,779
Internal Service	15,153		287	407		127	15,974
Proprietary:							
Unemployment Compensation	1,976						1,976
Prepaid Affordable College Tuition	2		1				3
Nonmajor Enterprise	159		4,405				4,564
Total	\$ 17,290	\$ 230	31,814	\$ 413	\$ 41,133	\$ 10,416	\$ 101,296

Interfund receivables and payables are the results of 1) timing differences between the date expenses/expenditures occur and the date payments are made and 2) the accrual of tax distributions for taxes collected in the following fiscal year.

At June 30, 2016, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To				
	Primary Government		Component Units		Total
	General	Internal Service	Universities	Nonmajor	
Primary Government:					
General	\$	\$	\$ 47,652	\$ 124	\$ 47,776
Internal Service			2	43	45
Component Units:					
Universities	311	204			515
Nonmajor	81	1,477			1,558
Total	\$ 392	\$ 1,681	\$ 47,654	\$ 167	\$ 49,894

Amounts due to and due from the primary government and component units are the results of timing differences between the date expenses/expenditures occur and the date payments are made.

At June 30, 2016, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To				Total
	General	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	
Governmental:					
General	\$	\$ 299	\$ 122,333	\$ 8,672	\$ 131,304
Permanent	1,000				1,000
Internal Service	1,941				1,941
Proprietary:					
Unemployment Compensation	51				51
Nonmajor Enterprise	1,090				1,090
Total	\$ 4,082	\$ 299	\$ 122,333	\$ 8,672	\$ 135,386

Interfund transfers are primarily used to 1) move revenues from funds required to collect them to funds required to expend them, 2) use revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) transfer capital facility construction and debt service expenditures to the funds making the payments.

During fiscal year 2016, the State Legislature authorized transfers of \$58,446,000 from the Working Cash Stabilization Reserve Account to the General Fund to cover deficits due to revenue shortfalls.

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Note 4 - Deposits and Investments

The State Treasurer maintains a cash and short-term investment pool for all state treasury funds and for investments of certain other state agencies. In addition, the Public Employees' Retirement System (the System), and a small number of other agencies carry out investment activities separate from the State Treasurer. A discussion of statutory authority for these investments follows.

The State Treasurer is authorized to invest all excess treasury funds of the state under Section 27-105-33, Mississippi Code Ann. (1972). Funds in the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account are invested by the State Treasurer as authorized by Sections 27-103-203 and 7-9-103, respectively, Mississippi Code Ann. (1972).

As a result of the settlement of the State's lawsuit against tobacco companies in 1999, Section 43-13-409, Mississippi Code Ann. (1972) created the Health Care Trust Fund Board (the Board). This code designates the State Treasurer as chairman and gives the Board investment authority.

The System is authorized to invest funds under Section 25-11-121, Mississippi Code Ann. (1972). All investments are governed by the Board of Trustee's policy of the prudent person rule. The prudent person rule establishes a standard for all fiduciaries, to act as a prudent person would be expected to act, with discretion and intelligence, while investing for income and preservation of principal.

Primary Government Deposits (except for the System)

Section 27-105-5, Mississippi Code Ann. (1972) authorizes the State Treasurer to implement a statewide collateral pool program which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5.5 percent primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105 percent of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish a public funds guaranty pool administered by the Guaranty Pool Board and the State Treasurer. The Guaranty Pool Board is composed of the State Treasurer, Commissioner of Banking and Consumer Finance, five members nominated by the Mississippi Bankers Association, one member nominated by the Mississippi Supervisors Association, and one member nominated by the Mississippi Municipal League. The Guaranty Pool Board is responsible for reviewing and recommending criteria to be used by the State Treasurer in order to protect public deposits and the depositories in the guaranty pool program.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish criteria for a financial institution that has been in existence for three years or more to be approved as a qualified public funds depository and a public funds guaranty pool member. Potential guaranty pool members must submit an application and supply financial information to the State Treasurer as provided to its regulatory authority to verify the institution meets certain financial criteria established in the law. In addition to the requirements in the law, the Guaranty Pool Board has established additional membership requirements pursuant to its statutory authority. Once approved as a member of the public funds guaranty pool, the members must submit quarterly financial information to the State Treasurer. The Guaranty Pool Board uses this information to monitor the financial status of each member and the fiscal soundness of the guaranty pool.

Under the criteria established by the Guaranty Pool Board, an approved guaranty pool member must meet the 90 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian). The agreement provides that if a loss to a public depositor in the guaranty pool is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment against other guaranty pool members on a pro rata basis.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2016, of the statewide collateral pool cash deposits reported by the financial institutions, \$4,527,000 was uninsured and uncollateralized. Of the cash deposits not included in the statewide collateral pool, \$1,191,000 was uninsured and uncollateralized, and \$106,712,000 was uninsured and collateral held by the pledging financial institution's trust department or agent was not in the government's name.

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Primary Government Investment Policies (except for the System)

The State Treasurer is authorized to invest all funds in the state pool in the following:

Certificates of deposit or term repurchase agreements with approved financial institutions, banks and savings associations domiciled in Mississippi;

Repurchase agreements and securities lending transactions (with at least 80 percent of the total dollar amount with qualified state depositories);

Direct U.S. Treasury obligations fully guaranteed by the U.S. Government;

U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by U.S. Government, U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise; 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 U.S. (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalities or sponsored enterprises). The total dollar amount of funds invested in all open-end and closed-end management type companies and investment trust cannot exceed 20 percent of total investments. Not more than \$500,000 may be invested with foreign financial institutions.

The State Treasurer, for the Working Cash-Stabilization Reserve Account, the Education Improvement Trust Account, the Mississippi Affordable College Tuition (MPACT) account, and the Mississippi Affordable College Savings (MACS) account; and the Board are authorized to invest in the following:

Bonds, notes, certificates and other valid general obligations of the State, or of any county, city, or supervisor's district of any county of the State;

School district bonds of the State;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board, not to exceed five percent of total investments;

Highway bonds of the State;

Corporate bonds of Grade A or better as rated by Standard & Poor's Corporation (S&P) or by Moody's Investors Service. The Board may invest up to 5 percent of the book value of the total fixed income investment in corporate bonds of Grade BBB/Baa or better as rated by S&P or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by S&P or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the U.S. Securities and Exchange Commission (SEC);

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.; and

Interest-bearing bonds or notes which are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment.

In addition, the Board is authorized to invest in the following:

Bonds rated A or better, stocks and convertible securities of established non-U.S. companies which are listed on primary national stock exchanges of foreign nations and foreign government securities rated A or better by a recognized rating agency. The Board is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

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Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments; and

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the Board.

Primary Government Investments (except for the System)

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Moody's or S&P credit ratings for the primary government's investments as of June 30, 2016 are as follows (amounts expressed in thousands):

Investment Type	Quality Ratings				
	AAA	AA	A	BBB	Not Rated
Asset backed securities	\$ 3,138	\$ 2,487	\$ 1,532	\$ 1,860	
Collateralized mortgage obligations	94	1,273	755		337,365
Corporate bonds	1,080	4,539	20,286	3,857	
Mortgage pass-throughs					75,180
Mutual funds	51,937				71,333
State and local obligations		459			
U.S. Government agency obligations	4,781	1,807,752			91,452
Total	\$ 61,030	\$ 1,816,510	\$ 22,573	\$ 5,717	\$ 575,330

- B. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2016, the primary government had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value (in thousands)	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset backed securities	\$ 9,018	\$	\$ 3,618	\$ 2,710	\$ 2,690
Collateralized mortgage obligations	423,357		1,381	2,537	419,439
Corporate bonds	33,340	2,430	18,400	5,670	6,840
Mortgage pass-throughs	79,984		9,989	24,800	45,195
State and local obligations	459		254	205	
Mutual funds	123,270	54,224	27,743	41,303	
Other Pass Through	179,553	171	24,946	13,102	141,334
U.S. Government agency obligations	1,916,634	169,411	1,523,791	218,011	5,421
U.S. Treasury Obligations	455,087	89,196	355,520	7,945	2,426
Zero coupon bonds	1,809	799	538	472	
Total Primary Government	\$ 3,222,511	\$ 316,231	\$ 1,966,180	\$ 316,755	\$ 623,345

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 significantly sensitive to interest rate fluctuations.

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

Mortgage pass-through securities are issued by the FNMA, FHLMC, and Government National Mortgage Association (GNMA). These investments are backed by mortgage loans in which the borrowers have the option of prepaying.

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- C. Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The primary government limits investment in the Veteran's Home Purchase Board notes or certificates to not more than five percent of total investment holdings. By statute, the Board's investments in stocks of any one corporation are limited to not more than three percent of the book value of their assets. The primary government has the following investments that represent more than five percent of net investments (amounts expressed in thousands):

Federal Home Loan Bank	\$	414,635	10.03%
Federal Home Loan Mortgage Corporation		855,029	20.68
Federal National Mortgage Association		532,913	12.89
Federal Farm Credit Bank		487,372	11.79

- D. Investment Derivatives** – In a prior year, the State entered into interest rate swap agreements in connection with variable rate bonds with final maturity dates ranging from fiscal year 2026 to 2028 in order to hedge changes in cash flows. The 2012C and 2012D bonds have been refunded with new final maturities of November 1, 2017 and September 1, 2017, respectively. As a result of the refunding, the portions of the swap agreements attributable to payment dates beyond the maturity dates have no hedgeable item and therefore, are being accounted for as investment derivatives. Details of the June 30, 2016 fair values, changes in fair values, and risk disclosures of the investment derivatives are included in the derivative disclosures presented in Note 9 – Long-term General and Limited Obligation Bonds.

- E. Fair Value Measurements** - The State categorizes its fair value measurements within the fair value hierarchy established by GASB Statement 72. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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. As of June 30, 2016, the primary government has the following recurring fair value measurements (amounts expressed in thousands):

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using:	
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities:			
Asset backed securities	\$ 9,017	\$	\$ 9,017
Collateralized mortgage obligations	423,357		423,357
Corporate bonds	33,340		33,340
Mortgage pass-throughs	79,984		79,984
Mutual funds	184,581	184,581	
Other pass throughs	179,554		179,554
State and local obligations	205		205
U.S. Government agency obligations	1,918,391		1,918,391
U.S. Treasury obligations	440,226	440,226	
U.S. Treasury bills	2,400	2,400	
Total Debt Securities	3,271,055	\$ 627,207	\$ 2,643,848
Equity securities:			
Domestic equities	146,507	146,507	
Total Equity Securities	146,507	146,507	
Total Investments By Fair Value Level	3,417,562	\$ 773,714	\$ 2,643,848
Open-ended comingled funds - foreign	56,962		
Real estate funds	16,306		
Total Investments Measured at NAV	73,268		
Total Investments Measured at Fair Value	\$ 3,490,830		
Investment derivative instruments:			
Interest rate swaps	42,727		42,727
Total Investment Derivative Instruments	\$ 42,727		\$ 42,727

Certain investments that are measured at fair value using the Net Asset Value (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 statement of financial position.

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Investments measured at NAV per share (or its equivalent) are (amounts expressed in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Open-ended comingled funds - foreign	\$ 56,962	\$ -	Daily	Up to 30 days
Real estate funds	16,306	-	Daily	Up to 60 days
Total Investments at NAV	\$ 73,268	-		

Open-ended comingled funds include two investments that take both long and short positions, primarily in foreign common stocks. Real estate funds include 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 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.

System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, when possible, the types of collateral securing deposits be limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2016, the System had no deposits in foreign demand deposit accounts.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any U.S. bank shall, where possible, be safeguarded and guaranteed by the posting of bonds, notes, and other securities as security by the depository. The System's Board of Trustees has formally adopted a short-term investment policy that requires that the market value of securities guaranteeing the deposits shall at all times be equal to 100 percent of the amount of funds on deposit.

System Investment Policies

The System is authorized to invest in the following:

Bonds, notes, certificates and other valid general obligations of the State, or of any county, city, or supervisor's district of any county of the State;

School district bonds of the State;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board, not to exceed five percent of total investments;

Highway bonds of the State;

Corporate bonds rated by S&P or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by S&P or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the SEC;

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.;

Bonds, stocks, and convertible securities of established foreign companies that are listed on primary national stock exchanges of foreign nations and in foreign government securities. The System is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Interest-bearing bonds or notes that are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the most recent federal census of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the

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payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment;

Shares of common and/or preferred stock of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments;

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the System. Section 25-11-121, Mississippi Code Ann. (1972), allows the System to invest up to ten percent of the total portfolio in real estate only via real estate securities and commingled funds. Direct ownership of real estate assets is prohibited. The portfolio is divided between core commingled and value added real estate fund investments, which directly invest in properties, and in managed portfolios of Real Estate Investment Trusts (REITs). REITs are exchange traded securities that provide indirect exposure to real estate properties and real estate management companies. Fair values of commingled fund properties are based on the most recent independent appraisal values. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually; and

Up to ten percent of the total book value of investments can be types of investments not specifically authorized by this section, if the investments are in the form of a separate account managed by a SEC registered investment advisory firm retained as an investment manager by the Board of Trustees, or a limited partnership, or commingled fund.

System Investments

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Board of Trustees has adopted a short-term investment policy which further restricts commercial paper to be of corporations with long-term debt to be rated A or better by S&P or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by S&P and Moody's, respectively. This applies to all short-term investments. In addition to the short-term investment policy, a policy adopted for the internally-managed short-term account requires that for any amount above the established core of \$30 million, no more than 25 percent may be invested in any issue having a rating lower than AA or A1/P1. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the System. Policy requires that the credit quality of the underlying asset must be rated A or better by Moody's or S&P. The lending agent is permitted to purchase asset-backed securities for the cash collateral fund that are only AAA rated.

The Moody's or S&P credit ratings for the System's investments as of June 30, 2016 are as follows (amounts expressed in thousands):

Investment Type	Quality Ratings					
	Aaa/AAA	Aa/AA	A/A	Baa/BBB	Ba/BB	B/B
Asset backed securities	\$ 1,685,390	\$ 16,842	\$ 54,553	\$ 18,764	\$ 9,361	\$ 5,495
Collateralized mortgage obligations	200,645	208,232	35,996	68,457	22,729	28,381
Commercial paper			84,139			
Corporate bonds	65,193	627,726	1,029,350	861,058	353,832	172,958
Mortgage pass-throughs		414,577				
Repurchase agreements		329,711				
Sovereign governments debt	153,476	68,967	244,260	240,624	198,382	125,453
State and local obligations	639	21,335	22,579	1,793	1,283	
U.S. Government agency obligations	2,026	85,068				
Yankee/Global bonds	11,340		989	3,207		
Total	\$ 2,118,709	\$ 1,772,458	\$ 1,471,866	\$ 1,193,903	\$ 585,587	\$ 332,287

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Investment Type	Quality Ratings					
	Caa/CCC	Ca/CC	C/C	D/D	Rating Withdrawn	Not Rated
Asset backed securities	\$ 6,570	\$ 3	\$ 17	\$	\$	12,964
Collateralized mortgage obligations	8,018	1,227		12,106	128	35,599
Corporate bonds	21,451			3		
Repurchase agreements						50,701
Sovereign governments debt	22,774				5,770	3,931
Yankee/Global bonds						2,302
Total	\$ 58,813	\$ 1,230	\$ 17	\$ 12,109	\$ 5,898	\$ 105,497

- B. Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership, and to the extent possible, shall be registered in the name of the System. Of the System's \$27,258,526,000 in investments at June 30, 2016, \$3,809,689,000 was exposed to custodial credit risk. These are cash collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty and the securities on loan for securities collateral that is held in the name of the lending agent. This is consistent with the securities lending agreement in place with the custodian.

The fair value of the System's cash collateral securities and the underlying securities on non-cash loans as of June 30, 2016, consisted of (amounts expressed in thousands):

Investment Type	Fair Value
Cash collateral securities	
Asset backed securities	\$ 1,620,508
Commercial paper	84,139
Corporate bonds	1,372,838
Repurchase agreements	242,627
Total cash collateral securities	3,320,112
Underlying securities on non-cash loans	
Debt securities	20,412
Equities	464,353
Real Estates Investment Trusts	4,812
Total underlying securities on non-cash loans	489,577
Total	\$ 3,809,689

- C. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2016, the System had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset backed securities	\$ 1,809,959	\$ 1,706,751	\$ 27,674	\$ 28,404	\$ 47,130
Collateralized mortgage obligations	621,518	196,539	12,517	8,815	403,647
Commercial paper	84,139	84,139			
Corporate bonds	3,131,571	976,716	1,226,942	544,250	383,663
Mortgage pass-throughs	524,149	4	718	5,884	517,543
Repurchase agreements	380,412	380,412			
Sovereign governments debt	1,063,637	16,814	323,832	446,967	276,024
State and local obligations	47,629		15,163	837	31,629
U.S. Government agency obligations	87,094	57,242	15,265	413	14,174
U.S. Treasury obligations	735,623	21,803	270,183	176,503	267,134
Yankee/Global bonds	17,838	466	7,938	6,146	3,288
Total	\$ 8,503,569	\$ 3,440,886	\$ 1,900,232	\$ 1,218,219	\$ 1,944,232

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During fiscal year 2016, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, CMOs and ABS. The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at \$16,700,000 at fiscal year-end. The derivatives policy limits IO and PO strips to three percent of the investment portfolio.

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 significantly more 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. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held \$621,500,000 in CMOs at June 30, 2016. Of this amount, \$173,800,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the \$1,800,000,000 in ABS held at June 30, 2016, \$26,900,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2016, the System has invested in \$524,200,000 in mortgage pass-through securities issued by the FNMA, FHLMC, and GNMA. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

- D. Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The investment asset allocation policy does not limit foreign currency-denominated investments of the System. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The System's exposure to foreign currency risk at June 30, 2016, is as follows (amounts expressed in thousands):

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Currency	Cash and Equivalents	Equities and REITs	Debt Securities	Total Fair Value
Australian dollar	\$ (144,885)	\$ 256,135	\$ 19,106	\$ 130,356
Brazilian real	(21,443)	98,038	25,196	101,791
British pound sterling	(396,828)	755,319	56,949	415,440
Canadian dollar	(74,730)	105,251	53,650	84,171
Chilean peso	(114)	2,636		2,522
Chinese Yuan Renminbi	(12,000)			(12,000)
Columbian Peso	(1,259)	248	4,125	3,114
Czech Koruna		176		176
Danish krone	(33,438)	94,707		61,269
Euro	(830,961)	1,045,131	314,074	528,244
Hong Kong dollar	(52,068)	330,147		278,079
Hungarian forint	22	12,566		12,588
Indian Rupee	4,515	93,086		97,601
Indonesian rupiah	125	68,094		68,219
Israeli shekel	(10,571)	14,397		3,826
Japanese yen	(543,604)	893,933	135,893	486,222
Malaysian ringgit	(612)	28,512		27,900
Mexican peso	(57,592)	60,307	78,713	81,428
New Taiwan dollar	(8,946)	134,346		125,400
New Zealand dollar	(13,335)	27,419	1,485	15,569
Norwegian krone	(11,008)	22,424		11,416
Pakistani rupee	113	16,337		16,450
Peruvian nuevo sol	(2,021)		2,393	372
Philippines peso	307	16,955	5,019	22,281
Polish zloty	(1,111)	6,956	1,240	7,085
Qatari riyal	87	2,061		2,148
Russian ruble	4,613			4,613
Singapore dollar	(40,612)	76,236		35,624
South African rand	3,531	104,169		107,700
South Korean won	(9,037)	254,658	2,179	247,800
Swedish krona	(44,376)	139,449	1,998	97,071
Swiss franc	(160,024)	290,707		130,683
Thailand baht		32,829		32,829
Turkish lira	316	52,640	1,561	54,517
UAE dirham	28	1,851		1,879
Total	\$ (2,456,918)	\$ 5,037,720	\$ 703,581	\$ 3,284,383

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- E. Investment Derivatives** - The System's derivatives policy limits foreign currency forwards to no more than 100 percent of the aggregate value of the portfolio securities denominated in the hedged currency. At June 30, 2016, the counterparties of the foreign currency forwards primarily had short term credit ratings of A as rated by the nationally recognized statistical rating organizations. The System's general policy requires that the counterparty has a long term credit rating of A or better and a short term credit rating of A1/P1 at a minimum. More specifically, the System's policy requires that all over-the-counter derivatives be rated AA or better by the nationally recognized statistical rating organizations. The counterparties of the to-be-announced securities were primarily rated A by the nationally recognized statistical rating organizations. The foreign currency forwards are presented in the foreign currency risk table, and the to-be-announced securities are disclosed in the interest rate risk table by years to maturity. The investment derivative instruments outstanding as of June 30, 2016, are as follows (amounts expressed in thousands):

Investment Type	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2016	
		Classification	Amount	Classification	Amount
Foreign currency forwards	\$ (74,666,420)	Investment income	\$ (6,302)	Investment	\$ (6,302)
To-be-announced securities	221,966	Investment income	1,235	Debt securities	232,942

- F. Securities Lending Transactions** - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2016, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. There have been no significant violations of the provisions of the agreement during the period of this statement.

At the initiation of a cash loan, borrowers are required to provide collateral amounts of 102 percent on U.S. securities and international securities denominated in the same currency of the loaned security. For international securities that are denominated in a currency other than the currency of the loaned security, 105 percent collateral is required at the initiation of the loan. In the event the collateral fair value on U.S. securities and sovereign debt falls to less than 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. In the event the collateral fair value falls below 102 percent for international same-currency transactions or 105 percent for cross-currency transactions, the borrower is required to provide additional collateral.

For non-cash loans, 110 percent collateral is required from the borrowers. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults as such, these securities are not presented on the Statement of Fiduciary Net Position. Authorized securities' collateral includes U.S. and non-U.S. government debt obligations and securities, supranational debt obligations, U.S. and non-U.S. equity securities listed on specified indices, U.S. and non-U.S. corporate bonds, and convertible securities. Equities were held as collateral on the non-cash loans as of June 30 2016.

The maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was two days at June 30, 2016. Cash collateral was invested in repurchase agreements, corporate bonds and ABS. The weighted average effective duration and the weighted average maturity of all collateral investments at June 30, 2016, were 28 days.

Securities lent at year end for cash and non-cash collateral are presented by type. Securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were \$489,577,000 securities lent for securities collateral as of June 30, 2016. The investments purchased with the cash collateral are presented in the discussion of custodial credit risk, since the custodian, as agent, is the counterparty in acquiring these securities in a separate account for the System.

At year end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System. At June 30, 2016, the aggregate fair value of securities lending holdings, including accrued interest was \$3,322,858,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$3,757,665,000. The value of the collateral pledged by borrowers at year end was \$3,867,110,000.

- G. Fair Value Measurements** - The System categorizes its fair value measurements within the fair value hierarchy established by GASB Statement 72. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the NAV value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and

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considers factors specific to each asset or liability. As of June 30, 2016, the System has the following recurring fair value measurements (amounts expressed in thousands):

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
Commercial paper	\$ 84,139	\$	\$ 84,139	\$
Repurchase agreement	380,412		380,412	
Short Term collateralized mortgage obligations	174		174	
Short Term U.S. Corporate bonds	26,864		26,864	
Short Term U.S. Government agency obligations	57,243		57,243	
Short Term U.S. Treasury obligations	11,690	11,690		
U.S. Government agency obligations	29,851		29,695	156
U.S. Treasury obligations	723,933	723,402	531	
Collateralized mortgage obligations	621,344		588,182	33,162
U.S. Corporate bonds	2,179,490	1,933	2,156,285	21,272
Non-U.S. Corporate bonds	925,217		925,217	
Mortgage pass-throughs	524,149		524,149	
State and local obligations	47,629		47,629	
Asset-Backed securities	1,809,959		1,801,896	8,063
Yankee/Global bonds	17,838		17,838	
Sovereign government debt	1,063,637		1,063,637	
Total Debt Securities	8,503,569	\$ 737,025	\$ 7,703,891	\$ 62,653
Equity securities:				
Basic materials	523,690	526,690		
Communications	1,749,305	1,749,305		
Consumer, cyclical	1,518,030	1,518,030		
Consumer, non-cyclical	3,326,089	3,326,045		44
Diversified	79,120	79,120		
Energy	901,850	901,850		
Financial	3,373,603	3,373,603		
Industrial	1,576,169	1,576,169		
Technology	1,663,643	1,663,298		345
Utilities	427,366	427,366		
Other	7,606	7,606		
Total Equity Securities	15,146,471	15,149,082		389
Total Investments By Fair Value Level	23,650,040	\$ 15,886,107	\$ 7,703,891	\$ 63,042
Investments measured at NAV:				
Real estate funds*	2,062,095			
Private equity funds	1,518,728			
Total Investments Measured at NAV	3,580,823			
Total Investments Measured at Fair Value	\$ 27,230,863			
Investment derivative instruments:				
Foreign exchange contracts (Liabilities)	2,469,754			
Total Investment Derivative Instruments	\$ 2,469,754			

Debt and Equity - The System's debt and equity securities in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a proprietary pricing source. The primary proprietary pricing source utilizes continuous evaluations throughout the trading day based on factors such as dealer quotes and trades, trade execution data, and transaction reporting services. Along with market sources, relative credit information, observed market movements, and sector news is integrated and incorporated into evaluation pricing applications and models. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using a proprietary model that monitors structured product markets, interest rate movements, new issue information, and other pertinent data. Evaluations of tranches (non-volatile and volatile) are based on market modeling, trading, and pricing conventions. New issue features are analyzed on data such as pricing speed, spread, and volatility. Information is also solicited from outside sources including secondary dealers, portfolio managers and research analysts.

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Derivative Instruments – The System held derivative instruments in the form of U.S. Treasury strips, collateralized mortgage obligations, asset-backed securities, and currency conversions as of June 30, 2016.

Real Estate - The System's real estate funds include open-end funds and closed-end limited partnerships that invest primarily in US commercial real estate. The fair values of these investments have been determined using the NAV per share (or its equivalent) of the System's ownership interest in the fund or partners' capital, as applicable. The governing document for each open-end real estate fund provides investors the ability to request the redemption of all or part of their fund investments. The funds resulting from an investor's redemption request are raised by the sale of underlying real estate investments held by the open-end fund. Closed-end real estate funds, governed by limited partnership agreements, do not contain provisions for limited partner redemptions on demand. Closed-end funds have a finite life or term, which is defined in the limited partnership agreement. Typically, real estate investments must be made within the first three to four years of the partnership's lifespan, and liquidated by the end of the 10th year. As underlying real estate investments are sold over the life of the closed-end fund, pro-rata distributions of the proceeds are made to each partner in the fund partnership. The standard liquidation period of 10 years with the option of two one-year extensions applies to the one percent of the total portfolio invested in closed-end funds.

Private Equity – The System's private equity investments consist of two fund-of-funds (FOF) limited partnerships that invest in multiple private equity funds on behalf of the System. Private equity funds invest primarily in non-public companies whose prices are not quoted on a stock exchange; therefore, these investments are typically illiquid in nature. The System's ownership in the underlying private equity funds consists of limited partnership interests. Because these partnership interest are illiquid, the System's investments cannot be redeemed on demand. Instead pro-rata distributions are received through the liquidation of the assets of the underlying partnerships. Based on the terms of each limited partnership within the System's FOFs, all partnership assets should be liquidated over the 10-to-12 year life of the individual partnership.

As of June 30, 2016, it is probable that all the System's private equity underlying investments will be sold at an amount different from the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Therefore, the fair values of these underlying investments have been determined using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments of each partnership. As of June 30, 2016, a buyer (or buyers) for these investments has not yet been identified. Each underlying private equity fund's general partner has full discretion for the disposition of each partnership investment. The general partner is solely responsible for determining the most appropriate timing for the sale of each investment and the best exit strategy to utilize. In addition, the general partner is responsible for identifying all buyers and approving all sale transactions of partnership investments.

Investments measured at the NAV (amounts expressed in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds:				
Core - Open End	\$ 1,750,047	\$	Quarterly	45-90 days
Value Added - Closed End	213,764	242,967	N/A	10-12 years
Timber	98,284		Various*	Various*
Total Real Estate	<u>2,062,095</u>	<u>242,967</u>		
Private Equity Funds:				
Diversified	1,518,728	2,308,061	10-12 years	N/A
Total Private Equity	<u>1,518,728</u>	<u>2,308,061</u>		
Total Investment Measured at NAV	<u>\$ 3,580,823</u>	<u>\$ 2,551,028</u>		

*Based on partnership agreement terms

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Note 5 - Receivables

At June 30, 2016, receivables consisted of (amounts expressed in thousands):

	Governmental Funds			Total Governmental Activities
	General	Permanent	Internal Service	
Accounts	\$ 275,660	\$ 241	\$ 316	\$ 276,217
Settlements	783,027			783,027
Taxes:				
Sales	312,615			312,615
Income	274,466			274,466
Gasoline	40,228			40,228
Other	71,249			71,249
Interest and dividends	13,420	238	210	13,868
Other	1			1
Gross receivables	1,770,666	479	526	1,771,671
Allowance for uncollectibles	(205,470)			(205,470)
Receivables, net	\$ 1,565,196	\$ 479	\$ 526	\$ 1,566,201
Amounts not scheduled for collection in subsequent year	\$ 725,209			\$ 725,209

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor	Total
Accounts	\$ 72,714	\$ 1,525	\$ 618	\$ 4,151	\$ 79,008
Assessments	35,791				35,791
Interest and dividends		4	429	501	934
Gross receivables	108,505	1,529	1,047	4,652	115,733
Allowance for uncollectibles	(64,122)				(64,122)
Receivables, net	\$ 44,383	\$ 1,529	\$ 1,047	\$ 4,652	\$ 51,611

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 2,912,915	\$ 2,777	\$ 2,915,692
Interest	8,197	178	8,375
Gross receivables	2,921,112	2,955	2,924,067
Allowance for uncollectibles	(2,594,076)		(2,594,076)
Receivables, net	\$ 327,036	\$ 2,955	\$ 329,991

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Note 6 - Due From Other Governments

At June 30, 2016, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds		Total Governmental Activities
	General	Internal Service	
Due from other governments	\$ 1,127,337	\$ 899	\$ 1,128,236
Allowance for uncollectibles	(24,566)		(24,566)
Due from other governments, net	\$ 1,102,771	\$ 899	\$ 1,103,670
Amounts not scheduled for collection in subsequent year	\$ 652,861		\$ 652,861

	Business-type Activities		
	Unemployment Compensation	Port Authority at Gulfport	Total
Due from other governments	\$ 1,897	\$ 32	\$ 1,929
Allowance for uncollectibles	(1,474)		(1,474)
Due from other governments, net	\$ 423	\$ 32	\$ 455

Note 7 - Loans and Notes Receivable

At June 30, 2016, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government	Component Units
	Governmental Activities Governmental Funds General	Universities
Loans and notes receivable	\$ 397,319	\$ 239,673
Allowance for uncollectibles	(79,573)	(25,674)
Loans and notes receivable, net	\$ 317,746	\$ 213,999
Amounts not scheduled for collection in subsequent year	\$ 270,204	\$ 175,453

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Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2016, was as follows (amounts expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,281,727	\$ 47,909	\$ 1,022	\$ 2,328,614
Construction in progress	4,257,572	818,248	618,943	4,456,877
Total capital assets not being depreciated	6,539,299	866,157	619,965	6,785,491
Capital assets being depreciated:				
Software	116,340	39,288		155,628
Buildings	2,126,076	48,579	7,300	2,167,355
Land improvements	270,711	2,090		272,801
Machinery and equipment	726,627	57,010	39,042	744,595
Infrastructure	10,234,078	472,864	133,814	10,573,128
Total capital assets being depreciated	13,473,832	619,831	180,156	13,913,507
Less accumulated depreciation for:				
Software	12,304	13,117		25,421
Buildings	622,197	40,266	3,036	659,427
Land improvements	133,956	10,149		144,105
Machinery and equipment	477,360	55,984	27,329	506,015
Infrastructure	3,391,731	351,434	133,814	3,609,351
Total accumulated depreciation	4,637,548	470,950	164,179	4,944,319
Total capital assets being depreciated, net	8,836,284	148,881	15,977	8,969,188
Governmental activities capital assets, net	\$ 15,375,583	\$ 1,015,038	\$ 635,942	\$ 15,754,679

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 130,416	\$ 9	\$	\$ 130,425
Construction in progress	97,128	161,552	30,103	228,577
Total capital assets not being depreciated	227,544	161,561	30,103	359,002
Capital assets being depreciated:				
Buildings	77,318			77,318
Land improvements	49,202	6,009	542	54,669
Machinery and equipment	21,191	878	833	21,236
Infrastructure	156,267	23,725	6,386	173,606
Total capital assets being depreciated	303,978	30,612	7,761	326,829
Less accumulated depreciation for:				
Buildings	23,174	1,485		24,659
Land improvements	25,879	1,600	414	27,065
Machinery and equipment	13,422	1,073	775	13,720
Infrastructure	56,390	4,464	6,386	54,468
Total accumulated depreciation	118,865	8,622	7,575	119,912
Total capital assets being depreciated, net	185,113	21,990	186	206,917
Business-type activities capital assets, net	\$ 412,657	\$ 183,551	\$ 30,289	\$ 565,919

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Depreciation expense was charged to functions/programs as follows (amounts expressed in thousands):

Governmental Activities:

General government	\$	43,107
Education		3,579
Health and social services		16,495
Law, justice and public safety		27,402
Recreation and resources development		10,393
Regulation of business and profession		135
Transportation		367,081
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		2,758
Total depreciation expense - governmental activities	\$	470,950

Business-type Activities:

Port Authority at Gulfport	\$	7,120
Other business-type		1,502
Total depreciation expense - business-type activities	\$	8,622

Construction in progress is composed of (amounts expressed in thousands):

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental Activities:			
Department of Transportation	\$ 5,149,802	\$ 4,148,930	\$ 998,769
Department of Finance and Administration	157,073	127,444	27,879
Information Technology Services	14,986	13,852	231
Wireless Communication Commission	22,934	15,564	7,370
Department of Public Safety	43,391	41,076	531
Department of Health	43,539	42,562	274
Department of Rehabilitation Services	13,578	13,536	2
East MS State Hospital	30,404	18,197	3,218
Military Department	40,837	13,876	26,961
Other projects less than \$10 million	36,363	21,840	6,317
Total governmental activities	5,552,907	4,456,877	1,071,552
Business-type Activities:			
Port Authority at Gulfport	322,405	228,290	94,115
Yellow Creek Port Authority	8,778	287	8,491
Total business-type activities	331,183	228,577	102,606
Total construction in progress	\$ 5,884,090	\$ 4,685,454	\$ 1,174,158

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Component Units

At June 30, 2016, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 104,375	\$ 21,032	\$ 125,407
Construction in progress	652,083	31	652,114
Total capital assets not being depreciated	756,458	21,063	777,521
Capital assets being depreciated:			
Buildings	3,539,670	162,129	3,701,799
Land improvements	348,304	54,883	403,187
Machinery and equipment	1,245,413	29,625	1,275,038
Infrastructure		44,889	44,889
Total capital assets being depreciated	5,133,387	291,526	5,424,913
Less accumulated depreciation	2,005,939	139,264	2,145,203
Total capital assets being depreciated, net	3,127,448	152,262	3,279,710
Component units capital assets, net	\$ 3,883,906	\$ 173,325	\$ 4,057,231

Mississippi

Note 9 - Long-term General and Limited Obligation Bonds

Bond indebtedness incurred by the State must be authorized by legislation governing the specific programs or projects to be financed. Such legislation provides the state bond commission authority to approve and authorize the sale and issuance of bonds. The state bond commission is comprised of the Governor as chairman, the State Attorney General as secretary, and the State Treasurer.

A. General Obligation Bonds

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development and capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to currently refund or advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. Certain general obligation refunding bonds issued by the State as of June 30, 2016 pay interest at variable rates. The remaining general obligation debt has fixed rates of interest.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U. S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. The State must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. As of June 30, 2016, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in those funds, the State remains contingently liable for its payment.

Defeased Bonds

In prior years, the State defeased certain outstanding general obligation bonds of the primary government by depositing the proceeds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2016, \$499,235,000 of outstanding general obligation bonds are considered defeased.

Mississippi

At June 30, 2016, the primary government's outstanding general obligation bonds as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Milk Producers	\$ 855	5.02% - 5.17%	Dec. 2017	\$ 3,500
Technology Alliance	865	.64% - 3.73%	Oct. 2026	1,550
Farish Street Historic District	510	2.1% - 5.25%	Nov. 2023	1,500
Heritage, History, and Culture Tourism	535	1.75% - 4.35%	Nov. 2023	700
Small Business and Existing Forestry Industry	3,810	2.1% - 4.35%	Nov. 2023	5,000
State Railroad Revitalization	765	2.1% - 4.35%	Nov. 2023	1,000
Sustainable Energy	670	.90% - 4.35%	Nov. 2023	1,000
Local Governments Capital Improvements	15,275	.64% - 3.73%	Oct. 2026	23,000
State Shipyard Improvements	41,120	.64% - 5.4%	Dec. 2025	96,000
Stennis Space Center	2,279	.79% - 5.17%	Dec. 2025	9,300
Hinds County Development Project Loans	17,205	.31% - 4.17%	Dec. 2026	20,000
Job Protection	3,000	.64% - 4.17%	Dec. 2026	4,000
Railroad Lines and Bridges Improvement	5,667	.64% - 4.35%	Dec. 2026	7,400
Workforce Training	6,395	.64% - 4.35%	Dec. 2026	8,000
Industry Incentive Financing	354,690	.64% - 4.35%	Oct. 2027	388,010
Small Enterprise Development Finance	7,415	4.0% - 5.75%	July 2028	44,340
ACE Fund	60,430	.28% - 5.54%	Oct. 2029	76,200
Existing Industry	37,057	.79% - 5.54%	Oct. 2029	43,000
Rural Impact	5,552	.79% - 5.54%	Oct. 2029	11,200
Statewide Wireless Communication System	33,837	.64% - 5.54%	Oct. 2029	47,000
Major Economic Impact	190,582	.31% - 5.54%	Oct. 2035	280,584
Port Improvements	10,000	5%	Dec. 2033	10,000
Rail Authority of East Mississippi	2,384	4% - 5%	Nov. 2035	2,384
North Central MS Regional Railroad Grant	30,000	.98% - 3.5%	Nov. 2025	30,000
Railroad Improvements	2,600	.98% - 3.5%	Nov. 2025	2,600
Farm Reform	2,290	.64% - 5.67%	Oct. 2034	4,000
Small Municipalities and Limited				
Population Counties	20,160	.28% - 5.67%	Oct. 2034	31,250
Business Investment	25,484	.64% - 5.25%	Nov. 2034	32,900
Economic Development Highway	169,780	.64% - 5.54%	Nov. 2034	200,000
Capital Improvements	1,145,250	.64% - 5.67%	Oct. 2036	1,655,387
General Obligation Refunding Bonds *	1,710,952	.31% - 7.15%	Oct. 2036	2,707,547
Local Governments Water System Improvement	5,920	1.65% - 5.25%	Oct. 2036	13,103
Local System Bridge Replacement and				
Rehabilitation	67,110	1.63% - 5.25%	Oct. 2036	107,200
Rural Fire Truck Acquisition	7,660	1.63% - 5.67%	Oct. 2036	10,800
Transportation	190,270	2.99% - 5.45%	Oct. 2036	193,900
Total	4,178,374			6,073,355
Premiums	211,375			-
Total Governmental Activities	4,389,749			6,073,355
Business-type Activities:				
General Obligation Refunding Bonds	9,696	4% - 5.5%	Nov. 2022	27,365
Total General Obligation Bonds	<u>\$ 4,399,445</u>			<u>\$ 6,100,720</u>

* General obligation refunding bonds include \$60,335,000 of outstanding variable rate bonds with an associated interest rate swap agreement where the state pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA swap index. Also included are \$100,000,000 of outstanding variable rate general obligation refunding bonds with an interest rate swap agreement where the state pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds have fixed rates of interest.

Mississippi

At June 30, 2016, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 313,388	\$ 177,092	\$ 3,022	\$ 379
2018	426,418	159,423	3,127	241
2019	255,452	147,065	3,238	92
2020	230,402	137,781	128	13
2021	219,704	128,937	71	8
2022 - 2026	993,830	520,664	110	5
2027 - 2031	839,090	312,726		
2032 - 2036	855,555	106,974		
2037	44,535	1,110		
Total	4,178,374	1,691,772	9,696	738
Premiums	211,375			
Total Debt Service, Net	\$ 4,389,749	\$ 1,691,772	\$ 9,696	\$ 738

Derivative Instruments

The State entered into interest rate swap agreements in connection with \$160,335,000 of outstanding variable rate debt in order to hedge changes in cash flows. At June 30, 2016, the State had the following pay-fixed interest rate swap derivative instruments reported in governmental activities, all of which had the objective of hedging the interest rate risk of the variable rate bonds.

Associated Bonds	Notional Amount	Effective Date	Final Maturity Date	Terms	Counterparty Credit Rating
2012C	\$ 50,000,000	Aug. 2012	Nov. 2017	Pay 5.708%; receive one-month LIBOR	AA-/Aa2/AA
2012C	50,000,000	Aug. 2012	Nov. 2017	Pay 5.248%; receive one-month LIBOR	A/A1/AA-
2012D	27,780,000	Aug. 2012	Sept. 2017	Pay 4.037%; receive SIFMA swap index	BBB+/A3/A
2012D	32,555,000	Aug. 2012	Sept. 2017	Pay 3.980%; receive SIFMA swap index	BBB+/A3/A

The swaps associated with the 2012C and 2012D variable rate bonds had an effectiveness determined using regression analysis on variable interest rate bonds. The variability of the cash flows of the bond coupons is affected by more than changes in the benchmark interest rate. For example, changes in the credit quality of the State's bonds would affect its interest rates. The State's specific objective, however, is to offset changes in the cash flows of the bond coupons attributable to changes in the benchmark interest rate (a cash flow hedge). The relevant benchmark interest rate indexes for the 2012C and 2012D variable rate bonds are LIBOR and SIFMA, respectively. For the 2012C and 2012D bonds, the swaps that the State entered into do not meet the criteria for the consistent critical terms method. Because the swaps are a hedge of interest rate risk as opposed to the risk of changes in overall cash flows associated with the bond coupons, the State is precluded from using the synthetic instrument method to evaluate effectiveness. Unable to apply either the consistent critical terms method or the synthetic instrument method, the State has chosen to apply the regression analysis method for financial reporting purposes as well as tax compliance purposes.

The regression analysis method evaluates effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable items. The changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item if all of the following criteria are met;

The R-squared of the regression analysis is at least 0.80

The F-statistic calculated for the regression model demonstrates that the model is significant using a 95 percent confidence interval.

The regression coefficient for the slope is between -1.25 and -.80.

Data was used from November and December 2013 through June 30, 2016, to determine if the potential hedging derivative instruments were effective as of June 30, 2016. The use of the regression analysis method requires appropriate interpretation and understanding of the statistical inferences.

The resulting calculation shows that using over 30 observations, the resulting adjusted R-square is .99, the F-statistic is zero and the regression coefficients for the slopes are between -0.991 and -0.986. Based on these parameters required to apply hedge accounting, the 2012C and 2012D hedges are deemed highly effective.

Mississippi

The hedging derivative instruments are considered hybrid instruments since the derivatives were “off-market” at the time of association with the 2012C and 2012D bonds. Additionally, as a result of the refunding, the resulting maturity date was revised to November 1, 2017 and September 1, 2017, for the 2012C and 2012D bonds, respectively. Therefore, the portion of each hedging derivative instruments value attributable to payment dates beyond the maturity date will be accounted for as an investment derivative, since there is no hedgeable item beyond that date.

Fair Value - Fair values for the swap transactions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero – coupon bonds due on the date of each future net settlement on the swap.

The fair value balances at June 30, 2016 and the changes in fair value of pay fixed receive-variable interest rate swaps reported in governmental activities are (amounts expressed in thousands):

Associated Bonds	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2016	
		Classification	Amount	Classification	Amount
2012C	\$ 50,000	Interest expense	\$ 2,414	Borrowing	\$ (3,221)
		Deferred outflows of resources	0	At-market derivative	33
		Investment revenue	(7,731)	Investment derivative	(19,715)
2012C	50,000	Interest expense	1,982	Borrowing	(2,642)
		Deferred outflows of resources	55	At-market derivative	(357)
		Investment revenue	(5,513)	Investment derivative	(13,355)
2012D	27,780	Interest expense	1,041	Borrowing	(1,115)
		Deferred inflows of resources	1,278	At-market derivative	1,143
		Investment revenue	(2,544)	Investment derivative	(4,725)
2012D	32,555	Interest expense	1,173	Borrowing	(1,278)
		Deferred outflows of resources	123	At-market derivative	(37)
		Investment revenue	(2,039)	Investment derivative	(4,932)
	\$ 160,335		\$ (9,761)		\$ (50,201)

Hedged Debt and Derivative Instrument Payments - The interest and net swap payments shown assume that interest rates at year end will remain unchanged for the term of the bonds and the hedges. As interest rates vary, interest payments on the variable rate bonds and the net swap payments will change. At June 30, 2016, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

Year Ending June 30	Principal		Interest		Net Swap Payment	Total
2017	\$	4,755	\$	1,732	\$ 7,225	\$ 13,712
2018		161,255		485	2,062	163,802
	\$	166,010	\$	2,217	\$ 9,287	\$ 177,514

Interest Rate Risk - Although the interest rates on the bonds are synthetically fixed under the swap agreements, interest payments on the variable rate bonds and the net payments under the swap agreements will vary as interest rates change.

Credit Risk - The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparties have credit ratings by at least one nationally recognized statistical rating agency that are within the two highest investment grade categories, and credit ratings by all other nationally recognized statistical rating agencies that are within the three highest grade categories, otherwise the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. Section 31-18-11, Mississippi Code Ann. (1972), also requires that should the credit rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the swap agreements and shall be deposited as directed by the State. Additionally, Section 31-18-11, Mississippi Code Ann. (1972) requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The State is not exposed to credit risk at June 30, 2016, as all hedging and investment derivative instruments are in a liability position.

Basis Risk - The swap agreements expose the State to basis risk because the applicable interest rates under the swap agreements are based on LIBOR and SIFMA swap indexes, which may differ from the interest rates for the State's variable rate bonds. As of June 30, 2016, the weighted average variable interest rate paid on the bonds was 1.07266%, while the SIFMA swap index was .41% and one-month LIBOR was .4527%.

Mississippi

Termination Risk - The swap agreements are documented by using the International Swap Dealers Association Master Agreement which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes additional termination events providing that the swap agreements may be terminated if either the State's or the counterparty's credit rating falls below certain levels. The State or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. If one or more of the swap agreements are terminated, the State would no longer have a synthetic fixed rate with respect to the previously hedged bonds and would be exposed to these bonds' variable interest rates. Also, if at the time of termination the swap agreements have a negative fair value, the State would incur a loss and would be required to pay the swap agreements' fair value to the counterparty. If the swap agreements have a positive fair value at the time of termination, the State would realize a gain and would receive the swap agreements' fair value from the counterparty.

B. Limited Obligation Bonds

Limited obligation bonds are payable exclusively from specific pledged General Fund revenues. Such obligations are not secured by the full faith, credit and taxing power of the state, and holders of such obligations are not entitled to look to other state resources for payment.

During fiscal year 2016, the State issued limited obligation bonds, Series 2015E totaling \$200,000,000 to provide funding for road and bridge projects. These bonds mature serially from fiscal year 2017 through fiscal year 2036 with interest rates ranging from two to five percent.

At June 30, 2016, the primary government's outstanding limited obligation bonds as presented in governmental activities were \$200,000,000 with future debt service requirements as follows (amounts expressed in thousands):

Year Ending June 30	Principal		Interest	
2017	\$	3,405	\$	9,692
2018		5,195		9,580
2019		6,755		9,367
2020		7,065		9,056
2021		7,430		8,693
2022 - 2026		43,265		37,346
2027 - 2031		55,555		25,055
2032 - 2036		71,330		9,273
Total		200,000		118,062
Premiums		26,507		
Total Debt Service, Net	\$	226,507	\$	118,062

Mississippi

Note 10 - Bonds Authorized But Unissued

At June 30, 2016, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds:		
ACE Fund	\$ 116,650	\$ 36,000
Business Investment Act	346,500	44,823
Capital Improvements	938,005	116,391
Deer Island Project	10,000	1,200
Economic Development Highway	374,500	60,600
Energy Infrastructure Revolving Loan	5,000	5,000
Farm Reform	128,000	20,000
Industry Incentive Financing	468,000	79,990
Major Economic Impact	1,142,800	17,126
North Central Mississippi Regional Railroad Grant	45,000	15,000
Railroad Authority of East Mississippi	2,500	116
Railroad Revitalization and Stimulus	3,000	2,000
Rural Fire Truck Acquisition	17,850	600
Small Business and Existing Forestry Industry Revolving Loan	30,000	25,000
Small Enterprise Development Finance	140,000	132,585
Sustainable Energy Research	2,000	1,000
Technology Alliance	4,000	1,450
Transportation - Access Roads	5,000	4,108
	<u>\$ 3,778,805</u>	<u>\$ 562,989</u>

Mississippi

Note 11 - Revenue Bonds and Notes

Revenue bonds and notes are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

At June 30, 2016, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	\$ 1,121,487	.29% - 6.84%	Sept. 2046	\$ 1,534,761
Notes	10,819	1.29% - 5.13%	Sept. 2039	30,402
Total Component Units	<u>\$ 1,132,306</u>			<u>\$ 1,565,163</u>

At June 30, 2016, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units	
	Principal	Interest
2017	\$ 40,670	\$ 45,148
2018	36,746	44,243
2019	38,541	43,604
2020	38,828	42,583
2021	40,782	41,458
2022 - 2026	207,353	183,799
2027 - 2031	228,315	139,991
2032 - 2036	232,688	90,114
2037 - 2041	193,215	37,201
2042 - 2046	75,168	4,562
	<u>\$ 1,132,306</u>	<u>\$ 672,703</u>

Mississippi

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2016 is \$111,164,000 for governmental activities and \$632,000 for business-type activities. Internal service compensated absences of \$1,253,000 are included in governmental activities. For governmental activities, accrued compensated absences are generally paid out of the general fund. The component units' liability for compensated absences is \$129,115,000 of which \$128,310,000 is for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-O).

B. Pollution Remediation Obligation - As of June 30, 2016, six Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

At June 30, 2016, the primary government's pollution remediation obligation is \$42,946,000. This estimate is based on professional judgment, experience, historical cost data, and the use of the expected cash flow technique. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Costs of pollution remediation are paid out of the general fund. Remediation obligation estimates may change over time. Estimated costs will vary due to changes in technology, fluctuation in prices, changes in potential responsible parties, and changes in regulations.

C. Notes Payable - At June 30, 2016, the primary government's outstanding notes payable as presented in governmental activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Utility restoration	\$ 75,420	5% - 5.45%	Jul. 2019	\$ 112,520
Energy efficiency	11,020	3.10% - 4.50%	Apr. 2026	14,698
Buildings	209,925	2% - 5.37%	Jul. 2031	217,970
Roads and bridges	684,126	1% - 6.59%	Jan. 2040	762,266
Total	980,491			1,107,454
Premiums	75,298			
Total Notes Payable, Net	<u>\$ 1,055,789</u>			<u>\$ 1,107,454</u>

Refunding and Defeased Notes

During fiscal year 2016, the State issued two refunding notes.

The State issued \$7,405,000 of refunding notes to advance refund notes payable reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 12 years by \$511,000, and obtain an economic gain (the difference between the present value of the debt service payments for the refunded and refunding notes) of \$450,000.

The State issued \$63,720,000 of refunding notes to advance refund notes payable reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 20 years by \$3,041,000, and obtain an economic gain (the difference between the present value of the debt service payments for the refunded and refunding notes) of \$2,220,000.

The net proceeds of the refunding issues were deposited in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased notes and related trust accounts are not included in the financial statements. At June 30, 2016, \$162,770,000 of outstanding notes are considered defeased.

Mississippi

At June 30, 2016, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2017	\$ 65,667	\$ 51,894
2018	68,395	48,901
2019	68,922	43,308
2020	70,846	39,962
2021	53,668	37,065
2022-2026	310,163	143,727
2027-2031	196,695	69,703
2032-2036	101,030	31,320
2037-2041	45,105	7,382
Total	980,491	473,262
Premiums	75,298	
Total Debt Service, Net	<u>\$ 1,055,789</u>	<u>\$ 473,262</u>

- D. Capital Lease Commitments** - The State leases property with varying terms and options. Most leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, if renewal is reasonably assured, leases requiring appropriation by the State Legislature are considered non-cancellable leases for financial reporting purposes.

At June 30, 2016, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	\$ 700	\$ 700
Machinery and Equipment	18,506	293
Accumulated Depreciation	(8,826)	(56)
Total	<u>\$ 9,680</u>	<u>\$ 937</u>

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$2,490,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$131,939,000.

At June 30, 2016, future minimum commitments under capital leases are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
2017	\$ 6,030	\$ 83	\$ 6,113	\$ 11,338
2018	4,224	83	4,307	11,243
2019	2,860	42	2,902	10,167
2020	1,398		1,398	9,367
2021	1,086		1,086	9,474
2022-2026	708		708	49,005
2027-2031				35,323
2032-2036				29,516
2037-2041				2,360
Total Minimum Lease Payments	16,306	208	16,514	167,793
Less Interest	1,044	10	1,054	64,003
Present Value of Minimum Lease Payments	<u>\$ 15,262</u>	<u>\$ 198</u>	<u>\$ 15,460</u>	<u>\$ 103,790</u>

Internal service future minimum lease payments of \$1,828,000 less interest of \$131,000 are included in the governmental activities column.

Mississippi

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2016 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds (Note 9)	\$ 4,172,435	\$ 298,895	\$ 292,956	\$ 4,178,374	\$ 313,388
Premiums/Discounts (Note 9)	208,892	22,674	20,191	211,375	20,551
Limited Obligation Bonds (Note 9)		200,000		200,000	3,405
Premiums (Note 9)		27,460	953	26,507	1,374
Notes Payable (Note 12)	1,037,310	71,125	127,944	980,491	65,667
Premiums (Note 12)	76,684	6,194	7,580	75,298	7,079
Total Bonds and Notes	5,495,321	626,348	449,624	5,672,045	411,464
Derivative Instruments (Note 9)	40,440	9,761		50,201	
Capital Lease Obligations (Note 12)	20,209	3,420	8,367	15,262	5,607
Accrued Compensated Absences (Note 12)	118,498	62,056	69,390	111,164	10,220
Pollution Remediation Obligation (Note 12)	43,089	11,534	11,677	42,946	7,228
	<u>\$ 5,717,557</u>	<u>\$ 713,119</u>	<u>\$ 539,058</u>	<u>\$ 5,891,618</u>	<u>\$ 434,519</u>
Business-type Activities:					
General Obligation Bonds (Note 9)	\$ 12,670	\$	\$ 2,974	\$ 9,696	\$ 3,022
Capital Lease Obligations (Note 12)	272		74	198	77
Accrued Compensated Absences (Note 12)	685	404	457	632	52
	<u>\$ 13,627</u>	<u>\$ 404</u>	<u>\$ 3,505</u>	<u>\$ 10,526</u>	<u>\$ 3,151</u>

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The beginning and ending balances of governmental activities capital lease obligations include \$2,778,000 and \$1,697,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,262,000 and \$1,253,000, respectively, of internal service funds.

The current portion of accrued compensated absences is reported in accounts payable and other liabilities and the long-term portion is included in noncurrent other liabilities.

Note 14 – Short-term Financing

- A. General Obligation Note** – During fiscal year 2016, the State issued a taxable general obligation note, Series 2015A totaling \$30,000,000 to provide short-term financing for the North Central Mississippi Municipal Rail Authority. The 2015A note was scheduled to mature on December 31, 2016, with an interest rate of 0.9%. This note was redeemed with the proceeds of Taxable General Obligation Bonds, Series 2015G dated November 15, 2015. At June 30, 2016, there were no outstanding general obligation notes. Changes in general obligation short-term note activity recorded in governmental activities during fiscal year 2016, are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Note, Series 2015 A	\$ 0	\$ 30,000	\$ 30,000	\$ 0

- B. Credit Agreements** - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to \$150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2016, are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	\$ 53,000	\$ 0	\$ 53,000	\$ 0

Mississippi

Note 15 - Retirement Plans

Plan Description

In accordance with state statutes, Public Employees' Retirement System (PERS) Board of Trustees (System) administers four defined benefit plans. The defined benefit plans are the PERS, a cost-sharing multiple-employer public employee retirement system established in 1952, Mississippi Highway Safety Patrol Retirement System (MHSPRS), a single-employer public employee retirement system established in 1958, the Municipal Retirement Systems (MRS), which are agent multiple-employer defined benefit public employee retirement systems composed of 19 separate municipal retirement and fire and police disability and relief systems, and Supplemental Legislative Retirement Plan (SLRP), a single-employer public employee retirement system established in fiscal year 1990.

PERS, MHSPRS, MRS and SLRP are considered part of the State of Mississippi's financial reporting entity and are included in the accompanying financial statements as pension trust funds. The purpose of these plans is to provide pension benefits for all state employees, sworn officers of the state highway patrol, other public employees whose employers have elected to participate, and elected members of the State Legislature and the president of the Senate. The System issues a Comprehensive Annual Financial Report, which includes PERS, MHSPRS, MRS and SLRP, that is available from Public Employees' Retirement System of Mississippi.

Membership and Benefit Provisions

Public Employees' Retirement System: Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by the political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. If approved, membership for these employees is a condition of employment and eligibility is granted to those who qualify upon hiring. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

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 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited 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 credited 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. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent 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 percent compounded for each fiscal year thereafter. For the year ended June 30, 2016, the total annual COLA payments for PERS were \$559,888,000.

Mississippi Highway Safety Patrol Retirement System: Membership in MHSPRS is a condition of employment granted upon hiring for all officers of the Mississippi Highway Safety Patrol who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as sworn officers of the highway patrol in the enforcement of the laws of the State. Participating members who withdraw from service at or after age 55 with at least five years of membership service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age, are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.5 percent of average compensation during the four highest consecutive years of earnings, reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. A member who terminates employment from the highway patrol and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A COLA payment is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60, with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2016, the total annual COLA payments for MHSPRS were \$9,008,000.

Mississippi

Municipal Retirement Systems: Membership in the two general Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems was granted to all municipal employees, fire fighters, and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. Eligible employees hired after these periods automatically become members of PERS. The Municipal Retirement Systems were all closed to new members by July 1, 1987.

Regardless of age, participating employees who retire with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service beyond 20 years, not to exceed 66.67 percent of average monthly compensation, except as may otherwise be provided through local and private legislation. Average monthly compensation for the two Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of credited service. MRS plans also provide certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a full refund of employee contributions. Members covered by MRS do not receive interest on their accumulated contributions. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Benefit provisions are established by Sections 21-29-1 et seq., Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Statutes may be amended only by the State Legislature.

The retirees and beneficiaries of MRS plans with provisions for COLAs, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to a COLA. This payment is equal to the annual percentage change of the Consumer Price Index (CPI) but not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain MRS plans may adopt a COLA other than one linked to the change in the CPI. These additional payments will be made only when funded by the employers. For the year ended June 30, 2016, the total COLAs for MRS plans were \$5,534,000.

Supplemental Legislative Retirement Plan: Membership in SLRP is composed of all elected members of the State Legislature and the president of the Senate. This plan is designed to supplement the provisions of PERS. Those serving when SLRP became effective July 1, 1989, had 30 days to waive membership. Those elected after July 1, 1989, automatically become members. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees.

The retirement allowance is 50 percent of an amount equal to the retirement allowance payable by PERS, determined by credited service as an elected senator or representative in the State Legislature or as president of the Senate. Benefits vest upon completion of the requisite number of membership service years in PERS. SLRP also provides certain death and disability benefits. A member who terminates legislative employment and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

Retirees and beneficiaries of SLRP may receive COLAs calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2016, the total COLAs for SLRP were \$283,000.

Contribution Requirements

Contribution provisions for PERS, MHSPRS and SLRP are established by state statute. The adequacy of these rates is assessed annually by actuarial valuation. Contribution provisions for MRS are established by state statute and annual local and private legislation. State statutes may be amended only by the State Legislature.

The following table provides information concerning funding policies (amounts expressed in thousands):

	PERS	MHSPRS	MRS	SLRP
Contribution rates as a percent of covered payroll:				
State	15.75% *	37% *	N/A	7.4% *
Other employers	N/A	N/A	.87 – 7.79 mills****	N/A
Plan members	9%	7.25%	7% - 10%	3% **
Employer contributions made	\$ 1,021,261	\$ 14,755***	\$ 18,542	\$ 514

* In October 2012, the Board adopted a revised funding policy aimed at stabilizing the employer contribution rate and reducing the unfunded actuarial accrued liability. The revised policy established a goal to be 80% funded by 2042 and set the PERS employer rate at 15.75%, MHSPRS rate at 37%, and SLRP rate at 7.4%.

** In addition to 9% required by PERS.

*** Includes fees authorized by the State Legislature, which are reported as other additions in the pension trust funds. Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of \$3,600,000 (13.3 percent of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2016 was \$3,894,000.

**** Based on assessed property values.

Mississippi

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

At June 30, 2016, the State reported a liability of \$2,811,832,000 for its proportionate share of the net pension liability in PERS. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date, the State's proportion was 18.19%.

At June 30, 2016, the State reported a net pension liability of \$154,596,000 and \$4,757,000 for MHSPRS and SLRP, respectively. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in the Net Pension Liability

The following table details the changes in the net pension liability from the beginning to the end of the measurement year for the single-employer plans, MHSPRS and SLRP (amounts expressed in thousands):

MHSPRS	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	\$ 445,822	\$ 326,032	\$ 119,790
Changes for the Year:			
Service Cost	6,361		6,361
Interest	34,503		34,503
Difference between expected and actual experience	1,013		1,013
Changes in assumptions	19,176		19,176
Contributions - employer		13,695	(13,695)
Contributions - employee		1,938	(1,938)
Net investment income		10,812	(10,812)
Benefit payment, including refunds of employee contributions	(29,072)	(29,072)	0
Administrative expense		(198)	198
Net Changes	31,981	(2,825)	34,806
Balances at June 30, 2016	\$ 477,803	\$ 323,207	\$ 154,596

SLRP	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	\$ 20,240	\$ 16,453	\$ 3,787
Changes for the Year:			
Service Cost	406		406
Interest	1,569		1,569
Difference between expected and actual experience	(333)		(333)
Contributions - employer		511	(511)
Contributions - employee		207	(207)
Net investment income		552	(552)
Benefit payment, including refunds of employee contributions	(1,257)	(1,257)	0
Administrative expense		(10)	10
Other Changes	588		588
Net Changes	973	3	970
Balances at June 30, 2016	\$ 21,213	\$ 16,456	\$ 4,757

Mississippi

For the year ended June 30, 2016, the State recognized pension expense of \$260,915,000. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Difference between expected and actual experience	\$ 66,892	\$ 478
Net difference between projected and actual earnings on pension plan investments	58	87,111
Changes in proportion	1,522	51,736
Changes of assumptions	255,268	
Contributions subsequent to the measurement date	193,538	
Total Government Activities	517,278	139,325
Business-type Activities:		
Differences between expected and actual experience	541	
Net difference between projected and actual earnings on pension plan investments	500	885
Changes in proportions	1,051	990
Changes of assumptions	1,474	
Contributions subsequent to the measurement date	1,511	
Total Business-type Activities	5,077	1,875
Private Purpose Trust:		
Differences between expected and actual experience	3	
Net difference between projected and actual earnings on pension plan investments		4
Changes of assumptions	13	
Contributions subsequent to the measurement date	13	
Total Private Purpose Trust	29	4
Totals	\$ 522,384	\$ 141,204

Contributions subsequent to the measurement date of \$195,062,000, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year ended June 30	Governmental Activities Net Outflows & Inflows of Resources	Business-Type Activities Net Outflows & Inflows of Resources	Private Purpose Trust Net Outflows & Inflows of Resources
2017	\$ 58,312	\$ 733	\$ 4
2018	55,897	616	4
2019	26,316	39	2
2020	43,890	304	2
Total	\$ 184,415	\$ 1,692	\$ 12

Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MHSPRS	SLRP
Inflation	3 %	3 %	3 %
Salary increases, including inflation	3.75% - 19 %	4.25% - 9.31 %	3.75 %
Investment rate of return*	7.75 %	7.75 %	7.75 %
Increases in benefits after retirement**	3 %	3 %	3 %

* net of pension plan investment expense, including inflation

** PERS and SLRP calculated 3% for each full fiscal year of retirement to age 60 (55 for those who became members before July 1, 2011), with 3% compounded for each fiscal year thereafter. MHSPRS calculated 3% simple interest to age 60, compounded each fiscal year thereafter.

Mississippi

Mortality rates for PERS, MHSPRS and SLRP were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, set forward two years for males.

The actuarial assumptions for PERS, MHSPRS and SLRP used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments for PERS, MHSPRS and SLRP 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International equity	19	5.00
Emerging markets equity	8	5.45
Fixed income	20	0.25
Real assets	10	4.00
Private equity	8	6.15
Cash	1	(0.50)
Totals	100 %	

Changes of Assumptions

For PERS, MHSPRS and SLRP in 2015 and later, the expectation of retired life mortality was changed to RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, 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. Pre-retirement mortality 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 3.5% to 3% and 8% to 7.75%, respectively.

Single-Employer Benefit Plan Employees

The following employees were covered by the benefit terms of MHSPRS and SLRP at June 30, 2015:

	MHSPRS	SLRP
Inactive employees or beneficiaries currently receiving benefits	724	185
Inactive employees entitled to but not yet receiving benefits	59	51
Active employees	518	174
Totals	1,301	410

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate of 9%, 7.25% and 3% for PERS, MHSPRS and SLRP, respectively, and that employer contributions will be made at the current employer contribution rate 15.75%, 37% and 7.4% for PERS, MHSPRS and SLRP, respectively. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plans 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.

Mississippi

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

The following table presents the State's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate (amounts expressed in thousands):

Net Pension Liability	1% Decrease		Current Discount Rate		1% Increase	
	6.75%		7.75%		8.75%	
PERS	\$	3,706,253	\$	2,811,832	\$	2,069,631
MHSPRS		213,337		154,596		105,895
SLRP		7,014		4,757		2,828
Total	\$	3,926,604	\$	2,971,185	\$	2,178,354

Detailed information about the PERS, MHSPRS and SLRP pension plans is available on the PERS of Mississippi website at www.pers.ms.gov.

Note 16 - Other Postemployment Benefits

Plan Description

The State and School Employees' Health Insurance Management Board (the Board) administers the State's self-insured medical plan and life insurance program established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit healthcare plan. Effective July 1, 2007, the State implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The State does not issue a publicly available financial report for the Plan.

Funding Policy

Employees' premiums are funded by the state and local school districts with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board has the sole authority for setting health insurance premiums for the State and School Employees' Life and Health Insurance Plan. For governmental activities, the general fund is typically used to retire the OPEB obligation.

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any 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 board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2016, retiree premiums range from \$180 to \$1,472 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2016. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$47,297,000 is 1.04 percent of annual covered payroll.

Mississippi

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2016 (amounts expressed in thousands):

Annual required contribution	\$ 47,297
Interest on prior year net OPEB obligation	7,086
Adjustment to annual required contribution	(5,433)
Annual OPEB cost	48,950
Contributions made	(32,270)
Increase in net OPEB obligation	16,680
Net OPEB obligation – Beginning of year	157,474
Net OPEB obligation – End of year	<u>\$ 174,154</u>

The following table provides the State's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years as restated (amounts expressed in thousands):

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 45,253	67.4%	\$ 139,943
2015	49,776	64.8	157,474
2016	48,950	65.9	174,154

Funded Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date (amounts expressed in thousands):

Actuarial Valuation Date	June 30, 2016
Actuarial Value of Assets	\$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	\$ 709,077
Unfunded AAL (UAAL)	\$ 709,077
Funded Ratio	0.0%
Annual Covered Payroll	\$ 4,552.979
UAAL as a Percentage of Annual Covered Payroll	15.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Projected salary increases**	4.5% - 15.0%
Healthcare cost trend rate*	6.25%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2020
* Includes price inflation at	3.0%
** Includes wage inflation at	3.75%

Mississippi

Note 17 - Commitments

A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2016 are as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2017	21,052
2018	18,931
2019	15,074
2020	11,848
2021	9,155
2022 - 2026	32,797
2027 - 2031	18,262
2032 - 2036	9,258
2037 - 2041	187
2042 - 2046	152
2047 - 2051	12
Total Minimum Commitments	<u>\$ 136,728</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2016 amounted to \$24,783,000.

B. Contracts

At June 30, 2016, the Department of Transportation had contracts outstanding of approximately \$933,023,000 with performance continuing during fiscal year 2017. Of this amount \$37,294,000 is related to local public agencies, such as planning and development districts, counties and municipalities. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 56 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline taxes.

The State Aid Road Division had contracts of \$63,901,000 outstanding at June 30, 2016 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 61 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of \$291,612,000 at June 30, 2016. These contracts will be paid from the General fund.

The Military Department had contracts outstanding of approximately \$6,529,000 at June 30, 2016. Approximately 100 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately \$94,025,000 at June 30, 2016. These contracts were primarily for construction costs related to the port. These contracts will be paid from Port Authority at Gulfport's revenues and federal grants.

The Department of Information Technology Services had contracts outstanding of approximately \$28,366,000 at June 30, 2016. These contracts were primarily for the construction of the Mississippi Wireless Information Network state-wide digital trunked land mobile radio system including enhancements which add broadband data capabilities. Approximately 95 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

Mississippi

C. Encumbrances

Encumbrances represent executed but unperformed purchase orders that are reported within governmental funds as restricted, committed, or assigned fund balance. At June 30, 2016, the encumbrance amounts in the General Fund were \$25,201,000.

Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2015 and 2016 are as follows (amounts expressed in thousands):

		Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2015	\$	191,861	\$ 697,167	\$ 713,235	\$ 175,793
2016		175,793	709,131	749,198	135,726

Health and Life Benefits: The State has elected to manage the health benefit through the retention of all exposure. The life benefit is purchased from a commercial insurance company for death benefit distribution under tax law but management of the risk is accomplished by self insuring within an insured shell. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through this plan.

Estimates of the liability for unpaid claims are actuarially determined using the development method. This method uses past observed patterns of time between claim incurral and payment to estimate incurred claims from available claims data. Liabilities are based on the estimated ultimate cost of settling the claims, including inflation and other factors, and provisions for estimated claims adjustment expenses.

Tort Liability: The State manages tort claims through the retention of all liability exposure. The State Legislature created the Tort Claims Board to administer these claims beginning in fiscal year 1994. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. There is some limited purchase of commercial insurance by state agencies for excess auto liability and other lines of coverage to fulfill some contractual requirements on out of state operations. There is purchase of insurance for protection of some fleet vehicles, some specified watercraft and specific fixed wing aircraft. In the last three years, settled claims have not exceeded commercial coverage.

Claims payments are financed through an annual assessment to all state agencies based on amount of payroll and past loss history. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, as well as the experience of similar programs in other states.

Unemployment Benefits: Unemployment benefits are established in statute and administered by the Mississippi Department of Employment Security. The State elects to manage the financial risk for state agencies through retention of all liability exposure. Benefits are financed through collection of premiums from agencies, which provides a stable cash flow for payment of claims.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, adjusted for changes in covered payrolls.

Workers' Compensation Benefits: Workers' compensation benefits are established in statute and the rules and regulations are established by the Mississippi Workers' Compensation Commission and the Mississippi State Agencies Self-Insured Workers' Compensation Trust Board of Trustees. Four major state agencies have been granted exemption from participation in the Risk Management Fund.

The exposure of risk in the Risk Management Fund is financed mostly through retention of all exposure, with limited purchase of commercial excess insurance. The benefits are financed through collection of premiums, based on an actuarial estimate, from agencies which provides a stable cash flow for claims payments. In the last three years, settled claims have not exceeded commercial coverage. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and include provisions for estimated claims adjustment expenses.

Mississippi

Exempted state agencies cover all claim settlements and judgments with the resources of the General Fund. Claim expenditures and estimates of the related liability are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Note 19 - Contingencies

- A. Federal Grants** - The State has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the State. The State estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

The Division of Medicaid, which is reported within the General Fund, has been notified by the Centers for Medicare and Medicaid Services (CMS) of a potential claim relative to potential overpayments by CMS under Medical Assistance Program grants that may have been made between 1981 and 2009 to a number of states, including Mississippi. CMS is working with the Division of Medicaid, as well as various other states, to resolve the discrepancies. The amount questioned by CMS for the Division of Medicaid is approximately \$28,000,000.

Additionally, the Division of Medicaid has been notified by the Office of the Inspector General (OIG) of a potential claim relative to unallowable school-based Medicaid administrative costs for federal fiscal years 2010 through 2012. The amount determined by the OIG to be unallowable was \$21,200,000.

- B. Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the State and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed \$42,244,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the State.

- C. Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized by state law to provide loan guarantees through the Small Business Loan Guarantee Program, funded through the Federal State Small Business Credit Initiative, in order to increase the amount of capital made available by private lenders to small businesses. The length of the loan guarantees range from one to fifteen years. In the case of default by the borrower, following the private lender's normal collection procedures to seek reimbursement from the loan recipient, the State pays the private lender a percentage of the outstanding loan amount. At June 30, 2016, outstanding MDA loan guarantees totaled \$39,806,000.

The State has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program (CDL) on behalf of local governments as authorized by state law. The program provides operational funding for local governments or political subdivisions of the State that incurred a significant loss in revenue due to a presidentially declared disaster that adversely affected their ability to provide essential governmental services. At June 30, 2016, the remaining outstanding CDL loan guarantees totaled \$2,862,000. The loan guarantees expire September 30, 2035.

- D. Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately \$1,932,344,000 at June 30, 2016. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 - Subsequent Events

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of \$442,133,000 from the Working Cash Stabilization Reserve Account and \$280,770,000 from budgetary special funds as of April 21, 2017. In order to comply with State law, all borrowings must be repaid by the end of the fiscal year.

Subsequent to year end, the State entered into a financing agreement to advance refund a portion of a note payable reported in governmental activities. The agreement resulted in notes payable totaling \$108,255,000 with interest rates ranging from 1.098% to 5% and maturity dates between fiscal year 2017 and fiscal year 2028.

The State entered into a financing agreement on January 31, 2017 to accelerate the construction of a highway project. The agreement resulted in notes payable totaling \$43,785,000 maturing between fiscal year 2018 and fiscal year 2032. Interest rates range from 2% to 5%.

Subsequent to year end, the State issued the following bonds and notes:

Taxable General Obligation Note, Series 2016A dated July 7, 2016. The note was issued to provide funding for the Major Economic Impact Act. Advances may be drawn in \$5,000,000 increments not to exceed the total authorized of \$80,000,000. The current outstanding balance is \$20,000,000. Interest is payable semi-annually on the outstanding balance at the rate of 1.75%. The principal balance is payable on or before July 7, 2018.

General Obligation Bonds, Series 2016B totaling \$188,850,000 dated December 6, 2016. These bonds were issued to provide funding for Major Economic Impact and Capital Improvements. These bonds have principal payments beginning in December 2025 and will mature serially through December 2036 with an interest rate of 5%.

Taxable General Obligation Bonds, Series 2016C, totaling \$81,500,000 dated December 6, 2016. The Series 2016C bonds were issued for the purpose of providing funding for Major Economic Impact, Capital Improvements, Mississippi Technology Alliance, Economic Development Highway, ACE Fund, Small Municipalities and Limited Population Counties, and the State Shipyard Improvements. These bonds have principal payments beginning in December 2017 and will mature serially through December 2025 with interest rates ranging from 1.21% to 3.137%.

Mississippi

Required Supplementary Information

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2016 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 2,135,200	\$ 2,135,200	\$ 2,062,137	\$ (73,063)
Individual income tax	1,813,900	1,813,900	1,769,431	(44,469)
Corporate income and franchise taxes	692,500	692,500	596,260	(96,240)
Use and wholesale compensating taxes	246,000	246,000	238,254	(7,746)
Tobacco, beer and wine taxes	175,000	175,000	175,573	573
Insurance tax	234,700	234,700	292,774	58,074
Oil and gas severance taxes	71,800	71,800	26,483	(45,317)
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	74,300	74,300	73,369	(931)
Other taxes	10,900	10,900	12,845	1,945
Interest	14,500	14,500	10,206	(4,294)
Auto privilege, tag and title fees	10,300	10,300	9,389	(911)
Gaming fees	130,500	130,500	133,847	3,347
Highway Safety Patrol fees	22,900	22,900	20,429	(2,471)
Other fees and services	11,100	11,100	11,680	580
Miscellaneous	3,800	3,800	2,826	(974)
Court assessments and settlements			66,207	66,207
Special Fund revenues				
Total Revenues	5,647,400	5,647,400	5,501,710	(145,690)
Expenditures by Major Budgetary Function				
Legislative	29,538	28,642	28,154	(488)
Judiciary and justice	74,375	74,213	74,070	(143)
Executive and administrative	3,191	3,131	3,128	(3)
Fiscal affairs	67,977	66,879	66,876	(3)
Public education	2,271,540	2,254,420	2,252,624	(1,796)
Higher education	824,079	807,690	807,597	(93)
Public health	37,938	36,681	36,569	(112)
Hospitals and hospital schools	226,393	221,904	221,768	(136)
Agriculture, commerce and economic development	120,644	118,651	118,615	(36)
Conservation and recreation	53,230	52,372	52,357	(15)
Insurance and banking				
Corrections	333,063	326,630	326,337	(293)
Interdepartmental service				
Social welfare	1,080,002	1,098,870	1,098,569	(301)
Public protection and veterans assistance	108,857	108,446	108,103	(343)
Local assistance	84,455	83,188	83,188	
Motor vehicle and other regulatory agencies	40	40	32	(8)
Miscellaneous	1,580	1,540	1,540	
Public works				
Debt service	392,741	392,741	392,099	(642)
Total Expenditures	5,709,643	5,676,038	5,671,626	(4,412)
Excess of Revenues over (under) Expenditures	(62,243)	(28,638)	(169,916)	(141,278)
Other Financing Sources (Uses)				
Transfers in	12,700	12,700	190,961	178,261
Transfers out			(62,416)	(62,416)
Other sources/uses of cash			(515)	(515)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(49,543)	(15,938)	(41,886)	(25,948)
Budgetary Fund Balances - Beginning	48,502	48,502	48,502	
Budgetary Fund Balances - Ending	\$ (1,041)	\$ 32,564	\$ 6,616	\$ (25,948)

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

Education Enhancement Fund				Special Fund			
Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
\$ 262,940	\$ 266,884	\$ 294,023	\$ 27,139	\$	\$	\$	\$
25,744	26,722	29,457	2,735				
		138	138				
		47	47				
				15,715,128	15,492,382	10,475,408	(5,016,974)
288,684	293,606	323,665	30,059	15,715,128	15,492,382	10,475,408	(5,016,974)
				91,341	93,464	72,379	(21,085)
				19,998	20,547	18,638	(1,909)
				146,218	139,800	115,726	(24,074)
273,125	274,151	268,645	(5,506)	920,439	920,228	809,456	(110,772)
105,953	105,953	104,952	(1,001)	2,546,537	2,545,019	86,206	(2,458,813)
				760,895	413,871	279,344	(134,527)
				402,876	401,485	375,919	(25,566)
2,966	2,966	2,939	(27)	478,026	474,876	208,373	(266,503)
125	125	124	(1)	413,393	480,246	243,233	(237,013)
				61,475	68,620	57,907	(10,713)
				40,938	42,224	32,302	(9,922)
				53,047	53,047	51,905	(1,142)
				7,291,984	7,294,469	6,389,287	(905,182)
				800,981	853,021	377,013	(476,008)
				31,272	31,503	29,119	(2,384)
450	450	446	(4)	953	1,291	1,213	(78)
				1,561,888	1,565,804	1,198,184	(367,620)
				92,867	92,867	9,989	(82,878)
382,619	383,645	377,106	(6,539)	15,715,128	15,492,382	10,356,193	(5,136,189)
(93,935)	(90,039)	(53,441)	36,598			119,215	119,215
		46,077	46,077				
(93,935)	(90,039)	(7,364)	82,675			119,215	119,215
		23,679	23,679			1,099,326	1,099,326
\$ (93,935)	\$ (90,039)	\$ 16,315	\$ 106,354	\$ 0	\$ 0	\$ 1,218,541	\$ 1,218,541

Mississippi

Required Supplementary Information

Notes to Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2016

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis. The State's basis of budgeting is the cash basis plus commitments. The State has established three budgetary fund groups to account for its budgetary activities and functions. The General Fund group is established to receive and distribute general tax revenues and other general fund revenues and interest generated thereon. The Education Enhancement Fund group is established to receive specific tax revenues to support various educational programs. The Special Fund group is established to receive federal grants, fees, proceeds from the sale of goods and services, taxes levied for specific purposes and interest generated thereon, and to support the functional activities of the agencies that generate such revenues.

General Fund and Education Enhancement Fund original budget revenues represent the General Fund and Education Enhancement Fund revenue estimates adopted by the Legislative Budget Office at the date of sine die adjournment. Special Fund revenue estimates include anticipated revenues during the year and the amount of beginning cash balances on hand at the beginning of the year that are anticipated to be expended for special fund purposes.

Due to the complexity of the State's budget, a separate *Annual Report of Budgetary Basis Expenditures* has been prepared to present final budget to actual comparisons at the legal level of control. This budgetary report is available at the Department of Finance and Administration.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2016 is presented below (amounts expressed in thousands):

<u>Budgetary Funds</u>	<u>General</u>	<u>Education Enhancement</u>	<u>Special</u>
<u>Financial Statement Major Fund</u>	<u>General</u>		
Net Change in Budgetary Fund Balances	\$ (41,886)	\$ (7,364)	\$ 119,215
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	110,264	7,364	(117,628)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			(1,587)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	142,639		
Financial statements are presented using a modified accrual basis of accounting while budgetary basis is cash plus commitments	(54,318)		
Net Change in GAAP Fund Balances	\$ 156,699	\$ 0	\$ 0

Mississippi

Required Supplementary Information

Schedule of Employer Contributions

Mississippi Highway Safety Patrol Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

	2016	2015
Actuarially required employer contribution	\$ 14,755	\$ 13,695
Contributions in relation to actuarially required contribution	(14,755)	(13,695)
Contribution deficiency (excess)	\$ 0	\$ 0
Covered payroll	\$ 27,380	\$ 25,505
Actual contributions as a percentage of covered payroll	53.89%	53.7%

Notes to Schedule of Employer Contributions:

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in schedule of employer contributions are calculated as of June 30, 2014, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.5 years
Asset valuation method	5-year smoothed market
Price Inflation	3.5%
Salary increase	4.75% to 9.84%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

***Only two fiscal years are presented because 10-year data is not yet available.**

Mississippi

Required Supplementary Information

Schedule of Employer Contributions

Supplemental Legislative Retirement Plan

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

	2016	2015
Actuarially required employer contribution	\$ 514	\$ 511
Contributions in relation to actuarially required contribution	(514)	(511)
Contribution deficiency (excess)	\$ 0	\$ 0
Covered payroll	\$ 6,862	\$ 6,861
Actual contributions as a percentage of covered payroll	7.49%	7.45%

Notes to Schedule of Employer Contributions:

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in schedule of employer contributions are calculated as of June 30, 2014, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Price Inflation	3.5%
Salary increase	4.25%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

***Only two fiscal years are presented because 10-year data is not yet available.**

Mississippi

Required Supplementary Information

Schedule of Employer Contributions Public Employees' Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

	<u>2016</u>	<u>2015</u>
Actuarially required employer contribution	\$ 179,792	\$ 179,936
Contributions in relation to actuarially required contribution	<u>(179,792)</u>	<u>(179,936)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 1,141,539	\$ 1,142,452
Actual contributions as a percentage of covered payroll	15.75%	15.75%

**Only two fiscal years are presented because 10-year data is not yet available.*

Mississippi

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

Mississippi Highway Safety Patrol Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

	2016**	2015
Total pension liability		
Service Cost	\$ 6,361	\$ 6,461
Interest	34,503	33,396
Differences between expected and actual experience	1,013	2,652
Changes in assumptions	19,176	
Benefit payments	(28,909)	(28,220)
Refund of contributions	(163)	(42)
Net change in total pension liability	31,981	14,247
Total pension liability - beginning	445,822	431,575
Total pension liability - ending	\$ 477,803	\$ 445,822
Plan fiduciary net position		
Contributions - employer	\$ 13,695	\$ 13,500
Contributions - employee	1,938	1,963
Net investment income	10,812	51,575
Benefit payments	(28,909)	(28,220)
Refund of contributions	(163)	(42)
Administrative expense	(198)	(200)
Net Change in plan fiduciary net position	(2,825)	38,576
Plan fiduciary net position - beginning	326,032	287,456
Plan fiduciary net position - ending	323,207	326,032
Net pension liability - ending	\$ 154,596	\$ 119,790
Total pension liability	477,803	445,822
Total plan fiduciary net position	323,207	326,032
Net Pension liability	\$ 154,596	\$ 119,790
Plan fiduciary net position as a percentage of the pension liability	67.64%	73.13%
Covered payroll	\$ 25,505	\$ 25,554
Net pension liability as a percentage of covered payroll	606.14%	468.77%

* Only two fiscal years are presented because 10-year data is not yet available.

** Based on the measurement date of June 30, 2015

Mississippi

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

Supplemental Legislative Retirement Plan

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

	2016**	2015
Total pension liability		
Service Cost	\$ 406	\$ 404
Interest	1,569	1,549
Differences between expected and actual experience	(333)	(453)
Changes in assumptions	588	
Benefit payments	(1,220)	(1,216)
Refund of contribution	(37)	(22)
Net change in total pension liability	973	262
Total pension liability - beginning	20,240	19,978
Total pension liability - ending	<u>\$ 21,213</u>	<u>\$ 20,240</u>
Plan fiduciary net position		
Contributions - employer	\$ 511	\$ 514
Contributions - employee	207	208
Net investment income	552	2,605
Benefit payments	(1,220)	(1,216)
Refund of contributions	(37)	(22)
Administrative expense	(10)	(10)
Net Change in plan fiduciary net position	3	2,079
Plan fiduciary net position - beginning	16,453	14,374
Plan fiduciary net position - ending	16,456	16,453
Net pension liability - ending	<u>\$ 4,757</u>	<u>\$ 3,787</u>
Total pension liability	21,213	20,240
Total plan fiduciary net position	16,456	16,453
Net Pension liability	<u>\$ 4,757</u>	<u>\$ 3,787</u>
Plan fiduciary net position as a percentage of the pension liability	77.58%	81.29%
Covered payroll	\$ 6,861	\$ 6,918
Net pension liability as a percentage of covered payroll	69.33%	54.74%

* Only two fiscal years are presented because 10-year data is not yet available.

** Based on the measurement date of June 30, 2015

Mississippi

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability Public Employees' Retirement Plan

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

	2016**	2015
State's proportion of the net pension liability	18.19%	18.67%
State's proportionate share of the net pension liability	\$ 2,811,832	\$ 2,265,840
State's covered payroll	\$ 1,135,172	\$ 1,139,512
State's proportionate share of the net pension liability as a percentage of its covered payroll	247.7%	198.84%
Plan fiduciary net position as a percentage of the total pension liability	61.7%	67.21%

* Only two fiscal years are presented because 10-year data is not yet available.

** Based on the measurement date of June 30, 2015

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2016 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)
June 30, 2014	0	762,358	762,358	0.0%	4,406,047	17.3%
June 30, 2015	0	732,127	732,127	0.0	4,617,302	15.9
June 30, 2016	0	709,077	709,077	0.0	4,552,979	15.6

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Nonmajor Enterprise Funds

Enterprise funds account for the operations of the state that provide goods or services to the general public on a user charge basis.

Nonmajor Enterprise Funds Descriptions

Fair Commission - The **Fair Commission Fund** accounts for expenses of the Fair Commission's operation of the coliseum, Dixie National Livestock Show and Industrial Showcase Building. Funding sources include gross receipts from the state fair, livestock show, Industrial Building and other events conducted at the coliseum and fairgrounds, as well as transfers from the General Fund.

Veterans' Home Purchase Board - The **Veterans' Home Purchase Board Fund** provides home mortgage loans to qualified Mississippi veterans and accounts for administrative expenses of the Veterans' Home Purchase Board. Revenue is derived from interest earned on loans.

Department of Finance and Administration - The **Office of Surplus Property Fund** receives and maintains an inventory of surplus federal property and redistributes it to state agencies and departments, counties, municipalities and other eligible donees within the state. Fees are collected from the donees to offset operating costs.

Yellow Creek Inland Port Authority - The **Yellow Creek Inland Port Authority Fund** accounts for operations of a public port facility at the conjunction of the Tennessee River and Yellow Creek in Tishomingo County, Mississippi. All costs of operating this port are accounted for in this fund. Funding is provided by gross receipts from port operations, proceeds from other governments and investment income.

Department of Rehabilitation Services - The **AbilityWorks Fund** accounts for a statewide system of sheltered workshop facilities through which handicapped citizens receive work experience to prepare them for employment outside the AbilityWorks setting. Revenue is generated from the sale of goods and services and transfers from the rehabilitation services fund.

Department of Agriculture and Commerce - The **Agriculture and Forestry Museum Fund** accounts for operations of the museum. Revenue is generated from the sale of goods, ticket sales and rental income.

Department of Corrections - The **Restaurants and Commissary Fund** accounts for operations of two restaurants and a commissary at the state penitentiary. The restaurants are maintained for the convenience of Department of Corrections penitentiary employees. Profits from the commissary are used for the special benefit of the penitentiary's residents. The **Prison Agricultural Enterprises Fund** accounts for a farming operation. Revenue sources include proceeds from the sale of row crops and rental income from leased land.

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Net Position

June 30, 2016 (Expressed in Thousands)

	Department of Finance and Administration			
	Fair Commission	Veterans' Home Purchase Board	Office of Surplus Property	Yellow Creek Inland Port Authority
Assets				
Current assets:				
Equity in internal investment pool	\$ 710	\$ 73,295	\$ 787	\$
Cash and cash equivalents	262	498		5,153
Receivables, net	72	502		209
Due from other funds	3	14		127
Inventories				
Prepaid items		22		22
Loans and notes receivable		5,660		
Total Current Assets	1,047	79,991	787	5,511
Noncurrent assets:				
Investments				2,102
Loans and notes receivable		150,072		607
Capital assets:				
Land and construction in progress	840	226	100	2,463
Other capital assets, net	12,982	1,104	235	11,567
Total Noncurrent Assets	13,822	151,402	335	16,739
Total Assets	14,869	231,393	1,122	22,250
Deferred Outflow of Resources				
Pension	281	454	441	202
Liabilities				
Current liabilities:				
Warrants payable	53	555	36	
Accounts payable and other liabilities	100	36	21	60
Due to other governments	5	1		174
Due to other funds	291	6	40	
Deposits		1,774		
Unearned revenues	65			
Lease obligations payable				
Total Current Liabilities	514	2,372	97	234
Noncurrent liabilities:				
Due to other governments				12,616
Lease obligations payable				
Net pension liability	1,546	1,802	927	942
Other liabilities	72	67	26	31
Total Noncurrent Liabilities	1,618	1,869	953	13,589
Total Liabilities	2,132	4,241	1,050	13,823
Deferred Inflow of Resources				
Pension	42	44		137
Net Position				
Net investment in capital assets	13,821	1,330	335	6,739
Restricted for other purposes				443
Unrestricted	(845)	226,232	178	1,310
Total Net Position	\$ 12,976	\$ 227,562	\$ 513	\$ 8,492

Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		
AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	Totals
\$	\$	\$	\$	\$
14,128	126		1,967	76,885
3,620	168	35		20,244
10,263	2	52	195	4,652
169			9	10,416
306	18		117	304
				350
				5,660
28,486	314	87	2,288	118,511
				2,102
				150,679
	1,690			5,319
	1,755	29	2,502	30,174
	3,445	29	2,502	188,274
28,486	3,759	116	4,790	306,785
2,128		125	86	3,717
	2		330	976
3,718	29	1	155	4,120
				180
4,106	1	120		4,564
				1,774
				65
			77	77
7,824	32	121	562	11,756
				12,616
			121	121
9,893		665	411	16,186
	31		48	275
9,893	31	665	580	29,198
17,717	63	786	1,142	40,954
1,000		150	311	1,684
	3,444	29	2,304	28,002
				443
11,897	252	(724)	1,119	239,419
\$ 11,897	\$ 3,696	\$ (695)	\$ 3,423	\$ 267,864

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2016 (Expressed in Thousands)

			Department of Finance and Administration	
	Fair Commission	Veterans' Home Purchase Board	Office of Surplus Property	Yellow Creek Inland Port Authority
Operating Revenues				
Charges for sales and services	\$	\$	\$ 730	\$ 1,120
Investment income		6,123		
Rentals	4,326	47		841
Fees		174		
Other	261	2	8	
Total Operating Revenues	4,587	6,346	738	1,961
Operating Expenses				
Cost of sales and services	72			
General and administrative	1,153	1,183	617	697
Contractual services	3,499	250	218	2,008
Commodities	251	18	29	160
Depreciation	438	42	53	633
Other	3	170		
Total Operating Expenses	5,416	1,663	917	3,498
Operating Income (Loss)	(829)	4,683	(179)	(1,537)
Nonoperating Revenues				
Gain on disposal of capital assets				29
Investment income		888	5	23
Total Nonoperating Revenues		888	5	52
Nonoperating Expenses				
Loss on disposal of capital assets			13	
Interest				
Total Nonoperating Expenses			13	
Income (Loss) before Capital Contributions and Transfers	(829)	5,571	(187)	(1,485)
Transfers In				736
Transfers Out			(54)	
Change in Net Position	(829)	5,571	(241)	(749)
Total Net Position - Beginning	13,805	221,991	754	9,241
Total Net Position - Ending	\$ 12,976	\$ 227,562	\$ 513	\$ 8,492

Department of Rehabilitation Services		Department of Agriculture and Commerce		Department of Corrections					
AbilityWorks		Agriculture and Forestry Museum		Restaurants and Commissary		Prison Agricultural Enterprises	Totals		
\$	8,188	\$	275	\$	5,145	\$	2,143	\$	17,601
			335						6,123
			1						5,549
	1,842								175
									2,113
	10,030		611		5,145		2,143		31,561
	7,738		78		3,688				11,576
	6,384		494		250		381		11,159
	1,725		250		160		263		8,373
	52		108		172		1,274		2,064
			136				200		1,502
									173
	15,899		1,066		4,270		2,118		34,847
	(5,869)		(455)		875		25		(3,286)
					2				31
	11								927
	11				2				958
			1				35		49
							9		9
			1				44		58
	(5,858)		(456)		877		(19)		(2,386)
	7,394		526				16		8,672
					(910)		(126)		(1,090)
	1,536		70		(33)		(129)		5,196
	10,361		3,626		(662)		3,552		262,668
\$	11,897	\$	3,696	\$	(695)	\$	3,423	\$	267,864

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Department of Finance and Administration			
	Fair Commission	Veterans' Home Purchase Board	Office of Surplus Property	Yellow Creek Inland Port Authority
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 4,043	\$ 297	\$ 729	\$ 1,859
Cash payments to suppliers for goods and services	(3,845)	(562)	(241)	(2,372)
Cash payments to employees for services	(1,060)	(1,030)	(506)	(643)
Other operating cash receipts	612	5	8	
Principal and interest received on program loans		23,924		
Issuance of program loans		(15,657)		
Net Cash Provided by (Used for) Operating Activities	(250)	6,977	(10)	(1,156)
Cash Flows from Noncapital Financing Activities				
Transfers in				736
Transfers out			(54)	
Proceeds from other governments				697
Net Cash Provided by (Used for) Noncapital Financing Activities			(54)	1,433
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets			(10)	(301)
Proceeds from sale of capital assets				32
Principal paid on bonds and capital asset contracts				
Interest paid on bonds and capital asset contracts				
Net Cash Provided by (Used for) Used for Capital and Related Financing Activities			(10)	(269)
Cash Flows from Investing Activities				
Purchases of investments				(2,102)
Investment income		917	5	23
Net Cash Provided by (Used for) Investing Activities		917	5	(2,079)
Net Change in Cash and Cash Equivalents	(250)	7,894	(69)	(2,071)
Cash and Cash Equivalents - Beginning	1,222	65,899	856	7,224
Cash and Cash Equivalents - Ending	\$ 972	\$ 73,793	\$ 787	\$ 5,153

<u>Department of Rehabilitation Services</u>		<u>Department of Agriculture and Commerce</u>		<u>Department of Corrections</u>		Totals
AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises			
\$ 5,486	\$ 608	\$ 5,702	\$ 1,931	\$		20,655
(8,828)	(394)	(5,187)	(970)			(22,399)
(6,015)	(493)	(277)	(523)			(10,547)
1,843						2,468
						23,924
						(15,657)
(7,514)	(279)	238	438			(1,556)
7,394	526		29			8,685
		(910)	(126)			(1,090)
						697
7,394	526	(910)	(97)			8,292
	(36)		(38)			(385)
		4	1			37
			(74)			(74)
			(9)			(9)
	(36)	4	(120)			(431)
						(2,102)
11						956
11						(1,146)
(109)	211	(668)	221			5,159
14,237	83	703	1,746			91,970
\$ 14,128	\$ 294	\$ 35	\$ 1,967	\$		97,129

(Continued on Next Page)

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

	Department of Finance and Administration			
	Fair Commission	Veterans' Home Purchase Board	Office of Surplus Property	Yellow Creek Inland Port Authority
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	\$ (829)	\$ 4,683	\$ (179)	\$ (1,537)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	438	42	53	633
Change in assets and liabilities:				
(Increase) decrease in assets:				
Receivables, net	45	42		(87)
Due from other governments		82		
Due from other funds	9	1		(15)
Inventories				
Prepaid items		4		1
Loans and notes receivable		2,730		
Increase (decrease) in liabilities:				
Warrants payable	4	(611)	(15)	
Accounts payable and other liabilities	(81)	(108)	4	(168)
Due to other governments	5		(4)	
Due to other funds	80	(1)	26	
Unearned revenues	12	(8)		
Pension cost	67	121	105	17
Total adjustments	579	2,294	169	381
Net Cash Provided by (Used for) Operating Activities	\$ (250)	\$ 6,977	\$ (10)	\$ (1,156)
Noncash Capital and Related Financing Activities				
Gain (loss) on disposal of capital assets			(13)	29

Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		
AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	Totals
\$ (5,869)	\$ (455)	\$ 875	\$ 25	\$ (3,286)
	136		200	1,502
69	(2)	557	(195)	429
(2,771)		1	164	(2,611)
26	26		192	244
(30)				(25)
				2,730
	1		248	(373)
311	15	(499)	(115)	(641)
				1
390		(669)		(174)
				4
360		(27)	(81)	562
(1,645)	176	(637)	413	1,730
\$ (7,514)	\$ (279)	\$ 238	\$ 438	\$ (1,556)
	(1)	2	(35)	(18)

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Internal Service Funds

Internal service funds account for the operations of state agencies that provide services or goods to other state agencies or governmental units on a cost reimbursement basis.

Internal Service Funds Descriptions

Personnel Board - The **Personnel Board Fund** accounts for the expenses of establishing personnel policies, regulating the pay of state employees, and validating new hires. Revenues consist of assessments charged to state agencies based on the number of authorized positions.

Information Technology Services - The **Information Technology Services Fund** accounts for the centralized data processing and information devices, expenses related to planning and policies for the development of data processing capabilities and for the State's central telephone system, the Universities' central telephone systems and other governmental units' telephone systems. Revenues consist of charges to user agencies, universities, and governmental units for services and equipment. Other revenue consists of commissions from the usage of public utility companies' pay telephones located on state properties.

Department of Finance and Administration - The **Risk Management Fund** accounts for resources and transactions pertaining to the State's self-insured medical plan and life insurance program as mandated by state law to be offered to state and public education employees. Funding is provided by premiums collected from active and retired employees, local school districts, and the State's operating fund. This fund also accounts for unemployment benefits paid to eligible former state employees and for resources and transactions pertaining to the State's self-insured workers' compensation program. Funding is provided by premiums collected from the State's operating fund and participating state agencies. In addition, the fund accounts for resources and transactions pertaining to the State's self-insured tort claims program. Funding is provided by assessments of state agencies. Tort claims filed against state agencies and state employees are paid from this fund, as well as administrative expenses.

Mississippi

Internal Service Funds

Combining Statement of Net Position

June 30, 2016 (Expressed in Thousands)

	Personnel Board		Information Technology Services		Department of Finance and Administration Risk Management		Totals
Assets							
Current assets:							
Equity in internal investment pool	\$	600	\$	7,800	\$	299,508	\$ 307,908
Cash and cash equivalents				4		87,443	87,447
Investments						408	408
Receivables		25		275		226	526
Due from other governments		2		231		666	899
Due from other funds		622		2,931		28,261	31,814
Due from component units		76		141		1,464	1,681
Total Current Assets		1,325		11,382		417,976	430,683
Noncurrent assets:							
Investments						38,525	38,525
Capital assets, net		39		35,592		72	35,703
Total Noncurrent Assets		39		35,592		38,597	74,228
Total Assets		1,364		46,974		456,573	504,911
Deferred Outflows of Resources							
Pension		1,241		4,117		1,594	6,952
Liabilities							
Current liabilities:							
Warrants payable		79		1,463		30	1,572
Accounts payable and other liabilities		213		2,042		5,088	7,343
Due to other governments				3		378	381
Due to other funds				125		15,849	15,974
Due to component units						45	45
Claims and benefits payable						88,578	88,578
Unearned revenues						10,324	10,324
Lease obligations payable				462			462
Total Current Liabilities		292		4,095		120,292	124,679
Noncurrent liabilities:							
Net pension liability		7,265		20,714		3,246	31,225
Claims and benefits payable						34,776	34,776
Lease obligations payable				1,235			1,235
Other liabilities		232		791		147	1,170
Total Noncurrent Liabilities		7,497		22,740		38,169	68,406
Total Liabilities		7,789		26,835		158,461	193,085
Deferred Inflows of Resources							
Pension		195		543			738
Net Position							
Net investment in capital assets		39		33,895		72	34,006
Unrestricted (deficit)		(5,418)		(10,182)		299,634	284,034
Total Net Position	\$	(5,379)	\$	23,713	\$	299,706	\$ 318,040

Mississippi

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Operating Revenues				
Charges for sales and services/premiums	\$ 5,495	\$ 41,951	\$ 754,196	\$ 801,642
Other			14	14
Total Operating Revenues	5,495	41,951	754,210	801,656
Operating Expenses				
General and administrative	3,836	11,324	2,194	17,354
Contractual services	1,270	28,281	35,781	65,332
Commodities	238	784	58	1,080
Depreciation	10	2,745	3	2,758
Claims and benefits			735,271	735,271
Total Operating Expenses	5,354	43,134	773,307	821,795
Operating Income (loss)	141	(1,183)	(19,097)	(20,139)
Nonoperating Revenues				
Interest and other investment income			5,253	5,253
Total Nonoperating Revenues			5,253	5,253
Nonoperating Expenses				
Interest		102		102
Total Nonoperating Expenses		102		102
Income (loss) before Capital Contributions and Transfers	141	(1,285)	(13,844)	(14,988)
Capital Contributions		2,718		2,718
Transfers In	49	250		299
Transfers Out	(1,050)	(500)	(391)	(1,941)
Change in Net Position	(860)	1,183	(14,235)	(13,912)
Total Net Position - Beginning	(4,519)	22,530	313,941	331,952
Total Net Position - Ending	\$ (5,379)	\$ 23,713	\$ 299,706	\$ 318,040

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Personnel Board	Information Technology Services	Department of Finance and Administration Risk Management	Totals
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	\$ 5,085	\$ 37,924	\$ 169,298	\$ 212,307
Cash receipts/premiums from customers		4,759	573,759	578,518
Cash payments to suppliers for goods and services	(1,215)	(29,848)	(22,254)	(53,317)
Cash payments to employees for services	(3,740)	(10,295)	(1,766)	(15,801)
Cash payments for claims and benefits			(741,292)	(741,292)
Other operating cash receipts		2		2
Net Cash Provided by (Used for) Operating Activities	130	2,542	(22,255)	(19,583)
Cash Flows from Noncapital Financing Activities				
Transfers in	49	250	268	567
Transfers out	(1,050)	(500)	(122)	(1,672)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,001)	(250)	146	(1,105)
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(40)	(2,386)	(5)	(2,431)
Principal paid on bonds and capital asset contracts		(1,081)		(1,081)
Interest paid on bonds and capital asset contracts		(102)		(102)
Net Cash used for Capital and Related Financing Activities	(40)	(3,569)	(5)	(3,614)
Cash Flows from Investing Activities				
Proceeds from sales of investments			7,865	7,865
Purchases of investments			(10,480)	(10,480)
Interest on investments			5,119	5,119
Net Cash Provided by Investing Activities			2,504	2,504
Net Change in Cash and Cash Equivalents	(911)	(1,277)	(19,610)	(21,798)
Cash and Cash Equivalents - Beginning	1,511	9,081	406,561	417,153
Cash and Cash Equivalents - Ending	\$ 600	\$ 7,804	\$ 386,951	\$ 395,355

(Continued on Next Page)

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	\$ 141	\$ (1,183)	\$ (19,097)	\$ (20,139)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	10	2,745	3	2,758
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(19)	(88)	(13)	(120)
Due from other governments		(5)	(28)	(33)
Due from other funds	(306)	833	(10,293)	(9,766)
Due from component units	(34)	(7)	(453)	(494)
Increase (decrease) in liabilities:				
Warrants payable	(11)	(464)	(9)	(484)
Accounts payable and accruals	159	(241)	1,212	1,130
Due to other governments		(1)	15	14
Due to other funds	(51)	61	12,849	12,859
Due to component units			22	22
Unearned revenues			(365)	(365)
Claims and benefits payable			(6,492)	(6,492)
Pension cost	241	892	394	1,527
Total adjustments	(11)	3,725	(3,158)	556
Net Cash Provided by (Used for) Operating Activities	\$ 130	\$ 2,542	\$ (22,255)	\$ (19,583)

Noncash Capital and Related Financing and Investing Activities

Capital contributions	2,718		2,718
Change in market value of investments		(1,161)	(1,161)

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Fiduciary funds account for assets held in a trustee or agency capacity for others and cannot be used to support government's own programs.

Fiduciary Funds Descriptions

Pension Trust Funds

Public Employees' Retirement System - The **Public Employees' Retirement System Fund** provides retirement and disability benefits to substantially all employees of the state and its political subdivisions. Benefits are funded by contributions from the members, the state and political subdivisions and by investment income. The **Mississippi Highway Safety Patrol Retirement System Fund** provides retirement and disability benefits to sworn officers of the Department of Public Safety. Benefits are funded by contributions from the members and the state and by investment income. The **Municipal Retirement Systems Fund** provides retirement and disability benefits to employees, firefighters and police officers of participating municipalities. Benefits are funded by contributions from the members and the municipalities and by investment income. The **Supplemental Legislative Retirement Plan Fund** provides retirement and disability benefits supplemental to the benefits of the Public Employees' Retirement System to all elected members of the legislature and the president of the senate. Benefits are funded by contributions from the members and the state and by investment income. The **Deferred Compensation Plan Fund** accounts for deposits of gross compensation deferred by employees of the state and its political subdivisions. Political subdivisions may make contributions on behalf of their employees. Deposits are invested until retirement, severance from public service, death or extreme hardship of the individual participants.

Agency Funds

The **Local Government Distributive Fund** serves as a clearing mechanism for funds distributed to the various counties and municipalities of the state. The **Program Fund** accounts for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the state has the right or obligation to distribute them to state operating funds or to various entities or individuals. The **Institutional Fund** accounts for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

Mississippi

Pension Trust Funds

Combining Statement of Fiduciary Net Position

June 30, 2016 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	\$ 662	\$	\$
Cash and cash equivalents	804,042	10,417	5,168
Investments, at fair value:			
Short-term investments	229,943	2,982	1,479
Long-term debt securities	4,878,695	63,279	31,382
Equity securities	14,327,168	185,829	92,160
Private equity	1,488,861	19,311	9,577
Real estate investments	2,542,974	32,983	16,358
Securities lending:			
Short-term investments	346,644	4,514	2,243
Long-term debt securities	2,907,882	37,868	18,812
Receivables:			
Employer contributions	79,281	570	352
Employee contributions	45,084		3
Investment proceeds	437,030	5,668	2,811
Interest and dividends	77,999	1,012	502
Other	1,119		21
Capital assets:			
Land and construction in progress	22,076		
Other capital assets, net	13,064		
Total Assets	28,202,524	364,433	180,868
Liabilities			
Warrants payable	132		
Accounts payable and accruals	814,228	10,457	5,195
Obligations under securities lending	3,253,148	42,364	21,046
Total Liabilities	4,067,508	52,821	26,241
Net Position			
Net position restricted for pensions	\$ 24,135,016	\$ 311,612	\$ 154,627

Supplemental Legislative Retirement Plan		Totals
\$		\$ 662
	528	820,155
	151	234,555
	3,209	4,976,565
	9,422	14,614,579
	979	1,518,728
	1,672	2,593,987
	229	353,630
	1,920	2,966,482
		80,203
		45,087
	287	445,796
	51	79,564
		1,140
		22,076
		13,064
	18,448	28,766,273
		132
	532	830,412
	2,148	3,318,706
	2,680	4,149,250
\$	15,768	\$ 24,617,023

Mississippi

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	\$ 1,021,261	\$ 14,755	\$ 18,542
Employee	572,574	2,128	53
Total Contributions	1,593,835	16,883	18,595
Net Investment Income:			
Net change in fair value of investments	(329,040)	(4,285)	(2,129)
Interest and dividends	528,249	6,879	3,417
Securities lending:			
Income from securities lending	24,400	318	158
Interest expense and trading costs from securities lending	(5,354)	(70)	(35)
Managers' fees and trading costs	(87,355)	(1,138)	(565)
Net Investment Income	130,900	1,704	846
Other Additions:			
Administrative fees	598		
Other	35		
Total Other Additions	633		
Total Additions	1,725,368	18,587	19,441
Deductions			
Retirement annuities	2,367,709	29,913	34,429
Refunds to terminated employees	112,926	52	
Administrative expenses	15,764	217	371
Depreciation	509		
Total Deductions	2,496,908	30,182	34,800
Change in Net Position	(771,540)	(11,595)	(15,359)
Net Position - Beginning	24,906,556	323,207	169,986
Net Position - Ending	\$ 24,135,016	\$ 311,612	\$ 154,627

Supplemental Legislative Retirement Plan		Totals	
\$	514	\$	1,055,072
	208		574,963
	722		1,630,035
	(217)		(335,671)
	349		538,894
	16		24,892
	(4)		(5,463)
	(58)		(89,116)
	86		133,536
			598
			35
			633
	808		1,764,204
	1,454		2,433,505
	32		113,010
	10		16,362
			509
	1,496		2,563,386
	(688)		(799,182)
	16,456		25,416,205
\$	15,768	\$	24,617,023

Mississippi

Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2016 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
Assets				
Equity in internal investment pool	\$ 1,422	\$ 7,866	\$	\$ 9,288
Cash and cash equivalents		44,615	5,999	50,614
Receivables, net:				
Accounts	387	6	20	413
Commodity inventory		1,172		1,172
Total Assets	\$ 1,809	\$ 53,659	\$ 6,019	\$ 61,487
Liabilities				
Warrants payable	\$ 17	\$ 330	\$	\$ 347
Accounts payable and accruals	120	43	1,509	1,672
Due to other governments	1,151			1,151
Amounts held in custody for others	521	53,286	4,510	58,317
Total Liabilities	\$ 1,809	\$ 53,659	\$ 6,019	\$ 61,487

Mississippi

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2016 (Expressed in Thousands)

Fund	Assets				
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Commodity Inventory	Total Assets
Local Government Distributive:					
Balance - Beginning	\$ 3,028	\$ 413	\$ 369	\$	\$ 3,810
Additions	23,214		496		23,710
Deductions	24,820	413	478		25,711
Balance - Ending	1,422	0	387		1,809
Program:					
Balance - Beginning	6,632	74,398			81,030
Additions	4,816	116,264	139	20,092	141,311
Deductions	3,582	146,047	133	18,920	168,682
Balance - Ending	7,866	44,615	6	1,172	53,659
Institutional:					
Balance - Beginning		6,696	22		6,718
Additions		23,929	43		23,972
Deductions		24,626	45		24,671
Balance - Ending		5,999	20		6,019
Total - All Agency Funds:					
Balance - Beginning	9,660	81,507	391	0	91,558
Additions	28,030	140,193	678	20,092	188,993
Deductions	28,402	171,086	656	18,920	219,064
Balance - Ending	\$ 9,288	\$ 50,614	\$ 413	\$ 1,172	\$ 61,487
Liabilities					
Fund	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	Total Liabilities
Local Government Distributive:					
Balance - Beginning	\$ 236	\$ 2	\$ 1,306	\$ 2,266	\$ 3,810
Additions	12,122	348	2,425	5,267	20,162
Deductions	12,341	230	2,580	7,012	22,163
Balance - Ending	17	120	1,151	521	1,809
Program:					
Balance - Beginning		295	51	80,684	81,030
Additions	330	1,427	3,185	136,265	141,207
Deductions		1,679	3,236	163,663	168,578
Balance - Ending	330	43	0	53,286	53,659
Institutional:					
Balance - Beginning		1,527		5,191	6,718
Additions		764		23,427	24,191
Deductions		782		24,108	24,890
Balance - Ending		1,509		4,510	6,019
Total - All Agency Funds:					
Balance - Beginning	236	1,824	1,357	88,141	91,558
Additions	12,452	2,539	5,610	164,959	185,560
Deductions	12,341	2,691	5,816	194,783	215,631
Balance - Ending	\$ 347	\$ 1,672	\$ 1,151	\$ 58,317	\$ 61,487

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Nonmajor Component Units

Component Units are organizations which are legally separate from the state for which the State is financially accountable.

Nonmajor Component Units Descriptions

Mississippi Business Finance Corporation - The corporation coordinates and oversees the delivery of services to small business communities of Mississippi.

Mississippi Coast Coliseum Commission - The commission accounts for the promoting, developing, maintenance and operation of a multi-purpose coliseum and related facilities located in Harrison County, Mississippi.

Mississippi Development Bank - The bank fosters and promotes the provision of adequate markets and facilities for the borrowing of funds for public purposes by governmental units.

Mississippi Prison Industries Corporation - The corporation is engaged in the manufacture of cloth related items, printing of forms, periodicals and manuals, and providing service work for manufacturers. Revenue is generated from the charges for goods and services.

Pat Harrison Waterway District - The district accounts for resources used to bring about the full beneficial use of surface and overflow waters of the Pascagoula River Basin.

Pearl River Basin Development District - The district accounts for resources used to preserve, conserve, store and regulate the waters of the Pearl River and its tributaries and their overflows.

Pearl River Valley Water Supply District - The district accounts for the operation and maintenance of the Ross Barnett Reservoir and surrounding lands, to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District - The district accounts for the development and conservation of the human and natural resources of Mississippi counties in which the Tombigbee River or any of its tributaries lie.

Mississippi

Nonmajor Component Units

Combining Statement of Net Position

June 30, 2016 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	\$ 2,050	\$	\$
Cash and cash equivalents	662	2,005	485
Investments	13,929	2,145	2,592
Receivables, net	70	902	11
Due from other governments			
Due from primary government			
Inventories			
Prepaid items		225	
Other assets		14	
Total Current Assets	16,711	5,291	3,088
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents			1,893
Investments		7,000	
Capital assets:			
Land and construction in progress		8,921	
Other capital assets, net	54	105,423	2
Total Noncurrent Assets	54	121,344	1,895
Total Assets	16,765	126,635	4,983
Deferred Outflows of Resources			
Pension	187	525	
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	61	537	
Due to other governments			
Due to primary government			
Deposits		768	
Unearned revenues		35	
Lease obligations payable			
Total Current Liabilities	61	1,340	
Noncurrent liabilities:			
Notes payable		3,200	
Lease obligations payable			
Net pension liability	1,082	3,016	
Other liabilities	60		
Total Noncurrent Liabilities	1,142	6,216	
Total Liabilities	1,203	7,556	
Deferred Inflows of Resources			
Pension	29	108	
Net Position			
Net investment in capital assets	54	111,144	2
Restricted for:			
Debt service			1,893
Other purposes			
Permanent endowments:			
Nonexpendable		7,000	
Unrestricted	15,666	1,352	3,088
Total Net Position	\$ 15,720	\$ 119,496	\$ 4,983

Mississippi Prison Industries Corporation	Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District	Tombigbee River Valley Water Management District	Totals
\$	\$	\$	\$	\$	\$
2,794	4,515	240	8,417	7,501	2,050
	3,969	3,976		1,258	26,619
224	2	7	1,717	22	27,869
	35	50		42	2,955
119	18	25	5		127
1,527	21				167
25		25			1,548
15					275
4,704	8,560	4,323	10,139	8,823	29
					61,639
					1,893
					7,000
435	1,834	1,254	7,689	930	21,063
3,776	3,840	1,903	35,576	1,688	152,262
4,211	5,674	3,157	43,265	2,618	182,218
8,915	14,234	7,480	53,404	11,441	243,857
437	591	119	1,547	273	3,679
701	2,097	11	891	12	4,310
64	711	15	745	34	15
17	3	4	457		1,558
46	46				768
828	2,857	30	2,093	46	512
					92
196	95				3,200
3,190	3,424	402	9,275	1,617	291
	106	14	845	73	22,006
3,386	3,625	416	10,120	1,690	1,098
4,214	6,482	446	12,213	1,736	26,595
113	392		249	128	33,850
4,211	5,533	3,157	42,705	2,618	1,019
	81				169,424
		3,983			1,974
					3,983
814	2,337	13	(216)	7,232	7,000
\$ 5,025	\$ 7,951	\$ 7,153	\$ 42,489	\$ 9,850	\$ 30,286
					212,667

Mississippi

Nonmajor Component Units

Combining Statement of Activities

For the Year Ended June 30, 2016 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Mississippi Business Finance Corporation	\$ 1,160	\$ 719	\$	\$	\$	(441)
Mississippi Coast Coliseum Commission	8,769	5,667				(3,102)
Mississippi Development Bank	391	179				(212)
Mississippi Prison Industries Corporation	8,064	6,218				(1,846)
Pat Harrison Waterway District	4,411	2,782	2,449			820
Pearl River Basin Development District	1,505	95				(1,410)
Pearl River Valley Water Supply District	13,258	14,213		170		1,125
Tombigbee River Valley Water Management District	1,551	326				(1,225)
Total	\$ 39,109	\$ 30,199	\$ 2,449	\$ 170	\$	(6,291)

General Revenues

Investment Income	Other	Change in Net Position	Net Position - Beginning	Net Position - Ending
\$ 431	\$ 100	\$ 90	\$ 15,630	\$ 15,720
465	960	(1,677)	121,173	119,496
70	157	15	4,968	4,983
2	(6)	(1,850)	6,875	5,025
52		872	7,079	7,951
14	833	(563)	7,716	7,153
1		1,126	41,363	42,489
16	1,606	397	9,453	9,850
\$ 1,051	\$ 3,650	\$ (1,590)	\$ 214,257	\$ 212,667

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Mississippi

Statistical Section

The Statistical Section provides additional historical perspective, context, and detail to assist financial statement users in understanding the State of Mississippi's overall financial health.

Financial Trends

These tables contain trend information to help users in understanding how the State's financial position has changed over time.

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Revenue Capacity

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Debt Capacity

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Demographic and Economic Information

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Operating Information

These tables contain information about the State's operations and resources to help users understand how the State's financial information relates to the services the State provides and the activities it performs.

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Mississippi

Net Position by Component

Table 1

Last Ten Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

	2016	2015	2014	2013
Governmental activities				
Net investment in capital assets	\$ 14,372,421	\$ 13,900,211	\$ 13,430,397	\$ 13,107,678
Restricted	3,763,095	3,869,799	3,633,805	3,602,589
Unrestricted	(5,532,216)	(6,005,860)	(3,035,755)	(3,188,135)
Total governmental activities net position	\$ 12,603,300	\$ 11,764,150	\$ 14,028,447	\$ 13,522,132
Business-type activities				
Net investment in capital assets	\$ 548,732	\$ 393,507	\$ 297,830	\$ 265,837
Restricted	668,662	646,868	602,831	578,710
Unrestricted	131,592	181,529	212,462	253,732
Total business-type activities net position	\$ 1,348,986	\$ 1,221,904	\$ 1,113,123	\$ 1,098,279
Primary Government				
Net investment in capital assets	\$ 14,921,153	\$ 14,293,718	\$ 13,728,227	\$ 13,373,515
Restricted	4,431,757	4,516,667	4,236,636	4,181,299
Unrestricted	(5,400,624)	(5,824,331)	(2,823,293)	(2,934,403)
Total primary government net position	\$ 13,952,286	\$ 12,986,054	\$ 15,141,570	\$ 14,620,411

Note: This table has been restated for prior period adjustments, if practical. Complete information necessary to fully restate fiscal year 2014 for the implementation of GASB Statement 68 was not available.

	2012		2011		2010		2009		2008		2007
\$	12,667,849	\$	11,845,579	\$	11,408,744	\$	10,980,353	\$	10,642,484	\$	9,770,760
	3,615,270		3,480,202		655,192		625,174		667,456		477,321
	(3,132,568)		(2,680,509)		(267,768)		(336,905)		29,649		575,042
\$	13,150,551	\$	12,645,272	\$	11,796,168	\$	11,268,622	\$	11,339,589	\$	10,823,123
<hr/>											
\$	209,497	\$	216,682	\$	208,101	\$	195,171	\$	161,144	\$	136,836
	540,875		433,703		433,216		614,988		778,010		784,367
	228,423		250,052		202,455		192,005		209,175		243,751
\$	978,795	\$	900,437	\$	843,772	\$	1,002,164	\$	1,148,329	\$	1,164,954
<hr/>											
\$	12,877,346	\$	12,062,261	\$	11,616,845	\$	11,175,524	\$	10,803,628	\$	9,907,596
	4,156,145		3,913,905		1,088,408		1,240,162		1,445,466		1,261,688
	(2,904,145)		(2,430,457)		(65,313)		(144,900)		238,824		818,793
\$	14,129,346	\$	13,545,709	\$	12,639,940	\$	12,270,786	\$	12,487,918	\$	11,988,077

Mississippi

Changes in Net Position

Last Ten Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)

	2016	2015	2014	2013
Expenses				
Governmental activities:				
General government	\$ 2,814,758	\$ 2,951,973	\$ 2,069,107	\$ 2,028,155
Education	3,647,055	3,383,767	3,996,554	3,912,889
Health and social services ¹	7,851,381	7,679,895	7,394,045	7,372,085
Law, justice and public safety	858,504	967,422	923,952	983,870
Recreation and resources development	460,031	556,790	637,850	587,367
Regulation of business and professions	43,001	40,760	39,174	39,703
Transportation	725,192	675,713	647,532	596,160
Interest on long-term debt	253,752	225,512	243,099	247,012
Total governmental activities expenses	16,653,674	16,481,832	15,951,313	15,767,241
Business-type activities:				
Unemployment compensation ²	101,445	109,468	204,206	338,390
Port Authority at Gulfport	27,120	26,202	25,688	28,589
Prepaid affordable college tuition	16,304	27,122	103,134	41,278
Other business-type	34,905	37,902	37,379	35,421
Total business-type activities expenses	179,774	200,694	370,407	443,678
Total primary government expenses	\$ 16,833,448	\$ 16,682,526	\$ 16,321,720	\$ 16,210,919
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,210,377	\$ 1,292,467	\$ 1,310,188	\$ 1,305,202
Education	19,932	15,082	23,989	24,539
Health and social services	585,302	705,199	583,738	620,930
Law, justice and public safety	131,126	125,231	126,054	118,797
Recreation and resources development	78,449	73,478	79,287	98,496
Regulation of business and professions	45,203	44,456	43,764	44,138
Transportation	36,886	69,386	49,841	34,819
Operating grants and contributions ³	7,064,684	7,059,002	6,796,079	6,934,753
Capital grants and contributions	508,194	487,083	548,283	561,283
Total governmental activities program revenues	10,680,153	9,871,384	9,561,223	9,742,957
Business-type activities:				
Charges for services:				
Unemployment compensation ⁵	107,658	137,525	158,741	202,715
Port Authority at Gulfport	17,244	15,045	15,603	15,050
Prepaid affordable college tuition	12,775	13,220	6,370	12,786
Other business-type	25,461	27,046	28,563	28,016
Operating grants and contributions ⁶	1,620	3,065	57,162	161,613
Capital grants and contributions			33	904
Total business-type activities program revenues	164,758	195,901	266,472	421,084
Total primary government program revenues	\$ 10,844,911	\$ 10,067,285	\$ 9,827,695	\$ 10,164,041
Net (Expense) Revenue				
Governmental activities	\$ (5,973,521)	\$ (6,610,448)	\$ (6,390,090)	\$ (6,024,284)
Business-type activities	(15,016)	(4,793)	(103,935)	(22,594)
Total primary government net expense	\$ (5,988,537)	\$ (6,615,241)	\$ (6,494,025)	\$ (6,046,878)

	2012	2011	2010	2009	2008	2007
\$	1,959,116	\$ 1,881,692	\$ 2,011,806	\$ 2,052,954	\$ 2,000,778	\$ 1,803,339
	4,126,252	4,138,774	4,082,117	4,093,018	4,163,587	3,961,573
	7,074,781	6,873,932	6,747,426	6,139,808	5,609,247	5,311,270
	878,668	1,013,451	1,095,181	1,052,434	1,173,359	1,152,359
	722,713	1,008,883	1,058,604	1,127,670	1,261,268	1,932,646
	37,578	37,457	38,188	37,215	36,318	33,192
	555,955	600,224	689,802	683,663	643,867	581,446
	257,304	223,856	146,732	209,516	196,277	167,233
	15,612,367	15,778,269	15,869,856	15,396,278	15,084,701	14,943,058
	408,399	520,790	669,679	422,764	143,013	143,348
	51,950	30,276	23,243	15,239	12,614	10,349
	56,568	45,754	42,183	20,316	40,972	38,391
	47,009	40,702	38,074	40,392	34,204	37,559
	563,926	637,522	773,179	498,711	230,803	229,647
\$	16,176,293	\$ 16,415,791	\$ 16,643,035	\$ 15,894,989	\$ 15,315,504	\$ 15,172,705
\$	1,226,107	\$ 1,183,632	\$ 1,214,243	\$ 1,149,464	\$ 1,135,546	\$ 1,059,532
	37,491	36,151	51,848	29,721	27,838	33,991
	659,245	622,266	569,685	563,917	507,876	480,944
	102,689	101,992	99,098	103,178	100,206	147,360
	90,643	132,401	145,988	84,984	85,610	69,949
	42,229	43,005	41,644	40,727	39,491	36,173
	32,865	36,335	7,787	51,695	40,243	35,192
	7,038,237	7,896,876	7,795,111	6,847,036	6,462,823	7,125,688
	612,734	603,098	643,843	556,571	795,572	960,369
	9,842,240	10,655,756	10,569,247	9,427,293	9,195,205	9,949,198
	274,063	209,318	84,916	90,301	100,840	106,256
	15,140	27,807	14,652	16,865	22,569	30,166
	22,458	21,764	21,799	19,374	21,121	21,343
	27,738	39,319	36,811	38,532	33,522	37,083
	244,325	310,704	382,141	141,038	10,069	9,745
	246	16	24	954	1,838	3,900
	583,970	608,928	540,343	307,064	189,959	208,493
\$	10,426,210	\$ 11,264,684	\$ 11,109,590	\$ 9,734,357	\$ 9,385,164	\$ 10,157,691
\$	(5,770,127)	\$ (5,122,513)	\$ (5,300,609)	\$ (5,968,985)	\$ (5,889,496)	\$ (4,993,860)
	20,044	(28,594)	(232,836)	(191,647)	(40,844)	(21,154)
\$	(5,750,083)	\$ (5,151,107)	\$ (5,533,445)	\$ (6,160,632)	\$ (5,930,340)	\$ (5,015,014)

(Continued on Next Page)

Mississippi

Changes in Net Position

Last Ten Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2016	2015	2014	2013
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Sales and use ⁷	\$ 3,361,075	\$ 3,300,516	\$ 3,263,643	\$ 3,118,658
Gasoline and other motor fuel	425,205	414,779	408,667	402,724
Individual income	1,734,040	1,744,620	1,703,736	1,666,840
Corporate income and franchise	577,114	689,171	677,168	533,246
Insurance	314,756	273,710	267,971	216,173
Other	474,045	513,203	541,496	531,494
Investment income	56,300	53,689	82,307	9,208
Transfers	(129,864)	(103,182)	(48,583)	(82,478)
Total governmental activities	6,812,671	6,886,506	6,896,405	6,395,865
Business-type activities:				
Investment income	12,234	28,585	70,196	59,600
Transfers	129,864	103,182	48,583	82,478
Total business-type activities	142,098	131,767	118,779	142,078
Total primary government	\$ 6,954,769	\$ 7,018,273	\$ 7,015,184	\$ 6,537,943
Change in Net Position				
Governmental activities	\$ 839,150	\$ 276,058	\$ 506,315	\$ 371,581
Business-type activities	127,082	126,974	14,844	119,484
Total primary government	\$ 966,232	\$ 403,032	\$ 521,159	\$ 491,065

Note: This table has been restated for prior period adjustments, if practical. Complete information necessary to fully restate fiscal year 2014 for the implementation of GASB Statement 68 was not available.

¹ Health and social services expenditures rose from 2009 to 2010 primarily as benefits and the number of participants in the Medicaid and the Supplemental Nutrition Assistance Programs increased.

Health and social services expenses rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

Health and social services expenses increased from 2014 to 2015 as Medicaid enrollment increased in response to the Affordable Care Act mandate for health insurance.

² Unemployment Compensation expenses increased from 2008 to 2009 and again from 2009 to 2010. The number of eligible workers rose due to the climb in the unemployment rate and benefits were extended under the American Recovery and Reinvestment Act.

³ Operating grants and contributions increased from 2009 to 2010. This is due in part to funding provided by the American Recovery and Reinvestment Act.

	2012		2011		2010		2009		2008		2007
\$	3,031,689	\$	2,935,523	\$	2,885,064	\$	2,961,865	\$	3,166,130	\$	3,161,005
	419,811		420,410		406,279		411,729		438,676		444,489
	1,572,334		1,374,843		1,385,623		1,415,091		1,503,869		1,501,334
	476,423		477,443		416,978		420,739		500,996		469,182
	209,937		192,146		197,970		187,050		194,129		192,861
	551,119		520,689		511,351		461,064		459,483		397,515
	50,607		91,185		54,935		83,119		145,465		184,500
	(36,514)		(22,871)		(29,896)		(42,639)		(2,786)		(3,971)
	6,275,406		5,989,368		5,828,304		5,898,018		6,405,962		6,346,915
	21,800		62,388		44,548		2,843		21,433		70,240
	36,514		22,871		29,896		42,639		2,786		3,971
	58,314		85,259		74,444		45,482		24,219		74,211
\$	6,333,720	\$	6,074,627	\$	5,902,748	\$	5,943,500	\$	6,430,181	\$	6,421,126
\$	505,279	\$	866,855	\$	527,695	\$	(70,967)	\$	516,466	\$	1,353,055
	78,358		56,665		(158,392)		(146,165)		(16,625)		53,057
\$	583,637	\$	923,520	\$	369,303	\$	(217,132)	\$	499,841	\$	1,406,112

⁵ Unemployment Compensation Charges for Services increased from 2010 to 2011. Employer assessments grew because the taxable wage base doubled.

⁶ Operating grants and contributions increased from 2008 to 2009. This can be attributed to additional federal funding for unemployment compensation programs under the American Recovery and Reinvestment Act .

Operating grants and contributions decreased from 2014 to 2015 as federal funding for unemployment compensation programs came to an end.

⁷ Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.

Mississippi

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Table 3

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2016	2015	2014	2013
General Fund				
Nonspendable	\$ 51,896	\$ 52,877	\$ 52,061	\$ 50,480
Restricted	3,647,183	3,754,248	3,448,681	3,491,146
Committed	41,724	88,919	139,936	112,788
Assigned	10,072	12,121	10,503	10,729
Unassigned	546,979	232,990	571,580	520,612
Total General Fund	\$ 4,297,854	\$ 4,141,155	\$ 4,222,761	\$ 4,185,755

All Other Governmental Funds

Nonspendable	\$ 57,305	\$ 57,201	\$ 56,450	\$ 55,711
Restricted	6,709	5,473	5,163	5,252
Committed				
Total All Other Governmental Funds	\$ 64,014	\$ 62,674	\$ 61,613	\$ 60,963

	2010	2009	2008	2007
General Fund				
Reserved	\$ 813,291	\$ 829,688	\$ 833,922	\$ 864,522
Unreserved	1,895,503	1,359,911	1,822,412	1,625,064
Total General Fund	\$ 2,708,794	\$ 2,189,599	\$ 2,656,334	\$ 2,489,586

All Other Governmental Funds

Reserved	\$ 82,783	\$ 316,774	\$ 325,180	\$ 317,053
Unreserved, reported in:				
Special revenue funds	596,557	552,911	568,091	769,769
Capital project funds	323,080	375,268	383,225	224,942
Permanent funds	6,601	5,119	3,862	2,398
Total All Other Governmental Funds	\$ 1,009,021	\$ 1,250,072	\$ 1,280,358	\$ 1,314,162

Note: Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement 54 but were not restated for prior years. However, this table has been restated for prior period adjustments.

2012		2011	
\$	52,236	\$	52,571
	3,528,727		2,895,706
	192,939		198,340
	45,757		110,648
	452,744		287,764
\$	4,272,403	\$	3,545,029
\$	54,918	\$	54,476
	7,132		477,449
			187,041
\$	62,050	\$	718,966

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Ten Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2016	2015	2014	2013
Revenues				
Taxes				
Sales and use ¹	\$ 3,375,755	\$ 3,324,776	\$ 3,264,343	\$ 3,122,591
Gasoline and other motor fuel	424,615	419,622	406,647	409,730
Individual income	1,733,198	1,747,961	1,676,064	1,680,470
Corporate income and franchise	573,873	691,769	677,501	539,174
Insurance	314,756	273,710	267,971	216,173
Other	474,045	515,596	541,496	531,494
Licenses, fees and permits	569,717	564,702	522,824	533,880
Federal government ²	7,494,821	7,500,282	7,343,489	7,495,005
Investment income	68,870	57,002	69,134	10,897
Charges for sales and services	382,441	361,793	363,976	346,611
Rentals	25,504	15,789	32,662	27,698
Court assessments and settlements	384,080	163,915	169,497	141,008
Refund of prior year disaster payments				
Other	616,830	653,608	562,028	607,047
Total Revenues	16,438,505	16,290,525	15,897,632	15,661,778
Expenditures				
General government	2,228,370	2,475,434	1,493,951	1,495,665
Education	3,643,209	3,381,946	3,994,332	3,909,703
Health and social services ³	7,806,591	7,685,805	7,404,608	7,373,548
Law, justice and public safety	861,793	959,927	930,805	985,149
Recreation and resources development ⁴	458,957	555,793	639,569	590,813
Regulation of business and professions	42,123	41,284	39,444	39,654
Transportation	1,062,860	1,047,355	1,143,230	1,109,584
Debt service				
Principal	358,206	319,916	319,798	307,377
Interest and other fiscal charges	244,996	224,400	244,164	246,962
Defeasance of debt				
Capital outlay				
Total Expenditures	16,707,105	16,691,860	16,209,901	16,058,455
Excess of revenues over (under) expenditures	\$ (268,600)	\$ (401,335)	\$ (312,269)	\$ (396,677)

	2012	2011	2010	2009	2008	2007
\$	3,037,136	\$ 2,916,298	\$ 2,848,169	\$ 3,008,042	\$ 3,146,711	\$ 3,136,554
	415,508	415,200	406,837	412,206	437,810	445,876
	1,551,576	1,409,473	1,337,000	1,441,141	1,523,231	1,486,074
	497,879	447,322	413,930	420,482	503,165	477,166
	209,937	192,146	197,970	187,050	194,129	192,861
	551,119	520,689	511,351	461,064	459,483	397,515
	533,573	519,033	505,314	527,099	547,844	499,787
	7,647,096	8,496,243	8,434,957	7,402,207	7,197,515	8,079,581
	47,037	88,553	96,596	69,725	132,566	174,142
	347,252	379,741	311,236	351,618	327,874	310,769
	27,641	29,044	27,844	24,008	24,353	18,559
	156,163	145,462	188,337	130,762	139,803	159,131
						55,557
	535,500	511,610	521,636	410,345	345,593	309,521
	15,557,417	16,070,814	15,801,177	14,845,749	14,980,077	15,743,093
	1,414,395	1,301,010	1,377,855	1,392,656	1,430,623	1,345,200
	4,121,827	4,134,654	4,076,285	4,090,971	4,155,180	3,949,505
	7,064,468	6,863,679	6,711,466	6,129,997	5,601,993	5,302,796
	933,574	953,468	1,053,017	1,069,705	1,385,082	1,172,469
	715,739	1,002,286	1,055,786	1,138,031	1,203,801	1,926,281
	37,440	37,713	37,847	36,450	35,841	33,364
	1,204,625	1,168,090	1,180,908	1,134,357	1,178,966	1,390,677
	290,870	316,103	321,825	419,973	295,060	277,538
	240,940	226,906	163,207	210,654	210,311	184,346
			2,505			
	68,471	84,671	98,825	80,378	110,620	88,575
	16,092,349	16,088,580	16,079,526	15,703,172	15,607,477	15,670,751
\$	(534,932)	\$ (17,766)	\$ (278,349)	\$ (857,423)	\$ (627,400)	\$ 72,342

(Continued on Next Page)

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Ten Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2016	2015	2014	2013
Other Financing Sources (Uses)				
Bonds and notes issued	\$ 498,895	\$ 366,575	\$ 348,777	\$ 341,420
Capital leases issued	3,420	2,322	16,107	487
Discounts on bonds and notes issued		(353)		
Insurance recovery	1,498	22,732	17,826	7,303
Payments on refunded bond anticipation notes				
Payments on refunded bonds and notes				
Payments to bond escrow agent				
Payments to refunded bond, note and lease escrow agents	(76,405)	(483,163)		(776,032)
Premiums on bonds, notes, and refunding bonds and notes issued	56,328	86,758	15,838	120,265
Refunding bonds and notes issued	71,125	429,115		697,790
Transfers in	4,082	3,513	4,508	4,461
Transfers out	(132,304)	(106,709)	(53,131)	(86,752)
Net Other Financing Sources (Uses)	426,639	320,790	349,925	308,942
Extraordinary Item				
Insurance recovery from hurricane damage				
Net Change in Fund Balances	\$ 158,039	\$ (80,545)	\$ 37,656	\$ (87,735)
Debt Service as a Percentage of Noncapital Expenditures	3.8%	3.4%	3.5%	3.7%

Note: This table has been restated for prior period adjustments.

¹ Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.

² Federal government revenues increased from 2009 to 2010. This is due in part to funding provided by the American Recovery and Reinvestment Act.

³ Health and social services expenditures rose from 2009 to 2010 primarily as benefits and the number of participants in the Medicaid and the Supplemental Nutrition Assistance Programs increased.

Health and social services expenditures rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

Health and social services expenditures increased from 2014 to 2015 as Medicaid enrollment increased in response to the Affordable Care Act mandate for health insurance.

	2012		2011		2010		2009		2008		2007
\$	603,030	\$	569,794	\$	581,972	\$	362,720	\$	721,172	\$	714,400
	9,524		8,009		2,987		10,759		724		5,497
									(390)		(250)
	332		185		1,822		8,838		3,874		781
	(19,000)		(105,105)		(241,100)						(33,000)
			(183,105)		(141,892)						
							(1,992)				
	(115,002)				(41,998)		(82,265)		(191,894)		(147,765)
	40,400		13,114		10,562		13,916		19,613		29,209
	123,075		284,453		413,965		76,460		208,955		175,365
	196,971		138,686		756,592		335,056		387,993		616,239
	(233,940)		(161,936)		(786,417)		(363,090)		(389,703)		(620,606)
	605,390		564,095		556,493		360,402		760,344		739,870
<hr/>											
\$	70,458	\$	546,329	\$	278,144	\$	(497,021)	\$	132,944	\$	812,212
<hr/>											
	3.6%		3.6%		3.2%		4.3%		3.5%		3.2%

Mississippi

Taxable Sales by Industry

Table 5

Last Ten Fiscal Years

(Expressed in Thousands)

	2015	2014
Accommodation and Food Services	\$ 4,802,372	\$ 4,590,836
Administrative, Support, Waste Management	361,743	335,163
Arts, Entertainment, Recreation	122,846	124,955
Construction	5,461,065	5,716,050
Information	2,706,468	2,635,722
Manufacturing	783,109	896,040
Mining, Quarrying and Oil and Gas Extraction	398,300	412,702
Other Services	1,389,561	1,335,779
Real Estate, Rental, and Leasing	929,136	862,594
Retail Trade	25,604,974	25,048,766
Utilities	1,271,311	1,439,020
Wholesale Trade	3,624,257	3,658,202
Other Industries	339,919	325,675
Total taxable sales	<u>\$ 47,795,061</u>	<u>\$ 47,381,504</u>
Gross tax collections	\$ 3,014,604	\$ 2,945,016
Average effective rate	6.31%	6.22%

	2013	2012	2011	2010
Automotive	\$ 6,282,431	\$ 5,903,776	\$ 5,443,950	\$ 4,864,021
Contracting	5,353,835	5,418,884	5,694,497	6,088,260
Food and Beverage	8,449,285	8,193,223	7,889,072	7,712,477
Furniture	853,711	865,405	864,544	874,401
General Merchandise	7,896,794	7,732,806	7,592,421	7,496,027
Lumber and Building Materials	2,672,756	2,574,449	2,587,393	2,510,439
Machinery, Equipment and Supplies	3,578,629	3,099,301	2,704,961	2,380,929
Miscellaneous Retail	3,715,848	3,591,929	3,453,367	3,339,710
Miscellaneous Services	2,683,214	2,719,817	2,796,299	2,580,111
Public Utilities	4,369,849	4,126,438	4,174,681	4,299,562
Recreation	153,087	152,721	145,519	144,896
Wholesale	816,077	799,970	785,349	756,599
Total taxable sales	<u>\$ 46,825,516</u>	<u>\$ 45,178,719</u>	<u>\$ 44,132,053</u>	<u>\$ 43,047,432</u>
Gross tax collections	\$ 2,879,001	\$ 2,785,750	\$ 2,725,830	\$ 2,652,437
Average effective rate	6.15%	6.17%	6.18%	6.16%

Notes: During Fiscal year 2014, the Mississippi Department of Revenue converted sales tax collection data from the Standard Industrial Classification (SIC) System to the North American Industry Classification System (NAICS). Due to confidentiality issues, the names of the ten largest tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

The most current fiscal year available is fiscal year 2015.

Source: Mississippi Department of Revenue

	2009	2008	2007	2006
\$	5,023,772	\$ 6,083,873	\$ 6,425,719	\$ 6,659,353
	7,771,199	7,887,529	7,289,281	6,077,508
	7,658,372	7,502,956	7,183,345	6,860,282
	858,990	959,992	1,017,087	1,011,007
	7,697,208	7,339,220	7,517,150	7,389,359
	2,870,910	3,423,567	3,892,931	3,944,938
	2,655,964	2,962,978	3,065,223	2,883,980
	3,567,676	3,743,749	3,741,915	3,562,267
	2,829,490	2,823,849	2,605,241	2,582,114
	4,383,720	4,225,268	4,160,798	4,323,055
	136,388	134,763	135,866	119,248
	763,532	749,042	728,840	721,747
\$	46,217,221	\$ 47,836,786	\$ 47,763,396	\$ 46,134,858
\$	2,809,904	\$ 2,893,966	\$ 2,899,368	\$ 2,807,350
	6.08%	6.05%	6.07%	6.09%

Mississippi

Sales Tax Revenue Payers by Industry

Fiscal Years 2015 and 2006

Table 6

	2015			
	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Accommodation and Food Services	10,013	11.0 %	\$ 336,123	11.1 %
Administrative, Support, Waste Management	1,753	1.9	25,249	0.8
Arts, Entertainment, Recreation	1,484	1.6	8,598	0.3
Construction	10,482	11.5	216,196	7.1
Information	893	1.0	189,452	6.3
Manufacturing	4,216	4.6	44,523	1.5
Mining, Quarrying and Oil and Gas Extraction	734	0.8	26,656	0.9
Other Services	6,193	6.8	95,555	3.2
Real Estate, Rental, and Leasing	2,285	2.5	61,496	2.0
Retail Trade	39,700	43.5	1,694,454	56.2
Utilities	759	0.8	80,746	2.7
Wholesale Trade	9,077	10.0	212,640	7.1
Other Industries	3,597	4.0	22,916	0.8
Total taxable sales	91,186	100.0 %	\$ 3,014,604	100.0 %

Notes: During Fiscal year 2014, the Mississippi Department of Revenue converted sales tax collection data from the Standard Industrial Classification (SIC) System to the North American Industry Classification System (NAICS). Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current fiscal year available is 2015.

Source: Mississippi Department of Revenue

2006

	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Automotive	11,499	13.1 %	\$ 371,966	13.2 %
Contracting	9,232	10.6	235,498	8.5
Food and Beverage	15,927	18.2	480,220	17.1
Furniture	2,463	2.8	70,771	2.5
General Merchandise	5,537	6.3	517,879	18.4
Lumber and Building Materials	5,898	6.8	276,146	9.8
Machinery, Equipment, and Supplies	6,292	7.2	161,110	5.7
Miscellaneous Retail	22,878	26.1	240,480	8.7
Miscellaneous Services	6,044	6.9	171,973	6.1
Public Utilities	1,173	1.3	222,437	7.9
Recreation	508	0.6	8,347	0.3
Wholesale	43	0.1	50,523	1.8
Total taxable sales	87,494	100.0 %	\$ 2,807,350	100.0 %

Mississippi

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

	2016	2015	2014	2013
Governmental Activities				
General Obligation Bonds and Notes ¹	\$ 4,389,749	\$ 4,381,327	\$ 4,297,643	\$ 4,207,238
Limited Obligation Bonds	226,507			
Capital Lease Obligations	15,262	20,209	22,775	13,158
Notes Payable ¹	1,055,789	1,113,994	1,078,967	1,140,010
Certificates of Participation				
Total Governmental Activities	5,687,307	5,515,530	5,399,385	5,360,406
Business-type Activities				
General Obligation Bonds	9,696	12,670	15,503	18,210
Capital Lease Obligations	198	272	344	131
Total Business-type Activities	9,894	12,942	15,847	18,341
Total Primary Government	\$ 5,697,201	\$ 5,528,472	\$ 5,415,232	\$ 5,378,747
Amount of Debt Per capita ²	\$ 1,904	\$ 1,847	\$ 1,811	\$ 1,805
Debt as a percentage of Personal Income ³	5.4%	5.4%	5.3%	5.4%
Net General Obligation Bonded Debt⁴				
General Obligation Bonds and Notes ¹	\$ 4,389,749	\$ 4,381,327	\$ 4,297,643	\$ 4,207,238
Less: Debt Service	335,687	340,515	369,002	339,308
Net General Obligation Bonded Debt	\$ 4,054,062	\$ 4,040,812	\$ 3,928,641	\$ 3,867,930
Amount of Net General Obligation Bonded Debt Per capita ²	\$ 1,355	\$ 1,350	\$ 1,313	\$ 1,298
Net General Obligation Bonded Debt as a percentage of Taxable Sales ⁵	8.5%	8.5%	8.4%	8.6%

Notes:

¹ Fiscal years 2007 - 2012 have been restated for GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, presentation.

² See Table 9 for population data. For the current fiscal year, the prior year population data is used in the calculation.

³ See Table 9 for personal income data. For the current fiscal year, the prior year personal income data is used in the calculation.

⁴ Net General Obligation Bonded Debt is long-term debt reported in governmental activities.

⁵ See Table 5 for taxable sales data. For the current fiscal year, the prior year taxable sales data is used in the calculation.

	2012		2011		2010		2009		2008		2007
\$	4,239,834	\$	3,862,590	\$	3,578,528	\$	3,516,385	\$	3,516,217	\$	3,205,576
									24,460		47,880
	18,079		13,935		13,212		17,231		12,555		18,568
	989,336		1,021,016		1,047,983		853,156		883,283		709,940
							2,045		2,190		2,330
	5,247,249		4,897,541		4,639,723		4,388,817		4,438,705		3,984,294
	20,792		23,426		26,476		29,231		32,064		35,084
	381		618		841		1,636		926		214
	21,173		24,044		27,317		30,867		32,990		35,298
\$	5,268,422	\$	4,921,585	\$	4,667,040	\$	4,419,684	\$	4,471,695	\$	4,019,592
\$	1,768	\$	1,652	\$	1,571	\$	1,493	\$	1,516	\$	1,372
	5.3%		5.2%		5.1%		5.0%		4.9%		4.6%
\$	4,239,834	\$	3,862,590	\$	3,578,528	\$	3,516,385	\$	3,516,217	\$	3,205,576
	344,061		323,235		248,686		197,131		214,647		175,515
\$	3,895,773	\$	3,539,355	\$	3,329,842	\$	3,319,254	\$	3,301,570	\$	3,030,061
\$	1,307	\$	1,188	\$	1,121	\$	1,121	\$	1,119	\$	1,034
	8.6%		8.0%		7.7%		7.2%		6.9%		6.3%

Mississippi

Legal Debt Margin

Last Ten Fiscal Years

(Expressed in Thousands)

Table 8

	2016	2015	2014	2013	2012
Legal debt limit	\$ 13,312,194	\$ 13,312,194	\$ 12,823,921	\$ 12,505,104	\$ 12,451,109
Less: Net debt applicable to limit	4,054,062	4,040,812	3,928,641	3,867,930	3,847,744
Legal debt margin	\$ 9,258,132	\$ 9,271,382	\$ 8,895,280	\$ 8,637,174	\$ 8,603,365
Net debt applicable to the limit as a percentage of legal debt limit	30.5%	30.4%	30.6%	30.9%	30.9%

	2011	2010	2009	2008	2007
Legal debt limit	\$ 12,451,109	\$ 12,451,109	\$ 12,451,109	\$ 12,009,366	\$ 10,930,262
Less: Net debt applicable to limit	3,490,465	3,275,320	3,259,476	3,237,426	2,959,717
Legal debt margin	\$ 8,960,644	\$ 9,175,789	\$ 9,191,633	\$ 8,771,940	\$ 7,970,545
Net debt applicable to the limit as a percentage of legal debt limit	28.0%	26.3%	26.2%	27.0%	27.1%

Legal Debt Margin Calculation for Fiscal Year 2016:

Legal debt limit ¹	\$ 13,312,194
Amount of debt applicable to limit ²	\$ 4,389,749
Less: amounts available for debt service	335,687
Less: Net debt applicable to limit	4,054,062
Legal debt margin	\$ 9,258,132

Notes:

¹ The State's constitutional debt limit is established under Section 115 of the Mississippi Constitution at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Revenues included in the foregoing debt limitation computation are restricted by current practice to the following revenues: taxes, licenses, fees and permits, investment income, rental income, service charges (including net income from the sale of alcoholic beverages), fines, forfeits, and penalties. Defined revenues for the four preceding years were:

Fiscal Year	Applicable Revenues
2015	\$ 8,647,704
2014	8,874,796
2013	8,549,281
2012	8,336,736

² The legal debt limit applies to total governmental activities long-term bonded debt.

Mississippi

Demographic and Economic Statistics

Last Ten Calendar Years

Table 9

Year	Population	Unemployment Rate		Personal Income	Per capita Personal Income
		Mississippi	U. S.		
2015	2,993,000	6.5%	5.3%	\$ 106,075,000,000	\$ 35,444
2014	2,994,000	7.6	6.2	102,795,000,000	34,333
2013	2,991,000	8.6	7.4	103,132,000,000	34,478
2012	2,980,000	9.0	8.1	98,722,000,000	33,128
2011	2,980,000	10.0	8.9	95,313,000,000	31,984
2010	2,970,000	10.4	9.6	91,600,000,000	30,842
2009	2,960,000	9.5	9.3	88,801,000,000	30,000
2008	2,950,000	6.6	5.8	91,220,000,000	30,922
2007	2,930,000	6.1	4.6	86,585,000,000	29,551
2006	2,900,000	6.5	4.6	81,098,000,000	27,965

Sources:

U.S. Bureau of Economic Analysis
Mississippi Department of Employment Security
U.S. Department of Labor, Bureau of Labor Statistics

Employment by Industry

Most Current Calendar Year and Nine Years Prior
(Ranked by Number of Employees)

Table 10

Industry	2015			2006		
	Rank	Average Number of Employees	Percentage of All Employees	Rank	Average Number of Employees	Percentage of All Employees
Government	1	244,200	20.5 %	1	239,400	19.9 %
Manufacturing	2	142,000	11.9	2	175,700	14.6
Retail Trade	3	138,100	11.6	3	141,600	11.7
Health Care and Social Assistance	4	125,900	10.6	5	108,500	9.0
Accommodation and Food Services	5	117,500	9.9	4	109,900	9.1
Professional and Business Services	6	104,600	8.8	6	92,700	7.7
Transportation and Warehousing	7	52,400	4.4	8	47,600	3.9
Construction	8	46,600	3.9	7	57,700	4.8
Other Services	9	39,800	3.3	9	40,600	3.4
Wholesale Trade	10	34,500	2.9	10	36,400	3.0
Total		1,045,600	87.8 %		1,050,100	87.1 %
Total Employed Labor Force		1,189,700	100.0 %		1,205,900	100.0 %

Note: This schedule is presented as an alternative to the principal employer schedule for which employer data could not be obtained. Information contained in the schedule represents nonagricultural employment.

Source: Mississippi Department of Employment Security

Mississippi

Public School Enrollment

Last Ten Academic Years

Table 11

	2015/2016	2014/2015	2013/2014	2012/2013
Kindergarten	42,427	44,950	46,297	47,198
Grades 1-3	121,392	120,791	119,432	116,562
Grades 4-6	108,320	108,968	110,211	111,609
Grades 7-9	109,425	112,337	113,675	113,490
Grades 10-12	97,213	95,767	95,399	96,485
Special Education	7,694	7,412	7,572	7,503
Total Enrollment	486,471	490,225	492,586	492,847

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 12

	2015/2016	2014/2015	2013/2014	2012/2013
Coahoma Community College	1,913	1,746	2,722	2,694
Copiah-Lincoln Community College	3,097	3,040	3,186	3,308
East Central Community College	2,598	2,621	3,049	3,112
East Mississippi Community College	4,070	3,676	3,712	4,367
Hinds Community College	9,904	12,844	10,975	10,609
Holmes Community College	5,064	4,905	6,330	6,728
Itawamba Community College	6,398	6,320	6,972	6,977
Jones County Junior College	4,966	4,617	5,113	4,192
Meridian Community College	3,647	3,386	3,047	3,330
Mississippi Delta Community College	2,417	2,499	3,006	3,001
Mississippi Gulf Coast Community College	9,476	9,767	11,821	11,350
Northeast Mississippi Community College	3,651	3,643	3,520	3,603
Northwest Mississippi Community College	7,235	7,294	8,450	7,202
Pearl River Community College	4,107	4,140	4,231	4,675
Southwest Mississippi Community College	2,091	2,097	2,224	2,143
Total Enrollment	70,634	72,595	78,358	77,291

Source: Mississippi Community College Board

University Enrollment

Last Ten Academic Years

Table 13

	2015/2016	2014/2015	2013/2014	2012/2013
Alcorn State University	3,518	3,639	3,848	3,950
Delta State University	3,460	3,614	4,785	4,763
Jackson State University	9,802	9,508	9,134	8,819
Mississippi State University	20,873	20,138	20,161	20,365
Mississippi University for Women	2,673	2,696	2,629	2,650
Mississippi Valley State University	2,309	2,221	2,203	2,479
University of Mississippi	23,838	23,096	22,291	21,528
University of Southern Mississippi	14,551	14,792	15,249	16,468
Total Enrollment	81,024	79,704	80,300	81,022

Source: Institutions of Higher Learning, Office of Strategic Data Management

2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
44,890	42,371	42,790	41,602	41,453	42,277
114,814	115,503	116,320	118,249	118,969	117,424
114,498	115,057	114,328	111,783	111,009	112,101
111,616	111,826	113,802	115,901	118,593	120,271
97,292	98,536	97,942	97,024	96,003	93,287
7,509	7,233	6,923	6,635	7,275	8,775
490,619	490,526	492,105	491,194	493,302	494,135

2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
2,889	2,781	3,210	2,239	2,398	2,201
3,578	5,221	4,649	3,886	3,811	3,933
3,091	2,738	3,554	3,219	2,841	3,096
5,240	5,906	6,063	6,356	6,353	4,938
14,306	13,693	15,370	12,661	16,747	13,487
6,707	5,711	5,943	5,754	5,124	5,164
7,602	8,003	9,965	9,173	8,339	7,363
4,637	6,783	6,982	5,951	5,658	5,785
3,883	3,956	4,856	4,317	4,065	3,946
3,977	4,320	4,410	4,011	3,659	3,815
11,434	12,171	13,426	11,736	9,674	9,045
3,736	3,966	5,482	5,006	5,223	5,264
8,437	7,312	8,777	7,326	6,900	7,457
4,675	4,406	4,853	5,081	4,263	4,411
2,224	2,283	2,289	2,106	2,080	1,986
86,416	89,250	99,829	88,822	87,135	81,891

2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
4,018	3,682	3,334	3,252	3,668	3,583
4,624	4,327	4,031	4,064	4,091	4,217
8,903	8,687	8,783	8,374	8,698	8,256
20,424	19,643	18,600	17,824	17,039	16,206
2,661	2,587	2,476	2,365	2,379	2,428
2,452	2,636	2,846	2,929	3,009	3,162
20,830	19,546	18,344	17,601	17,323	17,312
16,604	15,778	15,293	14,793	14,592	14,777
80,516	76,886	73,707	71,202	70,799	69,941

Mississippi

Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 14

	2016	2015	2014	2013
General Government				
Department of Finance and Administration				
Buildings	60	59	36	37
Vehicles	37	44	44	41
Department of Revenue				
Vehicles	46	62	49	46
Education				
Department of Education				
Vehicles	52	55	44	45
Law, Justice and Public Safety				
Department of Corrections				
Buildings	252	252	558	572
Vehicles	594	618	691	611
Department of Public Safety				
Buildings	46	45	43	41
Vehicles	1,124	1,118	913	896
Recreation and Resource Development				
Department of Wildlife, Fisheries and Parks				
State Parks	25	25	25	25
Acres of State Parks	24,481	24,481	24,481	24,591
Buildings	211	211	843	835
Vehicles	628	594	558	591
Forestry Commission				
Buildings	24	24	317	369
Vehicles	458	490	413	421
Regulation of Business and Professions				
Workers' Compensation Commission				
Buildings	1	1	1	1
Transportation				
Department of Transportation				
Miles of state highway	10,901	10,897	10,898	10,886
Vehicles	2,228	2,272	2,339	2,352
Health and Social Services				
Department of Mental Health				
Buildings	474	475	538	545
Vehicles	752	755	752	756

Sources:

MAGIC - Mississippi Accountability System for Government Information and Collaboration
Mississippi Department of Wildlife, Fisheries and Parks
Mississippi Department of Transportation

2012	2011	2010	2009	2008	2007
37	36	37	37	46	46
42	49	48	42	42	41
46	44	49	49	47	47
41	44	43	42	47	44
576	611	627	627	626	633
611	593	608	673	676	707
41	39	39	38	37	37
963	877	845	908	924	943
25	25	26	26	26	26
24,591	24,446	24,260	24,260	24,260	23,904
842	843	831	817	815	812
614	606	614	632	609	614
388	392	394	398	408	418
429	430	440	446	493	508
1	1	1	1	1	1
10,913	10,907	10,907	10,984	10,949	10,974
2,554	2,534	2,569	2,530	2,547	2,595
551	551	553	553	547	541
778	786	801	794	802	798

Mississippi

State Government Employees by Function

Last Ten Fiscal Years

Table 15

	2016	2015	2014	2013	2012	2011
General Government						
Department of Finance and Administration	432	413	413	418	413	407
Department of Revenue	753	764	727	694	664	681
Treasury	38	38	39	36	37	38
All Other	1,399	1,429	1,441	1,454	1,405	1,399
Education						
Department of Education	623	607	653	687	714	717
All Other	185	185	182	187	195	191
Health and Social Services						
Department of Human Services	3,441	3,411	3,391	3,483	3,302	3,276
Division of Medicaid	929	925	936	923	869	897
Department of Mental Health	7,268	7,460	7,716	7,815	8,189	8,173
Department of Rehabilitation Services	998	954	964	969	995	1,026
All Other	2,992	3,251	3,340	3,449	3,476	3,399
Law, Justice and Public Safety						
Department of Corrections	2,293	2,647	2,870	2,958	2,746	2,824
Department of Public Safety	1,234	1,282	1,215	1,252	1,291	1,256
All Other	2,142	2,087	2,163	2,188	2,192	2,141
Recreation and Resource Development						
Department of Environmental Quality	402	394	397	401	423	432
Department of Wildlife, Fisheries and Parks	511	522	522	543	566	582
Forestry Commission	390	401	418	414	423	443
Mississippi Development Authority	241	271	287	300	308	316
All Other	370	366	365	367	378	375
Regulation of Business and Professions						
Public Service Commission	68	67	85	101	100	100
Oil and Gas Board	31	32	31	32	34	34
All Other	290	279	260	248	245	252
Transportation						
Department of Transportation	3,184	3,162	3,277	3,351	3,342	3,363
Total	30,214	30,947	31,692	32,270	32,307	32,322

Source: Statewide Payroll and Human Resource System, Total Filled Positions

2010	2009	2008	2007
387	408	380	363
659	711	726	713
38	38	39	37
1,408	1,484	1,438	1,402
741	779	782	773
193	201	200	195
3,219	3,284	3,046	2,991
934	940	908	917
8,586	8,978	8,951	8,930
1,060	1,024	964	949
3,549	3,438	3,329	3,393
2,919	3,090	3,153	3,071
1,275	1,338	1,365	1,274
2,130	2,134	1,994	1,883
435	448	428	433
665	807	710	788
455	475	521	513
324	319	279	282
392	402	412	408
92	97	97	95
34	36	33	32
262	255	246	242
3,448	3,413	3,346	3,267
33,205	34,099	33,347	32,951

Mississippi

Operating Indicators by Function

Last Ten Fiscal Years

Table 16

	2015	2014	2013	2012
General Government				
Tax returns processed	3,367,215	4,950,000	4,950,000	4,950,000
On-going construction projects	690	699	743	783
Tort claims processed	1,167	929	1,098	986
Unclaimed property claims paid	5,352	5,187	5,309	7,298
Corporate filings processed	168,421	67,873	110,008	243,634
UCC filings processed	320,819	318,307	322,350	342,552
Education				
Average cost per public school student	\$9,394	\$9,209	\$8,921	\$8,932
Public high school graduates	29,802	28,556	28,317	28,933
Public school teachers, K-12	32,230	32,102	32,356	32,170
Health and Social Services				
Average monthly households receiving food assistance	297,854	304,060	303,719	289,660
Child support collections from non-custodial parents	\$352,077,839	\$333,825,397	\$332,931,089	\$332,298,519
Medicaid recipients receiving medical services	740,937	689,153	643,687	640,957
Law, Justice and Public Safety				
Custody population per 100,000 Mississippi residents	641			
Average inmate population in prisons *		9,719	9,868	9,449
Supervised offenders in communities *		30,689	30,078	35,097
Driver licenses issued	600,239	594,005	807,582	747,173
Recreation and Resource Development				
Tourist registered at welcome centers	2,494,990	2,454,373	2,502,048	2,471,958
Land reforested (acres)	21,470	32,238	29,732	52,830
Hunting and fishing licenses sold	560,219	571,785	578,154	550,000
Overnight accommodations at state parks	550,186	689,774	544,887	646,752
Regulation of Business and Professions				
Utility complaints investigated	2,347	3,915	3,988	4,002
Well inspections by Oil and Gas Board	26,930	25,073	21,893	22,236
Transportation				
Overlays (miles) *		320	135	64
Repair and replacement of deficit local system bridges	62	66	50	55

* Operating indicators for average inmate population in prisons, supervised offenders in communities, and overlays (miles) are no longer available beginning fiscal year 2015.

Note: The most current fiscal year available is fiscal year 2015.

Sources:

Mississippi Joint Legislative Budget Committee, Legislative Budget Report
Mississippi Department of Education, Superintendent's Annual Report
Mississippi Department of Education, Office of Reporting

2011	2010	2009	2008	2007	2006
4,950,000	4,950,000	4,900,000	4,850,000	4,800,000	4,750,000
820	688	656	676	725	708
1,117	1,117	538	353	1,081	726
4,581	8,050	7,799	6,175	9,781	6,670
112,983	104,842	113,217	40,218	30,740	30,441
254,872	280,335	268,108	286,740	289,990	28,317
\$8,752	\$8,930	\$8,895	\$8,737	\$8,298	\$7,996
29,569	28,517	24,393	23,935	23,149	23,691
32,042	33,210	33,972	33,613	32,746	32,129
266,966	241,785	204,068	184,779	174,924	172,814
\$314,027,549	\$292,715,332	\$286,696,080	\$264,727,366	\$242,768,697	\$230,206,702
637,781	621,607	598,476	569,294	547,811	583,523
9,636	10,054	10,761	10,856	10,145	9,669
Not Available	Not Available	25,910	27,323	29,964	21,736
821,000	780,000	783,508	907,850	755,000	755,000
2,462,209	2,485,233	2,962,056	2,906,700	2,782,648	2,551,894
38,753	24,239	38,257	44,546	61,075	54,886
493,773	502,024	588,095	584,891	585,466	525,000
573,975	548,224	575,502	675,000	674,280	682,525
8,059	7,906	7,701	7,299	6,766	6,749
12,166	15,323	24,419	21,227	22,083	20,879
279	397	455	251	146	340
85	47	63	55	62	11

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Cover

"The Mississippi Governor's Mansion" photograph is courtesy of the Mississippi Department of Archives and History.

The Mississippi Governor's Mansion, completed in 1841, was first occupied in 1842 and is the second oldest continuously occupied executive residence in the country. It is a National Historic Landmark.

This report is available on the DFA website: www.dfa.state.ms.us