SUPPLEMENT

Relating to

OFFICIAL STATEMENT

For

$249,980,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015C
(Tax-Exempt)

$179,135,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015D

Dated: February 18, 2015

The following updates the Official Statement dated February 3, 2015 (the "Official Statement") delivered by the State of Mississippi (the "State") in connection with its $249,980,000 General Obligation Refunding Bonds, Series 2015C (Tax-Exempt) and its $179,135,000 Taxable General Obligation Refunding Bonds, Series 2015D and is incorporated by reference in the Official Statement. The information contained herein is intended to supersede information contained in the Official Statement.

The Official Statement is being revised as follows:

In APPENDIX B, the "Excerpts from the 2014 Comprehensive Annual Finance Report" is substituted for the "Excerpts from 2014 Unaudited Financial Statements," (which Excerpts from the 2014 CAFR are attached hereto).

The section entitled "FISCAL OPERATIONS OF THE STATE - GAAP Accounting," on page 17 of the Official Statement, is revised to read in its entirety as follows:

The State prepares its Comprehensive Annual Financial Report of the State ("CAFR") in accordance with Section 27-104-4, Mississippi Code of 1972, as amended from time to time. The CAFR presents information on the financial position and operations of State government as one reporting entity. The various agencies, departments, boards, commissions and funds of State government, which constitute the State reporting entity, are governed by criteria established by the Governmental Accounting Standards Board. This Official Statement also includes financial data that was not prepared according to CAFR specifications but on a budgetary basis. The general purpose financial statements of the State for the fiscal year ended June 30, 2014, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), and the unqualified opinion of the State Auditor are presented in this Official Statement as APPENDIX B. The Government Finance Officers Association of the United States and Canada (the "GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal years ended June 30, 1987 through 2013, which is the highest form of recognition in the area of governmental financial reporting.

Paragraph three of the section entitled "FISCAL OPERATIONS OF THE STATE - Overview of State Funds - The General Fund," on page 18 of the Official Statement, is revised to read in its entirety as follows:

The General Fund, as shown in the financial statements in APPENDIX B, is defined in Note 1 of the Notes to the Financial Statements on Significant Accounting Policies. The General Purpose Financial Statements as set forth in APPENDIX B reflect all funds of the State, not just those that are budgeted.

The chart appearing on page 20 of the Official Statement entitled "State of Mississippi General Fund Results of Operations-Budget Basis for Fiscal Year Ended June 30 (In Thousands)" is revised in its entirety as follows:
### State of Mississippi General Fund

**Results of Operations-Budget Basis for Fiscal Year Ended June 30 (In Thousands)**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAXES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>$1,781,277</td>
<td>$1,790,784</td>
<td>$1,854,730</td>
<td>$1,911,112</td>
<td>$1,955,113</td>
</tr>
<tr>
<td>Individual Income</td>
<td>1,339,889</td>
<td>1,382,736</td>
<td>1,489,168</td>
<td>1,650,091</td>
<td>1,666,791</td>
</tr>
<tr>
<td>Corporate Income and Franchise</td>
<td>402,751</td>
<td>447,979</td>
<td>505,306</td>
<td>524,077</td>
<td>677,046</td>
</tr>
<tr>
<td>Use and Wholesale Compensating</td>
<td>202,174</td>
<td>209,672</td>
<td>215,879</td>
<td>233,462</td>
<td>246,322</td>
</tr>
<tr>
<td>Tobacco, Beer and Wine</td>
<td>186,808</td>
<td>188,366</td>
<td>187,979</td>
<td>191,017</td>
<td>176,181</td>
</tr>
<tr>
<td>Insurance</td>
<td>161,228</td>
<td>175,576</td>
<td>193,045</td>
<td>198,103</td>
<td>250,975</td>
</tr>
<tr>
<td>Oil and Gas Severance</td>
<td>65,853</td>
<td>80,756</td>
<td>89,913</td>
<td>82,796</td>
<td>76,654</td>
</tr>
<tr>
<td>Alcohol Excise and Privilege</td>
<td>64,239</td>
<td>63,234</td>
<td>66,669</td>
<td>70,017</td>
<td>71,525</td>
</tr>
<tr>
<td>Other</td>
<td>21,282</td>
<td>26,477</td>
<td>11,970</td>
<td>12,157</td>
<td>10,869</td>
</tr>
<tr>
<td>Interest</td>
<td>16,714</td>
<td>18,472</td>
<td>14,678</td>
<td>13,151</td>
<td>13,511</td>
</tr>
<tr>
<td>Auto Privilege, Tax and Title Fees</td>
<td>16,314</td>
<td>10,835</td>
<td>8,977</td>
<td>8,716</td>
<td>9,515</td>
</tr>
<tr>
<td>Gaming Fees</td>
<td>155,123</td>
<td>146,976</td>
<td>152,077</td>
<td>139,600</td>
<td>127,777</td>
</tr>
<tr>
<td>Highway Safety Patrol Fees</td>
<td>21,824</td>
<td>20,246</td>
<td>20,774</td>
<td>21,297</td>
<td>22,855</td>
</tr>
<tr>
<td>Other Fees and Services</td>
<td>8,733</td>
<td>8,686</td>
<td>11,266</td>
<td>11,109</td>
<td>10,292</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6,362</td>
<td>6,658</td>
<td>4,587</td>
<td>4,499</td>
<td>3,851</td>
</tr>
<tr>
<td>Court Assessments and Settlements</td>
<td>46,477</td>
<td>22,486</td>
<td>20,041</td>
<td>35,228</td>
<td>70,286</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$4,496,849</td>
<td>$4,599,939</td>
<td>$4,847,059</td>
<td>$5,096,461</td>
<td>$5,389,807</td>
</tr>
</tbody>
</table>

**Expenditures by Major Budgetary Function:**

<table>
<thead>
<tr>
<th>Function</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>$24,489</td>
<td>$23,477</td>
<td>$23,931</td>
<td>$26,364</td>
<td>$26,378</td>
</tr>
<tr>
<td>Judiciary &amp; Justice</td>
<td>57,476</td>
<td>60,469</td>
<td>62,165</td>
<td>62,664</td>
<td>64,453</td>
</tr>
<tr>
<td>Executive &amp; Adm</td>
<td>3,266</td>
<td>3,180</td>
<td>2,940</td>
<td>3,044</td>
<td>3,217</td>
</tr>
<tr>
<td>Fiscal Affairs</td>
<td>83,462</td>
<td>54,613</td>
<td>54,180</td>
<td>56,320</td>
<td>56,792</td>
</tr>
<tr>
<td>Public Education(1)</td>
<td>1,925,069</td>
<td>1,918,235</td>
<td>2,011,890</td>
<td>2,029,370</td>
<td>2,077,657</td>
</tr>
<tr>
<td>Higher Education</td>
<td>742,147</td>
<td>684,198</td>
<td>764,001</td>
<td>721,016</td>
<td>761,586</td>
</tr>
<tr>
<td>Public Health</td>
<td>28,749</td>
<td>24,798</td>
<td>26,513</td>
<td>33,117</td>
<td>35,796</td>
</tr>
<tr>
<td>Hospitals and Hospital Schools</td>
<td>199,029</td>
<td>202,883</td>
<td>235,343</td>
<td>210,426</td>
<td>216,072</td>
</tr>
<tr>
<td>Agriculture, Commerce &amp; Economic Dev.</td>
<td>102,646</td>
<td>102,978</td>
<td>104,893</td>
<td>103,303</td>
<td>110,034</td>
</tr>
<tr>
<td>Conservation and Recreation</td>
<td>50,240</td>
<td>46,010</td>
<td>46,035</td>
<td>45,388</td>
<td>48,135</td>
</tr>
<tr>
<td>Insurance and Banking</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Corrections</td>
<td>237,831</td>
<td>312,907</td>
<td>310,951</td>
<td>311,759</td>
<td>334,580</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>349,821</td>
<td>395,389</td>
<td>311,284</td>
<td>341,775</td>
<td>737,836</td>
</tr>
<tr>
<td>Public Protection and Veterans</td>
<td>87,081</td>
<td>87,704</td>
<td>85,433</td>
<td>87,988</td>
<td>88,001</td>
</tr>
<tr>
<td>Assistance</td>
<td>77,690</td>
<td>75,109</td>
<td>81,109</td>
<td>81,109</td>
<td>81,109</td>
</tr>
<tr>
<td>Local Assistance</td>
<td>1,824</td>
<td>44</td>
<td>22</td>
<td>39</td>
<td>40</td>
</tr>
<tr>
<td>Motor Veh. &amp; Other Regulatory Agencies</td>
<td>1,313</td>
<td>1,230</td>
<td>1,211</td>
<td>1,212</td>
<td>1,337</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Debt Service</td>
<td>347,187</td>
<td>360,242</td>
<td>369,564</td>
<td>375,804</td>
<td>375,455</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$4,319,740</td>
<td>$4,363,466</td>
<td>$4,491,465</td>
<td>$4,690,667</td>
<td>$5,018,488</td>
</tr>
</tbody>
</table>

| Excess of Rev. over (under) expenditures | 171,355 | 227,583 | 355,594 | 405,795 | 371,319 |
| Other Financing Sources (Uses)          | 57,977  | 8,889   | 23,534  | 22,092  | 13,213   |
| Transfers In                           | (232,528) | (190,900) | (376,405) | (426,992) | (397,492) |
| Transfers Out                          | (3,197) | 45,577  | 2,747   | 919     | (12,796) |
| Other Sources (uses) of Cash           | (1)     | 5       | 24      | 24      | 164      |
| Excess of Revenues & Other Sources over (under) | (3,197) | 45,577  | 2,747   | 919     | (12,796) |
| **Budgetary Fund Balances, Beginning** | $8,075  | $4,878  | $50,455 | $53,202 | $54,121  |

(1) Public Education reflects all educational activities.

Source: Department of Finance and Administration.
APPENDIX B

EXCERPTS FROM THE 2014 COMPREHENSIVE ANNUAL FINANCE 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, 2014, 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

1 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, 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 Department of Marine Resources, the Office of the Governor - Division of Medicaid, 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 which, in the aggregate, represent 8% and 42%, respectively, of the assets and revenues of the governmental activities;

1 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 and the Unemployment Compensation Fund which, in the aggregate, represent 96% and 94%, 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 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 Department of Marine Resources, the Office of the Governor - Division of Medicaid, 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 which, in the aggregate, represent 23% and 39%, 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, 2014, 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.

**Emphasis of Matter**


**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 Schedule of Fund Balance for Pension Trust Funds and corresponding notes 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 on 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 February 12, 2015, 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.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance  
Audit Division  
Jackson, Mississippi  
February 12, 2015
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, 2014. 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, at the close of the fiscal year by $15,141,570,000 (reported as "net position"). Of this amount, a negative $2,823,293,000 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 $4,236,636,000 in restricted net position. Net position of governmental activities and business-type activities increased by $506,315,000 and $14,844,000, respectively.

Fund Level - At the end of the fiscal year, the State’s governmental funds reported combined ending fund balances of $4,284,374,000, which is $37,656,000 greater than the previous year. Federal government revenues continued their downward trend with many programs ending and others not being renewed. Revenues from taxes grew once again as the economy continued to improve. As overall revenues increased, expenditures followed suit.

Long-term Debt - The total outstanding net long-term bonds and notes were $5,392,113,000 at June 30, 2014. During the year, the State issued $364,615,000 in bonds and notes, net of premiums. These bonds and notes were issued primarily for capital improvements, and transportation projects.

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, and liabilities, 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. 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 and the Schedule of Funding Progress for pension trust funds and for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following the RSI.
**Mississippi**  
**Government-wide Financial Analysis**

**Net Position**

The State's combined net position for governmental and business-type activities increased $521,159,000 in fiscal year 2014. Current year net position is $15,141,570,000 in contrast to the prior year balance of $14,620,411,000. 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.

The largest share of net position, 90.7 percent, consisted 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 $354,712,000 from the previous year. The governmental activities' increase of $322,719,000 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 $31,993,000 is directly attributed to ongoing construction projects at the Port Authority at Gulfport.

Restricted net position, representing resources that are subject to externally imposed restrictions, comprised 28.0 percent of total net position, as compared to 28.6 percent in the prior year. The remaining negative balance represented unrestricted net position of $2,823,293,000. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of $212,462,000 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 net position may be used.

<table>
<thead>
<tr>
<th>Net Position</th>
<th>(amounts expressed in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities</strong></td>
<td><strong>Business-type Activities</strong></td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td><strong>2013</strong></td>
</tr>
<tr>
<td>Current and other assets</td>
<td>6,278,663</td>
</tr>
<tr>
<td>Capital assets</td>
<td>14,945,218</td>
</tr>
<tr>
<td>Total Assets</td>
<td>21,223,881</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>122,121</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>5,428,491</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,889,064</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>7,317,555</td>
</tr>
<tr>
<td>Net position:</td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>13,430,397</td>
</tr>
<tr>
<td>Restricted</td>
<td>3,633,805</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(3,035,755)</td>
</tr>
<tr>
<td>Total Net Position</td>
<td><strong>14,028,447</strong></td>
</tr>
</tbody>
</table>
Mississippi

Changes in Net Position

Operating grants and contributions of $6,653,241,000 and taxes of $6,922,681,000 were the State's major revenue sources. Together, they accounted for 81.4 percent of total revenues. Revenue from taxes increased $303,546,000 over the prior year to improve net position. Conversely, operating grants and contributions decreased by $243,125,000 with several federal programs ending. As in the prior year, the majority of the State's total expenses were related to the health and social services function at $7,394,045,000 or 45.4 percent. Expenses within this function rose over the prior year by $21,930,000 as medical expenses continued their upswing. Unemployment compensation expenses were down by $134,184,000 as fewer claims were filed driven by an improving economy.

<table>
<thead>
<tr>
<th>Changes In Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(amounts expressed in thousands)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governmental Business-type Activities</th>
<th>Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 2,216,861</td>
<td>$ 2,246,921</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>6,796,079</td>
<td>6,934,753</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>546,283</td>
<td>561,283</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>6,862,681</td>
<td>6,469,135</td>
</tr>
<tr>
<td>Investment income</td>
<td>82,307</td>
<td>9,208</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>16,506,211</td>
<td>16,221,300</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>2,069,107</td>
<td>2,028,155</td>
</tr>
<tr>
<td>Education</td>
<td>3,996,554</td>
<td>3,912,689</td>
</tr>
<tr>
<td>Health and social services</td>
<td>7,394,045</td>
<td>7,372,085</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>923,952</td>
<td>983,670</td>
</tr>
<tr>
<td>Recreation and resource development</td>
<td>637,850</td>
<td>587,367</td>
</tr>
<tr>
<td>Regulation of business and professions</td>
<td>39,174</td>
<td>30,703</td>
</tr>
<tr>
<td>Transportation</td>
<td>647,532</td>
<td>596,160</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>243,099</td>
<td>247,012</td>
</tr>
<tr>
<td>Unemployment compensation</td>
<td>204,206</td>
<td>338,390</td>
</tr>
<tr>
<td>Port Authority at Gulfport</td>
<td>25,688</td>
<td>28,589</td>
</tr>
<tr>
<td>Prepaid affordable college tuition</td>
<td>103,134</td>
<td>41,278</td>
</tr>
<tr>
<td>Other business-type</td>
<td>37,379</td>
<td>35,421</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>15,951,313</td>
<td>15,757,241</td>
</tr>
<tr>
<td>Excess/(Deficit) before Transfers</td>
<td>554,696</td>
<td>454,059</td>
</tr>
<tr>
<td>Transfers</td>
<td>(48,983)</td>
<td>(32,478)</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>505,315</td>
<td>371,581</td>
</tr>
<tr>
<td>Net Position - Beginning</td>
<td>13,522,132</td>
<td>13,150,561</td>
</tr>
<tr>
<td>Net Position - Ending</td>
<td>$ 14,028,447</td>
<td>13,522,132</td>
</tr>
</tbody>
</table>
Governmental Activities

Governmental activities increased the State's net position by 506,315,000 for fiscal year 2014. Taxes, the largest source of revenue at 41.6 percent, increased by $393,546,000 in comparison to the prior year. The health and social services function was the predominant leader in both the expenses and program revenues at $7,394,045,000 and $6,055,021,000, respectively. Education expenses of $3,996,554,000 exceeded program revenues of $723,962,000 resulting in a negative $3,272,592,000 to be funded from general revenues.

Governmental Activities - Revenues by Source

- Taxes: 41.5%
- Charges for services: 11.4%
- Operating grants and contributions: 3.3%
- Investment income: 0.6%
- Capital grants and contributions: 13.4%

Governmental Activities - Expenses and Program Revenues

(amounts expressed in thousands)

Note: Amounts are less than $50,000

- General government
- Education
- Health & social services
- Law, justice & public safety
- Recreation & resource development
- Regulation of business & professions
- Transportation
- Interest on long-term debt

Expenses
Program Revenues
Business-type Activities

Business-type activities increased the State's net position by $14,844,000. Revenues by source shifted as the percentage of investment income grew by 8.4 percent which was a reflection of the general improvement in the investment market. The share of revenues for operating grants and contributions decreased by 16.8 percent signaling a decrease in monies from the federal government for the Unemployment Compensation Fund. Charges for services comprise the remainder of revenues and the percentage was up by 8.4 percent across the board. For the current year, the Unemployment Compensation Fund had decreases in both program revenues and expenses with a positive change in net position of $24,121,000 as the trend continued with fewer people filing for unemployment benefits.

![Pie charts showing revenue sources for 2014 and 2013.]

![Bar chart showing expenses and program revenues for various categories.]

Business-type Activities - Revenues by Source

Business-type Activities - Expenses and Program Revenues
(amounts expressed in thousands)
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, 2014, the governmental funds reported combined fund balances of $4,284,374,000, indicating an increase of $37,656,000 from the prior year. Within fund balances, $108,511,000 or 2.5 percent was classified as nonspendable. The majority of the fund balance, $3,453,844,000 or 80.6 percent was restricted. Committed fund balance equaled $139,936,000 or 3.2 percent of the total. Assigned fund balance comprised 0.3 percent or $10,503,000. The remaining 13.4 percent, or $571,580,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The General Fund increased $37,006,000 from the prior year to an ending fund balance of $4,222,761,000. The $138,327,000 increase in corporate income and franchise tax revenues was a result of extremely robust corporate tax collections. A $141,752,000 rise in sales and use tax revenues was in tandem with the improvement in the economy. Several grant programs reached the end of their funding period and others did not renew bringing federal government revenues down by $151,516,000. As a result, expenditures in the law, justice and public safety function was directly impacted with a decrease of $54,344,000. The largest portion of the $31,060,000 increase in health and social services expenditures was attributed to Medicaid. Due to mandates issued for the Affordable Care Act, Medicaid had an increase in the number of enrolled beneficiaries.

**Proprietary Funds**

The Unemployment Compensation Fund experienced an increase in net position of $24,121,000 as compared to the prior year which had a slightly higher increase of $37,835,000. Operating expenses decreased by $134,184,000 from the prior year as a result of a reduction in claims and benefits expense as the economy continued to gradually improve. The $104,356,000 decline in federal revenue and the $43,974,000 decline in assessments are tied directly to this trend.

The Port Authority at Gulfport Fund increased net position by $32,531,000 as compared to a larger $58,827,000 increase reported in the prior year. Operating revenues were flat while operating expenses decreased $2,705,000. The increase in net position is attributable to the $41,972,000 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 had an $46,944,000 decrease in net position, after experiencing a $11,567,000 increase in the prior year. The program’s enrollment was deferred in August 2012, resulting in a $6,407,000 decrease in tuition receipts. Although no new contracts were sold during FY 2014, the program still collected contributions from its current contract holders. The $51,770,000 increase in claims and benefits expense was directly related to changes in the program’s actuarial assumptions. Investments increased by $42,257,000 due to improving market conditions as well as realized gains on investments.

**General Fund Budgetary Highlights**

The original estimated growth rate for fiscal year 2014 General Fund revenues was 2.8 percent. This estimate was revised to sine die, which reflected a 0.7 percent decline, then in October 2013 to a 2.0 percent growth rate and finally revised in March 2014 to reflect a growth of 4.9 percent. Actual fiscal year 2014 General Fund revenue collections were 5.6 percent higher than the prior year. Each of these revenue components grew: 2.3 percent in sales tax, 1.0 percent in individual income tax, and 29.2 percent in corporate income and franchise tax.

Actual fiscal year 2014 revenues were $293,345,000 higher than in the prior year. These same revenues were $320,107,000 above estimated amounts. Positive revenue variances occurred in two of the largest General Fund revenue components: corporate income and franchise tax - $212,546,000, and sales tax - $9,113,000. The final expenditure budget was $6,044,000 more than the original budget and actual expenditures were $12,918,000 less than the final budget.
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, 2014 amounted to $19,857,196,000, less accumulated depreciation of $4,591,011,000, resulting in a net book value of $15,266,185,000. For the current fiscal year, both governmental activities and business-type activities increased by $503,328,000 and $29,498,000, respectively. The current year percentages included increases of 3.5 and 10.1, respectively, while the prior fiscal year boasted increases of 4.1 and 22.5, respectively.

Major capital asset events during fiscal year 2014 included the following:

- Infrastructure for governmental activities had the largest increase of any asset class with $916,544,000. Pavement rehabilitations took place in Forrest, Jackson, Lamar, Neshoba, and Rankin counties. Vision 21 highway projects were completed in Desoto, Itawamba, Lowndes, Neshoba, Newton, Pike, and Union counties. Phase III of the Four Lane Highway Program was finalized in Bolivar, George, Greene, and Montgomery counties.

- Construction in progress increased significantly by $786,528,000. Mississippi Department of Transportation accounts for the majority of this increase with $728,043,000. The Department of Finance and Administration added $31,023,000 in building projects which included renovations to the Department of Public Safety Central Mississippi Crime Lab, the Mississippi Museum's Civil Rights and History Museum, and the Department of Rehabilitation Services.

- During fiscal year 2014, net capital assets for business-type activities increased by $29,498,000. The Port Authority at Gulfport added $36,373,000 to construction in progress, which includes the first phase of wharf upgrades and the shoreline protection project. These projects were 95 percent complete at year end. The West Pier security gate complex and the third and final phase of the 84 acre fill project, valued at $61,769,000, were completed and moved from construction in progress to land and buildings.

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)

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$2,234,358</td>
<td>$2,179,301</td>
<td>$130,416</td>
</tr>
<tr>
<td>Software</td>
<td>56,631</td>
<td>1,448</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>1,501,715</td>
<td>1,454,997</td>
<td>55,667</td>
</tr>
<tr>
<td>Land improvements</td>
<td>119,225</td>
<td>118,614</td>
<td>18,467</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>255,936</td>
<td>221,795</td>
<td>8,224</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>6,674,282</td>
<td>6,057,721</td>
<td>72,106</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>4,103,171</td>
<td>4,406,014</td>
<td>39,087</td>
</tr>
<tr>
<td>Total</td>
<td>$14,945,218</td>
<td>$14,441,890</td>
<td>$320,967</td>
</tr>
</tbody>
</table>
Debt Administration

As of June 30, 2014, outstanding general obligation debt for the State was $4,313,146,000, including premiums. General Obligation Refunding bonds of $1,725,184,000, Capital Improvements bonds of $1,106,481,000, and Industry Incentive Financing bonds of $336,605,000 comprise 73.0 percent of this outstanding debt. During the current fiscal year, the State issued $335,165,000 in general obligation bonds which are reported in governmental activities. These bonds were primarily issued for capital improvements, and transportation projects. Within business-type activities, general obligation bonds decreased by $2,707,000 as the Port Authority at Gulfport continued to repay its long-term debt.

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, 2014, the State had established a constitutional legal debt limit of $12,023,821,000, 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.

Outstanding Long-term Debt
Bonds and Notes
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General obligation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bonds and notes</td>
<td>$4,297,643</td>
<td>$4,207,238</td>
<td>$15,503</td>
</tr>
<tr>
<td>Notes payable</td>
<td>$1,078,967</td>
<td>$1,140,010</td>
<td>$15,003</td>
</tr>
<tr>
<td>Total</td>
<td>$5,376,610</td>
<td>$5,347,248</td>
<td>$15,503</td>
</tr>
</tbody>
</table>

Economic Factors and Next Year's Budget

The State's average unemployment rate for the calendar year 2013 average was 8.6 percent. The average for the twelve months ending November 2014 dropped to 7.7 percent. The national average rates were more favorable at 7.4 percent and 6.3 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2015, the economy of the State is expected to improve slightly. The initial estimated overall fiscal year 2015 General Fund revenue growth rate was 1.1 percent, with component revenue growth projections of 4.6 percent in sales tax, 4.2 percent in individual income tax and negative 1.6 percent in corporate income and franchise tax. The overall estimate in November 2014 remained constant at 1.1 percent. The November component revenue projections were 5.0 percent in sales tax, 4.9 percent in individual income tax and negative 3.8 percent in corporate income and franchise tax.

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

**Statement of Net Position**

*June 30, 2014 (Expressed in Thousands)*

<table>
<thead>
<tr>
<th>Assets</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in internal investment pool</td>
<td>$3,495,073</td>
<td>$67,321</td>
<td>$3,562,394</td>
<td>$13,112</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>391,917</td>
<td>901,193</td>
<td>431,091</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>76,210</td>
<td>23,312</td>
<td>100,022</td>
<td></td>
</tr>
<tr>
<td>Receivables, net</td>
<td>699,077</td>
<td>70,554</td>
<td>679,631</td>
<td></td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>527,868</td>
<td>151</td>
<td>528,441</td>
<td>147</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>15,323</td>
<td>1,270</td>
<td>16,323</td>
<td></td>
</tr>
<tr>
<td>Due from component units</td>
<td>(15,323)</td>
<td>(1,270)</td>
<td>(15,323)</td>
<td></td>
</tr>
<tr>
<td>Due from primary government</td>
<td>1,270</td>
<td>573</td>
<td>1,522</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>37,061</td>
<td>780</td>
<td>37,841</td>
<td>29,937</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>6,375</td>
<td>5,375</td>
<td>11,750</td>
<td>24,393</td>
</tr>
<tr>
<td>Loans and notes receivable, net</td>
<td>33,307</td>
<td>5,375</td>
<td>38,682</td>
<td>39,398</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,361</td>
<td></td>
<td>3,361</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>5,066,460</td>
<td>783,953</td>
<td>5,850,413</td>
<td>1,098,423</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>153,084</td>
<td>376,289</td>
<td>529,373</td>
<td>577,507</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>145,853</td>
<td>145,853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>620,058</td>
<td>620,058</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and notes receivable, net</td>
<td>293,208</td>
<td>150,571</td>
<td>443,779</td>
<td>142,007</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>450</td>
<td>450</td>
<td>198,143</td>
<td>937,043</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and construction in progress</td>
<td>8,337,529</td>
<td>196,503</td>
<td>6,504,032</td>
<td>602,721</td>
</tr>
<tr>
<td>Other capital assets, net</td>
<td>8,607,669</td>
<td>154,464</td>
<td>8,762,153</td>
<td>2,947,680</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>16,157,421</td>
<td>848,277</td>
<td>17,005,698</td>
<td>5,425,034</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>21,223,881</td>
<td>1,632,230</td>
<td>22,856,111</td>
<td>6,523,457</td>
</tr>
</tbody>
</table>

**Deferred Outflows of Resources**

| Deferred amount on refunding | 122,101 | 122,101 | 7,376 |
| Interest rate swaps | 20 | 20 |
| **Total Deferred Outflows** | $122,121 | $122,121 | $7,376 |

(Continued on Next Page)
### Statement of Net Position

**June 30, 2014 (Expressed in Thousands)**

*(Continued from Previous Page)*

#### Liabilities

<table>
<thead>
<tr>
<th>Current liabilities:</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warrants payable</td>
<td>$59,834</td>
<td>$1,263</td>
<td>$61,097</td>
<td>201,195</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>$579,780</td>
<td>$12,991</td>
<td>$592,771</td>
<td></td>
</tr>
<tr>
<td>Contracts payable</td>
<td>$90,352</td>
<td>$977</td>
<td>$91,329</td>
<td></td>
</tr>
<tr>
<td>Income tax refunds payable</td>
<td>$214,000</td>
<td></td>
<td>$214,000</td>
<td></td>
</tr>
<tr>
<td>Due to other governments</td>
<td>$323,486</td>
<td>$10,493</td>
<td>$333,979</td>
<td></td>
</tr>
<tr>
<td>Due to component units</td>
<td>$30,165</td>
<td></td>
<td>$30,165</td>
<td></td>
</tr>
<tr>
<td>Due to primary government</td>
<td></td>
<td></td>
<td></td>
<td>1,522</td>
</tr>
<tr>
<td>Claims and benefits payable</td>
<td>$153,041</td>
<td>$6,616</td>
<td>$159,657</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>$97,515</td>
<td>$415</td>
<td>$97,930</td>
<td>95,700</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>$39,039</td>
<td></td>
<td>$39,039</td>
<td></td>
</tr>
<tr>
<td>Pollution remediation obligation</td>
<td>$7,080</td>
<td></td>
<td>$7,080</td>
<td></td>
</tr>
<tr>
<td>Bonds and notes payable, net</td>
<td>$327,162</td>
<td>$2,833</td>
<td>$329,995</td>
<td>31,255</td>
</tr>
<tr>
<td>Lease obligations payable</td>
<td>$6,649</td>
<td>$72</td>
<td>$6,721</td>
<td>1,533</td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td></td>
<td></td>
<td>63,719</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$1,889,064</td>
<td>$37,225</td>
<td>$1,926,289</td>
<td>$396,578</td>
</tr>
</tbody>
</table>

#### Noncurrent liabilities:

| Due to other governments | $11,232 | $11,232 |
| Claims and benefits payable | $38,820 | $456,889 | $495,709 |
| Derivative instruments | $39,039 | $39,039 |
| Other postemployment benefits payable | $139,943 | $139,943 |
| Pollution remediation obligation | $34,777 | $34,777 |
| Bonds and notes payable, net | $5,049,446 | $12,670 | $5,062,118 | 989,039 |
| Lease obligations payable | $16,126 | $272 | $16,398 | 31,337 |
| Liabilities payable from restricted assets: | | |
| Deposits | $151 | $151 |
| Other liabilities | $110,338 | $656 | $111,006 | 257,351 |
| **Total Noncurrent Liabilities** | $5,428,491 | $431,882 | $5,910,373 | $1,277,727 |

**Total Liabilities**

| $7,317,555 | $519,107 | $7,836,662 | $1,674,305 |

#### Net Position

| Net investment in capital assets | $13,430,597 | $297,830 | $13,728,227 | $2,593,372 |

**Restricted for:**

**Expendable:**

- General government: $302,204
- Education: $186,665
- Health and social services: $364,424
- Law, justice and public safety: $112,279
- Recreation and resources development: $1,366,267
- Regulation of business and professions: $59,680
- Transportation: $495,180
- Capital projects: $286,454
- Debt service: $369,082
- Unemployment compensation benefits: $602,381
- Other purposes: $450

**Nonexpendable:**

| Education | $58,566 | $58,566 | $715,600 |
| Health and social services | $2,025 | $2,025 |
| Recreation and resources development | $10,859 | $10,859 |
| **Unrestricted (deficit)** | $(3,035,755) | $(212,462) | $(2,823,293) | $942,610 |

**Total Net Position**

| $14,028,447 | $1,113,123 | $15,141,570 | $4,856,526 |

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

For the Year Ended June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$2,069,107</td>
<td>$1,310,138</td>
<td>$7,765</td>
<td>$742</td>
</tr>
<tr>
<td>Education</td>
<td>3,096,564</td>
<td>23,039</td>
<td>699,873</td>
<td></td>
</tr>
<tr>
<td>Health and social services</td>
<td>7,394,045</td>
<td>583,738</td>
<td>5,471,232</td>
<td>51</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>923,962</td>
<td>126,054</td>
<td>266,542</td>
<td>4,295</td>
</tr>
<tr>
<td>Recreation and resource development</td>
<td>637,860</td>
<td>79,237</td>
<td>311,649</td>
<td>1,059</td>
</tr>
<tr>
<td>Regulation of business and professions</td>
<td>39,174</td>
<td>43,784</td>
<td>708</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>647,532</td>
<td>49,841</td>
<td>18,219</td>
<td>542,166</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>243,059</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>$15,951,313</td>
<td>2,216,861</td>
<td>6,796,079</td>
<td>548,233</td>
</tr>
<tr>
<td><strong>Business-type activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment compensation</td>
<td>204,206</td>
<td>158,741</td>
<td>57,162</td>
<td></td>
</tr>
<tr>
<td>Port Authority at Gulfport</td>
<td>25,688</td>
<td>15,603</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid affordable college tuition</td>
<td>103,134</td>
<td>6,370</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other business-type</td>
<td>37,379</td>
<td>28,563</td>
<td></td>
<td>33</td>
</tr>
<tr>
<td><strong>Total Business-type Activities</strong></td>
<td>$370,407</td>
<td>209,277</td>
<td>57,162</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total Primary Government</strong></td>
<td>$16,321,720</td>
<td>2,426,138</td>
<td>6,853,241</td>
<td>548,316</td>
</tr>
<tr>
<td><strong>Component units:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Universities</td>
<td>$3,189,007</td>
<td>1,791,714</td>
<td>481,546</td>
<td>65,854</td>
</tr>
<tr>
<td>Nonmajor</td>
<td>38,357</td>
<td>28,307</td>
<td>2,177</td>
<td>2,157</td>
</tr>
<tr>
<td><strong>Total Component Units</strong></td>
<td>$3,227,364</td>
<td>1,820,021</td>
<td>483,523</td>
<td>67,011</td>
</tr>
</tbody>
</table>

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.
<table>
<thead>
<tr>
<th>Component Units</th>
<th>(830,293)</th>
<th>(5,719)</th>
<th>(836,009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,263,643</td>
<td>3,293,843</td>
<td></td>
<td></td>
</tr>
<tr>
<td>408,667</td>
<td>408,867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,703,736</td>
<td>1,703,736</td>
<td></td>
<td></td>
</tr>
<tr>
<td>577,166</td>
<td>577,168</td>
<td></td>
<td></td>
</tr>
<tr>
<td>267,571</td>
<td>237,971</td>
<td></td>
<td></td>
</tr>
<tr>
<td>541,496</td>
<td>541,466</td>
<td></td>
<td></td>
</tr>
<tr>
<td>82,307</td>
<td>70,196</td>
<td>152,503</td>
<td>152,531</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>207,641</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>786,903</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>33,394</td>
</tr>
<tr>
<td>(48,583)</td>
<td>48,583</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6,896,405</td>
<td>118,779</td>
<td>7,015,184</td>
<td>1,180,074</td>
</tr>
<tr>
<td>568,315</td>
<td>14,844</td>
<td>521,159</td>
<td>344,065</td>
</tr>
<tr>
<td>13,522,132</td>
<td>1,098,279</td>
<td>14,620,411</td>
<td>4,512,463</td>
</tr>
<tr>
<td>$</td>
<td>14,028,447</td>
<td>$ 1,113,123</td>
<td>$ 15,141,570</td>
</tr>
</tbody>
</table>
**Mississippi**

**Governmental Funds**

**Balance Sheet**

June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>General</th>
<th>Permanent</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity in internal investment pool</td>
<td>$3,189,296</td>
<td>$2,597</td>
<td>$3,191,883</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>210,655</td>
<td>385</td>
<td>211,040</td>
</tr>
<tr>
<td>Investments</td>
<td>133,645</td>
<td>59,727</td>
<td>193,372</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>754,178</td>
<td>349</td>
<td>754,527</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>1,147,263</td>
<td></td>
<td>1,147,263</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>2,728</td>
<td></td>
<td>2,728</td>
</tr>
<tr>
<td>Due from component units</td>
<td>396</td>
<td></td>
<td>396</td>
</tr>
<tr>
<td>Inventories</td>
<td>37,061</td>
<td></td>
<td>37,061</td>
</tr>
<tr>
<td>Loans receivable, net</td>
<td>326,515</td>
<td></td>
<td>326,515</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$5,801,767</td>
<td>$62,048</td>
<td>$5,863,815</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities, Deferred Inflows and Fund Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
</tr>
<tr>
<td>Warrants payable</td>
</tr>
<tr>
<td>Accounts payable and accruals</td>
</tr>
<tr>
<td>Contracts payable</td>
</tr>
<tr>
<td>Income tax refunds payable</td>
</tr>
<tr>
<td>Due to other governments</td>
</tr>
<tr>
<td>Due to other funds</td>
</tr>
<tr>
<td>Due to other funds</td>
</tr>
<tr>
<td>Claims payable</td>
</tr>
<tr>
<td>Unearned revenues</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
</tr>
</tbody>
</table>

| Deferred inflows of resources:               |-----------|-----------|----------|
| Deferred revenues                            | 191,665   |           | 191,665  |

| Fund balances:                               |-----------|-----------|----------|
| Nonspendable                                 |-----------|-----------|----------|
| Inventories                                 | 37,061    | 37,061    |
| Principal                                   | 15,000    | 56,450    | 71,450   |

| Restricted                                   |-----------|-----------|----------|
| General government                           | 301,275   | 301,275   |
| Education                                   | 124,085   | 4,201     | 128,299  |
| Health and social services                   | 367,682   | 284       | 367,966  |
| Law, justice and public safety               | 105,392   |           | 105,392  |
| Recreation and resources development         | 1,354,636 | 678       | 1,355,314|
| Regulation of business and professions       | 59,580    |           | 59,580   |
| Transportation                               | 480,462   |           | 480,462  |
| Capital projects                             | 286,454   |           | 286,454  |
| Debt service                                 | 369,002   |           | 369,002  |

| Committed                                   |-----------|-----------|----------|
| General government                           | 103,481   | 103,481   |
| Education                                   | 6,689     | 6,689     |
| Law, justice and public safety               | 18,696    |           | 18,696   |
| Recreation and resources development         | 4,115     |           | 4,115    |
| Transportation                               | 6,955     |           | 6,955    |

| Assigned                                    |-----------|-----------|----------|
| General government                           | 6,268     | 6,268     |
| Education                                   | 44        | 44        |
| Law, justice and public safety               | 1,765     |           | 1,765    |
| Recreation and resources development         | 2,426     |           | 2,426    |

| Unassigned                                  |-----------|-----------|----------|
| General government                           | 571,560   | 571,560   |
| **Total Fund Balances**                      | 4,222,761 | 61,613    | 4,284,374|

<table>
<thead>
<tr>
<th>Total Liabilities, Deferred Inflows and Fund Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,801,767</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fund balances for governmental funds</td>
<td>$4,284,374</td>
</tr>
<tr>
<td>Amounts reported for governmental activities in the statement of net position are different because:</td>
<td></td>
</tr>
<tr>
<td>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excluding amounts for internal service funds' capital assets that are reported in the internal service funds' net reconciling item below):</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$2,234,358</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>4,103,171</td>
</tr>
<tr>
<td>Software</td>
<td>61,573</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,056,972</td>
</tr>
<tr>
<td>Land improvements</td>
<td>242,703</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>690,755</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>9,989,031</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(4,457,530)</td>
</tr>
<tr>
<td>Deferred amount on refunding of debt reported as deferred outflows of resources in governmental activities is not financial resources and therefore are not reported in the funds.</td>
<td>122,101</td>
</tr>
<tr>
<td>Interest rate swaps reported as deferred outflows of resources in governmental activities are not financial resources and therefore are not reported in the funds.</td>
<td>20</td>
</tr>
<tr>
<td>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.</td>
<td>191,595</td>
</tr>
<tr>
<td>Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:</td>
<td></td>
</tr>
<tr>
<td>General obligation bonds and notes</td>
<td>(4,135,272)</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>(21,844)</td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>(117,945)</td>
</tr>
<tr>
<td>Pollution remediation obligation</td>
<td>(41,857)</td>
</tr>
<tr>
<td>Notes payable</td>
<td>(1,006,639)</td>
</tr>
<tr>
<td>Unamortized premiums</td>
<td>(234,869)</td>
</tr>
<tr>
<td>Claims payable</td>
<td>(2,868)</td>
</tr>
<tr>
<td>Other postemployment benefits payable</td>
<td>(139,943)</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>(57,363)</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>(39,036)</td>
</tr>
<tr>
<td>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.</td>
<td>315,703</td>
</tr>
<tr>
<td>Net position of governmental activities</td>
<td>$14,028,447</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
### Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Revenues</th>
<th>General</th>
<th>Permanent</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and use</td>
<td>$3,264,343</td>
<td>$3,264,343</td>
<td>$3,264,343</td>
</tr>
<tr>
<td>Gasoline and other motor fuel</td>
<td>406,547</td>
<td>406,547</td>
<td>406,547</td>
</tr>
<tr>
<td>Individual income</td>
<td>1,676,064</td>
<td>1,676,064</td>
<td>1,676,064</td>
</tr>
<tr>
<td>Corporate income and franchise insurance</td>
<td>877,501</td>
<td>877,501</td>
<td>877,501</td>
</tr>
<tr>
<td>Other</td>
<td>267,971</td>
<td>267,971</td>
<td>267,971</td>
</tr>
<tr>
<td>Licenses, fees and permits</td>
<td>541,496</td>
<td>541,496</td>
<td>541,496</td>
</tr>
<tr>
<td>Federal government</td>
<td>522,588</td>
<td>522,588</td>
<td>522,588</td>
</tr>
<tr>
<td>Investment income</td>
<td>267,971</td>
<td>267,971</td>
<td>267,971</td>
</tr>
<tr>
<td>Charges for sales and services</td>
<td>7,343,489</td>
<td>7,343,489</td>
<td>7,343,489</td>
</tr>
<tr>
<td>Rentals</td>
<td>363,976</td>
<td>363,976</td>
<td>363,976</td>
</tr>
<tr>
<td>Court assessments and settlements</td>
<td>3,884,387</td>
<td>3,884,387</td>
<td>3,884,387</td>
</tr>
<tr>
<td>Other</td>
<td>501,318</td>
<td>501,318</td>
<td>501,318</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>15,395,859</td>
<td>1,773</td>
<td>15,897,632</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>General</th>
<th>Permanent</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>1,493,951</td>
<td>1,493,951</td>
<td>1,493,951</td>
</tr>
<tr>
<td>Education</td>
<td>3,994,215</td>
<td>117</td>
<td>3,994,332</td>
</tr>
<tr>
<td>Health and social services</td>
<td>7,404,608</td>
<td>7,404,608</td>
<td>7,404,608</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>930,005</td>
<td>930,005</td>
<td>930,005</td>
</tr>
<tr>
<td>Recreation and resources development</td>
<td>830,669</td>
<td>830,669</td>
<td>830,669</td>
</tr>
<tr>
<td>Regulation of business and professions</td>
<td>39,444</td>
<td>39,444</td>
<td>39,444</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,143,230</td>
<td>1,143,230</td>
<td>1,143,230</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>319,798</td>
<td>319,798</td>
<td>319,798</td>
</tr>
<tr>
<td>Interest and other fiscal charges</td>
<td>244,164</td>
<td>244,164</td>
<td>244,164</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>16,209,784</td>
<td>117</td>
<td>16,209,901</td>
</tr>
<tr>
<td><strong>Excess of Revenues over (under) Expenditures</strong></td>
<td>(313,925)</td>
<td>1,656</td>
<td>(312,269)</td>
</tr>
</tbody>
</table>

| Other Financing Sources (Uses) | | | |
| Bonds and notes issued | 348,777 | 348,777 | 348,777 |
| Capital leases issued | 16,107 | 16,107 | 16,107 |
| Insurance recovery | 17,826 | 17,826 | 17,826 |
| Premiums on bonds issued | 15,838 | 15,838 | 15,838 |
| Transfers in | 4,508 | 4,508 | 4,508 |
| Transfers out | (52,125) | (1,006) | (53,131) |
| **Net Other Financing Sources (Uses)** | 350,931 | (1,006) | 349,925 |

| Net Change in Fund Balances | | | |
| Fund Balances - Beginning | 37,006 | 61,613 | 37,659 |
| Fund Balances - Ending | 4,222,761 | $6,613 | 4,284,374 |

The accompanying notes to the financial statements are an integral part of this statement.
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, 2014 (Expressed in Thousands)

Net change in fund balances - total governmental funds $ 37,656

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 $ 881,669
Depreciation expense (394,466) 487,203

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

In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

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 (15,836)
Bonds and notes issued (348,777)
Capital leases issued (16,107)
Payments of debt principal 319,798
Accrued interest payable (899) (61,823)

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 162
Change in claims payable 953
Change in compensated absences 7,256
Change in deferred revenues 28,744
Change in other postemployment benefits payable (14,750)
Change in pollution remediation obligation (209)
Change in fair value of investment derivative 7,947
Change in fair value of borrowing derivative 13,391
Amortization of premiums 21,849
Amortization of deferred amount on refunding (33,073) 32,070

Change in net position of governmental activities $ 506,315

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

Statement of Net Position
June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Department of Employment Security</th>
<th>State Treasurer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unemployment Compensation</td>
<td>Port Authority at Gulfport</td>
</tr>
<tr>
<td>Equity in internal investment pool</td>
<td>$558,368</td>
<td>$735</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>16,507</td>
<td>7,445</td>
</tr>
<tr>
<td>Investments</td>
<td>23,812</td>
<td></td>
</tr>
<tr>
<td>Receivables, net</td>
<td>60,984</td>
<td>1,554</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>151</td>
<td></td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>554</td>
<td>19</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>587</td>
<td>7,121</td>
</tr>
<tr>
<td>Due from component units</td>
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</tr>
<tr>
<td>Inventories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid items</td>
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<td></td>
</tr>
<tr>
<td>Loans and notes receivable</td>
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<tr>
<td>Total Current Assets</td>
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<td>$50,104</td>
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<td>Noncurrent assets:</td>
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<td>Investments</td>
<td></td>
<td>57,142</td>
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<tr>
<td>Loans and notes receivable</td>
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<td></td>
</tr>
<tr>
<td>Restricted assets:</td>
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<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
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<tr>
<td>Capital assets:</td>
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<td></td>
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<tr>
<td>Land and construction in progress</td>
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<td>319,147</td>
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<td>Total Assets</td>
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<td>$391,321</td>
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<tr>
<td>Nonmajor Funds</td>
<td>Totals</td>
<td>Governmental Activities - Internal Service Funds</td>
</tr>
<tr>
<td>----------------</td>
<td>--------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>$ 66,071</td>
<td>$ 67,321</td>
<td>$ 303,100</td>
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<tr>
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<td>599,276</td>
<td>90,877</td>
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<td>401</td>
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<td>033</td>
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<td>573</td>
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<tr>
<td>11,520</td>
<td>19,237</td>
<td>23,936</td>
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<td>252</td>
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<td>780</td>
<td>780</td>
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<td>331</td>
<td>536</td>
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<td>106,503</td>
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<tr>
<td></td>
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</tr>
<tr>
<td>32,318</td>
<td>154,464</td>
<td>33,185</td>
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<tr>
<td>187,913</td>
<td>848,277</td>
<td>65,471</td>
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<tr>
<td>$ 293,826</td>
<td>$ 1,636,144</td>
<td>$ 490,018</td>
</tr>
</tbody>
</table>

(Continued on Next Page)
Mississippi

Proprietary Funds

Statement of Net Position
June 30, 2014 (Expressed in Thousands)
(Continued from Previous Page)

Liabilities

Current liabilities:
- Warrants payable
- Accounts payable and other liabilities
- Contracts payable
- Due to other governments
- Due to other funds
- Due to component units
- Claims and benefits payable
- Deposits
- Bonds payable
- Unearned revenues
- Lease obligations payable

Total Current Liabilities

Noncurrent liabilities:
- Due to other governments
- Claims and benefits payable
- Bonds payable
- Lease obligations payable
- Liabilities payable from restricted assets:
  - Deposits
  - Other liabilities

Total Noncurrent Liabilities

Total Liabilities

Net Position

Net investment in capital assets
Restricted for:
- Expendable
  - Unemployment compensation benefits
  - Other purposes
- Unrestricted (deficit)

Total Net Position

The accompanying notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Nonmajor Funds</th>
<th>Totals</th>
<th>Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,014</td>
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<td>$333</td>
</tr>
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<td>3,961</td>
<td>12,961</td>
<td>5,668</td>
</tr>
<tr>
<td>977</td>
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<td></td>
</tr>
<tr>
<td>175</td>
<td>10,453</td>
<td>353</td>
</tr>
<tr>
<td>2,778</td>
<td>3,914</td>
<td>1,759</td>
</tr>
<tr>
<td></td>
<td></td>
<td>57</td>
</tr>
<tr>
<td>6,616</td>
<td></td>
<td>111,732</td>
</tr>
<tr>
<td>1,565</td>
<td>1,565</td>
<td></td>
</tr>
<tr>
<td>2,633</td>
<td></td>
<td></td>
</tr>
<tr>
<td>140</td>
<td>415</td>
<td>14,927</td>
</tr>
<tr>
<td>72</td>
<td>72</td>
<td>305</td>
</tr>
<tr>
<td>9,705</td>
<td>41,139</td>
<td>135,134</td>
</tr>
<tr>
<td>11,232</td>
<td>11,232</td>
<td></td>
</tr>
<tr>
<td>456,889</td>
<td>37,375</td>
<td></td>
</tr>
<tr>
<td>12,670</td>
<td></td>
<td></td>
</tr>
<tr>
<td>272</td>
<td>272</td>
<td>636</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>411</td>
<td>668</td>
<td>1,170</td>
</tr>
<tr>
<td>11,915</td>
<td>431,882</td>
<td>39,181</td>
</tr>
<tr>
<td>21,620</td>
<td>523,021</td>
<td>174,315</td>
</tr>
<tr>
<td>29,708</td>
<td>297,830</td>
<td>32,252</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>602,381</td>
<td></td>
<td></td>
</tr>
<tr>
<td>450</td>
<td></td>
<td></td>
</tr>
<tr>
<td>242,468</td>
<td>212,462</td>
<td>283,451</td>
</tr>
<tr>
<td>$272,266</td>
<td>$1,113,123</td>
<td>$315,703</td>
</tr>
</tbody>
</table>
### Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2014 (Expressed in Thousands)

#### Operating Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Prepaid Affordable College Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for sales and services/premiums</td>
<td>$158,741</td>
<td>14,660</td>
<td>$</td>
</tr>
<tr>
<td>Assessments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal agencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rentals</td>
<td>57,162</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition receipts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>215,903</td>
<td>14,660</td>
<td>6,370</td>
</tr>
</tbody>
</table>

#### Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Prepaid Affordable College Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractual services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims and benefits</td>
<td>204,206</td>
<td></td>
<td>101,709</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>204,206</td>
<td>24,006</td>
<td>103,134</td>
</tr>
</tbody>
</table>

#### Operating Income (Loss)

<table>
<thead>
<tr>
<th>Description</th>
<th>Operating Income (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11,697</td>
</tr>
</tbody>
</table>

#### Nonoperating Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Prepaid Affordable College Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from counties</td>
<td></td>
<td></td>
<td>931</td>
</tr>
<tr>
<td>Insurance recovery</td>
<td></td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Gain on disposal of capital assets</td>
<td>12,424</td>
<td></td>
<td>389</td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td></td>
<td>49,820</td>
</tr>
<tr>
<td>Total Nonoperating Revenues</td>
<td>12,424</td>
<td>1,336</td>
<td>49,820</td>
</tr>
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</table>

#### Nonoperating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Nonoperating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on disposal of capital assets</td>
<td>696</td>
</tr>
<tr>
<td>Interest and other fiscal charges</td>
<td>696</td>
</tr>
<tr>
<td>Total Nonoperating Expenses</td>
<td>696</td>
</tr>
</tbody>
</table>

#### Income (Loss) before Capital Contributions and Transfers

<table>
<thead>
<tr>
<th>Description</th>
<th>Income (Loss) before Capital Contributions and Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24,121</td>
</tr>
</tbody>
</table>

#### Capital Contributions

<table>
<thead>
<tr>
<th>Description</th>
<th>Capital Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers In</td>
<td>42,227</td>
</tr>
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<td>Transfers Out</td>
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</tr>
</tbody>
</table>

#### Change in Net Position

<table>
<thead>
<tr>
<th>Description</th>
<th>Change in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

#### Total Net Position - Beginning

<table>
<thead>
<tr>
<th>Description</th>
<th>Total Net Position - Beginning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>578,260</td>
</tr>
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</table>

#### Total Net Position - Ending

<table>
<thead>
<tr>
<th>Description</th>
<th>Total Net Position - Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$602,381</td>
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</table>

The accompanying notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Nonmajor Funds</th>
<th>Totals</th>
<th>Governmental Activities - Internal Service Funds</th>
</tr>
</thead>
<tbody>
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</tr>
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<td>$ 803,167</td>
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<td>$ 39,944</td>
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<td>6,564</td>
<td>$ 803,167</td>
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<td>15</td>
<td>$ 39,944</td>
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<td>15</td>
<td>$ 814,444</td>
</tr>
<tr>
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</tr>
<tr>
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<td>$ 39,944</td>
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<tr>
<td></td>
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<td>$ 814,444</td>
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<td>$</td>
<td>999</td>
<td>$ 39,944</td>
</tr>
<tr>
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<td>$ 814,444</td>
</tr>
<tr>
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<td>1,392</td>
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</tr>
<tr>
<td>$</td>
<td>18</td>
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<tr>
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<tr>
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<td></td>
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</tr>
<tr>
<td></td>
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</tr>
<tr>
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<td>5,136</td>
<td>$ 39,944</td>
</tr>
<tr>
<td></td>
<td>14,844</td>
<td>$ 814,444</td>
</tr>
<tr>
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<td>267,070</td>
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<tr>
<td>$</td>
<td>315,703</td>
<td>$ 814,444</td>
</tr>
</tbody>
</table>
### Statement of Cash Flows

For the Year Ended June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Department of Employment Security</th>
<th>Port Authority at Gulfport</th>
<th>State Treasurer Prepaid Affordable College Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Compensation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flows from Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from federal agencies</td>
<td>$ 60,150</td>
<td>$</td>
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<tr>
<td>Cash receipts/premiums from interfund services provided</td>
<td></td>
<td></td>
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<tr>
<td>Cash receipts/premiums from customers</td>
<td>14,203</td>
<td>6,370</td>
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<td>Cash receipts from assessments</td>
<td>174,266</td>
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<tr>
<td>Cash payments to suppliers for goods and services</td>
<td>(15,610)</td>
<td>(1,020)</td>
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<tr>
<td>Cash payments to employees for services</td>
<td>(2,935)</td>
<td>(454)</td>
</tr>
<tr>
<td>Cash payments for claims and benefits</td>
<td>(210,496)</td>
<td>(22,874)</td>
</tr>
<tr>
<td>Other operating cash receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating cash payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal and interest received on program loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of program loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Provided by (Used for) Operating Activities</td>
<td>23,918</td>
<td>(4,342)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(17,978)</td>
</tr>
<tr>
<td>Cash Flows from Noncapital Financing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>55,492</td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues from counties</td>
<td>931</td>
<td></td>
</tr>
<tr>
<td>Proceeds from other governments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Provided by Noncapital Financing Activities</td>
<td>56,423</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flows from Capital and Related Financing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition and construction of capital assets</td>
<td>(42,339)</td>
<td></td>
</tr>
<tr>
<td>Capital grants received</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of capital assets</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Principal paid on bonds and capital assets contracts</td>
<td>(2,706)</td>
<td></td>
</tr>
<tr>
<td>Interest paid on bonds and capital assets contracts</td>
<td>(727)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from insurance recovery</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Provided by (Used for) Capital and Related Financing Activities</td>
<td>(45,725)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flows From Investing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>57,380</td>
<td>159,172</td>
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<tr>
<td>Purchases of investments</td>
<td>(58,954)</td>
<td>(157,401)</td>
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<tr>
<td>Investment income</td>
<td>12,424</td>
<td>365</td>
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<tr>
<td>Net Cash Provided by Investing Activities</td>
<td>12,424</td>
<td>1,791</td>
</tr>
<tr>
<td>Net Change in Cash and Cash Equivalents</td>
<td>36,342</td>
<td>8,147</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - Beginning</td>
<td>522,026</td>
<td>9,696</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - Ending</td>
<td>$ 558,368</td>
<td>$ 17,843</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 7,960</td>
</tr>
</tbody>
</table>
### Enterprise Funds

<table>
<thead>
<tr>
<th>Nonmajor Funds</th>
<th>Totals</th>
<th>Governmental Activities - Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>27,377</td>
<td>47,950</td>
<td>231,494</td>
</tr>
<tr>
<td>(22,462)</td>
<td>(39,092)</td>
<td>(68,911)</td>
</tr>
<tr>
<td>(12,405)</td>
<td>(15,794)</td>
<td>(16,069)</td>
</tr>
<tr>
<td>(233,372)</td>
<td></td>
<td>(719,813)</td>
</tr>
<tr>
<td>1,094</td>
<td>1,094</td>
<td></td>
</tr>
<tr>
<td>(2)</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>23,306</td>
<td>23,306</td>
<td></td>
</tr>
<tr>
<td>(22,642)</td>
<td>(22,642)</td>
<td></td>
</tr>
<tr>
<td>(5,734)</td>
<td>(4,136)</td>
<td>5,368</td>
</tr>
<tr>
<td>9,675</td>
<td>65,168</td>
<td>200</td>
</tr>
<tr>
<td>(3,290)</td>
<td>(3,290)</td>
<td>(160)</td>
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<tr>
<td>677</td>
<td>977</td>
<td></td>
</tr>
<tr>
<td>7,063</td>
<td>63,486</td>
<td>40</td>
</tr>
<tr>
<td>(642)</td>
<td>(42,081)</td>
<td>(2,960)</td>
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<tr>
<td>452</td>
<td>462</td>
<td>2</td>
</tr>
<tr>
<td>(168)</td>
<td>(2,972)</td>
<td>(296)</td>
</tr>
<tr>
<td>(10)</td>
<td>(737)</td>
<td>(33)</td>
</tr>
<tr>
<td>50</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>(316)</td>
<td>(45,041)</td>
<td>(3,296)</td>
</tr>
</tbody>
</table>

| $             | $      | $                                             |
| 216,552       | 10,958 |                                               |
| (213,355)     | (11,227) |                                             |
| 996           | 19,096 | 5,174                                         |
| 996           | 22,293 | 4,905                                         |
| 1,999         | 35,602 | 7,017                                         |
| 81,028        | 631,596 | 387,050                                       |
| $             | $      | $                                             |
| 83,027 $      | 667,198 $ | 394,067                                      |

(Continued on Next Page)
Statement of Cash Flows
For the Year Ended June 30, 2014 (Expressed in Thousands)
(Continued from Previous Page)

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities

Operating income (loss) $11,697

Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:

Depreciation 8,397
Change in assets and liabilities:

(Increase) decrease in assets:
- Receivables, net 11,721
- Due from other governments 6,631
- Due from other funds 99
- Due from component units 113
- Inventories
- Prepaid items
- Loans and notes receivable

Increase (decrease) in liabilities:
- Warrants payable (225)
- Accounts payable and other liabilities (556)
- Due to other governments (1,253)
- Due to other funds (1)
- Due to component units
- Claims and benefits payable (4,137)
- Unearned revenues (5)

Total adjustments 12,221

Net Cash Provided by (Used for) Operating Activities $23,918

Noncash Capital and Related Financing and Investing Activities

Capital contributions
- Gain (loss) on disposal of capital assets 4
- Change in market value of investments 14,372

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

<table>
<thead>
<tr>
<th>Nonmajor Funds</th>
<th>Totals</th>
<th>Governmental Activities - Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>(2,617)</td>
<td>$ (99,020)</td>
</tr>
<tr>
<td>1,491</td>
<td></td>
<td>7,888</td>
</tr>
<tr>
<td>53</td>
<td>11,066</td>
<td>29</td>
</tr>
<tr>
<td>38</td>
<td>6,670</td>
<td>(172)</td>
</tr>
<tr>
<td>(247)</td>
<td>(148)</td>
<td>4,540</td>
</tr>
<tr>
<td>(9)</td>
<td>104</td>
<td>22</td>
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<tr>
<td>(171)</td>
<td>(171)</td>
<td></td>
</tr>
<tr>
<td>99</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>(3,304)</td>
<td>(3,304)</td>
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</tr>
<tr>
<td>509</td>
<td>284</td>
<td>(1,042)</td>
</tr>
<tr>
<td>223</td>
<td>410</td>
<td>(133)</td>
</tr>
<tr>
<td>1</td>
<td>(620)</td>
<td>176</td>
</tr>
<tr>
<td>1,193</td>
<td>(62)</td>
<td>(1,360)</td>
</tr>
<tr>
<td>(1)</td>
<td>(1)</td>
<td>28</td>
</tr>
<tr>
<td>74,854</td>
<td>7,791</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>57</td>
<td>2,568</td>
</tr>
<tr>
<td>(3,117)</td>
<td>93,884</td>
<td>16,640</td>
</tr>
<tr>
<td>$</td>
<td>(5,734)</td>
<td>$ (4,136)</td>
</tr>
</tbody>
</table>

### Nonmajor Funds

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>325</td>
<td>329</td>
<td>(4)</td>
</tr>
<tr>
<td>14,376</td>
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<td>(3)</td>
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</table>
Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2014 (Expressed In Thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Pension Trust Funds</th>
<th>Private-purpose Trust Fund</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity in internal investment pool</td>
<td>$2,030</td>
<td>$7</td>
<td>$9,490</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>767,325</td>
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<td>61,562</td>
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<tr>
<td>Investments, at fair value:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>129,576</td>
<td>1,785</td>
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<tr>
<td>Long-term debt securities</td>
<td>4,981,687</td>
<td>54,288</td>
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<tr>
<td>Equity securities</td>
<td>17,182,687</td>
<td>86,091</td>
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<tr>
<td>Private equity</td>
<td>973,401</td>
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<td></td>
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<tr>
<td>Real estate investments</td>
<td>2,272,605</td>
<td>8,618</td>
<td></td>
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<td>Asset allocation fund</td>
<td>92,154</td>
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<td></td>
</tr>
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<td>Fixed rate and variable</td>
<td>556,010</td>
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<td></td>
</tr>
<tr>
<td>Life Insurance contracts</td>
<td>339</td>
<td>29,630</td>
<td></td>
</tr>
<tr>
<td>Securities lending:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>912,346</td>
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<tr>
<td>Long-term debt securities</td>
<td>2,609,790</td>
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<td></td>
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<tr>
<td>Receivables, net:</td>
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</tr>
<tr>
<td>Employer contributions</td>
<td>66,523</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee contributions</td>
<td>39,208</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment proceeds</td>
<td>393,570</td>
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<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>80,788</td>
<td>72</td>
<td></td>
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<tr>
<td>Other</td>
<td>1,284</td>
<td>305</td>
<td>527</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity inventory</td>
<td></td>
<td></td>
<td>1,229</td>
</tr>
<tr>
<td>Capital assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and construction in progress</td>
<td>16,613</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other capital assets, net</td>
<td>13,708</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>31,283,616</td>
<td>180,697</td>
<td>$72,808</td>
</tr>
</tbody>
</table>

| Liabilities                           |                     |                            |              |
| Warrants payable                      | 138                 | 1                          | $334         |
| Accounts payable and accruals         | 569,725             | 484                        | 1,573        |
| Due to other governments             |                     |                            | 1,138        |
| Due to other funds                   | 14                  |                            |              |
| Amounts held in custody for others   |                     |                            | 69,763       |
| Obligations under securities lending |                     |                            |              |
| **Total Liabilities**                | 4,291,018           | 485                        | $72,808      |

Net Position

Net position restricted for pensions and trust beneficiaries

<table>
<thead>
<tr>
<th></th>
<th>Pension Trust Funds</th>
<th>Private-purpose Trust Fund</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$20,902,508</td>
<td>$180,212</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
## Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2014 (Expressed In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Pension Trust Funds</th>
<th>Private-purpose Trust Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>$1,005,219</td>
<td>$</td>
</tr>
<tr>
<td>Plan participant</td>
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<tr>
<td>Total Contributions</td>
<td>1,631,086</td>
<td>22,054</td>
</tr>
<tr>
<td>Net Investment Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair value of investments</td>
<td>3,654,142</td>
<td>17,332</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>589,945</td>
<td>2,923</td>
</tr>
<tr>
<td>Securities lending:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from securities lending</td>
<td>19,133</td>
<td></td>
</tr>
<tr>
<td>Interest expense and trading costs from securities lending</td>
<td>(2,680)</td>
<td></td>
</tr>
<tr>
<td>Managers’ fees and trading costs</td>
<td>(83,449)</td>
<td></td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>4,177,091</td>
<td>20,255</td>
</tr>
<tr>
<td>Other Additions:</td>
<td></td>
<td></td>
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<tr>
<td>Administrative fees</td>
<td>617</td>
<td>150</td>
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<td>Other</td>
<td>268</td>
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</tr>
<tr>
<td>Total Other Additions</td>
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<td>150</td>
</tr>
<tr>
<td>Total Additions</td>
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<td>42,459</td>
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<tr>
<td><strong>Deductions</strong></td>
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<tr>
<td>Benefits</td>
<td>2,263,161</td>
<td>19,022</td>
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<tr>
<td>Refunds to terminated employees</td>
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<tr>
<td>Administrative expenses</td>
<td>14,071</td>
<td>850</td>
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<tr>
<td>Depreciation</td>
<td>778</td>
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<tr>
<td>Total Deductions</td>
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<td>19,872</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>3,409,453</td>
<td>22,587</td>
</tr>
<tr>
<td><strong>Net Position - Beginning</strong></td>
<td>23,583,145</td>
<td>157,825</td>
</tr>
<tr>
<td><strong>Net Position - Ending</strong></td>
<td>$26,992,598</td>
<td>$180,212</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
## Statement of Net Position

**June 30, 2014**  (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Universities</th>
<th>Nonmajor</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in internal investment pool</td>
<td>$11,100</td>
<td>$2,012</td>
<td>$13,112</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>499,691</td>
<td>21,400</td>
<td>521,091</td>
</tr>
<tr>
<td>Investments</td>
<td>211,447</td>
<td>28,849</td>
<td>240,396</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>282,667</td>
<td>3,760</td>
<td>286,423</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>147</td>
<td>147</td>
<td></td>
</tr>
<tr>
<td>Due from primary government</td>
<td>30,051</td>
<td>114</td>
<td>30,165</td>
</tr>
<tr>
<td>Inventories</td>
<td>28,801</td>
<td>1,136</td>
<td>29,937</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>24,114</td>
<td>279</td>
<td>24,393</td>
</tr>
<tr>
<td>Notes receivable, net</td>
<td>38,748</td>
<td>650</td>
<td>39,398</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,346</td>
<td>15</td>
<td>3,361</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,039,955</td>
<td>58,468</td>
<td>1,098,423</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>577,507</td>
<td></td>
<td>577,507</td>
</tr>
<tr>
<td>Notes receivable, net</td>
<td>142,007</td>
<td></td>
<td>142,007</td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>195,339</td>
<td>2,604</td>
<td>198,143</td>
</tr>
<tr>
<td>Investments</td>
<td>930,643</td>
<td>7,000</td>
<td>937,643</td>
</tr>
<tr>
<td><strong>Capital assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and construction in progress</td>
<td>582,595</td>
<td>20,126</td>
<td>602,721</td>
</tr>
<tr>
<td>Other capital assets, net</td>
<td>2,793,691</td>
<td>153,889</td>
<td>2,947,580</td>
</tr>
<tr>
<td>Other assets</td>
<td>19,333</td>
<td></td>
<td>19,333</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>5,241,115</td>
<td>183,919</td>
<td>5,425,034</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>6,281,070</td>
<td>242,387</td>
<td>6,523,457</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Universities</th>
<th>Nonmajor</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred Outflows of Resources:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred amount on refunding</td>
<td>7,376</td>
<td></td>
<td>7,376</td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>197,240</td>
<td>3,655</td>
<td>201,195</td>
</tr>
<tr>
<td>Due to primary government</td>
<td>885</td>
<td>667</td>
<td>1,522</td>
</tr>
<tr>
<td>Deposits</td>
<td>664</td>
<td></td>
<td>664</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>96,239</td>
<td>521</td>
<td>96,760</td>
</tr>
<tr>
<td>Bonds and notes payable</td>
<td>30,605</td>
<td>650</td>
<td>31,255</td>
</tr>
<tr>
<td>Lease obligations payable</td>
<td>1,490</td>
<td>43</td>
<td>1,533</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>63,719</td>
<td></td>
<td>63,719</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>390,148</td>
<td>6,430</td>
<td>396,578</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and notes payable</td>
<td>998,039</td>
<td></td>
<td>998,039</td>
</tr>
<tr>
<td>Lease obligations payable</td>
<td>31,152</td>
<td>185</td>
<td>31,337</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>256,603</td>
<td>748</td>
<td>257,351</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>1,276,794</td>
<td>933</td>
<td>1,277,727</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,666,942</td>
<td>7,363</td>
<td>1,674,305</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position</th>
<th>Universities</th>
<th>Nonmajor</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>2,420,103</td>
<td>173,269</td>
<td>2,593,372</td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>2,884</td>
<td></td>
<td>2,884</td>
</tr>
<tr>
<td>Other purposes</td>
<td>693,678</td>
<td>4,364</td>
<td>698,042</td>
</tr>
<tr>
<td>Permanent endowments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>708,603</td>
<td>7,000</td>
<td>715,603</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>895,123</td>
<td>47,487</td>
<td>942,610</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$4,621,504</td>
<td>$235,024</td>
<td>$4,856,528</td>
</tr>
</tbody>
</table>

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

For the Year Ended June 30, 2014  (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Program Revenues</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
<th>Net (Expense) Revenue and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
<td>Charges for Services</td>
<td></td>
<td>Universities</td>
</tr>
<tr>
<td>Universities</td>
<td>$3,169,007</td>
<td>$1,791,714</td>
<td>$481,346</td>
<td>$65,654</td>
</tr>
<tr>
<td>Nonmajor</td>
<td>38,357</td>
<td>28,307</td>
<td>2,177</td>
<td>2,157</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,207,364</td>
<td>$1,820,021</td>
<td>$483,523</td>
<td>$67,811</td>
</tr>
</tbody>
</table>

**General revenues:**
- Investment income: 152,101
- Other: 205,502
- Payment from State of Mississippi: 785,906
- Contributions to permanent endowments: 33,394

**Total General Revenues and Contributions:** 1,176,605

**Change in Net Position:** 346,612

**Net Position - Beginning:** 4,274,892

**Net Position - Ending:** $4,621,504

The accompanying notes to the financial statements are an integral part of this statement.
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 - 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 five 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, 2014, 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.
Mississippi Development Bank — This is a legally separate entity created and established as a body corporate and political. 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 political. 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 political. 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 political. 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 political. 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 political. 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 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 recognized 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 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 Systems and the State's Deferred Compensation Plan.

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. 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.

G. 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.

H. 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 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.
Mississippi

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 reimbursing 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.

I. 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.

J. 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.

K. 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.

L. 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 fair market value on the date of donation. Classes of capital assets and their related capitalization thresholds are: Land - cost or fair market value on the date of donation, software - $1,000,000, buildings - $30,000, 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 15 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.

M. 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.

N. 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 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.
O. 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.

P. 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.

Q. 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.

R. 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.

S. Changes in Accounting Standards - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 82; GASB Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25; and GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The provisions of these standards have been incorporated into the financial statements and the notes.

The State will be implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This Statement is effective for fiscal years beginning after June 15, 2014 and will establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures/expenditures. For defined benefit pensions, this Statement will identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The impact of this standard could affect a number of the State's financial statement amounts, disclosures and required supplemental information; however the State is unable to determine the magnitude of the Standard's implementation at this time.
Mississippi

Note 2 - Other Accounting Disclosures

A. Net Position Restricted by Enabling Legislation - The State's net position restricted by enabling legislation represents 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 $4,236,639,000 of restricted net position, of which $700,477,000 is restricted by enabling legislation.

B. Deficit Net Position - At June 30, 2014, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net position of $129,837,000. The deficit is a result of actual investment earnings being less than actuarial assumptions.

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. The Account balance, in excess of $40,000,000, may be permanently transferred to the General Fund to cover deficits up to a maximum of $50,000,000 in any one fiscal year. These transfers are restored to the General Fund out of future annual General Fund ending cash balances until the 7.5% maximum is again attained. At June 30, 2014, the Account, as reported in the General Fund, has an unassigned fund balance of $110,180,000.

D. Fund Balances - At June 30, 2014, the State's restricted, committed and assigned fund balances are summarized by purpose as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Governmental Funds</th>
<th>Restricted</th>
<th>Committed</th>
<th>Assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxing Authority</td>
<td>226,425</td>
<td>640</td>
<td>6,268</td>
</tr>
<tr>
<td>Other</td>
<td>74,850</td>
<td>102,841</td>
<td>6,268</td>
</tr>
<tr>
<td>Education</td>
<td>124,098</td>
<td>6,689</td>
<td>44</td>
</tr>
<tr>
<td>Health and Social Services</td>
<td>397,662</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law, Justice and Public Safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highway Safety</td>
<td>33,368</td>
<td>1,590</td>
<td>1,765</td>
</tr>
<tr>
<td>Other</td>
<td>72,004</td>
<td>17,106</td>
<td></td>
</tr>
<tr>
<td>Recreation and Resources Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Development</td>
<td>714,073</td>
<td>1,726</td>
<td>330</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>553,437</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>37,126</td>
<td>2,369</td>
<td>2,096</td>
</tr>
<tr>
<td>Regulation of Business and Professions</td>
<td>55,660</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highways</td>
<td>335,243</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Roads and Bridges</td>
<td>61,979</td>
<td>6,955</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>75,240</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Projects</td>
<td>286,454</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>365,002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total General Fund</td>
<td>3,446,681</td>
<td>139,936</td>
<td>10,503</td>
</tr>
<tr>
<td>Permanent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>4,201</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and Social Services</td>
<td>264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation and Resources Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wildlife Conservation</td>
<td>678</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Permanent Fund</td>
<td>5,163</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Governmental Funds</td>
<td>3,453,644</td>
<td>139,936</td>
<td>10,503</td>
</tr>
</tbody>
</table>
Note 3 - Interfund Transactions

At June 30, 2014, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Due From</th>
<th>Due To</th>
<th>Governmental</th>
<th>Internal Service</th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Nonmajor Fiduciary Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$</td>
<td>$ 21,473</td>
<td>$</td>
<td>$ 7,121</td>
<td>$ 11,472</td>
<td>$ 40,000</td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td>$</td>
<td>160</td>
<td>$</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Service</td>
<td>$ 1,013</td>
<td>102</td>
<td>587</td>
<td>57</td>
<td>1,759</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proprietary:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Compensation</td>
<td>$ 1,135</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,135</td>
<td></td>
</tr>
<tr>
<td>Port Authority at Gulfport</td>
<td>$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonmajor Enterprise</td>
<td>$ 420</td>
<td>2,359</td>
<td></td>
<td></td>
<td></td>
<td>2,778</td>
<td></td>
</tr>
<tr>
<td>Fiduciary</td>
<td>$ 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,728</td>
<td>$ 23,536</td>
<td>$ 587</td>
<td>$ 7,121</td>
<td>$ 11,529</td>
<td>$ 12</td>
<td>$ 45,913</td>
</tr>
</tbody>
</table>

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, 2014, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Due From</th>
<th>Due To</th>
<th>Governmental</th>
<th>Internal Service</th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Nonmajor Fiduciary Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Government</td>
<td></td>
<td>$ 30,051</td>
<td>$</td>
<td>$ 30,051</td>
<td>$ 57</td>
<td>$ 30,108</td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Service</td>
<td></td>
<td>$ 57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component Units:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Universities</td>
<td></td>
<td>$ 396</td>
<td>$ 207</td>
<td>$ 243</td>
<td>$ 9</td>
<td>$ 30,051</td>
<td>855</td>
</tr>
<tr>
<td>Nonmajor</td>
<td></td>
<td>$ 667</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>667</td>
</tr>
<tr>
<td>Total</td>
<td>$ 396</td>
<td>$ 874</td>
<td>$ 243</td>
<td>$ 9</td>
<td>$ 30,051</td>
<td>$ 114</td>
<td>$ 31,687</td>
</tr>
</tbody>
</table>

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, 2014, interfund transfers consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Transfer From</th>
<th>Transfer To</th>
<th>Governmental</th>
<th>Internal Service</th>
<th>Port Authority at Gulfport</th>
<th>Nonmajor Fiduciary Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td></td>
<td>$</td>
<td>$</td>
<td>$ 42,227</td>
<td>$ 9,698</td>
<td>$ 52,125</td>
</tr>
<tr>
<td>Permanent</td>
<td></td>
<td>1,006</td>
<td>$</td>
<td>$ 200</td>
<td>$ 1,006</td>
<td>$ 1,006</td>
</tr>
<tr>
<td>Internal Service</td>
<td></td>
<td>160</td>
<td></td>
<td></td>
<td></td>
<td>160</td>
</tr>
<tr>
<td>Proprietary:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonmajor Enterprise</td>
<td></td>
<td>$ 3,342</td>
<td></td>
<td></td>
<td></td>
<td>3,342</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$ 4,508</td>
<td>$ 200</td>
<td>$ 42,227</td>
<td>$ 9,698</td>
<td>$ 56,633</td>
</tr>
</tbody>
</table>

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.
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 27-105-3, 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 43-13-408, 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 provide that if a financial institution fails to meet 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 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. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2014, $53,322,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2014, $60,000 was uninsured and uncollateralized.
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 depositaries);
- 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, not to exceed 50 percent of total investments with maturities of 30 days or longer. During the year, these investments exceeded the limit imposed by the statute. On September 7, 2008, Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) were placed into conservatorship by the U.S. government, lending an additional level of security to these investments. The Agency bonds purchased over and above the statutory limitation were purchased in lieu of Treasury bonds that were offered at substantially lower yields. As Congress debates possible reforms to FHLMC and FNMA, the risk position of the portfolio will continue to be monitored to ensure that funds are invested in a manner consistent with the risk limitations intended by the statute. Whatever identity FHLMC and FNMA assume post-conservatorship will be evaluated in light of the statute and the appropriate limitations to the asset allocation will be imposed; 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 and the Education Improvement Trust 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 immediately 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;

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, 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Quality Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aaa/AAA</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>$ 3,534</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>616</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,913</td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>89,639</td>
</tr>
<tr>
<td>State and local obligations</td>
<td></td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>1,760,075</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 94,189</td>
</tr>
</tbody>
</table>

**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, 2014, the primary government had the following investments and maturities (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less than 1</th>
<th>1 - 5</th>
<th>6 - 10</th>
<th>More than 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$ 9,270</td>
<td>$ 3,178</td>
<td>$ 1,601</td>
<td>$ 4,081</td>
<td>$ 2,201</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>275,488</td>
<td>133</td>
<td>6,037</td>
<td>5,222</td>
<td>268,196</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>33,133</td>
<td>2,213</td>
<td>19,973</td>
<td>3,867</td>
<td>7,085</td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td>115,937</td>
<td>29</td>
<td>6,909</td>
<td>36,620</td>
<td>72,418</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>145,018</td>
<td>91,624</td>
<td>9,782</td>
<td>44,512</td>
<td>86,474</td>
</tr>
<tr>
<td>Other pass-through securities</td>
<td>144,143</td>
<td>33</td>
<td>34,897</td>
<td>22,474</td>
<td>86,744</td>
</tr>
<tr>
<td>State and local obligations</td>
<td>250</td>
<td>250</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>1,763,502</td>
<td>36,629</td>
<td>1,265,030</td>
<td>479,907</td>
<td>1,736</td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>578,460</td>
<td>82,499</td>
<td>487,539</td>
<td>5,744</td>
<td>2,768</td>
</tr>
<tr>
<td>Zero coupon bonds</td>
<td>3,221</td>
<td>1,500</td>
<td>1,675</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 3,092,371</td>
<td>$ 214,770</td>
<td>$ 1,837,670</td>
<td>$ 598,583</td>
<td>$ 441,148</td>
</tr>
</tbody>
</table>
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 tranches 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.

C. 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 Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2014, is as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Currency</th>
<th>Cash and Equivalents</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian dollar</td>
<td>$4,129</td>
<td>$4,129</td>
</tr>
<tr>
<td>British Pound</td>
<td>5,396</td>
<td>5,396</td>
</tr>
<tr>
<td>Euro</td>
<td>10,040</td>
<td>10,040</td>
</tr>
<tr>
<td>Hong Kong dollar</td>
<td>3,116</td>
<td>3,116</td>
</tr>
<tr>
<td>Israeli shekel</td>
<td>564</td>
<td>564</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>3,769</td>
<td>3,769</td>
</tr>
<tr>
<td>Malaysian ringgit</td>
<td>3</td>
<td>1,970</td>
</tr>
<tr>
<td>New Taiwan dollar</td>
<td>135</td>
<td>1,290</td>
</tr>
<tr>
<td>Norwegian kroner</td>
<td>352</td>
<td>352</td>
</tr>
<tr>
<td>Singapore dollar</td>
<td>2,079</td>
<td>2,079</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>1,315</td>
<td>1,315</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>4,994</td>
<td>4,994</td>
</tr>
<tr>
<td>Total</td>
<td>138</td>
<td>39,044</td>
</tr>
</tbody>
</table>

D. 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: $566,990, 13.30%
- Federal Home Loan Mortgage Corporation: 544,634, 12.78%
- Federal National Mortgage Association: 683,816, 16.04%

E. 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, 2014 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 Obligation Bonds.

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, 2014, 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 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 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 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;
- 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 (MAJ) 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 $20 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, 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Aaa/AAA</th>
<th>Aa/AA</th>
<th>A/A</th>
<th>Baa/BBB</th>
<th>Ba/BB</th>
<th>B/B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$951,776</td>
<td>$30,159</td>
<td>$35,972</td>
<td>$23,296</td>
<td>$5,249</td>
<td>$0,361</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>201,397</td>
<td>195,505</td>
<td>40,146</td>
<td>50,602</td>
<td>17,191</td>
<td>22,441</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>514,890</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>103,260</td>
<td>912,095</td>
<td>1,267,619</td>
<td>926,480</td>
<td>274,263</td>
<td>150,801</td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td>299,587</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>178,218</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign governments debt</td>
<td>113,164</td>
<td>127,222</td>
<td>228,876</td>
<td>476,626</td>
<td>124,661</td>
<td>50,961</td>
</tr>
<tr>
<td>State and local obligations</td>
<td>1,113</td>
<td>18,416</td>
<td>22,192</td>
<td>3,699</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>2,281</td>
<td>70,969</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yankee/Global bonds</td>
<td>39,956</td>
<td>9,118</td>
<td>1,081</td>
<td>15,012</td>
<td>1,907</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,412,666</td>
<td>$1,845,189</td>
<td>$2,130,776</td>
<td>$1,495,717</td>
<td>$423,271</td>
<td>$230,564</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Caa/CCC</th>
<th>Cc/C</th>
<th>C/C</th>
<th>D/D</th>
<th>F</th>
<th>P</th>
<th>WR</th>
<th>Not Rated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$12,476</td>
<td>$3</td>
<td>18</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>25,565</td>
<td>1,714</td>
<td>419</td>
<td>17,486</td>
<td>260</td>
<td>3,771</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial paper</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>213,170</td>
<td>11,101</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>6,363</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>534</td>
<td>2,505</td>
</tr>
<tr>
<td>Sovereign governments debt</td>
<td>29,639</td>
<td>3,319</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>913</td>
<td></td>
</tr>
<tr>
<td>Yankee/Global bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,267</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$74,043</td>
<td>$5,036</td>
<td>$437</td>
<td>17,486</td>
<td>213,170</td>
<td>11,101</td>
<td>$1,747</td>
<td>7,563</td>
</tr>
</tbody>
</table>

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. Within the System, the pension funds have $289,912,556,000 in investments at June 30, 2014. Of this amount, $5,100,000,000 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, 2014, consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash collateral securities</td>
<td></td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>$913,980</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>25,705</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>739,161</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,870,065</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>173,185</td>
</tr>
<tr>
<td><strong>Total cash collateral securities</strong></td>
<td><strong>3,722,096</strong></td>
</tr>
<tr>
<td>Underlying securities on non-cash loans</td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td></td>
</tr>
<tr>
<td>Real Estates Investment Trusts</td>
<td>113,050</td>
</tr>
<tr>
<td><strong>Total underlying securities on non-cash loans</strong></td>
<td><strong>1,407,343</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,129,439</strong></td>
</tr>
</tbody>
</table>

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, 2014, the System held the following investments and maturities (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less than 1</th>
<th>1 - 5</th>
<th>6 - 10</th>
<th>More than 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>1,065,350</td>
<td>996,737</td>
<td>32,729</td>
<td>20,574</td>
<td>15,310</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>579,497</td>
<td>100,670</td>
<td>4,832</td>
<td>25,343</td>
<td>448,602</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>739,161</td>
<td>739,161</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,663,920</td>
<td>869,253</td>
<td>1,650,776</td>
<td>765,321</td>
<td>378,526</td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td>376,035</td>
<td>2,239</td>
<td>8,342</td>
<td></td>
<td>365,454</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>178,218</td>
<td>178,218</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign governments debt</td>
<td>1,155,533</td>
<td>47,484</td>
<td>276,894</td>
<td>519,224</td>
<td>311,781</td>
</tr>
<tr>
<td>State and local obligations</td>
<td>46,420</td>
<td>357</td>
<td>506</td>
<td>9,006</td>
<td>36,546</td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>73,130</td>
<td>10,337</td>
<td>28,904</td>
<td>7,885</td>
<td>27,964</td>
</tr>
<tr>
<td>U.S. Treasury obligations</td>
<td>763,823</td>
<td>47,191</td>
<td>324,454</td>
<td>342,054</td>
<td>70,114</td>
</tr>
<tr>
<td>Yankee/Global bonds</td>
<td>68,070</td>
<td>1,651</td>
<td>36,185</td>
<td>9,273</td>
<td>18,957</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,729,037</strong></td>
<td><strong>2,941,159</strong></td>
<td><strong>2,357,575</strong></td>
<td><strong>1,707,044</strong></td>
<td><strong>1,573,259</strong></td>
</tr>
</tbody>
</table>

During fiscal year 2014, 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 $25,100,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 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 $579,500,000 in CMOs at June 30, 2014. Of this amount, $223,200,000 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 $1,065,400,000 in ABS held at June 30, 2014, $46,400,000 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, 2014, the System has invested in $378,000,000 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 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 investment asset allocation policy does not limit foreign currency-denominated
investments of the System. The System's exposure to foreign currency risk at June 30, 2014, is as follows (amounts
expressed in thousands):

<table>
<thead>
<tr>
<th>Currency</th>
<th>Cash and Equivalents</th>
<th>Equities and REITs</th>
<th>Debt Securities</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian dollar</td>
<td>$ (24,873)</td>
<td>$ 246,773</td>
<td>$ 25,767</td>
<td>$ 247,667</td>
</tr>
<tr>
<td>Brazilian real</td>
<td>(7,558)</td>
<td>186,213</td>
<td>33,306</td>
<td>211,931</td>
</tr>
<tr>
<td>British pound sterling</td>
<td>(94,450)</td>
<td>904,642</td>
<td>99,256</td>
<td>990,480</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>(41,697)</td>
<td>215,474</td>
<td>45,591</td>
<td>219,366</td>
</tr>
<tr>
<td>Chilean peso</td>
<td>1</td>
<td>7,206</td>
<td></td>
<td>7,206</td>
</tr>
<tr>
<td>Colombian peso</td>
<td>(2,201)</td>
<td></td>
<td>7,402</td>
<td>5,201</td>
</tr>
<tr>
<td>Danish krone</td>
<td>(1,741)</td>
<td>57,809</td>
<td>1,813</td>
<td>57,681</td>
</tr>
<tr>
<td>Egyptian pound</td>
<td>3,512</td>
<td></td>
<td></td>
<td>3,512</td>
</tr>
<tr>
<td>Euro</td>
<td>(336,565)</td>
<td>1,537,635</td>
<td>375,107</td>
<td>1,576,177</td>
</tr>
<tr>
<td>Hong Kong dollar</td>
<td>935</td>
<td>317,585</td>
<td></td>
<td>318,520</td>
</tr>
<tr>
<td>Hungarian forint</td>
<td></td>
<td>9,836</td>
<td></td>
<td>9,836</td>
</tr>
<tr>
<td>Indian rupee</td>
<td>181</td>
<td>120,403</td>
<td></td>
<td>120,584</td>
</tr>
<tr>
<td>Indonesian rupiah</td>
<td>11</td>
<td>60,300</td>
<td></td>
<td>60,311</td>
</tr>
<tr>
<td>Israeli shekel</td>
<td>73</td>
<td>19,516</td>
<td></td>
<td>19,594</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>(91,930)</td>
<td>699,017</td>
<td>95,892</td>
<td>873,979</td>
</tr>
<tr>
<td>Kenyan shilling</td>
<td></td>
<td>2,057</td>
<td></td>
<td>2,057</td>
</tr>
<tr>
<td>Malaysian ringgit</td>
<td>5,330</td>
<td>17,899</td>
<td></td>
<td>23,229</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>(48,210)</td>
<td>33,842</td>
<td>93,481</td>
<td>79,113</td>
</tr>
<tr>
<td>New Taiwanese dollar</td>
<td>249</td>
<td>118,620</td>
<td>119,869</td>
<td></td>
</tr>
<tr>
<td>New Turkish lira</td>
<td>(2,475)</td>
<td>58,710</td>
<td>2,503</td>
<td>56,743</td>
</tr>
<tr>
<td>New Zealand dollar</td>
<td>(23,854)</td>
<td>11,997</td>
<td>24,316</td>
<td>12,459</td>
</tr>
<tr>
<td>Norwegian krone</td>
<td>(4,206)</td>
<td>69,082</td>
<td>4,480</td>
<td>69,266</td>
</tr>
<tr>
<td>Pakistani rupee</td>
<td>18,076</td>
<td></td>
<td></td>
<td>18,076</td>
</tr>
<tr>
<td>Peruvian nuevo sol</td>
<td>(1,113)</td>
<td></td>
<td>3,071</td>
<td>1,958</td>
</tr>
<tr>
<td>Philippines peso</td>
<td>193</td>
<td>4,845</td>
<td>6,403</td>
<td>11,241</td>
</tr>
<tr>
<td>Polish zloty</td>
<td>(4,287)</td>
<td>2,586</td>
<td>6,127</td>
<td>4,396</td>
</tr>
<tr>
<td>Qatari riyal</td>
<td>2,139</td>
<td></td>
<td></td>
<td>2,139</td>
</tr>
<tr>
<td>Russian ruble</td>
<td>(3,093)</td>
<td>3,948</td>
<td>5,150</td>
<td>6,005</td>
</tr>
<tr>
<td>Singapore dollar</td>
<td>(343)</td>
<td>94,204</td>
<td>2,481</td>
<td>96,642</td>
</tr>
<tr>
<td>South African rand</td>
<td>(10,739)</td>
<td>128,973</td>
<td>17,431</td>
<td>135,665</td>
</tr>
<tr>
<td>South Korean won</td>
<td>1</td>
<td>230,573</td>
<td></td>
<td>230,574</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>(7,244)</td>
<td>96,456</td>
<td>7,780</td>
<td>96,896</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>2,384</td>
<td>303,567</td>
<td></td>
<td>305,951</td>
</tr>
<tr>
<td>Thailand baht</td>
<td>37,603</td>
<td></td>
<td></td>
<td>37,603</td>
</tr>
<tr>
<td>Total</td>
<td>$ (697,338)</td>
<td>$ 5,791,068</td>
<td>$ 858,389</td>
<td>$ 5,952,119</td>
</tr>
</tbody>
</table>
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. The counterparties of the foreign currency forwards have short term credit ratings of A or better 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 are 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, 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Notional Amount</th>
<th>Changes in Fair Value</th>
<th>Fair Value at June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Classification</td>
<td>Amount</td>
<td>Classification</td>
</tr>
<tr>
<td>Foreign currency forwards</td>
<td>(15,640,273)</td>
<td>(5,747)</td>
<td>Investment</td>
</tr>
<tr>
<td>To-be-announced securities</td>
<td>108,169</td>
<td>805</td>
<td>Debt securities</td>
</tr>
</tbody>
</table>

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. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2014, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities.

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 foreign 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. 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. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

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. 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 and debt obligations were held as collateral on the non-cash loans as of June 30, 2014.

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 4 days at June 30, 2014. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, AHS and CMOs. The weighted average effective duration of all collateral investments at June 30, 2014, was 37 days with a weighted average maturity of 37 days.

Securities lent at year end for cash collateral 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 $1,407,343,000 of securities lent for securities collateral as of June 30, 2014. The investments purchased with the cash collateral were presented 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, 2014, the aggregate fair value of securities lending holdings, including accrued interest, was $3,723,913,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $5,010,671,000. The value of the collateral pledged by borrowers at year end was $5,265,635,000.
Note 5 - Receivables

At June 30, 2014, receivables consisted of (amounts expressed in thousands):

### Governmental Funds

<table>
<thead>
<tr>
<th>Accounts</th>
<th>General</th>
<th>Permanent</th>
<th>Internal Service</th>
<th>Receivables Reclass</th>
<th>Total Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>$177,237</td>
<td>$60</td>
<td>$41</td>
<td>2</td>
<td>$177,340</td>
</tr>
<tr>
<td>Taxes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>336,852</td>
<td></td>
<td></td>
<td></td>
<td>336,852</td>
</tr>
<tr>
<td>Income</td>
<td>295,636</td>
<td></td>
<td></td>
<td></td>
<td>295,636</td>
</tr>
<tr>
<td>Gasoline</td>
<td>49,155</td>
<td></td>
<td></td>
<td></td>
<td>49,155</td>
</tr>
<tr>
<td>Other</td>
<td>66,577</td>
<td></td>
<td></td>
<td></td>
<td>66,577</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>11,119</td>
<td>289</td>
<td>360</td>
<td></td>
<td>11,756</td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross receivables</td>
<td>936,587</td>
<td>349</td>
<td>401</td>
<td>2</td>
<td>937,339</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(182,409)</td>
<td></td>
<td></td>
<td></td>
<td>(182,409)</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>$754,178</td>
<td>349</td>
<td>401</td>
<td>2</td>
<td>$754,930</td>
</tr>
</tbody>
</table>

Amounts not scheduled for collection in subsequent year

<table>
<thead>
<tr>
<th>Accounts</th>
<th>$145,853</th>
</tr>
</thead>
</table>

### Business-type Activities

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Prepaid Affordable College Tuition</th>
<th>Nonmajor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>$82,959</td>
<td>1,466</td>
<td>2,552</td>
<td>4,280</td>
<td>91,257</td>
</tr>
<tr>
<td>Assessments</td>
<td>51,845</td>
<td></td>
<td></td>
<td></td>
<td>51,645</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>134,804</td>
<td>88</td>
<td>602</td>
<td>501</td>
<td>1,281</td>
</tr>
<tr>
<td>Gross receivables</td>
<td>134,804</td>
<td>1,554</td>
<td>3,154</td>
<td>4,671</td>
<td>144,383</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(73,820)</td>
<td></td>
<td></td>
<td>(9)</td>
<td>(73,829)</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>$60,984</td>
<td>1,554</td>
<td>3,154</td>
<td>4,662</td>
<td>70,554</td>
</tr>
</tbody>
</table>

### Component Units

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Universities</th>
<th>Nonmajor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>$2,823,063</td>
<td>$3,584</td>
<td>$2,826,647</td>
</tr>
<tr>
<td>Interest</td>
<td>2,605</td>
<td>182</td>
<td>2,787</td>
</tr>
<tr>
<td>Gross receivables</td>
<td>2,825,666</td>
<td>3,766</td>
<td>2,829,434</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(2,543,211)</td>
<td></td>
<td>(2,543,211)</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>$282,057</td>
<td>$3,766</td>
<td>$285,423</td>
</tr>
</tbody>
</table>
Note 6 - Due From Other Governments

At June 30, 2014, due from other governments consisted of (amounts expressed in thousands):

### Governmental Funds

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Internal Service</th>
<th>Total Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from other governments</td>
<td>$1,147,414</td>
<td>$633</td>
<td>$1,148,047</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(121)</td>
<td></td>
<td>(121)</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>$1,147,293</td>
<td>$633</td>
<td>$1,147,926</td>
</tr>
<tr>
<td>Amounts not scheduled for collection in subsequent year</td>
<td>$620,058</td>
<td></td>
<td>$620,058</td>
</tr>
</tbody>
</table>

### Business-type Activities

<table>
<thead>
<tr>
<th></th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from other governments</td>
<td>$2,586</td>
<td>$19</td>
<td>$2,605</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(2,032)</td>
<td></td>
<td>(2,032)</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>$554</td>
<td>$19</td>
<td>$573</td>
</tr>
</tbody>
</table>

Note 7 - Loans and Notes Receivable

At June 30, 2014, loans and notes receivables consisted of (amounts expressed in thousands):

### Primary Government

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Governmental Funds</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and notes receivable</td>
<td>$378,917</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(59,402)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and notes receivable, net</td>
<td>$328,515</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Component Units

<table>
<thead>
<tr>
<th></th>
<th>Governments</th>
<th>Nonmajor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universities</td>
<td>$207,391</td>
<td>$650</td>
<td>$208,041</td>
</tr>
<tr>
<td>Nonmajor</td>
<td>(26,636)</td>
<td>$650</td>
<td>(26,636)</td>
</tr>
<tr>
<td>Total</td>
<td>$180,755</td>
<td>$650</td>
<td>$181,405</td>
</tr>
<tr>
<td>Amounts not scheduled for collection in subsequent year</td>
<td>$293,208</td>
<td>$142,007</td>
<td>$142,007</td>
</tr>
</tbody>
</table>
Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2014, was as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$2,179,301</td>
<td>$55,140</td>
<td>$83</td>
<td>$2,234,358</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>4,408,014</td>
<td>786,528</td>
<td>1,091,371</td>
<td>4,103,171</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>6,587,315</td>
<td>841,668</td>
<td>1,091,454</td>
<td>6,337,529</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>5,853</td>
<td>55,620</td>
<td></td>
<td>61,573</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,006,400</td>
<td>92,785</td>
<td>14,130</td>
<td>2,084,055</td>
</tr>
<tr>
<td>Land improvements</td>
<td>232,885</td>
<td>11,703</td>
<td>1,855</td>
<td>242,743</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>662,021</td>
<td>87,059</td>
<td>32,473</td>
<td>717,507</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>9,322,380</td>
<td>916,544</td>
<td>257,266</td>
<td>9,981,686</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>12,228,649</td>
<td>1,164,611</td>
<td>305,724</td>
<td>13,087,536</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>4,505</td>
<td>437</td>
<td></td>
<td>4,942</td>
</tr>
<tr>
<td>Buildings</td>
<td>550,403</td>
<td>40,186</td>
<td>8,231</td>
<td>582,340</td>
</tr>
<tr>
<td>Land improvements</td>
<td>114,281</td>
<td>9,817</td>
<td>580</td>
<td>123,518</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>440,226</td>
<td>48,274</td>
<td>26,629</td>
<td>461,871</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3,254,859</td>
<td>299,953</td>
<td>257,266</td>
<td>3,307,376</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>4,374,074</td>
<td>399,079</td>
<td>292,906</td>
<td>4,479,247</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>7,864,575</td>
<td>765,532</td>
<td>12,616</td>
<td>8,607,489</td>
</tr>
<tr>
<td>Governmental activities capital assets, net</td>
<td>$14,441,890</td>
<td>$1,607,900</td>
<td>$1,104,272</td>
<td>$14,945,218</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business-type Activities:</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$71,111</td>
<td>$59,422</td>
<td>$117</td>
<td>$130,416</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>62,202</td>
<td>36,837</td>
<td>62,952</td>
<td>36,087</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>133,313</td>
<td>96,259</td>
<td>63,069</td>
<td>166,503</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>75,030</td>
<td>2,346</td>
<td></td>
<td>77,376</td>
</tr>
<tr>
<td>Land improvements</td>
<td>41,672</td>
<td>1,170</td>
<td></td>
<td>42,850</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>20,362</td>
<td>820</td>
<td>416</td>
<td>20,766</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>124,636</td>
<td></td>
<td></td>
<td>124,636</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>261,700</td>
<td>4,344</td>
<td>416</td>
<td>265,628</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>20,204</td>
<td>1,595</td>
<td></td>
<td>21,799</td>
</tr>
<tr>
<td>Land improvements</td>
<td>22,909</td>
<td>1,474</td>
<td></td>
<td>24,363</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>11,822</td>
<td>988</td>
<td>268</td>
<td>12,542</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>48,609</td>
<td>3,921</td>
<td></td>
<td>52,530</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>103,544</td>
<td>7,888</td>
<td>268</td>
<td>111,164</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>158,156</td>
<td>(3,544)</td>
<td>148</td>
<td>154,464</td>
</tr>
<tr>
<td>Business-type activities capital assets, net</td>
<td>$291,469</td>
<td>$92,715</td>
<td>$63,217</td>
<td>$320,967</td>
</tr>
</tbody>
</table>
Depreciation expense was charged to functions/programs as follows (amounts expressed in thousands):

**Governmental Activities:**

<table>
<thead>
<tr>
<th>Function</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>21,941</td>
</tr>
<tr>
<td>Education</td>
<td>3,955</td>
</tr>
<tr>
<td>Health and social services</td>
<td>14,418</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>28,614</td>
</tr>
<tr>
<td>Recreation and resources development</td>
<td>10,938</td>
</tr>
<tr>
<td>Regulation of business and profession</td>
<td>201</td>
</tr>
<tr>
<td>Transportation</td>
<td>314,419</td>
</tr>
</tbody>
</table>

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: 4,153

**Total depreciation expense - governmental activities:** $398,679

**Business-type Activities:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Authority at Gulfport</td>
<td>6,397</td>
</tr>
<tr>
<td>Other business-type</td>
<td>1,491</td>
</tr>
</tbody>
</table>

**Total depreciation expense - business-type activities:** $7,888

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

<table>
<thead>
<tr>
<th>Project Authorization</th>
<th>Expended To Date</th>
<th>Outstanding Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>$4,711,621</td>
<td>$3,848,158</td>
</tr>
<tr>
<td>Department of Finance and Administration</td>
<td>142,863</td>
<td>95,054</td>
</tr>
<tr>
<td>Information Technology Services</td>
<td>11,115</td>
<td>9,534</td>
</tr>
<tr>
<td>Wireless Communication Commission</td>
<td>26,658</td>
<td>13,133</td>
</tr>
<tr>
<td>Department of Public Safety</td>
<td>44,308</td>
<td>31,887</td>
</tr>
<tr>
<td>Department of Health</td>
<td>41,608</td>
<td>33,994</td>
</tr>
<tr>
<td>Department of Revenue</td>
<td>33,740</td>
<td>18,475</td>
</tr>
<tr>
<td>East MS State Hospital</td>
<td>25,019</td>
<td>11,935</td>
</tr>
<tr>
<td>Military Department</td>
<td>16,242</td>
<td>17,354</td>
</tr>
<tr>
<td>Department of Rehabilitation Services</td>
<td>13,578</td>
<td>12,855</td>
</tr>
<tr>
<td>Other projects less than $10 million</td>
<td>16,655</td>
<td>10,702</td>
</tr>
<tr>
<td><strong>Total governmental activities</strong></td>
<td>5,086,407</td>
<td>4,103,171</td>
</tr>
<tr>
<td><strong>Business-type Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Port Authority at Gulfport</td>
<td>81,211</td>
<td>36,087</td>
</tr>
<tr>
<td><strong>Total business-type activities</strong></td>
<td>81,211</td>
<td>36,087</td>
</tr>
<tr>
<td><strong>Total construction in progress</strong></td>
<td>$5,167,618</td>
<td>$4,139,258</td>
</tr>
</tbody>
</table>
Component Units

At June 30, 2014, capital assets consisted of (expressed in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Universities</th>
<th>Nonmajor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>87,771 $</td>
<td>17,142</td>
<td>104,913</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>494,824</td>
<td>2,984</td>
<td>497,808</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>582,595</td>
<td>20,126</td>
<td>602,721</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>3,088,339</td>
<td>161,857</td>
<td>3,250,196</td>
</tr>
<tr>
<td>Land improvements</td>
<td>312,651</td>
<td>50,565</td>
<td>363,236</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>1,153,571</td>
<td>27,664</td>
<td>1,181,235</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td>37,965</td>
<td>37,965</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>4,554,561</td>
<td>278,071</td>
<td>4,832,632</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>1,760,670</td>
<td>124,082</td>
<td>1,884,952</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>2,793,891</td>
<td>153,989</td>
<td>2,947,860</td>
</tr>
<tr>
<td>Component units capital assets, net</td>
<td>3,376,286 $</td>
<td>174,115</td>
<td>3,550,401</td>
</tr>
</tbody>
</table>

Note 9 - Long-term General 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.

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, 2014 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, 2014, 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, 2014, $242,625,000 of outstanding general obligation bonds are considered defeased.
At June 30, 2014, the primary government’s outstanding general obligation bonds as presented in governmental activities and business-type activities are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Outstanding Amount</th>
<th>Interest Rates</th>
<th>Maturity Date</th>
<th>Original Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, Water, and Timber Resources</td>
<td>$ 1,230</td>
<td>4.4%</td>
<td>Nov. 2014</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Local Governments Rail Program</td>
<td>370</td>
<td>4.4%</td>
<td>Nov. 2014</td>
<td>3,000</td>
</tr>
<tr>
<td>Milk Producers</td>
<td>1,625</td>
<td>4.93% - 5.17%</td>
<td>Dec. 2017</td>
<td>3,500</td>
</tr>
<tr>
<td>Technology Alliance</td>
<td>745</td>
<td>5% - 5.25%</td>
<td>Oct. 2023</td>
<td>1,000</td>
</tr>
<tr>
<td>Farish Street Historic District</td>
<td>832</td>
<td>1.75% - 5.25%</td>
<td>Nov. 2023</td>
<td>1,500</td>
</tr>
<tr>
<td>Heritage, History, and Culture Tourism</td>
<td>655</td>
<td>1.75% - 4.35%</td>
<td>Nov. 2023</td>
<td>700</td>
</tr>
<tr>
<td>Small Business and Existing Forestry Industry</td>
<td>4,685</td>
<td>1.75% - 4.35%</td>
<td>Nov. 2023</td>
<td>5,000</td>
</tr>
<tr>
<td>State Railroad Revitalization</td>
<td>940</td>
<td>1.75% - 4.35%</td>
<td>Nov. 2023</td>
<td>1,000</td>
</tr>
<tr>
<td>Sustainable Energy</td>
<td>910</td>
<td>.70% - 4.35%</td>
<td>Nov. 2023</td>
<td>1,000</td>
</tr>
<tr>
<td>Local Governments Capital Improvements</td>
<td>8,270</td>
<td>.79% - 5.25%</td>
<td>Dec. 2025</td>
<td>15,500</td>
</tr>
<tr>
<td>Raspet Flight Research Laboratory</td>
<td>113</td>
<td>1.63% - 5%</td>
<td>Dec. 2025</td>
<td>1,200</td>
</tr>
<tr>
<td>State Shipyard Improvements</td>
<td>46,310</td>
<td>4.36% - 5.4%</td>
<td>Dec. 2025</td>
<td>116,000</td>
</tr>
<tr>
<td>Stennis Space Center</td>
<td>4,561</td>
<td>4.93% - 5.25%</td>
<td>Dec. 2025</td>
<td>11,870</td>
</tr>
<tr>
<td>Hinds County Development Project Loans</td>
<td>20,000</td>
<td>.31% - 4.17%</td>
<td>Dec. 2026</td>
<td>20,000</td>
</tr>
<tr>
<td>Job Protection</td>
<td>3,200</td>
<td>.31% - 5.25%</td>
<td>Dec. 2026</td>
<td>8,000</td>
</tr>
<tr>
<td>Railroad Lines and Bridges Improvement</td>
<td>4,661</td>
<td>.31% - 5.25%</td>
<td>Dec. 2026</td>
<td>5,000</td>
</tr>
<tr>
<td>Workforce Training</td>
<td>4,640</td>
<td>.31% - 4.35%</td>
<td>Dec. 2026</td>
<td>5,000</td>
</tr>
<tr>
<td>Industry Incentive Financing</td>
<td>336,605</td>
<td>1.8% - 4.35%</td>
<td>Oct. 2027</td>
<td>343,010</td>
</tr>
<tr>
<td>Small Enterprise Development Finance</td>
<td>12,795</td>
<td>3.63% - 6.6%</td>
<td>July 2028</td>
<td>78,065</td>
</tr>
<tr>
<td>ACE Fund</td>
<td>38,145</td>
<td>70% - 5.54%</td>
<td>Oct. 2029</td>
<td>47,450</td>
</tr>
<tr>
<td>Existing Industry</td>
<td>41,274</td>
<td>.70% - 5.54%</td>
<td>Oct. 2029</td>
<td>46,500</td>
</tr>
<tr>
<td>Rural Impact</td>
<td>8,162</td>
<td>.31% - 5.54%</td>
<td>Oct. 2029</td>
<td>16,200</td>
</tr>
<tr>
<td>Statewide Wireless Communication System</td>
<td>41,192</td>
<td>1.8% - 5.54%</td>
<td>Oct. 2029</td>
<td>47,000</td>
</tr>
<tr>
<td>Major Economic Impact</td>
<td>207,250</td>
<td>31% - 6.09%</td>
<td>Dec. 2033</td>
<td>259,300</td>
</tr>
<tr>
<td>Port Improvements</td>
<td>10,000</td>
<td>5%</td>
<td>Dec. 2033</td>
<td>10,000</td>
</tr>
<tr>
<td>Rail Authority of East Mississippi</td>
<td>1,000</td>
<td>5%</td>
<td>Dec. 2033</td>
<td>1,000</td>
</tr>
<tr>
<td>Farm Reform</td>
<td>3,113</td>
<td>.79% - 5.67%</td>
<td>Oct. 2034</td>
<td>5,000</td>
</tr>
<tr>
<td>Small Municipalities and Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population Courties</td>
<td>19,550</td>
<td>.31% - 5.67%</td>
<td>Oct. 2034</td>
<td>30,750</td>
</tr>
<tr>
<td>Business Investment</td>
<td>22,010</td>
<td>.31% - 5.25%</td>
<td>Nov. 2034</td>
<td>38,400</td>
</tr>
<tr>
<td>Economic Development Highway</td>
<td>164,280</td>
<td>.31% - 5.54%</td>
<td>Nov. 2034</td>
<td>185,000</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>1,108,481</td>
<td>.31% - 5.67%</td>
<td>Oct. 2035</td>
<td>1,446,890</td>
</tr>
<tr>
<td>General Obligation Refunding Bonds *</td>
<td>1,709,681</td>
<td>.78% - 7.15%</td>
<td>Oct. 2036</td>
<td>2,368,432</td>
</tr>
<tr>
<td>Local Governments Water System Improvement</td>
<td>10,882</td>
<td>.31% - 5.25%</td>
<td>Oct. 2036</td>
<td>14,843</td>
</tr>
<tr>
<td>Local System Bridge Replacement and Rehabilitation</td>
<td>93,735</td>
<td>1.63% - 5.25%</td>
<td>Oct. 2035</td>
<td>127,200</td>
</tr>
<tr>
<td>Rural Fire Truck Acquisition</td>
<td>10,335</td>
<td>.63% - 5.67%</td>
<td>Oct. 2035</td>
<td>17,250</td>
</tr>
<tr>
<td>Transportation</td>
<td>192,336</td>
<td>1.63% - 5.45%</td>
<td>Oct. 2036</td>
<td>193,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,135,272</td>
<td></td>
<td></td>
<td>5,494,450</td>
</tr>
<tr>
<td><strong>Premiums</strong></td>
<td>192,371</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>4,297,643</td>
<td></td>
<td></td>
<td>5,494,450</td>
</tr>
</tbody>
</table>

| **Business-type Activities:**                                         |                    |                         |               |                 |
| General Obligation Refunding Bonds                                    | 15,503             | 3.81% - 5.5%           | Nov. 2022     | 27,357          |
| **Total General Obligation Bonds**                                    | $ 4,313,146        |                         |               | $ 5,521,817     |

* Interest rate swap agreements have been entered into in connection with $4,025,000 of outstanding variable rate general obligation refunding bonds where the state pays the counterparties fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA swap index. Additionally, interest rate swap agreements have been entered into in connection with $100,000,000 of outstanding variable rate general obligation refunding bonds 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.
At June 30, 2014, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2015</td>
<td>$258,687</td>
<td>$184,839</td>
</tr>
<tr>
<td>2016</td>
<td>280,296</td>
<td>173,030</td>
</tr>
<tr>
<td>2017</td>
<td>290,113</td>
<td>160,839</td>
</tr>
<tr>
<td>2018</td>
<td>402,823</td>
<td>143,509</td>
</tr>
<tr>
<td>2019</td>
<td>232,027</td>
<td>131,402</td>
</tr>
<tr>
<td>2020 - 2024</td>
<td>944,306</td>
<td>530,022</td>
</tr>
<tr>
<td>2025 - 2029</td>
<td>770,625</td>
<td>338,865</td>
</tr>
<tr>
<td>2030 - 2034</td>
<td>704,915</td>
<td>166,467</td>
</tr>
<tr>
<td>2035 - 2039</td>
<td>251,175</td>
<td>15,311</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,135,272</td>
<td>1,837,304</td>
</tr>
</tbody>
</table>

**Premiums**

| Premiums | 162,371 |

**Total Debt Service, Net**

|                          | $4,297,643 | $1,837,304 | $15,503 | $1,864 |

**Derivative Instruments**

The State entered into interest rate swap agreements in connection with $174,025,000 of outstanding variable rate debt in order to hedge changes in cash flows.

At June 30, 2014, 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.

<table>
<thead>
<tr>
<th>Associated Bonds</th>
<th>Notional Amount</th>
<th>Effective Date</th>
<th>Final Maturity Date</th>
<th>Terms</th>
<th>Counterparty Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012C</td>
<td>$50,000,000</td>
<td>Aug. 2012</td>
<td>Nov. 2017</td>
<td>Pay 5.708%; receive one-month LIBOR</td>
<td>A/A2/A</td>
</tr>
<tr>
<td>2012C</td>
<td>50,000,000</td>
<td>Aug. 2012</td>
<td>Nov. 2017</td>
<td>Pay 5.248%; receive one-month LIBOR</td>
<td>AA-/Aa2/AA-</td>
</tr>
<tr>
<td>2012D</td>
<td>38,115,000</td>
<td>Aug. 2012</td>
<td>Sept. 2017</td>
<td>Pay 3.980%; receive SIFMA swap index</td>
<td>A-/Baa2/A</td>
</tr>
<tr>
<td>2012D</td>
<td>34,910,000</td>
<td>Aug. 2012</td>
<td>Sept. 2017</td>
<td>Pay 4.037%; receive SIFMA swap index</td>
<td>A-/Baa2/A</td>
</tr>
</tbody>
</table>

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 2011 through June 30, 2014, to determine if the potential hedging derivative instruments were effective as of June 30, 2014. 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 -1.003 and -.995. Based on these parameters required to apply hedge accounting, the 2012C and 2012D hedges are deemed highly effective.

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, 2014 and the changes in fair value of pay fixed receive-variable interest rate swaps reported in governmental activities are:

<table>
<thead>
<tr>
<th>Associated Bonds</th>
<th>Notional Amount</th>
<th>Changes in Fair Value</th>
<th>Fair Value at June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Classification</td>
<td>Amount</td>
</tr>
<tr>
<td>2012C</td>
<td>$50,000,000</td>
<td>Interest expense</td>
<td>$4,628,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred outflows of resources</td>
<td>$(6,424,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment revenue</td>
<td>3,350,000</td>
</tr>
<tr>
<td>2012C</td>
<td>$50,000,000</td>
<td>Interest expense</td>
<td>3,828,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred outflows of resources</td>
<td>$(7,204,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment revenue</td>
<td>3,260,000</td>
</tr>
<tr>
<td>2012D</td>
<td>$39,115,000</td>
<td>Interest expense</td>
<td>2,359,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred outflows of resources</td>
<td>$(2,437,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment revenue</td>
<td>517,000</td>
</tr>
<tr>
<td>2012D</td>
<td>$34,810,000</td>
<td>Interest expense</td>
<td>2,575,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred outflows of resources</td>
<td>$(3,070,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment revenue</td>
<td>820,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$174,025,000</td>
<td></td>
<td>$206,000</td>
</tr>
</tbody>
</table>

**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. The future minimum debt service on long-term general obligation debt reported for the primary government is presented at the end of this note. At June 30, 2014, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal Payment</th>
<th>Interest Payment</th>
<th>Total Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>4,375</td>
<td>1,273</td>
<td>8,101</td>
</tr>
<tr>
<td>2016</td>
<td>4,550</td>
<td>1,246</td>
<td>7,923</td>
</tr>
<tr>
<td>2017</td>
<td>4,755</td>
<td>1,219</td>
<td>7,737</td>
</tr>
<tr>
<td>2018</td>
<td>161,255</td>
<td>349</td>
<td>2,198</td>
</tr>
<tr>
<td>$174,935</td>
<td>$4,087</td>
<td>$25,956</td>
<td>$204,981</td>
</tr>
</tbody>
</table>

**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, 2014, 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, 2014, the weighted average variable interest rate paid on the bonds was 7.14239%, while the SIFMA swap index was .06% and one-month LIBOR was .15520%.

**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.
Note 10 - Bonds Authorized But Unissued

At June 30, 2014, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Authorized</th>
<th>Authorized But Unissued</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Obligation Bonds:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACE Fund</td>
<td>57,450</td>
<td>10,000</td>
</tr>
<tr>
<td>Business Investment Act</td>
<td>341,500</td>
<td>47,823</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>536,050</td>
<td>102,856</td>
</tr>
<tr>
<td>Deer Island Project</td>
<td>10,000</td>
<td>1,200</td>
</tr>
<tr>
<td>Economic Development Highway</td>
<td>364,500</td>
<td>75,600</td>
</tr>
<tr>
<td>Energy Infrastructure Revolving Loan</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Farm Reform</td>
<td>128,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Job Protection</td>
<td>15,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Industry Incentive Financing</td>
<td>456,000</td>
<td>124,990</td>
</tr>
<tr>
<td>Local Governments Capital Improvements</td>
<td>128,000</td>
<td>12,500</td>
</tr>
<tr>
<td>Major Economic Impact</td>
<td>1,142,800</td>
<td>65,110</td>
</tr>
<tr>
<td>North Central Mississippi Regional Railroad Grant</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Railroad Revitalization and Stimulus</td>
<td>3,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Rural Fire Truck Acquisition</td>
<td>17,850</td>
<td>600</td>
</tr>
<tr>
<td>Small Business and Existing Forestry Industry Revolving Loan</td>
<td>30,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Small Enterprise Development Finance</td>
<td>140,000</td>
<td>127,205</td>
</tr>
<tr>
<td>Sustainable Energy Research</td>
<td>2,600</td>
<td>1,000</td>
</tr>
<tr>
<td>Technology Alliance</td>
<td>4,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Transportation - Access Roads</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Workforce Training</td>
<td>8,000</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,450,150</td>
<td>$645,884</td>
</tr>
</tbody>
</table>

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, 2014, outstanding revenue bonds and notes are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Outstanding Amount</th>
<th>Interest Rates</th>
<th>Final Maturity Date</th>
<th>Original Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component Units</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Universities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>$1,002,490</td>
<td>.29% - 6.84%</td>
<td>Sept. 2043</td>
<td>$1,227,333</td>
</tr>
<tr>
<td>Notes</td>
<td>17,154</td>
<td>1.29% - 5.13%</td>
<td>Sept. 2039</td>
<td>21,902</td>
</tr>
<tr>
<td><strong>Total Component Units</strong></td>
<td>$1,019,644</td>
<td></td>
<td></td>
<td>$1,249,235</td>
</tr>
</tbody>
</table>
Mississippi

At June 30, 2014, future revenue bond and note debt service requirements are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Component Units</th>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>$30,605</td>
<td>$45,378</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>32,230</td>
<td>45,317</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>33,928</td>
<td>44,015</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>32,033</td>
<td>42,771</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>33,723</td>
<td>42,288</td>
</tr>
<tr>
<td></td>
<td>2020 - 2024</td>
<td>177,575</td>
<td>185,515</td>
</tr>
<tr>
<td></td>
<td>2025 - 2029</td>
<td>191,137</td>
<td>143,944</td>
</tr>
<tr>
<td></td>
<td>2030 - 2034</td>
<td>218,601</td>
<td>93,448</td>
</tr>
<tr>
<td></td>
<td>2035 - 2039</td>
<td>173,461</td>
<td>43,203</td>
</tr>
<tr>
<td></td>
<td>2040 - 2044</td>
<td>98,351</td>
<td>7,149</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,019,644</td>
<td>$693,028</td>
</tr>
</tbody>
</table>

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2014 is $119,229,000 for governmental activities and $713,000 for business-type activities. Internal service compensated absences of $1,284,000 are included in governmental activities. The component units' liability for compensated absences is $116,517,000, of which $115,768,000 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-N).

B. Pollution Remediation Obligation - As of June 30, 2014, 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, 2014, the primary government's pollution remediation obligation is $41,857,000. 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. 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, 2014, the primary government's outstanding notes payable as presented in governmental activities are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Outstanding Amount</th>
<th>Interest Rates</th>
<th>Final Maturity Date</th>
<th>Original Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility restoration</td>
<td>$108,384</td>
<td>5%-5.45%</td>
<td>Jul. 2019</td>
<td>$189,860</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>13,777</td>
<td>3.08%-5.73%</td>
<td>Apr. 2026</td>
<td>17,131</td>
</tr>
<tr>
<td>Buildings</td>
<td>218,335</td>
<td>2%-5.37%</td>
<td>Jul. 2031</td>
<td>228,885</td>
</tr>
<tr>
<td>Roads and bridges</td>
<td>665,143</td>
<td>2%-6.59%</td>
<td>Jan. 2040</td>
<td>939,681</td>
</tr>
<tr>
<td>Total</td>
<td>1,005,630</td>
<td></td>
<td></td>
<td>1,425,557</td>
</tr>
<tr>
<td>Premiums</td>
<td>72,328</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Notes Payable</td>
<td>$1,078,957</td>
<td></td>
<td></td>
<td>$1,425,557</td>
</tr>
</tbody>
</table>

Defeased Notes - In prior years, the State defeased certain outstanding notes 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 notes and related trust accounts are not included in the financial statements. At June 30, 2014, $227,319,000 of outstanding notes are considered defeased.
At June 30, 2014, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$46,711</td>
<td>$51,138</td>
</tr>
<tr>
<td>2016</td>
<td>53,710</td>
<td>48,816</td>
</tr>
<tr>
<td>2017</td>
<td>61,831</td>
<td>46,172</td>
</tr>
<tr>
<td>2018</td>
<td>64,333</td>
<td>43,370</td>
</tr>
<tr>
<td>2019</td>
<td>64,739</td>
<td>40,224</td>
</tr>
<tr>
<td>2020-2024</td>
<td>276,169</td>
<td>160,094</td>
</tr>
<tr>
<td>2025-2029</td>
<td>252,026</td>
<td>91,089</td>
</tr>
<tr>
<td>2030-2034</td>
<td>107,715</td>
<td>45,166</td>
</tr>
<tr>
<td>2035-2039</td>
<td>67,385</td>
<td>15,175</td>
</tr>
<tr>
<td>2040-2044</td>
<td>11,990</td>
<td>769</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,006,036</strong></td>
<td><strong>542,013</strong></td>
</tr>
<tr>
<td><strong>Premiums</strong></td>
<td>72,328</td>
<td></td>
</tr>
<tr>
<td><strong>Total Debt Service, Net</strong></td>
<td><strong>$1,078,364</strong></td>
<td><strong>$542,013</strong></td>
</tr>
</tbody>
</table>

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, 2014, assets recorded under capital leases are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Activities</th>
<th>Governmental</th>
<th>Business-type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$700</td>
<td></td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>42,134</td>
<td>1,493</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(22,936)</td>
<td>(653)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,198</strong></td>
<td><strong>$1,540</strong></td>
</tr>
</tbody>
</table>

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of $463,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of $31,528,000.

At June 30, 2014, future minimum commitments under capital leases are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total Primary</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$7,291</td>
<td>83</td>
<td>$7,374</td>
<td>$2,420</td>
</tr>
<tr>
<td>2016</td>
<td>6,525</td>
<td>83</td>
<td>6,608</td>
<td>3,035</td>
</tr>
<tr>
<td>2017</td>
<td>4,845</td>
<td>83</td>
<td>5,628</td>
<td>3,479</td>
</tr>
<tr>
<td>2018</td>
<td>2,404</td>
<td>83</td>
<td>2,887</td>
<td>3,563</td>
</tr>
<tr>
<td>2019</td>
<td>1,540</td>
<td>43</td>
<td>1,583</td>
<td>10,945</td>
</tr>
<tr>
<td>2020-2024</td>
<td>1,340</td>
<td></td>
<td>1,340</td>
<td>5,403</td>
</tr>
<tr>
<td>2025-2029</td>
<td></td>
<td></td>
<td>5,395</td>
<td></td>
</tr>
<tr>
<td>2030-2034</td>
<td></td>
<td></td>
<td>0,807</td>
<td></td>
</tr>
<tr>
<td>2035-2039</td>
<td></td>
<td></td>
<td>4,699</td>
<td></td>
</tr>
<tr>
<td><strong>Total Minimum Lease Payments</strong></td>
<td>24,445</td>
<td>375</td>
<td>24,820</td>
<td>45,037</td>
</tr>
<tr>
<td><strong>Less Interest</strong></td>
<td>1,679</td>
<td>31</td>
<td>1,701</td>
<td>12,137</td>
</tr>
<tr>
<td><strong>Present Value of Minimum Lease Payments</strong></td>
<td>$22,775</td>
<td>$344</td>
<td>$23,119</td>
<td>$32,870</td>
</tr>
</tbody>
</table>

Internal service future minimum lease payments of $958,000 less interest of $47,000 are included in the governmental activities column.
Note 13 - Changes in Long-term Liabilities

Changes in the primary government’s long-term liabilities for the year ended June 30, 2014 are summarized below (amounts expressed in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>4,045,596</td>
<td>339,165</td>
<td>249,489</td>
<td>4,135,272</td>
<td>258,667</td>
</tr>
<tr>
<td>Premiums/Discounts</td>
<td>161,642</td>
<td>15,838</td>
<td>15,109</td>
<td>162,371</td>
<td>15,442</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>1,061,142</td>
<td>9,512</td>
<td>64,115</td>
<td>1,006,639</td>
<td>6,711</td>
</tr>
<tr>
<td>Premiums</td>
<td>78,668</td>
<td></td>
<td>6,540</td>
<td>72,328</td>
<td>6,322</td>
</tr>
<tr>
<td>Total Bonds and Notes</td>
<td>5,347,248</td>
<td>364,615</td>
<td>335,253</td>
<td>5,376,610</td>
<td>327,162</td>
</tr>
<tr>
<td>Derivative Instruments</td>
<td>38,245</td>
<td></td>
<td>206</td>
<td>39,039</td>
<td></td>
</tr>
<tr>
<td>Capital Lease Obligations</td>
<td>13,158</td>
<td>16,107</td>
<td>6,490</td>
<td>22,775</td>
<td>6,049</td>
</tr>
<tr>
<td>Accrued Compensated Absences</td>
<td>126,480</td>
<td>59,622</td>
<td>67,073</td>
<td>119,229</td>
<td>8,691</td>
</tr>
<tr>
<td>Pollution Remediation Obligation</td>
<td>41,648</td>
<td>13,198</td>
<td>12,986</td>
<td>41,857</td>
<td>7,080</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,567,779</td>
<td>453,742</td>
<td>422,011</td>
<td>5,599,510</td>
<td>349,782</td>
</tr>
<tr>
<td><strong>Business-type Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>18,210</td>
<td></td>
<td>2,707</td>
<td>15,503</td>
<td>2,833</td>
</tr>
<tr>
<td>Capital Lease Obligations</td>
<td>131</td>
<td>378</td>
<td>155</td>
<td>344</td>
<td>72</td>
</tr>
<tr>
<td>Accrued Compensated Absences</td>
<td>663</td>
<td>221</td>
<td>171</td>
<td>713</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,004</td>
<td>599</td>
<td>3,043</td>
<td>16,560</td>
<td>2,952</td>
</tr>
</tbody>
</table>

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 $1,237,000 and $541,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include $1,279,000 and $1,284,000, respectively, of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund.

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

Credit Agreement - 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 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Medicaid Line of Credit</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>30,000</td>
<td>0</td>
<td>30,000</td>
</tr>
</tbody>
</table>
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 become 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, 2014, the total annual COLA payments for PERS were $476,401,043.

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 in the 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, 2014, the total annual COLA payments for MHSPRS were $8,029,664.
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, 2014, the total COLAs for MRS plans were $5,406,759.

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 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, 2014, the total COLAs for SLRP were $242,440.

Actuarial Asset Valuation

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2014. An actuarial valuation of MRS is required to be performed at least once in each four-year period. Due to the change in plan year, the actuarial valuation for MRS is now performed as of June 30, with the most recent being June 30, 2014. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.
Funding Policy and Annual Pension Costs

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, annual local and private legislation, and may be amended only by the State Legislature.

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

<table>
<thead>
<tr>
<th></th>
<th>PERS</th>
<th>MHSPRS</th>
<th>MRS</th>
<th>SLRP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contribution rates:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>15.75% ***</td>
<td>37% ***</td>
<td>N/A</td>
<td>7.4% ***</td>
</tr>
<tr>
<td>Other employers</td>
<td>N/A</td>
<td>N/A</td>
<td>1.44 - 0.9 mills</td>
<td>N/A</td>
</tr>
<tr>
<td>Plan members</td>
<td>9%</td>
<td>7.25%</td>
<td>7% - 10%</td>
<td>3% *</td>
</tr>
<tr>
<td>Annual pension cost</td>
<td>$921,872</td>
<td>$13,595</td>
<td>$19,344</td>
<td>$519</td>
</tr>
<tr>
<td>Employer contributions made</td>
<td>$969,674</td>
<td>$13,500 **</td>
<td>$20,337</td>
<td>$514</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Entry age</td>
<td>Entry age</td>
<td>Entry age</td>
<td>Entry age</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level</td>
<td>Level</td>
<td>Level</td>
<td>Level</td>
</tr>
<tr>
<td>percent open</td>
<td>percent open</td>
<td>dollar closed</td>
<td>percent open</td>
<td></td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>29.2 years</td>
<td>30 years</td>
<td>20 years</td>
<td>25 years</td>
</tr>
<tr>
<td>Asset valuation method</td>
<td>5-year</td>
<td>5-year</td>
<td>5-year</td>
<td>5-year</td>
</tr>
<tr>
<td>smoothed market</td>
<td>smoothed market</td>
<td>smoothed market</td>
<td>smoothed market</td>
<td></td>
</tr>
<tr>
<td>Actuarial assumptions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment rate of return</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Wage inflation rate</td>
<td>4.25%</td>
<td>4.25%</td>
<td>4.25%</td>
<td>4.25%</td>
</tr>
<tr>
<td>Projected salary increases</td>
<td>4.5% - 20%</td>
<td>5% - 10.52%</td>
<td>4.5% - 6%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Increases in benefits after retirement</td>
<td>3% ~</td>
<td>3% @</td>
<td>2% - 3.75% #</td>
<td>3% ~</td>
</tr>
</tbody>
</table>

* In addition to 9% required by PERS.

@ Calculated 3% simple interest to age 50, compounded each fiscal year thereafter.

# Varies depending on municipality.

** Includes fees authorized by the State Legislature, which are reported as other additions in the pension trust funds. Due to Senate Bill No. 2650 enacted in 2004, an estimated additional contribution of $3,600,000 (14 percent of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2014 was $3,496,000.

*** 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%, the SLRP rate at 7.4%, and MHSPRS rate at 37%.
Three-Year Trend Information

The following table provides the employer contribution to PERS, MHSPRS, MRS, and SLRP for the last three fiscal years (amounts expressed in thousands):

<table>
<thead>
<tr>
<th></th>
<th>PERS</th>
<th>MHSPRS*</th>
<th>MRS**</th>
<th>SLRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$768,914</td>
<td>$12,044</td>
<td>$22,793</td>
<td>$490</td>
</tr>
<tr>
<td>2013</td>
<td>881,647</td>
<td>13,366</td>
<td>21,718</td>
<td>503</td>
</tr>
<tr>
<td>2014</td>
<td>969,674</td>
<td>13,500</td>
<td>20,337</td>
<td>514</td>
</tr>
</tbody>
</table>

* Includes fees authorized by the State Legislature that are reported as other additions in the pension trust funds.

** The 2012 information furnished for MRS is for the period ended September 30. Beginning in 2013, the MRS plan year changed to June 30.

The annual pension cost is equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met the required contributions except for MRS where the percent contributed was 127% of the required contributions for September 30, 2012, and 102.6% and 105.4% of the required contributions for the years ended June 30, 2013, and 2014, respectively.

Funded Status and Funding Progress

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

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>PERS</th>
<th>MHSPRS</th>
<th>MRS</th>
<th>SLRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Value of Assets</td>
<td>$22,569,940</td>
<td>$295,298</td>
<td>$157,970</td>
<td>$14,899</td>
</tr>
<tr>
<td>Actuarial Accrued Liability (AAL) Entry Age</td>
<td>$37,015,288</td>
<td>$445,822</td>
<td>$340,385</td>
<td>$20,240</td>
</tr>
<tr>
<td>Unfunded AAL</td>
<td>$14,445,348</td>
<td>$150,524</td>
<td>$182,415</td>
<td>$5,341</td>
</tr>
<tr>
<td>Percent Funded</td>
<td>61.0%</td>
<td>66.2%</td>
<td>46.4%</td>
<td>73.6%</td>
</tr>
<tr>
<td>Annual Covered Payroll</td>
<td>$5,634,667</td>
<td>$25,554</td>
<td>$727</td>
<td>$6,918</td>
</tr>
<tr>
<td>Unfunded AAL as a Percentage of Annual Covered Payroll</td>
<td>247.6%</td>
<td>569.0%</td>
<td>25,091.5%</td>
<td>77.2%</td>
</tr>
</tbody>
</table>

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.
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.

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, 2014, retiree premiums range from $190 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, 2014. 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 $43,939,000 is 1.00 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2014 (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution</td>
<td>$43,939</td>
</tr>
<tr>
<td>Interest on prior year net OPEB obligation</td>
<td>$5,634</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>$(4,320)</td>
</tr>
<tr>
<td>Annual OPEB cost</td>
<td>$45,253</td>
</tr>
<tr>
<td>Contributions made</td>
<td>$(30,605)</td>
</tr>
<tr>
<td>Increase in net OPEB obligation</td>
<td>$14,750</td>
</tr>
<tr>
<td>Not OPEB obligation – Beginning of year</td>
<td>$125,193</td>
</tr>
<tr>
<td>Net OPEB obligation – End of year</td>
<td>$139,943</td>
</tr>
</tbody>
</table>
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):

<table>
<thead>
<tr>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 $46,994</td>
<td>43.8%</td>
<td>$108,636</td>
</tr>
<tr>
<td>2013 46,047</td>
<td>64.0</td>
<td>125,193</td>
</tr>
<tr>
<td>2014 45,253</td>
<td>67.4</td>
<td>139,943</td>
</tr>
</tbody>
</table>

Funded Status and Funding Progress

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

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Value of Assets</td>
<td>$0</td>
</tr>
<tr>
<td>Actuarial Accrued Liability (AAL) Entry Age Normal</td>
<td>$762,358</td>
</tr>
<tr>
<td>Unfunded AAL (UAAL)</td>
<td>$762,358</td>
</tr>
<tr>
<td>Funded Ratio</td>
<td>0.0%</td>
</tr>
<tr>
<td>Annual Covered Payroll</td>
<td>$4,408,047</td>
</tr>
<tr>
<td>UAAL as a Percentage of Annual Covered Payroll</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Actuarial valuation date</th>
<th>June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial cost method</td>
<td>Entry age normal</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level percent of pay, open</td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>30 years</td>
</tr>
<tr>
<td>Asset valuation method</td>
<td>Market value of assets</td>
</tr>
<tr>
<td>Actuarial assumptions:</td>
<td></td>
</tr>
<tr>
<td>Investment rate of return*</td>
<td>4.5%</td>
</tr>
<tr>
<td>Projected salary increases**</td>
<td>4.5% - 15.0%</td>
</tr>
<tr>
<td>Healthcare cost trend rate*</td>
<td>7.75%</td>
</tr>
<tr>
<td>Ultimate trend rate</td>
<td>5.0%</td>
</tr>
<tr>
<td>Year of ultimate trend rate</td>
<td>2019</td>
</tr>
<tr>
<td>* includes price inflation at</td>
<td>3.5%</td>
</tr>
<tr>
<td>** includes wage inflation at</td>
<td>4.25%</td>
</tr>
</tbody>
</table>

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, 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>22,176</td>
</tr>
<tr>
<td>2016</td>
<td>19,621</td>
</tr>
<tr>
<td>2017</td>
<td>14,633</td>
</tr>
<tr>
<td>2018</td>
<td>10,424</td>
</tr>
<tr>
<td>2019</td>
<td>6,947</td>
</tr>
<tr>
<td>2020 - 2024</td>
<td>19,129</td>
</tr>
<tr>
<td>2025 - 2029</td>
<td>14,531</td>
</tr>
<tr>
<td>2030 - 2034</td>
<td>14,151</td>
</tr>
<tr>
<td>2035 - 2039</td>
<td>249</td>
</tr>
<tr>
<td>2040 - 2044</td>
<td>168</td>
</tr>
<tr>
<td>2045 - 2049</td>
<td>59</td>
</tr>
<tr>
<td>Total Minimum Commitments</td>
<td>$122,088</td>
</tr>
</tbody>
</table>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2014 amounted to $22,653,000.

B. Contracts

At June 30, 2014, the Department of Transportation had contracts outstanding of approximately $779,986,000 with performance continuing during fiscal year 2015. Of this amount $22,314,000 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 7 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 $36,562,000 outstanding at June 30, 2014 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 31 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 $185,182,000 at June 30, 2014. These contracts will be paid from the General fund.

The Military Department had contracts outstanding of approximately $1,888,000 at June 30, 2014. 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 $45,124,000 at June 30, 2014. 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 $37,233,000 at June 30, 2014. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) statewide 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.

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, 2014, the encumbrance amounts in the General Fund were $8,977,000.
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 2013 and 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Beginning Balance</th>
<th>Claims in Estimates</th>
<th>Payments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$130,598</td>
<td>$710,676</td>
<td>$713,599</td>
<td>$147,675</td>
</tr>
<tr>
<td>2014</td>
<td>147,675</td>
<td>771,904</td>
<td>727,713</td>
<td>191,861</td>
</tr>
</tbody>
</table>

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 incurred 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 payroll.

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.

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.

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 $39,002,000. 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, 2014, outstanding MDA loan guarantees totaled $34,352,000.

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. In March 2013, federal legislation allowed borrowers to apply for cancellation of debt based on inability to repay their loans. At June 30, 2014, the remaining outstanding CDL loan guarantees totaled $3,691,000. 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 $2,184,048,000 at June 30, 2014. 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 $396,985,000 from the Working Cash Stabilization Reserve Account and $166,898,049 from budgetary special funds as of February 12, 2015. In order to comply with State law, all borrowings must be repaid by the end of the fiscal year.

The State entered into a financing agreement on July 2, 2014 to accelerate the construction of a highway project. The agreement resulted in notes payable totaling $82,040,000 payable beginning in year 2015 through year 2030 with interest rates ranging from 1%/5%. 

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# Required Supplementary Information

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

For the Year Ended June 30, 2014 (Expressed in Thousands)

### General Fund

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual (Budgetary Basis)</th>
<th>Variance with Final Budget Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales tax</td>
<td>$1,946,000</td>
<td>$1,946,000</td>
<td>$1,955,113</td>
<td>$9,113</td>
</tr>
<tr>
<td>Individual income tax</td>
<td>1,668,400</td>
<td>1,668,400</td>
<td>1,669,791</td>
<td>(1,391)</td>
</tr>
<tr>
<td>Corporate income and franchise taxes</td>
<td>404,500</td>
<td>404,500</td>
<td>677,046</td>
<td>272,546</td>
</tr>
<tr>
<td>Use and wholesale compensating taxes</td>
<td>231,500</td>
<td>231,500</td>
<td>246,322</td>
<td>14,822</td>
</tr>
<tr>
<td>Tobacco, beer and wine taxes</td>
<td>166,200</td>
<td>166,200</td>
<td>176,181</td>
<td>(10,019)</td>
</tr>
<tr>
<td>Insurance tax</td>
<td>208,500</td>
<td>208,500</td>
<td>250,975</td>
<td>42,475</td>
</tr>
<tr>
<td>Oil and gas severance taxes</td>
<td>80,300</td>
<td>80,300</td>
<td>76,654</td>
<td>(3,646)</td>
</tr>
<tr>
<td>Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages</td>
<td>69,500</td>
<td>69,500</td>
<td>71,525</td>
<td>2,025</td>
</tr>
<tr>
<td>Other taxes</td>
<td>10,700</td>
<td>10,700</td>
<td>10,869</td>
<td>168</td>
</tr>
<tr>
<td>Interest</td>
<td>17,100</td>
<td>17,100</td>
<td>13,511</td>
<td>(3,589)</td>
</tr>
<tr>
<td>Auto privilege, tag and title fees</td>
<td>10,000</td>
<td>10,000</td>
<td>8,750</td>
<td>(1,250)</td>
</tr>
<tr>
<td>Gaming fees</td>
<td>139,300</td>
<td>139,300</td>
<td>127,777</td>
<td>(11,523)</td>
</tr>
<tr>
<td>Highway Safety Patrol fees</td>
<td>21,100</td>
<td>21,100</td>
<td>22,655</td>
<td>1,555</td>
</tr>
<tr>
<td>Other fees and services</td>
<td>11,500</td>
<td>11,500</td>
<td>10,392</td>
<td>(1,108)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,300</td>
<td>4,300</td>
<td>3,851</td>
<td>(449)</td>
</tr>
<tr>
<td>Court assessments and settlements</td>
<td>70,286</td>
<td>70,286</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Fund revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>5,069,700</td>
<td>5,069,700</td>
<td>5,389,807</td>
<td>320,107</td>
</tr>
</tbody>
</table>

### Expenditures by Major Budgetary Function

| Legislative                                 | 26,388          | 26,942       | 26,378                   | (264)                                    |
| Judiciary and justice                       | 64,500          | 64,500       | 64,453                   | (47)                                     |
| Executive and administrative                | 3,269           | 3,269        | 3,217                    | (52)                                     |
| Fiscal affairs                              | 56,850          | 50,030       | 56,782                   | (58)                                     |
| Public education                            | 2,080,665       | 2,085,885    | 2,077,657                | (8,228)                                  |
| Higher education                            | 761,656         | 761,836      | 761,596                  | (40)                                     |
| Public health                               | 36,039          | 36,039       | 35,796                   | (243)                                    |
| Hospitals and hospital schools              | 218,134         | 218,134      | 216,072                  | (1,062)                                  |
| Agriculture, commerce and economic development | 110,144        | 110,144      | 110,034                  | (10)                                     |
| Conservation and recreation                 | 48,187          | 48,197       | 48,135                   | (62)                                     |
| Insurance and banking                       |                |              |                          |                                          |
| Corrections                                | 334,633         | 334,633      | 334,580                  | (53)                                     |
| Interdepartmental service                   |                |              |                          |                                          |
| Social welfare                             | 737,880         | 737,880      | 737,836                  | (44)                                     |
| Public protection and veterans assistance   | 88,951          | 88,951       | 88,001                   | (950)                                    |
| Local assistance                           | 81,109          | 81,109       | 81,109                   |                                          |
| Motor vehicle and other regulatory agencies | 40              | 40           | 40                       |                                          |
| Miscellaneous                              | 1,337           | 1,337        | 1,337                    |                                          |
| Public works                               |                |              |                          |                                          |
| Debt service                               | 375,360         | 375,860      | 375,455                  | (405)                                    |
| **Total Expenditures**                     | 5,025,362       | 5,031,406    | 5,018,466                | (12,918)                                 |

### Other Financing Sources (Uses)

| Transfers in                                | 11,200          | 11,200       | 13,213                   | 2,013                                    |
| Transfers out                               |                |              | (397,492)                | (397,492)                                |
| Other sources of cash                       | 164             | 164          |                          |                                          |
| **Excess of Revenues and Other Sources over (under) Expenditures and Other Uses** | 55,538          | 49,494       | (12,795)                 | (62,290)                                 |

### Budgetary Fund Balances - Beginning

<p>| $108,658 | $103,815 | $41,325 | $62,290 |</p>
<table>
<thead>
<tr>
<th>Education Enhancement Fund</th>
<th>Special Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Budget</td>
<td>Final Budget (Budgetary Basis)</td>
</tr>
<tr>
<td>$252,492</td>
<td>$258,299</td>
</tr>
<tr>
<td>27,198</td>
<td>27,789</td>
</tr>
<tr>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>11,503,982</td>
<td>12,749,936</td>
</tr>
<tr>
<td>11,503,982</td>
<td>12,749,936</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>254,668</td>
<td>255,907</td>
</tr>
<tr>
<td>2,966</td>
<td>2,966</td>
</tr>
<tr>
<td>6,586,806</td>
<td>6,988,933</td>
</tr>
<tr>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>28,438</td>
<td>30,663</td>
</tr>
<tr>
<td>1,099,914</td>
<td>1,479,900</td>
</tr>
<tr>
<td>356,324</td>
<td>357,563</td>
</tr>
<tr>
<td>46,000</td>
<td>46,000</td>
</tr>
<tr>
<td>1,135,334</td>
<td>1,135,334</td>
</tr>
<tr>
<td>81</td>
<td>81</td>
</tr>
<tr>
<td>46,000</td>
<td>46,000</td>
</tr>
<tr>
<td>(76,634)</td>
<td>(71,495)</td>
</tr>
<tr>
<td>(76,634)</td>
<td>(71,495)</td>
</tr>
<tr>
<td>$ (76,634)</td>
<td>$ (71,495)</td>
</tr>
</tbody>
</table>
Notes to Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds
For the Year Ended June 30, 2014

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 encumbrances. 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, 2014 is presented below (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Budgetary Funds</th>
<th>General</th>
<th>Education Enhancement</th>
<th>Special</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Statement Major Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Change in Budgetary Fund Balances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassifications:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgetary fund excesses are reclassified</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to the General Fund for GAAP reporting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The financial reporting fund structure includes funds that are not part of the budgetary fund structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Change in GAAP Fund Balances</td>
<td>$37,006</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

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## Required Supplementary Information

### Schedule of Funding Progress - Pension Trust Funds

June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) Entry Age (b)</th>
<th>Unfunded AAL (b - a)</th>
<th>Percent Funded (a / b)</th>
<th>Annual Covered Payroll (c)</th>
<th>Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Employees' Retirement System of Mississippi</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$19,992,797</td>
<td>$34,492,873</td>
<td>$14,500,076</td>
<td>58.0%</td>
<td>$5,857,789</td>
<td>247.5%</td>
</tr>
<tr>
<td>2013</td>
<td>20,490,555</td>
<td>35,542,848</td>
<td>15,052,293</td>
<td>67.7</td>
<td>5,923,578</td>
<td>258.5</td>
</tr>
<tr>
<td>2014</td>
<td>22,569,940</td>
<td>37,016,282</td>
<td>14,446,348</td>
<td>61.0</td>
<td>5,834,887</td>
<td>247.6</td>
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<td>Mississippi Highway Safety Patrol Retirement System</td>
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<td></td>
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<td></td>
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<tr>
<td>2012</td>
<td>$268,424</td>
<td>$421,415</td>
<td>$152,991</td>
<td>63.7%</td>
<td>$25,670</td>
<td>556.0%</td>
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<tr>
<td>2013</td>
<td>271,097</td>
<td>431,575</td>
<td>160,478</td>
<td>62.8</td>
<td>25,816</td>
<td>621.6</td>
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<td>2014</td>
<td>295,298</td>
<td>440,822</td>
<td>150,524</td>
<td>66.2</td>
<td>25,554</td>
<td>589.0</td>
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<td>Municipal Retirement Systems *</td>
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<tr>
<td>2012</td>
<td>$155,484</td>
<td>$356,571</td>
<td>$201,087</td>
<td>43.6%</td>
<td>$1,131</td>
<td>17,779.6%</td>
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<tr>
<td>2013</td>
<td>153,241</td>
<td>349,588</td>
<td>196,347</td>
<td>43.8</td>
<td>794</td>
<td>24,726.8</td>
</tr>
<tr>
<td>2014</td>
<td>157,970</td>
<td>340,385</td>
<td>182,415</td>
<td>46.4</td>
<td>727</td>
<td>25,091.5</td>
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<tr>
<td>Supplemental Legislative Retirement Plan</td>
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<td></td>
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<tr>
<td>2012</td>
<td>$13,266</td>
<td>$19,537</td>
<td>$6,269</td>
<td>67.9%</td>
<td>$6,872</td>
<td>91.2%</td>
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<tr>
<td>2013</td>
<td>13,554</td>
<td>19,978</td>
<td>6,424</td>
<td>67.8</td>
<td>6,695</td>
<td>95.9</td>
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<tr>
<td>2014</td>
<td>14,899</td>
<td>20,240</td>
<td>5,341</td>
<td>73.6</td>
<td>6,918</td>
<td>77.2</td>
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</table>

* Valuation information furnished for MRS is as of September 30 for fiscal year 2012. MRS changed its plan year end from September 30 to June 30 beginning in fiscal year 2013.

### Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2014 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) Entry Age (b)</th>
<th>Unfunded AAL (b - a)</th>
<th>Percent Funded (a / b)</th>
<th>Annual Covered Payroll (c)</th>
<th>Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)</th>
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<tr>
<td>June 30, 2012</td>
<td>$ 0</td>
<td>664,738</td>
<td>664,738</td>
<td>0.0%</td>
<td>$ 4,312,956</td>
<td>15.4%</td>
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<tr>
<td>June 30, 2013</td>
<td>0</td>
<td>690,339</td>
<td>690,339</td>
<td>0.0</td>
<td>4,425,943</td>
<td>15.6%</td>
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<tr>
<td>June 30, 2014</td>
<td>0</td>
<td>762,358</td>
<td>762,358</td>
<td>0.0</td>
<td>4,408,047</td>
<td>17.3%</td>
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$249,980,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015C
(Tax-Exempt)

Dated: Date of Delivery

Interest on the $249,980,000 State of Mississippi General Obligation Refunding Bonds, Series 2015C (Tax-Exempt) (the "Series 2015C Bonds") will be payable on April 1 and October 1 of each year, commencing April 1, 2015. Interest on the $179,135,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2015D (the "Series 2015D Bonds" and together with the Series 2015C Bonds, the "Series 2015 Refunding Bonds") will be payable on April 1 and October 1 of each year, commencing April 1, 2015. The State Bond Commission of the State of Mississippi (the "State") has designated the Office of the State Treasurer to serve as paying agent, transfer agent and registrar of the Series 2015 Refunding Bonds (in such capacity, the "Paying and Transfer Agent"). The Series 2015 Refunding Bonds will be issued as fully registered bonds in the denomination of $5,000, or any integral multiple thereof, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2015 Refunding Bonds. See "DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS - Book-Entry-Only System" and APPENDIX F.

The Series 2015 Refunding Bonds are general obligations of the State and are secured by a pledge of the full faith and credit of the State.

The Series 2015 Refunding Bonds are subject to optional, make whole and/or mandatory sinking fund redemption, as applicable, prior to their respective maturities. See "DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS - Redemption Provisions of the Series 2015C Bonds" and "Redemption Provisions of the Series 2015D Bonds."

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. PROSPECTIVE INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2015 Refunding Bonds are offered subject to the final approving opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the Underwriters (described below) by their counsel, Butler Snow LLP, Ridgeland, Mississippi. Certain legal matters with respect to the State will be passed upon by the State Attorney General, Jim Hood, Esq. First Southwest Company, LLC, Dallas, Texas, is serving as Financial Advisor to the State in connection with the sale and issuance of the Series 2015 Refunding Bonds. It is expected that delivery of the Series 2015 Refunding Bonds in definitive form will be made on or about February 18, 2015.

J. P. Morgan Morgan Stanley RBC Capital Markets Piper Jaffray
Raymond James Morgan Stanley, Inc. Citigroup
(Series 2015C Bonds) (Series 2015D Bonds)

Dated: February 3, 2015
# MATURITY SCHEDULE

## STATE OF MISSISSIPPI

$249,980,000

STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015C
(Tax-Exempt)

### MATURITY SCHEDULE

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<thead>
<tr>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>CUSIP**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$22,020,000</td>
<td>5.000%</td>
<td>0.860%</td>
<td>605581FG7</td>
</tr>
<tr>
<td>2019</td>
<td>29,720,000</td>
<td>5.000</td>
<td>1.110</td>
<td>605581FH5</td>
</tr>
<tr>
<td>2020</td>
<td>30,990,000</td>
<td>5.000</td>
<td>1.340</td>
<td>605581FJ1</td>
</tr>
<tr>
<td>2021</td>
<td>5,410,000</td>
<td>5.000</td>
<td>1.540</td>
<td>605581FK8</td>
</tr>
<tr>
<td>2022</td>
<td>5,540,000</td>
<td>5.000</td>
<td>1.730</td>
<td>605581FL6</td>
</tr>
<tr>
<td>2023</td>
<td>5,665,000</td>
<td>5.000</td>
<td>1.920</td>
<td>605581FM4</td>
</tr>
<tr>
<td>2024</td>
<td>3,650,000</td>
<td>4.000</td>
<td>2.090</td>
<td>605581FN2</td>
</tr>
<tr>
<td>2024</td>
<td>33,035,000</td>
<td>5.000</td>
<td>2.090</td>
<td>605581FT9</td>
</tr>
<tr>
<td>2025</td>
<td>500,000</td>
<td>4.000</td>
<td>2.230</td>
<td>605581FP7</td>
</tr>
<tr>
<td>2025</td>
<td>37,840,000</td>
<td>5.000</td>
<td>2.230</td>
<td>605581FU6</td>
</tr>
<tr>
<td>2026*</td>
<td>40,180,000</td>
<td>5.000</td>
<td>2.330</td>
<td>605581FQ5</td>
</tr>
<tr>
<td>2027*</td>
<td>28,640,000</td>
<td>5.000</td>
<td>2.430</td>
<td>605581FR3</td>
</tr>
<tr>
<td>2028*</td>
<td>6,790,000</td>
<td>4.000</td>
<td>2.690</td>
<td>605581FS1</td>
</tr>
</tbody>
</table>

*Priced to the par call date of October 1, 2025.

### $179,135,000

STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015D

### MATURITY SCHEDULE

<table>
<thead>
<tr>
<th>Maturity (October 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>CUSIP**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 2,510,000</td>
<td>0.310%</td>
<td>0.310%</td>
<td>605581EN3</td>
</tr>
<tr>
<td>2016</td>
<td>2,520,000</td>
<td>0.640</td>
<td>0.640</td>
<td>605581EP8</td>
</tr>
<tr>
<td>2017</td>
<td>2,540,000</td>
<td>1.090</td>
<td>1.090</td>
<td>605581EQ6</td>
</tr>
<tr>
<td>2018</td>
<td>2,575,000</td>
<td>1.472</td>
<td>1.472</td>
<td>605581ER4</td>
</tr>
<tr>
<td>2019</td>
<td>2,615,000</td>
<td>1.679</td>
<td>1.679</td>
<td>605581ES2</td>
</tr>
<tr>
<td>2020</td>
<td>2,665,000</td>
<td>1.979</td>
<td>1.979</td>
<td>605581ET0</td>
</tr>
<tr>
<td>2021</td>
<td>10,640,000</td>
<td>2.195</td>
<td>2.195</td>
<td>605581EU7</td>
</tr>
<tr>
<td>2022</td>
<td>10,865,000</td>
<td>2.395</td>
<td>2.395</td>
<td>605581EV5</td>
</tr>
<tr>
<td>2023</td>
<td>11,115,000</td>
<td>2.559</td>
<td>2.559</td>
<td>605581EW7</td>
</tr>
<tr>
<td>2024</td>
<td>2,190,000</td>
<td>2.679</td>
<td>2.679</td>
<td>605581EX1</td>
</tr>
<tr>
<td>2025</td>
<td>2,250,000</td>
<td>2.829</td>
<td>2.829</td>
<td>605581EY9</td>
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<td>2026</td>
<td>2,315,000</td>
<td>2.979</td>
<td>2.979</td>
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<tr>
<td>2027</td>
<td>2,385,000</td>
<td>3.079</td>
<td>3.079</td>
<td>605581FA0</td>
</tr>
<tr>
<td>2028</td>
<td>2,465,000</td>
<td>3.229</td>
<td>3.229</td>
<td>605581FB8</td>
</tr>
<tr>
<td>2029</td>
<td>15,000,000</td>
<td>3.429</td>
<td>3.429</td>
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<tr>
<td>2030</td>
<td>15,330,000</td>
<td>3.529</td>
<td>3.529</td>
<td>605581FD4</td>
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$89,155,000 3.729% Term Bonds due October 1, 2032, Priced to Par, CUSIP 605581FF9

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STATE OF MISSISSIPPI

STATE BOND COMMISSION

PHIL BRYANT — Governor, Ex officio Chairman
JIM HOOD — Attorney General, Ex officio Secretary
LYNN FITCH — State Treasurer, Ex officio Member

DEPARTMENT OF FINANCE AND ADMINISTRATION

KEVIN J. UPCHURCH — Executive Director
FLIP PHILLIPS — Deputy Executive Director
MARK VALENTINE — Director, Bond Advisory Division

OFFICE OF THE ATTORNEY GENERAL

ROMAINE RICHARDS — Special Assistant Attorney General

OFFICE OF THE STATE TREASURER

LAURA JACKSON — Deputy Treasurer
RICKY MANNING — Director, Bond Division

BOND COUNSEL

BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, PC
Jackson, Mississippi

UNDERWRITERS’ COUNSEL

BUTLER SNOW LLP
Ridgeland, Mississippi

FINANCIAL ADVISOR

FIRST SOUTHWEST COMPANY, LLC
Dallas, Texas
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WEBSITE.

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<td>Redemption Provisions of the Series 2015C Bonds</td>
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<td>5</td>
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<td>Long Term Debt Ratios</td>
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</tr>
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<td>Moral Obligation Bonds</td>
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<td>Record of No Default</td>
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</table>
OFFICIAL STATEMENT SUMMARY

THE OFFERING

$249,980,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015C
(Tax-Exempt)

The Issuer ................. State of Mississippi (the "State").

Issue and Date ............... $249,980,000 State of Mississippi General Obligation Refunding Bonds,
Series 2015C (Tax-Exempt) (the “Series 2015C Bonds”), dated their date of
delivery.

Authority ..................... The Series 2015C Bonds will be issued pursuant to the provisions of the
Act (as defined herein) and the Series 2015C Resolution (as defined
herein).

Purpose ....................... The Series 2015C Bonds are being issued for the purpose of (a) advance
refunding and defeasing certain discrete maturities of general obligation
bonds previously issued by the State, as more particularly described
herein, and (b) paying the costs incident to the sale and issuance of the
Series 2015C Bonds, as authorized under Act.

Amounts and Maturities...... The Series 2015C Bonds will mature on October 1 in the years and
amounts as shown on the inside front cover.

Interest Payment Dates ....... Interest on the Series 2015C Bonds will be payable on April 1 and October
1 of each year, commencing April 1, 2015.

Redemption Provisions ............... The Series 2015C Bonds are subject to optional redemption prior to their
respective maturities (see "DESCRIPTION OF THE SERIES 2015
REFUNDING BONDS - Redemption Provisions of the Series 2015C
Bonds," herein).

Security for Payment .......... Pursuant to the Act, the Series 2015C Bonds shall be general obligations
of the State and are secured by a pledge of the full faith and credit of the
State (see "DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS
- Security," herein).

Tax Matters .................... In the opinion of Bond Counsel (as defined herein), interest on the Series
2015C Bonds is excludable from gross income for federal and State tax
purposes. However, see "TAX MATTERS" for a description of the
alternative minimum tax on corporations and certain other federal tax
consequences of ownership of the Series 2015C Bonds. See "TAX
MATTERS," herein.

The above information is qualified in its entirety by the detailed information and financial statements
appearing elsewhere in this Official Statement, including the Appendices.

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OFFICIAL STATEMENT SUMMARY

THE OFFERING

$179,135,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015D

The Issuer ......................... State of Mississippi (the "State").

Issue and Date ................. $179,135,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2015D (the "Series 2015D Bonds"), dated their date of delivery.

Authority ....................... The Series 2015D Bonds will be issued pursuant to the provisions of the Act and the Series 2015D Resolution (as defined herein).

Purpose ......................... The Series 2015D Bonds are being issued for the purpose of (a) advance refunding and defeasing certain discrete maturities of general obligation bonds previously issued by the State, as more particularly described herein, and (b) paying the costs incident to the sale and issuance of the Series 2015D Bonds, as authorized under Act.

Amounts and Maturities ........ The Series 2015D Bonds will mature on October 1 in the years and amounts as shown on the inside front cover.

Interest Payment Dates .......... Interest on the Series 2015D Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2015.


Security for Payment .......... Pursuant to the Act, the Series 2015D Bonds shall be general obligations of the State and are secured by a pledge of the full faith and credit of the State (see "DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS - Security," herein).

Tax Matters ...................... INTEREST ON THE SERIES 2015D BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Bond Counsel, interest on the Series 2015D Bonds is exempt from all income taxation in the State (see "TAX MATTERS," herein).

The above information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, including the Appendices.

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OFFICIAL STATEMENT

$249,980,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015C
(Tax-Exempt)

$179,135,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015D

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover and the Appendices herein, is to set forth certain information concerning the State of Mississippi (the "State" or "Mississippi") and the State's $249,980,000 General Obligation Refunding Bonds, Series 2015C (Tax-Exempt) (the "Series 2015C Bonds"), and $179,135,000 Taxable General Obligation Refunding Bonds, Series 2015D (the "Series 2015D Bonds" and together with the Series 2015C Bonds, the "Series 2015 Refunding Bonds").

DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS

General

The Series 2015 Refunding Bonds will be dated the date of delivery, and will be issued as fully registered bonds in the denominations of $5,000 or any integral multiples thereof, bearing interest at the rates per annum set forth on the inside front cover, payable on April 1 and October 1 of each year, commencing on April 1, 2015, and computed on the basis of a 360-day year consisting of twelve, 30-day months. The State Treasurer of the State has been designated by the State Bond Commission of the State (the "Commission") to serve as paying agent, transfer agent and registrar of the Series 2015 Refunding Bonds (in such capacity, the "Paying and Transfer Agent"). The Series 2015 Refunding Bonds will be general obligations of the State and the full faith and credit of the State shall be pledged as security for the payment of the principal of and the interest on the Series 2015 Refunding Bonds.

The Series 2015 Refunding Bonds initially will be held in a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"). Principal of and interest on the Series 2015 Refunding Bonds held in book-entry form shall be payable as described herein under the heading "DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS - Book-Entry-Only System."

The principal of and interest on the Series 2015 Refunding Bonds will be payable by the Paying and Transfer Agent to DTC, which will in turn remit such principal and interest to its Direct Participants (as hereinafter defined) and Indirect Participants (as hereinafter defined), which will in turn remit such principal and interest to the Beneficial Owners (as hereinafter defined) of the Series 2015 Refunding Bonds. If the date for payment is not a business day, then the payment shall be made on the next succeeding business day with the same force and effect as if made on the payment date.

The Series 2015 Refunding Bonds will mature October 1, in the years and in the amounts set forth on the inside cover page hereto.

Series 2015C Bonds

The Series 2015C Bonds will be issued pursuant to the provisions of Section 31-27-1 et seq., Mississippi Code of 1972, as amended and supplemented from time to time (the "Act") and a resolution adopted by the State Bond Commission of the State on January 7, 2015 (the "Series 2015C Resolution") for the purpose of providing funds to (a) advance refund and defease certain maturities of the State's (i) $167,315,000 (original principal amount) General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and
Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B. B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt Project), Series 2006D, dated as of November 1, 2006, (ii) $299,020,000 (original principal amount) General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated as of December 1, 2007, and (iii) $133,545,000 (original principal amount) General Obligation Bonds, Series 2008A (Community Heritage Preservation Grant Program, Local Governments and Rural Water Systems Program, Water Pollution Control Revolving Fund, Local System Bridge Replacement Program, Mississippi Public Health Laboratory Project, Rural Fire Truck Acquisition Assistance Program, Bureau of Buildings Projects and Soil and Water Conservation Program), dated as of October 1, 2008 (collectively, the “Tax-Exempt Refunded Bonds”) and (b) pay the costs incident to the sale and issuance of the Series 2015C Bonds, as authorized under Act (see "PLAN OF REFUNDING – Series 2015C Bonds," herein).

Series 2015D Bonds

The Series 2015D Bonds will be issued pursuant to the provisions of the Act and a resolution adopted by the State Bond Commission of the State on January 7, 2015 (the “Series 2015D Resolution” and together with the Series 2015C Resolution, the "Resolutions") for the purpose of providing funds to (a) advance refund and defease certain maturities of the State’s (i) $96,600,000 (original principal amount) Taxable General Obligation Bonds, Series 2008B (Economic Development Highway Fund, 2006 Shipyard Improvements, Ace Fund, Small Municipalities and Limited Population Counties Fund, Job Protection Program, Northeast Counties Railroad Improvements, Mississippi Major Economic Impact Program, Minority Business Enterprise Program, Local Governments Capital Improvements Revolving Loan Program, Mississippi Technology Alliance Program, Children’s Museum Program and Statewide Wireless Communications System Project), dated as of October 1, 2008, and (ii) $120,000,000 (original principal amount) Taxable General Obligation Bonds, Series 2009E, dated October 29, 2009 (the “Taxable Refunded Bonds” and together with the Tax-Exempt Refunded Bonds, the “Refunded Bonds”), and (b) pay the costs incident to the sale, issuance and delivery of the Series 2015D Bonds (see "PLAN OF REFUNDING – Series 2015D Bonds," herein).

Security

The Series 2015 Refunding Bonds will be general obligations of the State, and for the payment thereof, the full faith and credit of the State shall be irrevocably pledged. The Act provides that if the funds appropriated by the Legislature of the State shall be insufficient to pay the principal of and interest on the Series 2015 Refunding Bonds as they mature and become due, the deficiency shall be paid by the State Treasurer from funds in the State Treasury not otherwise appropriated.

The qualified electors of the State voted in a general election held on November 7, 1995, to amend the Mississippi Constitution of 1890 (the “Constitution”) to add the following new Section 172A (the "Amendment"):

SECTION 172A. Neither the Supreme Court nor any inferior court of this state shall have the power to instruct or order the state or any political subdivision thereof, or an official of the state or any political subdivision, to levy or increase taxes.

The Amendment does not affect the State’s underlying obligation to pay the principal of and interest on the Series 2015 Refunding Bonds as they mature and become due nor does it affect the State’s obligation to levy a tax sufficient to accomplish that purpose. However, even though it appears that the Amendment was not intended to affect bondholders’ remedies in the event of a payment default, the Amendment potentially prevents bondholders from obtaining a writ of mandamus to compel the levying of taxes to pay the principal of and interest on the Series 2015 Refunding Bonds in a State court. It is not certain whether the Amendment would affect the right of a federal court to direct the levy of a tax to satisfy a contractual obligation. Other effective remedies are available to the bondholders in the event of a payment default with respect to the Series 2015 Refunding Bonds.

Redemption Provisions of the Series 2015C Bonds

Optional Redemption. The Series 2015C Bonds will be subject to optional redemption prior to their respective maturities on or after October 1, 2025, either in whole on any date, or in part on any interest payment date (as selected by the State among maturities and by lot within each maturity), at the principal
Redemption Provisions of the Series 2015D Bonds

**Make-Whole Redemption.** The Series 2015D Bonds will be subject to redemption prior to their respective maturities, at the option of the State, in whole or in part, in any authorized denomination on any date at a redemption price equal to the Make-Whole Redemption Price.

The "Make-Whole Redemption Price" of any Series 2015D Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such Series 2015D Bonds; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2015D Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2015D Bonds are to be redeemed, discounted to the date on which such Series 2015D Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 25 basis points, plus, in each case, accrued and unpaid interest on such Series 2015D Bonds on such redemption date.

The "Treasury Rate" is, as of any redemption date of any Series 2015D Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to such redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the maturity date of such Series 2015D Bonds; provided, however, that if the period from such redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Make-Whole Redemption Price will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State to calculate such redemption price (the "Calculation Agent"). The determination by the Calculation Agent of the redemption price will be conclusive and binding on the State and the holders of the Series 2015D Bonds.

**Mandatory Sinking Fund Redemption.** The Series 2015D Bonds maturing on October 1, 2032, (the "Series 2015D Term Bonds") are term bonds and are subject to mandatory sinking fund redemption, pro rata among the holders of the Series 2015D Term Bonds, prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the redemption date, from moneys to be deposited in accordance with the Series 2015D Resolution, on October 1 of each of the years, and in the respective amounts specified below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2031</td>
<td>$57,375,000</td>
</tr>
<tr>
<td>2032*</td>
<td>31,780,000</td>
</tr>
</tbody>
</table>

*Final Maturity

Selection of Series 2015 Refunding Bonds to be Redeemed

**Held in Book-Entry Only System.** If less than all of the Series 2015 Refunding Bonds shall be called for redemption, the State shall notify DTC that the redemption shall be by lot in whole multiples of $5,000. While DTC is the registered owner of the Series 2015 Refunding Bonds, partial redemptions (including any sinking fund payments) of the Series 2015 Refunding Bonds of a particular maturity will be determined in accordance with DTC’s procedures as in effect at the time of any such partial redemption.

**Not Held in Book-Entry Only System.** If less than all of the Series 2015 Refunding Bonds subject to redemption are called for redemption, the Paying and Transfer Agent shall select the Series 2015 Refunding Bonds to be redeemed from the outstanding Series 2015 Refunding Bonds subject to redemption and not previously called for redemption, by lot in any manner deemed reasonable by the Paying and Transfer Agent.
provided that the unredeemed portion of the principal amount of any Series 2015 Refunding Bond shall be not less than $5,000.

Notice of Redemption

Notice of the call for any redemption (which may be a conditional notice), identifying the Series 2015 Refunding Bonds (or any portions thereof in authorized denominations) to be redeemed, will be given by the State at least 30 days but not more than 45 days prior to the date fixed for redemption by mailing a copy of the redemption notice by registered or certified mail to the Underwriters (as defined herein) and the registered owner of each Series 2015 Refunding Bond to be redeemed at the address shown on the records of the Paying and Transfer Agent. Failure to mail such notice to any particular owner of Series 2015 Refunding Bonds, or any defect in the notice mailed to any such owner of Series 2015 Refunding Bonds, will not affect the validity of any proceeding for the redemption of any other Series 2015 Refunding Bonds. So long as DTC or its nominee is the registered owner of the Series 2015 Refunding Bonds, notice of the call for any redemption will be given to DTC, and not directly to Beneficial Owners. See the caption, "DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS -- Book-Entry-Only System" and APPENDIX F - BOOK-ENTRY-ONLY SYSTEM.

Defeasance

Under the Resolutions, all Series 2015 Refunding Bonds for the payment of which sufficient moneys or, to the extent permitted by the laws of the State, (a) direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America or any of its agencies ("Government Obligations"), or (b) certificates of deposit fully secured by Government Obligations, or (c) evidences of ownership of proportionate interests in future interest or principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the Government Obligations and which Government Obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated, or (d) municipal obligations, the payment of the principal of, interest and redemption premium, if any, on which are irrevocably secured by Government Obligations and which Government Obligations are not subject to redemption prior to the date on which the proceeds attributable to the principal of such obligations are to be used and have been deposited in an escrow account which is irrevocably pledged to the payment of the principal of and interest and redemption premium, if any, on such municipal obligations (all of which collectively, with Government Obligations, "Defeasance Securities"), shall have been deposited with an escrow agent appointed for such purpose, which may be the Paying and Transfer Agent, all to the extent provided in the Resolutions, shall be deemed to have been paid, shall cease to be entitled to any lien, benefit or security under the Resolutions and shall no longer be deemed to be outstanding thereunder, and the registered owners shall have no rights in respect thereof except to receive payment of the principal of, premium, if any, and interest on such Series 2015 Refunding Bonds from the funds held for that purpose. Defeasance Securities shall be considered sufficient under the Resolutions if said investments, with interest, mature and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay principal and premium, if any, when due on such Series 2015 Refunding Bonds.

Registration

**Series 2015 Refunding Bonds Subject to the Book-Entry-Only System.** For so long as DTC acts as securities depository for the Series 2015 Refunding Bonds, the registration and transfer of ownership interests in Series 2015 Refunding Bonds shall be accomplished by book entries made by DTC and the Direct Participants and, where appropriate, the Indirect Participants, as described herein under the heading "DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS-Book-Entry-Only System."

**Series 2015 Refunding Bonds Not Subject to Book-Entry-Only System.** Should the Series 2015 Refunding Bonds no longer be held in book-entry form, each Series 2015 Refunding Bond shall be thereafter evidenced by a bond certificate in fully registered form and transferable only upon the registration records of the State maintained by the Paying and Transfer Agent, by the registered owner thereof or by such registered owner's attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Paying and Transfer Agent, duly executed by the registered owner or such registered owner's duly authorized attorney. Upon the transfer of any Series 2015 Refunding Bond, the State shall issue, in the name of the transferee, a new Series 2015 Refunding Bond or Series 2015 Refunding Bonds of the same
interest rate and maturity of like tenor and effect in any authorized denomination equal to the unpaid principal amount of the surrendered Series 2015 Refunding Bond.

Series 2015 Refunding Bonds, upon surrender thereof at the Office of the State Treasurer with a written instrument of transfer satisfactory to the Paying and Transfer Agent duly executed by the registered owner or such registered owner's duly authorized attorney, may be exchanged for a principal amount of Series 2015 Refunding Bonds of the same interest rate and maturity and of like tenor and effect in any authorized denomination equal to the unpaid principal amount of the surrendered Series 2015 Refunding Bond. The Paying and Transfer Agent will not be required to register the transfer of or exchange any Series 2015 Refunding Bond after the mailing of notice calling such Series 2015 Refunding Bond for redemption has been given as provided in the Resolutions, nor during the period of 15 days next preceding the giving of such notice of redemption.

Book-Entry-Only System

The State has determined that it will be beneficial to have the Series 2015 Refunding Bonds held by a central depository system and to have transfers of the Series 2015 Refunding Bonds handled by a book-entry system on the records of DTC. Unless and until the book-entry-only system has been discontinued, the Series 2015 Refunding Bonds will be available only in book-entry form in principal amounts of $5,000 or any integral multiple thereof. DTC will initially act as securities depository for the Series 2015 Refunding Bonds. The Series 2015 Refunding Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Series 2015 Refunding Bond will be issued for each maturity of the Series 2015 Refunding Bonds, and will be deposited with DTC. See APPENDIX F - BOOK-ENTRY-ONLY SYSTEM, for a detailed discussion of the book-entry-only system and DTC.

In the event the book-entry-only system is discontinued, principal and interest on the Series 2015 Refunding Bonds will be payable by check or draft of the Paying and Transfer Agent as described under the heading “DESCRIPTION OF THE SERIES 2015 REFUNDING BONDS - Registration.”

PLAN OF REFUNDING

Series 2015C Bonds

The Series 2015C Bonds are being issued under and pursuant to the Act and the Series 2015C Resolution for the purpose of (a) advance refunding and defeasing the Tax-Exempt Refunded Bonds, as more particularly described below (the “Tax-Exempt Refunding Project”), and (b) paying certain costs incident to the sale and issuance of the Series 2015C Bonds.

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

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Principal Amount</th>
<th>Redemption Date</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/01/2018</td>
<td>5.000%</td>
<td>$ 8,655,000</td>
<td>11/01/2017</td>
<td>100%</td>
</tr>
<tr>
<td>11/01/2019</td>
<td>5.000</td>
<td>9,085,000</td>
<td>11/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>11/01/2020</td>
<td>5.000</td>
<td>9,540,000</td>
<td>11/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>11/01/2024</td>
<td>5.000</td>
<td>11,600,000</td>
<td>11/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>11/01/2025</td>
<td>4.250</td>
<td>12,175,000</td>
<td>11/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>11/01/2026</td>
<td>4.250</td>
<td>12,785,000</td>
<td>11/01/2017</td>
<td>100</td>
</tr>
</tbody>
</table>
In order to effect the advance refunding and defeasance of the Tax-Exempt Refunded Bonds in accordance with the Series 2015C Resolution, a portion of the proceeds of the Series 2015C Bonds will be deposited in an irrevocable trust fund (the "2015C Escrow Account") to be created pursuant to an escrow trust agreement to be dated as of the date of delivery thereof (the "2015C Escrow Agreement") between the State and Whitney Bank doing business as Hancock Bank, Gulfport, Mississippi, as escrow trustee thereunder (the "2015C Escrow Trustee"). The 2015C Escrow Trustee shall invest moneys on deposit in the 2015C Escrow Account in direct obligations of or obligations unconditionally guaranteed by the United States of America (the "2015C Investment Securities"). The calculation of the adequacy of the maturing principal and interest payments from the 2015C Investment Securities to pay the principal of and interest on the Tax-Exempt Refunded Bonds when due will be verified by Causey Demgen & Moore P.C. (the "Verification Agent") (see "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS," herein). Neither the principal of nor the interest on the 2015C Investment Securities will be available for payment of the Series 2015C Bonds. A portion of the proceeds of the Series 2015C Bonds will be deposited in an irrevocable trust fund to be created pursuant to the 2015C Escrow Agreement and will be used to pay the costs incident to the sale and issuance of the Series 2015C Bonds.

**Series 2015D Bonds**

The Series 2015D Bonds are being issued under and pursuant to the Act and the Series 2015D Resolution for the purpose of (a) advance refunding and defeasing the Taxable Refunded Bonds, as more particularly described below (the "Taxable Refunding Project"), and (b) paying certain costs incident to the sale and issuance of the Series 2015D Bonds.

### $299,020,000 State of Mississippi (original principal amount) General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated as of December 1, 2007

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Principal Amount</th>
<th>Redemption Date</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/01/2018</td>
<td>5.000%</td>
<td>$14,805,000</td>
<td>12/01/2017</td>
<td>100%</td>
</tr>
<tr>
<td>12/01/2019</td>
<td>5.000</td>
<td>15,470,000</td>
<td>12/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>12/01/2020</td>
<td>5.000</td>
<td>16,165,000</td>
<td>12/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>12/01/2024</td>
<td>5.000</td>
<td>19,275,000</td>
<td>12/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>12/01/2025</td>
<td>5.000</td>
<td>20,145,000</td>
<td>12/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>12/01/2026</td>
<td>4.625</td>
<td>21,050,000</td>
<td>12/01/2017</td>
<td>100</td>
</tr>
<tr>
<td>12/01/2027</td>
<td>4.750</td>
<td>22,000,000</td>
<td>12/01/2017</td>
<td>100</td>
</tr>
</tbody>
</table>

### $133,545,000 State of Mississippi General Obligation Bonds, Series 2008A (Community Heritage Preservation Grant Program, Local Governments and Rural Water Systems Program, Water Pollution Control Revolving Fund, Local System Bridge Replacement Program, Mississippi Public Health Laboratory Project, Rural Fire Truck Acquisition Assistance Program, Bureau of Buildings Projects and Soil and Water Conservation Program), dated as of October 1, 2008

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Principal Amount</th>
<th>Redemption Date</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/01/2019</td>
<td>5.000%</td>
<td>$ 6,680,000</td>
<td>10/01/2018</td>
<td>100%</td>
</tr>
<tr>
<td>10/01/2020</td>
<td>5.000</td>
<td>6,880,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
<tr>
<td>10/01/2021</td>
<td>5.000</td>
<td>7,085,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
<tr>
<td>10/01/2022</td>
<td>5.000</td>
<td>7,300,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
<tr>
<td>10/01/2023</td>
<td>5.000</td>
<td>7,515,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
<tr>
<td>10/01/2024</td>
<td>4.250</td>
<td>7,745,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
<tr>
<td>10/01/2025</td>
<td>4.375</td>
<td>7,975,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
<tr>
<td>10/01/2026</td>
<td>4.375</td>
<td>8,215,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
<tr>
<td>10/01/2027</td>
<td>5.000</td>
<td>8,460,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
<tr>
<td>10/01/2028</td>
<td>5.000</td>
<td>8,715,000</td>
<td>10/01/2018</td>
<td>100</td>
</tr>
</tbody>
</table>
In order to effect the advance refunding and defeasance of the Taxable Refunded Bonds in accordance with the Series 2015D Resolution, a portion of the proceeds of the Series 2015D Bonds will be deposited in an irrevocable trust fund (the "2015D Escrow Account" together with the Series 2015C Escrow Account, the "Escrow Accounts") to be created pursuant to an escrow trust agreement to be dated as of the date of delivery thereof (the "2015D Escrow Agreement") between the State and Whitney Bank doing business as Hancock Bank, Gulfport, Mississippi, as escrow trustee thereunder (the "2015D Escrow Trustee"). The 2015D Escrow Trustee shall invest moneys on deposit in the 2015D Escrow Account in direct obligations of or obligations unconditionally guaranteed by the United States of America (the "2015D Investment Securities" and together with the 2015C Investment Securities, the "Investment Securities"). The calculation of the adequacy of the maturing principal and interest payments from the 2015D Investment Securities to pay the principal of and interest on the Taxable Refunded Bonds when due will be verified by the Verification Agent (see "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS," herein). Neither the principal of nor the interest on the 2015D Investment Securities will be available for payment of the Series 2015D Bonds. A portion of the proceeds of the Series 2015D Bonds will be deposited in an irrevocable trust fund to be created pursuant to the 2015D Escrow Agreement and will be used to pay the costs incident to the sale and issuance of the Series 2015D Bonds.

SERIES 2015A BONDS AND THE SERIES 2015B BONDS

Contemporaneously with the sale and issuance of the Series 2015 Refunding Bonds, the State is planning to issue its $154,685,000 General Obligation Bonds, Series 2015A (the "Series 2015A Bonds") and its $128,950,000 Taxable General Obligation Bonds, Series 2015B (the "Series 2015B Bonds and together with the Series 2015A Bonds, the "Series 2015 New Money Bonds") for the purpose of financing certain capital improvements within the State and various economic development loans, grants and programs in the State and paying the costs incident to the sale and issuance of the Series 2015 New Money Bonds. The terms and conditions of and the authorization for the issuance of the Series 2015 New Money Bonds is not reflected in this Official Statement.
SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of proceeds of the Series 2015 Refunding Bonds.

<table>
<thead>
<tr>
<th>Sources</th>
<th>Series 2015C Bonds</th>
<th>Series 2015D Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount</td>
<td>$249,980,000.00</td>
<td>$179,135,000.00</td>
</tr>
<tr>
<td>Plus Original Issue Premium</td>
<td>54,988,277.15</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$304,968,277.15</td>
<td>$179,135,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For Deposit to Escrow Accounts</td>
<td>$304,431,691.21</td>
<td>$178,731,485.90</td>
</tr>
<tr>
<td>For Costs of Issuance¹</td>
<td>536,585.94</td>
<td>403,514.10</td>
</tr>
<tr>
<td>Total Uses</td>
<td>$304,968,277.15</td>
<td>$179,135,000.00</td>
</tr>
</tbody>
</table>

¹ Includes, among other expenses, underwriters' discount, rating agency fees, and financial advisor and legal fees. Payment of such fees is contingent upon the issuance of the Series 2015 Refunding Bonds.

DEBT STRUCTURE AND CHARACTERISTICS

General

All debt of the State must be authorized by legislation governing the specific programs or projects to be financed. In most instances, such legislation provides the Commission authority to approve and authorize the sale and issuance of State debt. The Commission is comprised of the Governor as Ex officio Chairman, the Attorney General as Ex officio Secretary and the State Treasurer as an Ex officio Member.

Short-Term Indebtedness

The Commission, acting on behalf of the State, is authorized to issue in any given fiscal year general obligation short-term notes in an amount not to exceed 7.5% of the total appropriation made by the Legislature in such fiscal year. Such short-term notes may be issued for the purpose of offsetting any temporary cash flow deficiencies in the State's General Fund and to maintain a working balance therein. The State has never issued tax anticipation notes.

The Commission also has the authority to establish lines of credit or issue short-term notes to provide temporary financing for certain projects for which the Commission is otherwise authorized to issue bonds. No such line of credit or short-term debt instrument is presently outstanding.

Long-Term Indebtedness

The State’s long-term indebtedness is composed of general obligation bonds and revenue bonds issued to finance specific programs and projects. As used in this Official Statement, the terms Gross Debt, Gross Direct Debt and Net Direct Debt are part of the State's long-term debt and have the following meanings.

"Gross Debt" means all bonded debt of the State, both general obligation bonds and revenue bonds.

"Gross Direct Debt" means only bonded debt of the State to which the full faith, credit and taxing power of the State is pledged.

"Net Direct Debt" means that amount of Gross Direct Debt, which is serviced only by appropriations from the State's General Fund or by specific sources of revenue, which would otherwise accrue to the State's General Fund except for the servicing of such debt.
The following table summarizes the outstanding principal amount of debt.

**STATE OF MISSISSIPPI**
**LONG TERM INDEBTEDNESS** (1)
**As of December 1, 2014**

State of Mississippi Bonds
- General Obligation Bonds Payable from General Fund or $3,894,010,000
- General Fund Revenues 0
- Self-Supporting General Obligation Bonds Revenue Bonds 0

**GROSS DEBT** $3,894,010,000

**DEDUCTIONS:**

Revenue Bonds
- Subtotal $0

**GROSS DIRECT DEBT** $3,894,010,000

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Debt</th>
<th>Revenue Bond Debt</th>
<th>Gross Direct Debt</th>
<th>Self-Supporting General Obligation Debt</th>
<th>General Net Direct Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$3,066,040,000</td>
<td>$91,995,000</td>
<td>$2,974,045,000</td>
<td>$39,955,000</td>
<td>$2,934,090,000</td>
</tr>
<tr>
<td>2006</td>
<td>$3,094,325,000</td>
<td>70,320,000</td>
<td>3,024,005,000</td>
<td>36,605,000</td>
<td>2,987,400,000</td>
</tr>
<tr>
<td>2007</td>
<td>$3,140,150,000</td>
<td>47,880,000</td>
<td>3,092,270,000</td>
<td>34,070,000</td>
<td>3,058,200,000</td>
</tr>
<tr>
<td>2008</td>
<td>$3,365,750,000</td>
<td>24,460,000</td>
<td>3,314,290,000</td>
<td>31,435,000</td>
<td>3,309,855,000</td>
</tr>
<tr>
<td>2009</td>
<td>$3,426,630,000</td>
<td>0</td>
<td>3,426,630,000</td>
<td>3,790,000</td>
<td>3,422,840,000</td>
</tr>
<tr>
<td>2010</td>
<td>$3,480,067,000</td>
<td>0</td>
<td>3,480,067,000</td>
<td>2,885,000</td>
<td>3,477,182,000</td>
</tr>
<tr>
<td>2011</td>
<td>$3,780,490,000</td>
<td>0</td>
<td>3,780,490,000</td>
<td>1,955,000</td>
<td>3,778,535,000</td>
</tr>
<tr>
<td>2012</td>
<td>$4,131,465,000</td>
<td>0</td>
<td>4,131,465,000</td>
<td>995,000</td>
<td>4,131,470,000</td>
</tr>
<tr>
<td>2013</td>
<td>$4,055,890,000</td>
<td>0</td>
<td>4,055,890,000</td>
<td>0</td>
<td>4,055,890,000</td>
</tr>
<tr>
<td>2014</td>
<td>$4,142,675,000</td>
<td>0</td>
<td>4,142,675,000</td>
<td>0</td>
<td>4,142,675,000</td>
</tr>
</tbody>
</table>

Source: Mississippi Treasury Department and the Department of Finance and Administration.

Outstanding Long Term Indebtedness

The following table shows a recent historical summary of the outstanding long term indebtedness of the State.

**HISTORICAL SUMMARY OF OUTSTANDING LONG TERM INDEBTEDNESS**

[The remainder of this page left blank intentionally.]
GENERAL FUND DEBT SERVICE
AS A PERCENTAGE OF GENERAL FUND REVENUES(1)

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>General Fund Revenues</th>
<th>General Fund Debt Service</th>
<th>General Obligation Debt Service as a Percent of Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$3,930,938,591</td>
<td>$207,175,252</td>
<td>5.27%</td>
</tr>
<tr>
<td>2006</td>
<td>4,332,615,923</td>
<td>331,458,398</td>
<td>7.65</td>
</tr>
<tr>
<td>2007</td>
<td>4,789,398,828</td>
<td>212,707,963(2)</td>
<td>4.44</td>
</tr>
<tr>
<td>2008</td>
<td>4,936,891,193</td>
<td>289,547,871</td>
<td>5.86</td>
</tr>
<tr>
<td>2009</td>
<td>4,729,998,654</td>
<td>289,547,871</td>
<td>6.12</td>
</tr>
<tr>
<td>2010</td>
<td>4,453,337,142</td>
<td>347,187,030</td>
<td>7.80</td>
</tr>
<tr>
<td>2011</td>
<td>4,580,238,231</td>
<td>360,834,668</td>
<td>7.90</td>
</tr>
<tr>
<td>2012</td>
<td>4,850,552,501</td>
<td>369,045,642</td>
<td>7.60</td>
</tr>
<tr>
<td>2013</td>
<td>5,083,326,217</td>
<td>376,367,667</td>
<td>7.40</td>
</tr>
<tr>
<td>2014</td>
<td>5,332,732,585</td>
<td>375,860,167</td>
<td>7.05</td>
</tr>
</tbody>
</table>

(1) Represents all debt service paid from the State's General Fund for the years provided.
(2) During fiscal year 2007, $100 million of debt service normally funded through General Fund appropriation was funded by the proceeds from the issuance of Gulf Tax Credit Bonds in October 2006.

Source: Mississippi Treasury Department and the Department of Finance and Administration.

Long Term Debt Ratios

The following table presents the State's long term debt ratios as of December 1, 2014.

<table>
<thead>
<tr>
<th>As of December 1, 2014</th>
<th>Amount</th>
<th>Debt Per Capita(1)</th>
<th>Debt to Assessed Valuation(2)</th>
<th>Debt to Estimated Full Valuation(3)</th>
<th>Debt to Personal Income(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Debt</td>
<td>$3,894,010,000</td>
<td>$1,301.82</td>
<td>24.5%</td>
<td>3.03%</td>
<td>3.84%</td>
</tr>
</tbody>
</table>


The following table presents the recent history of the State's bonded indebtedness as of July 1 of each year.
## HISTORICAL GENERAL OBLIGATION BONDED DEBT
### OUTSTANDING AND DEBT RATIOS SINCE 2005\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Outstanding Debt</th>
<th>Debt Per Capita</th>
<th>Debt to Assessed Valuation</th>
<th>Debt to Estimated Full Valuation</th>
<th>Debt to Personal Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Gross Debt $4,142,675,000</td>
<td>$1,384.95</td>
<td>26.04%</td>
<td>3.22%</td>
<td>4.08%</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 4,142,675,000</td>
<td>1,384.95</td>
<td>26.04</td>
<td>3.22</td>
<td>4.08</td>
</tr>
<tr>
<td>2013</td>
<td>Gross Debt 4,055,890,000</td>
<td>1,366.86</td>
<td>25.89</td>
<td>3.25</td>
<td>4.04</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 4,055,890,000</td>
<td>1,366.86</td>
<td>25.89</td>
<td>3.25</td>
<td>4.04</td>
</tr>
<tr>
<td>2012</td>
<td>Gross Debt 4,131,465,000</td>
<td>1,392.33</td>
<td>26.38</td>
<td>3.31</td>
<td>4.31</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 4,130,470,000</td>
<td>1,383.78</td>
<td>26.37</td>
<td>3.31</td>
<td>4.31</td>
</tr>
<tr>
<td>2011</td>
<td>Gross Debt 3,780,490,000</td>
<td>1,274.05</td>
<td>24.89</td>
<td>3.10</td>
<td>4.09</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 3,778,535,000</td>
<td>1,273.39</td>
<td>24.88</td>
<td>3.10</td>
<td>4.08</td>
</tr>
<tr>
<td>2010</td>
<td>Gross Debt 3,480,067,000</td>
<td>1,223.22</td>
<td>40.60</td>
<td>5.02</td>
<td>5.85</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 3,477,182,000</td>
<td>1,222.21</td>
<td>40.57</td>
<td>5.01</td>
<td>5.84</td>
</tr>
<tr>
<td>2009</td>
<td>Gross Debt 3,426,630,000</td>
<td>1,204.44</td>
<td>39.98</td>
<td>4.94</td>
<td>5.76</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 3,422,840,000</td>
<td>1,203.11</td>
<td>39.93</td>
<td>4.94</td>
<td>5.76</td>
</tr>
<tr>
<td>2008</td>
<td>Gross Debt 3,365,750,000</td>
<td>1,183.04</td>
<td>39.27</td>
<td>4.86</td>
<td>5.66</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 3,309,855,000</td>
<td>1,163.39</td>
<td>38.61</td>
<td>4.78</td>
<td>5.57</td>
</tr>
<tr>
<td>2007</td>
<td>Gross Debt 3,140,150,000</td>
<td>1,103.74</td>
<td>36.60</td>
<td>4.53</td>
<td>5.28</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 3,058,200,000</td>
<td>1,074.94</td>
<td>35.70</td>
<td>4.41</td>
<td>5.14</td>
</tr>
<tr>
<td>2006</td>
<td>Gross Debt 3,094,325,000</td>
<td>1,087.64</td>
<td>36.10</td>
<td>4.47</td>
<td>5.20</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 2,987,400,000</td>
<td>1,050.05</td>
<td>34.90</td>
<td>4.31</td>
<td>5.00</td>
</tr>
<tr>
<td>2005</td>
<td>Gross Debt 3,066,040,000</td>
<td>1,077.69</td>
<td>35.77</td>
<td>4.42</td>
<td>5.16</td>
</tr>
<tr>
<td></td>
<td>Net Direct Debt 2,934,090,000</td>
<td>1,031.31</td>
<td>34.23</td>
<td>4.23</td>
<td>4.93</td>
</tr>
</tbody>
</table>

\(^{(1)}\) 2005 through 2010 debt per capita, debt to assessed valuation, debt to estimated full valuation and debt to personal income information was based on the Census data from 2000, subsequent years based on the Census data from 2010.


Source: Mississippi Department of Revenue and the Department of Finance and Administration.

### Lease Purchase Agreements

Pursuant to the authority granted the State by Section 31-7-10, Mississippi Code of 1972, as amended from time to time (the "Lease Purchase Act"), the Department of Finance and Administration has entered into a master lease purchase agreement to finance new personal property leased by various agencies, boards, departments and commissions of the State (the "Agency Leases"). The Agency Leases require the State to make periodic payments of rent sufficient to pay the principal and interest due thereunder. The lease payments are subject to annual appropriation and are not a full faith and credit obligation of the State. The Commission has authorized the State, through the Department of Finance and Administration, to enter into Agency Leases in an amount not to exceed $65,000,000 to be outstanding at any one time. There was an outstanding balance under the Agency Leases at December 31, 2014 was $29,937,988.16.

Under the Lease Purchase Act, the Department of Finance and Administration is also authorized to enter into lease purchase agreements (the "School Leases" and "Community College Leases") to finance personal property to be subleased by school districts and community colleges in the State (the "Subleases"). The School Leases require the State to make periodic payments of rent sufficient to pay the principal and interest due thereunder (the "Lease Payments"). The Subleases require the school districts and community colleges to make payments to the State sufficient to make the Lease Payments. The Lease Payments are subject to annual appropriation and are not a full faith and credit obligation of the State. The Commission has authorized the State, through the Department of Finance and Administration, to enter into School Leases and Community College Leases in an amount not to exceed $50,000,000 to be outstanding at any one time. There was an outstanding balance under the School Leases at December 31, 2014 of $6,228,432.74 and an outstanding balance under the Community College Leases of $6,589,454.33.
Certificates of Participation

Sections 47-5-1201 et seq., Mississippi Code of 1972, as amended from time to time, created the State Prison Emergency Construction and Management Board (the "SPECM Board") for the purpose of expediting the contracting and construction of public and private prison facilities in the State and the removal of State inmates from county jails. The SPECM Board entered into a Lease and Option to Purchase by and between the Marshall County Correctional Facilities Financing Corporation (the "Marshall County Lease"), as lessor, and the State, as lessee, in the principal amount of $24,215,000, on June 1, 1995 to finance the construction and equipping of a 1,000-bed correctional facility to be located in Marshall County. In connection with the refunding of the outstanding amounts under the Marshall County Lease, the Marshall County Lease has been amended and restated and assigned to secure the payment of the $18,575,000 Mississippi Development Bank Special Taxable Obligation Bonds, Series 2010A (MDOC – Marshall County Correctional Facility Refunding Bonds Project), dated May 21, 2010. The Marshall County Lease currently expires on August 1, 2018.

Section 47-5-941 of the Mississippi Code of 1972, as amended from time to time, authorizes the Wilkinson County Industrial Development Authority (the "Wilkinson Authority") to contract with the Mississippi Department of Corrections ("MDOC"), acting for and on behalf of the State, for the private incarceration of inmates of the State. The Wilkinson Authority entered into a Lease-Purchase Agreement, dated as of December 1, 1996, with MDOC (the "Wilkinson County Lease") in the principal amount of $31,435,000 to finance the construction of a 500-cell correctional facility to be located in Wilkinson County. In connection with the refunding of the outstanding amounts under the Wilkinson County Lease, the Wilkinson County Lease has been amended and restated and assigned to secure the payment of the $20,110,000 Mississippi Development Bank Special Taxable Obligation Bonds, Series 2010B (MDOC - Wilkinson County Correctional Facility Refunding Bonds Project), dated May 21, 2010. The Wilkinson County Lease currently expires on August 1, 2021.

House Bill 1719, Local and Private Laws of the 1996 Regular Session of the Mississippi Legislature authorized the Board of Supervisors of Lauderdale County, Mississippi to create the East Mississippi Correctional Facility Authority (the "East Mississippi Authority") for the purpose of contracting with MDOC for the private incarceration of inmates of the State. The East Mississippi Authority entered into a Lease-Purchase Agreement, dated as of December 15, 1997, with MDOC (the "East Mississippi Lease") in the principal amount of $34,520,000 to finance the construction of a 500-cell correctional facility to be located in Lauderdale County. In 2007, the East Mississippi Lease was amended to cover a 500-cell expansion of the facility and bonds were issued in the principal amount of $39,000,000 to finance such expansion. In connection with the refunding of the outstanding amounts under the East Mississippi Lease, the East Mississippi Lease has been amended and restated and assigned to secure the payment of the $68,830,000 Mississippi Development Bank Special Obligation Bonds, Series 2010D (Mississippi Department of Corrections Walnut Grove Correctional Facility Refunding Bonds Project), dated July 20, 2010. The East Mississippi Lease currently expires on August 1, 2027.

House Bill 1878, Local and Private Laws of the 1998 Regular Session of the Mississippi Legislature authorized the Town of Walnut Grove to create the Walnut Grove Correctional Authority (the "Walnut Grove Authority") for the purpose of contracting with MDOC for the private incarceration of inmates of the State. The Walnut Grove Authority entered into a Lease-Purchase Agreement, dated as of November 1, 1999, with MDOC (the "Walnut Grove Lease") in the principal amount of $41,420,000 to finance the construction of a 1000-bed correctional facility to be located in the Town of Walnut Grove. In 2007, the Walnut Grove Lease was amended to cover a 500 cell expansion of the facility and bonds were issued in the principal amount of $40,000,000 to finance such expansion. In connection with the refunding of the outstanding amounts under the Walnut Grove Lease, the Walnut Grove Lease has been amended and restated and assigned to secure the payment of the $93,580,000 Mississippi Development Bank Special Obligation Bonds, Series 2010C (Mississippi Department of Corrections Walnut Grove Correctional Facility Refunding Bonds Project), dated July 20, 2010. The Walnut Grove Lease currently expires on August 1, 2027.

The obligations of the State to make rental payments under the Rehab Lease, the Marshall County Lease, the Wilkinson County Lease, the East Mississippi Lease, and the Walnut Grove Lease are subject to annual appropriation and do not constitute general obligations or a pledge of the full faith and credit of the State or any political subdivision or agency thereof within the meaning of any constitutional or statutory provision or limitation.
Debt Limitation

Section 115, Paragraph 2 of the Mississippi Constitution of 1890 provides:

"Neither the State nor any of its direct agencies, excluding the political subdivisions and other local districts, shall incur a bonded indebtedness in excess of one and one-half (1½) times the sum of all the revenue collected by it for all purposes during any one of the preceding four fiscal years, whichever year might be higher."

In accordance with current practice and interpretation, revenues included in the foregoing debt limitation are restricted to the following General Fund revenues and Special Fund receipts: taxes; license fees and permits; investment income and rents; service charges, including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of December 1, 2014, the State's Gross Debt was $3,894,010,000. The following table shows the State's constitutional debt limit for the previous ten years and forecasts the State's constitutional debt limit for fiscal year 2015 and the next four fiscal years.

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Revenues(1)</th>
<th>Constitutional Debt Limit</th>
<th>Outstanding Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$6,604,380,600</td>
<td>$ 9,906,570,900</td>
<td>$3,066,040,000</td>
</tr>
<tr>
<td>2006</td>
<td>7,286,840,900</td>
<td>10,930,261,350</td>
<td>3,094,325,000</td>
</tr>
<tr>
<td>2007</td>
<td>8,006,244,243</td>
<td>12,099,366,365</td>
<td>3,140,150,000</td>
</tr>
<tr>
<td>2008</td>
<td>8,295,079,853</td>
<td>12,451,109,180</td>
<td>3,365,750,000</td>
</tr>
<tr>
<td>2009</td>
<td>7,960,861,538</td>
<td>12,451,109,180</td>
<td>3,426,630,000</td>
</tr>
<tr>
<td>2010</td>
<td>7,698,390,482</td>
<td>12,451,109,180</td>
<td>3,480,067,000</td>
</tr>
<tr>
<td>2011</td>
<td>7,956,269,318</td>
<td>12,451,109,180</td>
<td>3,780,490,000</td>
</tr>
<tr>
<td>2012</td>
<td>8,336,735,857</td>
<td>12,505,103,786</td>
<td>4,131,465,000</td>
</tr>
<tr>
<td>2013</td>
<td>8,549,281,153</td>
<td>12,630,154,824</td>
<td>4,055,890,000</td>
</tr>
<tr>
<td>2014</td>
<td>8,874,795,859</td>
<td>12,756,456,372</td>
<td>4,142,675,000</td>
</tr>
<tr>
<td>2015(2)</td>
<td>8,963,543,817</td>
<td>12,884,020,936</td>
<td>--</td>
</tr>
<tr>
<td>2016(2)</td>
<td>9,053,179,256</td>
<td>13,012,861,145</td>
<td>--</td>
</tr>
<tr>
<td>2017(2)</td>
<td>9,143,711,048</td>
<td>13,142,998,756</td>
<td>--</td>
</tr>
<tr>
<td>2018(2)</td>
<td>9,235,148,159</td>
<td>13,274,419,654</td>
<td>--</td>
</tr>
<tr>
<td>2019(2)</td>
<td>9,327,499,640</td>
<td>13,407,163,851</td>
<td>--</td>
</tr>
</tbody>
</table>

(1) Figures represent budgetary basis of revenues.
(2) Assumes a 1.0% growth in Revenue.

Source: Department of Finance and Administration.

[The remainder of this page left blank intentionally.]
Annual Debt Service Requirements on Net Direct General Obligation Bonded Debt

The following table shows the annual debt service requirements on the State's Net Direct Debt as of December 1, 2014.

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal(^{(1)(2)})</th>
<th>Interest(^{(1)(2)(3)})</th>
<th>Total Annual Debt Service(^{(1)(2)(3)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$6,010,000</td>
<td>$85,289,474</td>
<td>$91,299,474</td>
</tr>
<tr>
<td>2016</td>
<td>283,100,000</td>
<td>141,157,508</td>
<td>424,257,508</td>
</tr>
<tr>
<td>2017</td>
<td>292,965,000</td>
<td>152,209,501</td>
<td>445,174,501</td>
</tr>
<tr>
<td>2018</td>
<td>405,760,000</td>
<td>141,157,508</td>
<td>546,917,508</td>
</tr>
<tr>
<td>2019</td>
<td>236,035,000</td>
<td>131,457,146</td>
<td>367,492,146</td>
</tr>
<tr>
<td>2020</td>
<td>207,565,000</td>
<td>122,407,060</td>
<td>329,972,060</td>
</tr>
<tr>
<td>2021</td>
<td>196,420,000</td>
<td>113,944,482</td>
<td>310,364,482</td>
</tr>
<tr>
<td>2022</td>
<td>188,205,000</td>
<td>105,657,635</td>
<td>293,862,635</td>
</tr>
<tr>
<td>2023</td>
<td>181,775,000</td>
<td>97,759,659</td>
<td>279,534,659</td>
</tr>
<tr>
<td>2024</td>
<td>170,060,000</td>
<td>90,197,908</td>
<td>260,257,908</td>
</tr>
<tr>
<td>2025</td>
<td>161,895,000</td>
<td>82,724,917</td>
<td>244,619,917</td>
</tr>
<tr>
<td>2026</td>
<td>168,860,000</td>
<td>75,155,918</td>
<td>244,015,918</td>
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<tr>
<td>2027</td>
<td>156,410,000</td>
<td>67,618,504</td>
<td>224,028,504</td>
</tr>
<tr>
<td>2028</td>
<td>149,630,000</td>
<td>60,232,729</td>
<td>209,862,729</td>
</tr>
<tr>
<td>2029</td>
<td>133,265,000</td>
<td>53,131,121</td>
<td>186,396,121</td>
</tr>
<tr>
<td>2030</td>
<td>130,485,000</td>
<td>46,352,054</td>
<td>176,837,054</td>
</tr>
<tr>
<td>2031</td>
<td>136,780,000</td>
<td>39,433,481</td>
<td>176,213,481</td>
</tr>
<tr>
<td>2032</td>
<td>143,365,000</td>
<td>32,184,546</td>
<td>175,549,546</td>
</tr>
<tr>
<td>2033</td>
<td>150,190,000</td>
<td>24,593,775</td>
<td>174,783,775</td>
</tr>
<tr>
<td>2034</td>
<td>144,060,000</td>
<td>16,918,079</td>
<td>160,978,079</td>
</tr>
<tr>
<td>2035</td>
<td>124,050,000</td>
<td>9,826,976</td>
<td>133,876,976</td>
</tr>
<tr>
<td>2036</td>
<td>82,590,000</td>
<td>4,373,801</td>
<td>86,963,801</td>
</tr>
<tr>
<td>2037</td>
<td>44,535,000</td>
<td>1,110,950</td>
<td>45,645,950</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,894,010,000</strong></td>
<td><strong>$1,718,042,994</strong></td>
<td><strong>$5,612,052,994</strong></td>
</tr>
</tbody>
</table>

\(^{(1)}\) Of the principal amounts outstanding, $170,560,000 is currently outstanding as floating rate notes with a maturity date in fiscal year 2018. At that time, the State intends to either refinance the notes or convert the balance to fixed rate bonds. The interest due on the floating rate notes is indeterminable at this time and is not reflected in this table.

\(^{(2)}\) Does not include the effects of the Series 2015 Refunding Bonds or the Series 2015 New Money Bonds.

\(^{(3)}\) These amounts do not include any subsidy payments due to the State from the United States Treasury pursuant to and in accordance with Section 1531 of the Title 1 of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 115 (2009)) (the "Recovery and Reinvestment Act") and Sections 54AA(g) and 6431 of the Code (as defined herein). Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under Section 6431 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration. The IRS Office of Tax Exempt Bonds (TEB) has announced that the sequester reduction percentage for payments to issuers of direct pay bonds for FY 2015 will be 7.3%. The reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change. The State has made arrangements to pay the additional debt service on bonds issued under the Recovery and Reinvestment Act.

Source: Mississippi Treasury Department and the Department of Finance and Administration.

Moral Obligation Bonds

The Mississippi Development Bank (the "Development Bank"), a body corporate and politic of the State, issues various series of Mississippi Development Bank Special Obligation Bonds (the "Development Bank Bonds") which may carry a pledge of the moral obligation of the State. The Development Bank Bonds are issued pursuant to the terms and provisions of Sections 31-25-1 et seq., Mississippi Code of 1972, as amended from time to time (the "Bank Act"), to provide financing for governmental projects of political subdivisions of the State. The Bank Act provides that, in order to assure the maintenance of the debt service reserve requirement in a debt service reserve fund for certain Development Bank Bonds carrying the moral obligation pledge of the State, the Legislature of the State may appropriate to the Development Bank for deposit in any such debt service reserve fund such sum as necessary to restore such debt service reserve fund to the debt service reserve requirement. As required by the Bank Act, any such amount must be certified by the Development Bank on or
before January 1 of any year to the Governor of the State and then as required by the Bank Act transmitted by a request from the Governor to the Legislature of the State.

Nothing in these provisions or any other provision of the Bank Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Development Bank or in connection with any Development Bank Bonds. There is no assurance under the Bank Act (a) that the request by the Governor transmitted to the Legislature of the State, stating the amount of a deficiency in any debt service reserve fund, would be taken up for consideration by the Legislature of the State, (b) that upon consideration of any such request, the Legislature would determine to appropriate funds to reduce or eliminate such deficiency, or (c) that in the event the Legislature determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. As of the date hereof, no such request has been made by the Development Bank to fund any debt service reserve fund on Development Bank Bonds carrying the State's moral obligation pledge.

As of December 1, 2014, the Development Bank Bonds outstanding carrying a moral obligation pledge of the State totaled $756,155,000. Except for these Development Bank Bonds, no bonds of the State are outstanding as of the date of this Official Statement which carry a pledge of the moral obligation of the State or which contemplate the appropriation by the Legislature of any amount as may be necessary to make up any deficiency in any debt service reserve fund in connection with indebtedness issued by or on behalf of a political subdivision of the State.

Record of No Default

There is no record of any default on general obligations of the State as to payment of either principal or interest during the last 100 years.

Annual Debt Service Requirements

Annual debt service requirements for the Series 2015 Refunding Bonds are set forth in APPENDIX A hereto, commencing on page A-1.

FISCAL OPERATIONS OF THE STATE

The Budgetary Process

Capital Improvement Budget. Beginning in mid-spring, the Office of Building, Grounds and Real Property Management performs on-site visits, tours and inspects every State building, facility and campus, noting problems and seeing first-hand the requested and necessary projects. The projects are placed into priority guidelines as to the projects (i) preserving and improving the quality of human life, (ii) protecting existing capital investment, (iii) supporting education to compete in the global economy, (iv) providing resources to maintain or gain specific accreditations, and (v) maximizing the State’s fiscal opportunities. After consideration, these projects are included in a five-year capital improvement plan and presented to the Legislature for consideration. Funding is requested for a single year, with projections for the succeeding four years presented for informational purposes only.

Operating Budget Preparation. The State operates on a fiscal year beginning July 1 and ending June 30. The budget cycle begins on or about August 1 when all State agencies and institutions requesting appropriations submit budget requests to the Governor's Budget Office and the Legislative Budget Office. Agencies justify their requested budget in hearings held during September and October. At the close of the hearings, the Governor's Budget Office and the Legislative Budget Office receive information prepared by the State Department of Revenue, the University Research Center and the respective budget staffs regarding the financial outlook for the upcoming fiscal year. Based on this information, the budget offices adopt a consensus revenue estimate. This action enables both branches to use the same revenue estimate as the basis for their budget recommendations. It is a statutory requirement that both the Governor and Legislature submit balanced budgets for consideration. The Executive Budget is prepared and submitted to the Legislature by November 15, except that every four years (after a statewide election year which last occurred in November 2011), the Executive Budget is prepared and submitted to the Legislature by January 15. The Legislative Budget is submitted to the Legislature at its regular session, which begins on the first Tuesday after the first Monday in January of each year. At the close of each annual regular session, the Legislature will have acted on approximately 150 separate appropriation bills that constitute the budget for the upcoming year beginning July
1. All General Fund, Education Enhancement Fund and most Special Fund expenditures are appropriated annually by the Legislature and those Special Funds that are not appropriated are subject to the approval of the Department of Finance and Administration.

Revenue Projections. Five independently derived projections form the basis of the State's official revenue forecast. The Department of Revenue, the Legislative Budget Office, the Office of the State Treasurer, the Department of Finance and Administration and the University Research Center present and discuss their initial revenue forecasts and reach a consensus projection. This process is carried out for each major revenue category. Estimating techniques consist of econometric modeling and various forms of extrapolation.

In October, the revenue estimate for the next fiscal year is finalized and presented to the Joint Legislative Budget Committee and the Governor's Budget Office. The estimate may be revised if circumstances warrant upon a consensus being reached by the five revenue-estimating agencies. If revenues fall short of projections, the Department of Finance and Administration is empowered to directly cut expenditures. All State agencies receiving general and/or special funds are subject to funding reductions of up to 5%. No agency receives a cut in excess of 5% unless all have been reduced by this percentage. Tax collections for fiscal year 2012 exceeded expectations in excess of $250 million or 5.6%. Tax collections for fiscal year 2013 exceeded expectations in excess of $267 million or 5.7%. Tax collections for fiscal year 2014 exceeded expectations in excess of $253 million or 5.1%. For fiscal year 2015, tax collections have exceeded expectations in excess of $100 million or 4.2% through December 2014.

If at any time during a fiscal year, the revenues received for that year fall below 98% of the Legislative Budget Office’s General Fund revenue estimate, the Department of Finance and Administration, State Fiscal Officer may at any time but shall after October or any month thereafter, reduce allocations to all State agencies to keep expenditures within the actual General Fund receipts including any transfers, which may be made from the Working Cash-Stabilization Fund. Transfers from the Working Cash-Stabilization fund may not exceed $50.0 million in any fiscal year.

Budget Implementation. The second phase of the budget process is the implementation of the budget based on the Legislature's appropriation bills. The establishment of any State agency's expenditure authority is a function of the Executive Director of the Department of Finance and Administration. The Executive Director sets two six-month expenditure allotments based on seven major expenditure categories and their funding sources. These initial allotments must be approved by the Executive Director prior to July 1 of each fiscal year.

Budget and Accounting Controls. Based on the budget implemented by the Department of Finance and Administration, the Bureau of Financial Control pre-audits all invoices and supporting documents and issues warrants for payment of the legal debts of the State. No agency is allowed to exceed either the total fund allotment or major expenditure category allotment as established by the Executive Director. All payments made through the Bureau of Financial Control, except those classified as personal services and utilities, must have an approved encumbrance or purchase order on file and are charged against the allotment.

The Department of Finance and Administration has the authority to make limited revisions to agency budgets during the course of the fiscal year in the form of transfers and escalations. Transfers from one major object of expenditure to another major object of expenditure are limited to a maximum increase of 10% of the receiving major object of expenditure. Transfer authority is not applicable to the salary category or to an increase in the equipment category. Escalation authority applies to Special Funds only if funded with 100% federal funds. An escalation of nonfederal funds may be made if allowed within the appropriation bill for such requesting agency.

The Department of Finance and Administration maintains a dual fiscal management system, in that control is exercised over the total State budget as well as individual agency budgets. The Department of Finance and Administration may restrict, in its discretion, an agency to monthly allotments when it becomes evident that an agency's rate of expenditure will deplete its appropriation prior to the close of the fiscal year. In addition, should revenue collections fall below the amount estimated for collection during that period of the fiscal year, the Department of Finance and Administration may reduce allocations to all agencies in an amount necessary to keep expenditures within actual General Fund receipts. If it is determined that a deficit in revenues may occur in the General Fund at the end of a fiscal year, the Executive Director of the Department of Finance and Administration shall transfer such funds as necessary but not more than $50.0 million from the Working Cash-Stabilization Fund to the General Fund. Should any unexpended Special Fund cash balance
exist at the end of a fiscal year, the balance may be retained for use by the respective agency in its accounts with the State Treasurer unless otherwise specified by law.

The State Department of Audit is responsible for and performs a post audit of all public entities under the jurisdiction of the State Auditor and investigates exceptions to spending practices discovered during the audit process. The State Department of Audit has the authority to recover any funds found to have been spent illegally.

GAAP Accounting

The State prepares its Comprehensive Annual Financial Report of the State ("CAFR") in accordance with Section 27-104-4, Mississippi Code of 1972, as amended from time to time. The CAFR presents information on the financial position and operations of State government as one reporting entity. The various agencies, departments, boards, commissions and funds of State government, which constitute the State reporting entity, are governed by criteria established by the Governmental Accounting Standards Board. This Official Statement also includes financial data that was not prepared according to CAFR specifications but on a budgetary basis. The unaudited general purpose financial statements of the State for the fiscal year ended June 30, 2014, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), are presented in this Official Statement as APPENDIX B. As of the date of this Official Statement the audit of such financial statements is ongoing and the Office of the State Auditor has not released its opinion, however, such financial statements are expected to be released in February 2015. The Office of the State Auditor has indicated that there is no current expectation for material adverse adjustments to the 2014 CAFR from the unaudited general purpose financial statements included as APPENDIX B in this Official Statement. The Government Finance Officers Association of the United States and Canada (the "GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal years ended June 30, 1987 through 2013, which is the highest form of recognition in the area of governmental financial reporting.

Investment and Cash Management

The State Treasurer is custodian of all State funds including all cash in the General Fund, the Education Enhancement Fund and all Special Funds and is responsible for the investment of all such monies. The State Treasurer serves as custodian for securities, which are pledged to the State to secure deposits of State funds, and for other securities, which are held by various State agencies in accordance with specific State statutes.

As revenues are received from various agencies, they are deposited, and funds not immediately needed for payment are invested in interest-bearing demand accounts and then are normally placed into longer-term investments. Funds of the State invested in certificates of deposit with Mississippi financial institutions are fully collateralized by authorized United States of America and State obligations for amounts in excess of the FDIC coverage. Fiscal records of receipts, deposits and disbursements of all State funds, including federal funds received by the State, are maintained in the State Treasury as well as detailed and current records of the State’s bonded indebtedness. All payments of State-obligated bonds and interest due are made by the State Treasurer.

Pursuant to Section 27-105-33, Mississippi Code of 1972, as amended from time to time, it is the duty of the State Treasurer and the Executive Director of the Department of Finance and Administration on or before the tenth day of each month and at any other time when necessary to analyze the amount of cash in the State’s General Fund and in the Special Funds credited to any special purpose designated by the Legislature. They also must determine when the cash in such funds is in excess of the amount needed to meet the current needs and demands on such funds for the next seven days and report the findings to the Governor. The State Treasurer’s Office is directed to invest such excess funds in certificates of deposit, United States Treasury Obligations, United States Government agency obligations or in direct security repurchase agreements with approved depositories of the State at a rate of interest numerically equal to the bond equivalent yield on direct obligations of the United States Treasury with a similar length of maturity.

Accounting Systems

Through June 30, 2014, the State operated a Statewide Automated Accounting System ("SAAS"), a comprehensive financial management system that met all GAAP, State budget and other financial management reporting requirements.
As of July 1, 2014, the State implemented a new system known as MAGIC (Mississippi’s Accountability System for Government Information and Collaboration), an Enterprise Resource Planning (ERP) software to implement Financial, Procurement, Human Resource, and Payroll functions into a single, integrated software system. MAGIC will meet new functional and data requirements; reduce inefficiencies and costs associated with multiple stand-alone systems at the statewide and agency levels; maintain enterprise data on a consistent, "real-time" basis; replace aging, incompatible technology; and use state of the art technology based on best business practices. Once MAGIC is fully implemented, it will replace the following legacy systems: SAAS (Statewide Automated Accounting System); SPAHRS (Statewide Payroll and Human Resource System); WebProcure; MERLIN (Mississippi Executive Resource Library and Information Network); MELMS (Mississippi Enterprise Learning Management System); PATS (Project Accounting and Tracking System); and ACE (Access Channel for Employees).

Through the use of various funds, the Office of Fiscal Management of the Department of Finance and Administration accounts for operations of the State on a modified cash basis for budgetary purposes and on the modified accrual basis for GAAP purposes.

Overview of State Funds

The accompanying tables present a summary of receipts, disbursements and beginning and ending cash balances of the General Fund, Education Enhancement Fund and Special Funds.

Receipts and disbursements of the General Fund and Special Funds, as shown in the tables, may differ substantially from budgetary resources and appropriations for a number of reasons, including the following:

(a) Capital improvements authorized in a given fiscal year's budget may require several years to complete, so that the amounts appropriated for capital improvements in a particular fiscal year do not necessarily correspond to actual disbursements for capital improvements in that fiscal year. In such cases, unused money is reappropriated each fiscal year; and

(b) Appropriations by the Legislature for current purposes in a particular fiscal year constitute an authorization to spend up to a certain amount, but no more. In most cases, the amount actually disbursed will be below that limit.

The General Fund. Revenues of the State for general operating purposes are derived principally from sales, income and use taxes, gaming taxes, plus smaller amounts from other taxes, profits from wholesale sales of alcoholic beverages, interest earned on investments, proceeds from sales of various supplies and services, service charges and license fees. For the fiscal year ended June 30, 2014, sales taxes accounted for 36.2%, individual income taxes for 30.8% and corporation income and franchise taxes for 12.5% of the total receipts allocated to the General Fund. A comparison of the amounts received by the various revenue sources (budgetary basis) of the General Fund is detailed in the Revenues section of the accompanying table entitled “STATE OF MISSISSIPPI GENERAL FUND - Results of Operations - Budgetary Basis.”

The General Fund appropriation is limited to 98% of the official revenue estimate and estimated prior fiscal year ending cash balance; unless waived by an act of the State Legislature. The 2014 State Legislature waived this rule for fiscal year 2015 and appropriated 100% of the revenue estimate pursuant to Senate Bill 2503. For the fiscal year ending June 30, 2015, appropriation for educational purposes accounts for 54% of the General Fund Budget. This includes State contributions to local school and community college districts. However, this percentage does not include certain State contributions such as maintenance funds for local school districts, shared taxes or local assistance. Other principal disbursements include costs related to welfare, public health, health care and hospitals and certain State operations. General Fund (budgetary basis) expenditures are detailed in the Disbursements section of the accompanying table entitled “STATE OF MISSISSIPPI GENERAL FUND - Results of Operations - Budgetary Basis.”

The General Fund, as shown in the 2014 unaudited financial statements in APPENDIX B, is defined in Note 1 of the Notes to the Financial Statements on Significant Accounting Policies. The 2014 unaudited financial statements as set forth in APPENDIX B reflect all funds of the State, not just those that are budgeted.

At each fiscal year end, the General Fund unencumbered cash balance is distributed in the following order: (1) an amount not to exceed $750,000 to the Municipal Revolving Loan Fund; (2) 100% of the remaining balance to the Working Cash Stabilization Reserve Fund until such time as the balance reaches $40,000,000; (3)
up to 1% of the prior year appropriation will remain as the General Fund cash beginning balance; (4) 50% of any remaining balance to the Working Cash Stabilization Reserve Fund until the balance reaches 7.5% of the General Fund appropriation; and (5) any remaining amount to the Capital Expense Fund. For fiscal year 2014, the law was changed to distribute the fiscal year end unencumbered cash balance as follows: (a) to the Municipal Revolving Fund, an amount equal to $750,000; however, if the amount of the unencumbered General Fund cash balance is less than $750,000, then the total amount of the unencumbered General Fund cash balance shall be distributed to the Municipal Revolving Fund; (b) to the Working Cash-Stabilization Reserve Fund, the amount of the unencumbered General Fund cash balance not distributed under paragraph (a) until such time as the balance in the fund reaches $40,000,000; (c) to the Working Cash-Stabilization Reserve Fund, $286,959,798 of the amount of the unencumbered General Fund cash balance after the distributions are made under paragraphs (a) and (b), not to exceed 7.5% of the General Fund appropriations for the fiscal year that the unencumbered General Fund cash balance represents; however, if the amount of the unencumbered General Fund cash balance is less than the $286,959,798, then the total amount of the unencumbered General Fund cash balance after the distributions are made under paragraphs (a) and (b) shall be distributed to the Working Cash-Stabilization Reserve Fund (for the purposes of paragraph (c), the appropriations for the fiscal year shall be the total amount contained in the actual appropriation bills passed by the State Legislature) and (d) to the Capital Expense Fund, any remaining amount of the unencumbered General Fund cash balance after the distributions are made under paragraphs (a), (b), and (c). The Working Cash Stabilization Reserve Fund is required to retain interest earned on investments in the fund until such time as the fund balance reaches 7.5% of the General Fund appropriation for that fiscal year, after which interest earnings are transferred to the General Fund. If it is determined that there is a revenue shortfall in the General Fund, a maximum of $50 million per fiscal year may be transferred from the Working Cash Stabilization Reserve Fund to the General Fund.

As of December 31, 2014, the Working Cash-Stabilization Fund had a fund balance of $411,985,000.31, its current statutory limit.

[The remainder of this page left blank intentionally.]
### State of Mississippi General Fund

#### Results of Operations-Budget Basis for Fiscal Year Ended June 30 (In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>$1,781,277</td>
<td>$1,790,784</td>
<td>$1,854,730</td>
<td>$1,911,112</td>
<td>$1,955,113</td>
</tr>
<tr>
<td>Individual Income</td>
<td>1,339,889</td>
<td>1,382,736</td>
<td>1,489,168</td>
<td>1,650,091</td>
<td>1,666,791</td>
</tr>
<tr>
<td>Corporate Income and Franchise</td>
<td>402,751</td>
<td>447,979</td>
<td>505,306</td>
<td>524,077</td>
<td>677,046</td>
</tr>
<tr>
<td>Use and Wholesale Compensating</td>
<td>202,174</td>
<td>209,672</td>
<td>215,879</td>
<td>233,462</td>
<td>246,322</td>
</tr>
<tr>
<td>Tobacco, Beer and Wine</td>
<td>186,608</td>
<td>188,366</td>
<td>187,079</td>
<td>181,017</td>
<td>176,181</td>
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<tr>
<td>Insurance</td>
<td>161,228</td>
<td>175,576</td>
<td>193,045</td>
<td>198,103</td>
<td>250,984</td>
</tr>
<tr>
<td>Oil and Gas Severance</td>
<td>65,853</td>
<td>80,756</td>
<td>89,913</td>
<td>82,796</td>
<td>76,654</td>
</tr>
<tr>
<td>Alcohol Excise and Privilege</td>
<td>64,239</td>
<td>63,234</td>
<td>11,266</td>
<td>11,109</td>
<td>10,282</td>
</tr>
<tr>
<td>Other</td>
<td>21,282</td>
<td>26,477</td>
<td>11,970</td>
<td>12,157</td>
<td>10,871</td>
</tr>
<tr>
<td>Interest</td>
<td>16,714</td>
<td>18,472</td>
<td>14,678</td>
<td>13,151</td>
<td>13,511</td>
</tr>
<tr>
<td>Auto Privilege, Tax and Title Fees</td>
<td>16,314</td>
<td>10,835</td>
<td>8,977</td>
<td>8,716</td>
<td>8,716</td>
</tr>
<tr>
<td>Gaming Fees</td>
<td>155,123</td>
<td>146,576</td>
<td>152,077</td>
<td>139,630</td>
<td>127,777</td>
</tr>
<tr>
<td>Highway Safety Patrol Fees</td>
<td>21,824</td>
<td>20,246</td>
<td>20,774</td>
<td>21,297</td>
<td>22,855</td>
</tr>
<tr>
<td>Other Fees and Services</td>
<td>8,733</td>
<td>8,686</td>
<td>11,266</td>
<td>11,109</td>
<td>10,282</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6,362</td>
<td>6,658</td>
<td>4,587</td>
<td>4,499</td>
<td>3,849</td>
</tr>
<tr>
<td>Court Assessments and Settlements</td>
<td>46,477</td>
<td>22,486</td>
<td>20,041</td>
<td>35,228</td>
<td>70,286</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$4,496,849</td>
<td>$4,599,939</td>
<td>$4,847,059</td>
<td>$5,096,461</td>
<td>$5,389,806</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures by Major Budgetary Function:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>$ 24,489</td>
</tr>
<tr>
<td>Judiciary &amp; Justice</td>
<td>57,476</td>
</tr>
<tr>
<td>Executive &amp; Adm</td>
<td>3,266</td>
</tr>
<tr>
<td>Fiscal Affairs</td>
<td>83,462</td>
</tr>
<tr>
<td>Public Education(1)</td>
<td>1,925,069</td>
</tr>
<tr>
<td>Higher Education</td>
<td>742,147</td>
</tr>
<tr>
<td>Public Health</td>
<td>28,749</td>
</tr>
<tr>
<td>Hospitals and Hospital Schools</td>
<td>199,529</td>
</tr>
<tr>
<td>Agriculture, Commerce &amp; Economic Dev.</td>
<td>102,646</td>
</tr>
<tr>
<td>Conservation and Recreation</td>
<td>50,240</td>
</tr>
<tr>
<td>Insurance and Banking</td>
<td>0</td>
</tr>
<tr>
<td>Corrections</td>
<td>237,031</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>349,821</td>
</tr>
<tr>
<td>Public Protection and Veterans Assistance</td>
<td>87,081</td>
</tr>
<tr>
<td>Local Assistance</td>
<td>77,609</td>
</tr>
<tr>
<td>Motor Veh. &amp; Other Regulatory Agencies</td>
<td>1,824</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,313</td>
</tr>
<tr>
<td>Public Works</td>
<td>0</td>
</tr>
<tr>
<td>Debt Service</td>
<td>347,187</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$4,319,740</td>
</tr>
</tbody>
</table>

| Excess of Rev. over (under) expenditures | 171,355 | 227,583 | 355,594 | 405,795 | 371,319 |
| Other Financing Sources (Uses)           |         |         |         |         |         |
| Transfers In                             | 57,977 | 8,889 | 23,534 | 22,092 | 13,213 |
| Transfers Out                            | (232,528) | (190,900) | (376,405) | (426,992) | (397,492) |
| Other Sources (uses) of Cash             | (1) | 5 | 24 | 24 | 164 |
| Excess of Revenues & Other Sources over (under) |         |         |         |         |         |
| Expenditures & Other Uses                | (3,197) | 45,577 | 2,747 | 919 | (12,796) |
| Budgetary Fund Balances, Beginning       | $8,075 | $4,878 | $50,455 | $53,202 | $54,121 |

(1) Public Education reflects all educational activities.

Source: Department of Finance and Administration.

**Education Enhancement Fund.** Of the total sales tax revenue collected, $1,666,666 each month is paid into the State Public School Building Fund, 2.266% to be credited to the School Ad Valorem Tax Reduction Fund, 9.073% to the Education Enhancement Fund, 18.5% to be allocated to the municipality in which the funds were collected and the remainder to the General Fund.
Of the amount credited to the Education Enhancement Fund, $16 million is to be appropriated to all of the school districts in proportion to attendance, 34.19% must be appropriated for textbooks, educational materials, transportation and maintenance, uniform millage assistance and instructional and computer software, 22.09% for the purpose of supporting institutions of higher learning and 14.41% for the purpose of providing support to community and junior colleges. Of the remaining balance, $25 million is to be credited to the Working Cash-Stabilization Fund until the balance reaches the maximum of 7.5% of the General Fund appropriation for that fiscal year and the remaining balance to remain in the Education Enhancement Fund for appropriation for other educational needs.

### EDUCATION ENHANCEMENT FUND
For Fiscal Year Ended June 30 (In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESOURCES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus from Prior Year</td>
<td>$244.7</td>
<td>$11,963.1</td>
<td>$0.0</td>
<td>$35,386.2</td>
<td>$24,539.0</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>245,288.8</td>
<td>248,666.1</td>
<td>260,846.2</td>
<td>268,582.6</td>
<td>276,440.9</td>
</tr>
<tr>
<td>Use Tax</td>
<td>23,576.9</td>
<td>24,639.4</td>
<td>26,123.0</td>
<td>28,127.5</td>
<td>30,036.6</td>
</tr>
<tr>
<td>Ad Valorem Reduction</td>
<td>0.0</td>
<td>0.0</td>
<td>81,692.0</td>
<td>46,000.0</td>
<td>45,596.1</td>
</tr>
<tr>
<td>Additional EEF from Dept. of Ed.</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>4,481.7</td>
<td>213.0</td>
</tr>
<tr>
<td>Transfer in from General Fund</td>
<td>848.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Resources Available</td>
<td>$269,110.4</td>
<td>$286,117.5</td>
<td>$368,661.2</td>
<td>$382,578.0</td>
<td>$376,825.0</td>
</tr>
<tr>
<td>DISBURSEMENTS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education, K-12</td>
<td>$171,318.3</td>
<td>$201,790.1</td>
<td>$235,010.1</td>
<td>$254,226.3</td>
<td>$252,529.1</td>
</tr>
<tr>
<td>Community &amp; Jr. Colleges</td>
<td>33,234.6</td>
<td>32,604.2</td>
<td>38,075.8</td>
<td>60,833.4</td>
<td>40,022.8</td>
</tr>
<tr>
<td>Institutions of Higher Learning</td>
<td>50,138.2</td>
<td>49,053.6</td>
<td>57,475.8</td>
<td>40,180.1</td>
<td>60,822.3</td>
</tr>
<tr>
<td>Other</td>
<td>2,456.2</td>
<td>2,669.6</td>
<td>2,713.3</td>
<td>2,799.2</td>
<td>2,969.2</td>
</tr>
<tr>
<td>Total Disbursements</td>
<td>$257,147.3</td>
<td>$286,117.5</td>
<td>$353,275.0</td>
<td>$358,039.0</td>
<td>$356,323.4</td>
</tr>
<tr>
<td>YEAR END SURPLUS</td>
<td>$11,963.1</td>
<td>$0.0</td>
<td>$35,386.2</td>
<td>$24,539.0</td>
<td>$20,501.6</td>
</tr>
</tbody>
</table>

Source: Department of Finance and Administration.

### Special Funds

**General.** The major sources of Special Fund receipts are federal grants-in-aid and diversion of State taxes for special purposes. Special Fund receipts are not estimated on a statewide basis. Expenditures are limited by the receipt of revenues. A portion of both motor vehicle privilege taxes and motor fuel excise taxes is deposited to a special fund for highway construction, and the balance of the privilege and excise tax collections is diverted to counties and municipalities.

For the fiscal year ended June 30, 2014, Special Funds received approximately $6,159.2 million from the federal government including $4,277.5 million for public health and welfare, $655.3 million for public education and $551.0 million for highways. In addition, State tax receipts of $1,383.8 million were diverted into Special Funds for particular purposes as provided by State law.

**Health Care Trust Fund.** The Health Care Trust Fund (the "Health Care Trust Fund") is a special fund established pursuant to 43-13-401 et seq., Mississippi Code of 1972, as amended from time to time, for the deposit of funds received by the State as a result of the national tobacco litigation settlement. The Mississippi Legislature declared that such funds received by the State should be applied toward improving the health and health care of the citizens and residents of the State.

The Health Care Trust Fund began fiscal year 2000 with a balance of $280,000,000. All subsequent tobacco settlement annual payments were to be deposited into the Health Care Trust Fund. Each year, a specified amount of funds from the Health Care Trust Fund are transferred to the "Health Care Expendable Fund", and those funds are available for expenditure by appropriation of the Legislature exclusively for health care purposes. If the interest and dividends from the investment of the Health Care Trust Fund are insufficient to fund the transfer to the Health Care Expendable Fund, the State Treasurer will transfer from the annual installment payment an amount sufficient to fully fund the transfer as required.

The 2002 Mississippi Legislature amended the law requiring the annual installments for fiscal years 2003 and 2004 be directed to the Health Care Expendable Fund for appropriation for health care needs. The amended law also provided for repayment to the Health Care Trust Fund in the event that General Fund
revenues in any fiscal year exceed the prior year’s revenue by more than 5%. This provision was repealed in the 2006 Legislative Session.

The 2011 Mississippi Legislature further amended the law and required annual transfers from the Health Care Trust Fund to the Health Care Expendable Fund for appropriation for health care needs. The annual transfer provided in the law is as follows.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Annual Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$456,000,000</td>
</tr>
<tr>
<td>2006</td>
<td>186,000,000</td>
</tr>
<tr>
<td>2007</td>
<td>186,000,000</td>
</tr>
<tr>
<td>2008</td>
<td>106,000,000</td>
</tr>
<tr>
<td>2009</td>
<td>92,254,000</td>
</tr>
<tr>
<td>2010</td>
<td>112,000,000</td>
</tr>
<tr>
<td>2011</td>
<td>112,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>56,263,438</td>
</tr>
<tr>
<td>2013</td>
<td>97,450,332</td>
</tr>
<tr>
<td>2014</td>
<td>23,100,000</td>
</tr>
</tbody>
</table>

Source: Department of Finance and Administration.

The Mississippi Legislature in the 2005 First Extraordinary Session enacted legislation that transferred $240,000,000 from the Health Care Trust Fund to the Health Care Expendable Fund to fund Medicaid’s fiscal year 2005 budget deficit. In the 2010 Regular Legislative Session, the requirement for repayment of the $240,000,000 loan to the Health Care Trust Fund was deleted.

A board of directors, consisting of thirteen members, is statutorily responsible for investing the funds in the Health Care Trust Fund and the Health Care Expendable Fund. The board voted in May 2010 to discontinue meeting regularly since the assets were being gradually liquidated to satisfy the appropriations approved by the State Legislature. Upon receipt of the annual tobacco settlement payment on December 31, 2014, the combined balance in the both funds was $111,590,620.58, most of which will be distributed in Fiscal Year 2015 in accordance with State legislated appropriations. The balance in the combined funds on June 30, 2015 is expected to be approximately $3,055,598.

Mississippi Prepaid Affordable College Tuition Fund. The Mississippi Prepaid Affordable College Tuition (“MPACT”) program is a trust fund managed for the payment of tuition as required by contracts between the State and purchasers of the contracts. Monies received from purchasers of the MPACT contracts provide some of the cash flow used to satisfy the payment of benefits to institutions of higher learning on behalf of matriculating students. In addition to the payments received from the purchasers of MPACT contracts, the program is also funded in part from the dividends, interest and gains from the assets under management. The MPACT fund is managed within an actuarial framework, so the fund does have a target rate of return in order to grow the fund to a size that will be able to accommodate future obligations. All MPACT contracts carry the full faith and credit of the State. The relevant statute governing the MPACT Fund is Section 37-155-1 to Section 37-155-27, Mississippi Code of 1972, as amended and supplemented from time to time.

The MPACT Fund is overseen by the College Savings Plans of Mississippi Board of Directors (the "Board") of which the State Treasurer serves as Chairman. Any action taken with regard to the investments of the funds, including changes in investment management, investment policy, asset allocation, etc., must be approved by the Board.

On August 23, 2012, the Board voted to defer the 2012 enrollment effective September 1, 2012 and contract for the performance of an actuarial audit. Results of the audit were communicated to the Board in May 2013. Over the following 18 months, the Board held numerous planning sessions to review and approve changes to the program and the actuarial funding assumptions. The program reopened for enrollment in October 2014. Utilizing the revised actuarial assumptions, as of June 30, 2014, the MPACT Fund had $327.5 million in assets under management with a funded status of 73.4%. The value of expected liabilities of the trust exceeded the value of the assets, including the value of future payments by contract holders, by $129.8 million. The liability amounts are based on actuarial assumptions approved by the Board.
**Budget Contingency Fund.** The Budget Contingency Fund is a special fund created by the Legislature to handle non-recurring budget shortfalls. The fund provided moneys for fiscal year 2014 appropriations in the amount of $139,636,175; however, no fund moneys were used for fiscal year 2015 because the State did not utilize one-time funds to fund fiscal year 2015 appropriations.

**Education Improvement Trust Fund.** The Education Improvement Trust Fund is legally restricted to the extent that only earnings, and not principal, may be used for the purpose of educating elementary and secondary school students and for vocational training in the State. As of November 1, 2014, the Education Improvement Trust Fund had a balance of $47,556,461.45.

**STATE OF MISSISSIPPI SPECIAL FUND RECEIPTS**

For Fiscal Year Ended June 30, (In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAXES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Revenue</td>
<td>$705,356.9</td>
<td>$749,699.7</td>
<td>$794,907.9</td>
<td>$752,613.2</td>
<td>$826,785.8</td>
</tr>
<tr>
<td>Motor Vehicle Division</td>
<td>494,905.7</td>
<td>525,583.8</td>
<td>532,818.4</td>
<td>529,981.6</td>
<td>527,316.6</td>
</tr>
<tr>
<td>Other</td>
<td>43,598.9</td>
<td>26,771.7</td>
<td>28,376.2</td>
<td>29,509.9</td>
<td>29,726.9</td>
</tr>
<tr>
<td>Licenses, Fees, Permits &amp; Penalties</td>
<td>628,705.7</td>
<td>677,028.7</td>
<td>729,125.0</td>
<td>809,560.6</td>
<td>778,155.9</td>
</tr>
<tr>
<td>Interest on Direct Investments</td>
<td>58,386.9</td>
<td>50,673.3</td>
<td>42,579.2</td>
<td>42,795.9</td>
<td>34,439.7</td>
</tr>
<tr>
<td>Sales and Services</td>
<td>832,533.3</td>
<td>857,703.5</td>
<td>851,431.3</td>
<td>775,814.0</td>
<td>806,157.4</td>
</tr>
<tr>
<td>Federal Grants-In-Aid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>683,020.0</td>
<td>802,017.0</td>
<td>771,129.7</td>
<td>710,666.2</td>
<td>655,345.5</td>
</tr>
<tr>
<td>Highways</td>
<td>644,062.2</td>
<td>586,722.8</td>
<td>611,627.7</td>
<td>561,562.9</td>
<td>550,970.8</td>
</tr>
<tr>
<td>Public Health &amp; Welfare</td>
<td>4,310,440.0</td>
<td>4,495,410.4</td>
<td>4,092,232.9</td>
<td>4,320,283.7</td>
<td>4,277,499.9</td>
</tr>
<tr>
<td>Federal-State Local Programs</td>
<td>707,037.9</td>
<td>613,139.9</td>
<td>434,517.3</td>
<td>332,720.2</td>
<td>246,077.6</td>
</tr>
<tr>
<td>Agricultural &amp; Economic Dev</td>
<td>5,780.3</td>
<td>14,652.4</td>
<td>9,269.6</td>
<td>7,445.0</td>
<td>5,556.5</td>
</tr>
<tr>
<td>Employment Security</td>
<td>122,185.2</td>
<td>93,234.4</td>
<td>79,243.2</td>
<td>82,708.5</td>
<td>61,212.1</td>
</tr>
<tr>
<td>Other</td>
<td>817,285.3</td>
<td>843,121.3</td>
<td>552,768.3</td>
<td>443,002.7</td>
<td>362,532.1</td>
</tr>
<tr>
<td>Political Subdivisions</td>
<td>167,018.3</td>
<td>120,147.0</td>
<td>87,272.4</td>
<td>146,564.7</td>
<td>189,757.2</td>
</tr>
<tr>
<td>Gross Sales of Alcoholic Bev</td>
<td>212,700.3</td>
<td>215,265.0</td>
<td>222,976.1</td>
<td>228,973.6</td>
<td>233,304.1</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE RECEIPT</strong></td>
<td>$10,435,016.9</td>
<td>$10,671,170.9</td>
<td>$9,837,268.3</td>
<td>$9,774,198.7</td>
<td>$9,584,538.2</td>
</tr>
<tr>
<td>Bonds, Notes Issued</td>
<td>732,328.7</td>
<td>745,915.7</td>
<td>811,760.4</td>
<td>763,555.3</td>
<td>335,024.5</td>
</tr>
<tr>
<td>Trans, Refunds &amp; Other Rec.</td>
<td>2,299,802.3</td>
<td>2,770,365.9</td>
<td>2,760,408.8</td>
<td>2,634,216.0</td>
<td>1,974,623.4</td>
</tr>
<tr>
<td><strong>TOTAL RECEIPTS</strong></td>
<td>$13,405,147.9</td>
<td>$14,171,452.5</td>
<td>$13,409,372.6</td>
<td>$13,171,970.0</td>
<td>$11,894,186.1</td>
</tr>
</tbody>
</table>

**STATE OF MISSISSIPPI SPECIAL FUND RECEIPTS**

For Fiscal Year Ended June 30, (In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited</td>
<td>2014</td>
</tr>
<tr>
<td>Bonds, Notes Issued</td>
<td>732,328.7</td>
</tr>
<tr>
<td>Trans, Refunds &amp; Other Rec.</td>
<td>2,299,802.3</td>
</tr>
<tr>
<td><strong>TOTAL RECEIPTS</strong></td>
<td>$11,894,186.1</td>
</tr>
</tbody>
</table>

(1) The financial data presented in this chart was not prepared according to CAFR specifications, but is presented on a budgetary basis.

Source: Department of Finance and Administration.

[The remainder of this page left blank intentionally.]
STATE OF MISSISSIPPI SPECIAL FUND DISBURSEMENTS(1)
For Fiscal Year Ended June 30 (In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Unaudited 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>$3.0</td>
<td>$230.0</td>
<td>$808.0</td>
<td>$6.0</td>
<td></td>
</tr>
<tr>
<td>Judiciary &amp; Justice</td>
<td>56,797.0</td>
<td>54,205.0</td>
<td>53,690.0</td>
<td>65,884.0</td>
<td>61,568.0</td>
</tr>
<tr>
<td>Executive &amp; Administrative</td>
<td>15,911.0</td>
<td>16,879.0</td>
<td>50,969.0</td>
<td>20,576.0</td>
<td>22,871.0</td>
</tr>
<tr>
<td>Fiscal Affairs</td>
<td>292,855.0</td>
<td>389,228.0</td>
<td>149,591.0</td>
<td>33,650.0</td>
<td>266,500.0</td>
</tr>
<tr>
<td>Public Education</td>
<td>1,062,528.0</td>
<td>1,097,954.0</td>
<td>899,741.0</td>
<td>787,847.0</td>
<td>764,376.0</td>
</tr>
<tr>
<td>Higher Education</td>
<td>115,491.0</td>
<td>139,052.0</td>
<td>65,993.0</td>
<td>56,912.0</td>
<td>50,912.0</td>
</tr>
<tr>
<td>Public Health &amp; Social Welfare</td>
<td>6,219,213.0</td>
<td>6,403,501.0</td>
<td>6,478,583.0</td>
<td>6,625,960.0</td>
<td>6,380,977.0</td>
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<tr>
<td>Hospitals &amp; Hospital Schools</td>
<td>392,173.0</td>
<td>363,726.0</td>
<td>372,768.0</td>
<td>366,932.0</td>
<td>366,650.0</td>
</tr>
<tr>
<td>Agriculture &amp; Economic Development</td>
<td>821,385.0</td>
<td>632,715.0</td>
<td>396,694.0</td>
<td>333,927.0</td>
<td>272,311.0</td>
</tr>
<tr>
<td>Conservation &amp; Recreation</td>
<td>433,446.0</td>
<td>452,808.0</td>
<td>320,940.0</td>
<td>257,725.0</td>
<td>263,898.0</td>
</tr>
<tr>
<td>Insurance &amp; Banking</td>
<td>79,641.0</td>
<td>63,512.0</td>
<td>48,981.0</td>
<td>56,912.0</td>
<td>49,564.0</td>
</tr>
<tr>
<td>Corrections</td>
<td>99,868.0</td>
<td>20,087.0</td>
<td>28,873.0</td>
<td>48,564.0</td>
<td>44,418.0</td>
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<tr>
<td>Interdepartmental Service</td>
<td>40,383.0</td>
<td>41,691.0</td>
<td>48,301.0</td>
<td>46,564.0</td>
<td>48,422.0</td>
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<tr>
<td>Public Protection &amp; Assistance to Veterans</td>
<td>773,234.0</td>
<td>632,775.0</td>
<td>690,168.0</td>
<td>544,601.0</td>
<td>457,827.0</td>
</tr>
<tr>
<td>Motor Vehicle &amp; Other Regulatory Agencies</td>
<td>23,398.0</td>
<td>24,966.0</td>
<td>27,153.0</td>
<td>30,190.0</td>
<td>27,759.0</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,602.0</td>
<td>1,171.0</td>
<td>1,003.0</td>
<td>996.0</td>
<td>720.0</td>
</tr>
<tr>
<td>Public Works</td>
<td>1,291,757.0</td>
<td>1,294,659.0</td>
<td>1,341,052.0</td>
<td>1,233,866.0</td>
<td>1,318,348.0</td>
</tr>
<tr>
<td>Debt Service</td>
<td>19,834.0</td>
<td>39,145.0</td>
<td>24,063.0</td>
<td>27,036.0</td>
<td>46,222.0</td>
</tr>
<tr>
<td>TOTAL DISBURSEMENTS</td>
<td>$11,739,519.0</td>
<td>$11,668,304.0</td>
<td>$11,008,371.0</td>
<td>$10,639,029.0</td>
<td>$10,346,192.0</td>
</tr>
</tbody>
</table>

(1) The financial data presented in this chart was not prepared according to CAFR specifications, but is presented on a budgetary basis.

Source: Department of Finance and Administration.

DESCRIPTION OF STATE TAXES

State operations are funded by General Fund revenues, Education Enhancement Fund revenues and Special Fund receipts. Mississippi's tax base receives its major support from general sales and use taxes, personal income taxes, corporate income and franchise taxes, petroleum excise taxes, motor vehicle privilege taxes, insurance premium taxes and excise levies on tobacco and alcohol. The major sources of General Fund revenues are sales and use taxes, personal income taxes and corporate income and franchise taxes.

Sales Taxes. Sales taxes are imposed at a general tax rate of 7% (see "FISCAL OPERATIONS OF THE STATE - Education Enhancement Fund" herein). The State returns to the municipalities 18.5% of the retail sales tax collected within each municipality. Major exemptions from the sales tax include: (i) sales to governments; (ii) sales of raw materials to manufacturers, large vessels, barges and rail rolling stock; (iii) sales of livestock; (iv) sales of property for foreign export; (v) sales of seed, feed, fertilizer and agricultural chemicals; (vi) sales of farm products by a producer, except when sold by a producer through a regular place of business; (vii) sales of certain utility services for residential, industrial and farm use; (viii) sales of motor fuel; (ix) sales of food purchased with food stamps; (x) sales to non-profit hospitals and infirmaries; (xi) sales of newspapers; and (xii) sales of prescription drugs and medicines. The tax rate for construction contracts exceeding $10,000, except residential construction, is 3.5%. The tax rate for the sale of automobiles, light trucks and motor homes is 5%. The tax rate for the sale of aircraft, semi-trailers and mobile homes is 3%. The tax rate for the sale of manufacturing machinery and equipment, farm implement and farm tractors is 1.5%. Sales to electric power associations are taxed at 1%.

Use Taxes. Use taxes are imposed at the same rate as sales taxes on personal property from out-of-state sources for use, consumption or storage in the State. Credit is allowed for taxes paid to another state if the property has been used in another state prior to being brought into the State for use. Exemptions for use taxes are the same as those for sales taxes.

Personal Income Taxes. Personal income taxes are imposed at a rate of 3% on the first $5,000 of taxable income, 4% on the second $5,000 and 5% on the remainder. Single taxpayers are allowed a $6,000 exemption. Married taxpayers are allowed a $12,000 joint exemption. Heads of household taxpayers with one
or more dependents living in the home are allowed an $8,000 exemption. The exemption for each dependent is $1,500, plus an additional $1,500 exemption for taxpayers who are blind or over age 65.

**Corporate Income and Franchise Taxes.** Corporate income and franchise taxes are levied at the same rate as personal income taxes. Franchise taxes are imposed at a rate of $2.50 per $1,000 of capital employed in the State. Certain nonprofit and not-for-profit organizations are exempt from corporate income taxes and franchise taxes, such as (i) religious, charitable, educational and scientific associations and institutions; (ii) business leagues, labor organizations, chambers of commerce; (iii) civic leagues and social clubs operated for promotion of social welfare; (iv) non-profit agricultural associations such as farmers’ or fruit growers’ cooperatives; and (v) non-profit cooperative electric power associations. A small business corporation having a valid election in effect under Subchapter S of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), is exempt from State income tax, except for that portion of income that might be allocable to shares of stock owned by nonresidents of the State.

**Gaming Taxes and Fees.** Gaming taxes and fees are imposed on gaming establishment gross revenue at a rate of 4% on the first $50,000 per month, 6% of the next $84,000 per month and 8% of all over $134,000 per month.

**Other Taxes.** The Department of Revenue also collects other taxes that provide significant amounts of revenue. The tobacco tax is imposed on sales of all tobacco products in the State, including cigarettes, which are taxed at 68 cents per package of 20 cigarettes, all other tobacco products are taxed at 15% of the manufacturer’s list price. Other taxes include gas and oil severance, beer excise, insurance premium, and finance company privilege taxes.

The Alcoholic Beverage Control Division of the Department of Revenue that controls the sale and consumption of distilled spirits and wine contributes to the General Fund through the collection of State excise taxes, markups, permit license fees (one half goes to the city or county where the permittee is located), permit application fees and interest earned on demand deposits.

### SUMMARY OF GENERAL FUND RECEIPTS BY MAJOR SOURCES

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Total</td>
<td>Amount</td>
</tr>
<tr>
<td>Total General Fund Receipts</td>
<td>$4,870.6</td>
<td>100.0%</td>
<td>$5,118.6</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>1,854.7</td>
<td>38.1</td>
<td>1,911.1</td>
</tr>
<tr>
<td>Individual Income Taxes</td>
<td>1,489.2</td>
<td>30.6</td>
<td>1,650.1</td>
</tr>
<tr>
<td>Corporate Income &amp; Franchise Taxes</td>
<td>505.3</td>
<td>10.4</td>
<td>524.1</td>
</tr>
<tr>
<td>Use Taxes</td>
<td>215.9</td>
<td>4.4</td>
<td>233.5</td>
</tr>
<tr>
<td>Gaming Taxes &amp; Fees</td>
<td>152.1</td>
<td>3.1</td>
<td>178.0</td>
</tr>
<tr>
<td>Insurance Premium Taxes</td>
<td>171.7</td>
<td>3.5</td>
<td>150.6</td>
</tr>
<tr>
<td>All Other Receipts</td>
<td>481.7</td>
<td>9.9</td>
<td>471.3</td>
</tr>
</tbody>
</table>

Source: Department of Finance and Administration.

### RETIREMENT SYSTEM

The Governmental Accounting Standards Board ("GASB") approved two new standards on June 25, 2012 that will change the accounting and financial reporting of public employee pensions by state and local governments, including the State. Statement No. 67, Financial Reporting for Pension Plans, revises existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

The Provisions in Statement 67 are effective for financial statements for the period beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. PERS is reviewing these statements and will provide the necessary information that employers will need to calculate their liability.
In accordance with State statutes, the Public Employees' Retirement System (the "System") Board of Trustees (the "Board of Trustees") administers 24 programs and plans, including 22 defined benefit plans and two defined contribution plans. The defined benefit plans include the Mississippi Public Employees' Retirement System ("PERS"), a cost-sharing multiple-employer public employee retirement system established in 1952, the Mississippi Highway Safety Patrol Retirement System ("MHSPRS"), a single-employer public employee retirement system established in 1958, the Supplemental Legislative Retirement Plan ("SLRP"), established in 1989, and the Municipal Retirement Systems ("MRS") made up of 17 fire and police and two municipal employee plans placed under the administration of the System on July 1, 1987. MRS is an agent multiple-employer defined benefit public employees' retirement system.

The defined contribution plans include the Optional Retirement Program ("ORP"), established in 1990 for teaching faculty and certain administrative staff of the State's eight colleges and universities, and the Mississippi Deferred Compensation Plan and Trust ("MDCPT") created in accordance with Section 457 of the Code. The System has no liability for losses under the MDCPT but does have the duty of due care that would be required of a prudent investor. ORP benefits and other rights of participants are the liability of the vendors and are governed solely by the terms of their respective annuity contracts.

Any political subdivision or judicial entity within the State may elect to have its employees covered by PERS. As of June 30, 2014, the System covered 894 public entities within the State.

**Total System Covered Employers and Members as of June 30, 2014**

The State neither contributes to MRS nor assumes any liability for benefits payable to members but does have the duty of due care required of an ordinary prudent investor. The plans under MRS were closed in 1987.

On July 1, 1989, the System established the SLRP for the purpose of providing supplemental retirement allowances and other benefits for elected members of the State Legislature and the President of the Senate and their beneficiaries. Each legislator and the President of the Senate must contribute 3% of all compensation or remuneration paid, except mileage allowance. The contribution rate by the State is 7.4%.

On July 1, 1990, ORP was established for employees of the State's nine colleges and universities who hold teaching or administrative faculty positions and who are appointed or employed after July 1, 1990. These participants have rejected membership to PERS. Title 25, Article 11 of the Mississippi Code states that the System will provide for administration of the ORP Program. ORP participants direct the investment of their funds. Benefits payable to plan participants are not obligations of the State. As such, ORP is not considered part of the System's reporting entity for financial reporting purposes.

Membership in PERS is a condition of employment and eligibility is granted upon hiring for all State agency and university employees not participating in ORP. For those employed by political subdivisions and instrumentalities of the State, membership is contingent upon the PERS Board of Trustees' approval of the entity's participation in the plan. If approved, membership is a condition of employment and eligibility is granted upon hiring.
Participating employees who retire at or after age 60 with four years of credited service if hired before July 1, 2007 or for those that were hired on July 1, 2007 or after, who retire at or after age 60 with eight years of credited service or those that retire regardless of age with at least 25 years of credited service if hired prior to July 1, 2011 or 30 years for those that were hired on July 1, 2011 or after are entitled to an annual retirement allowance, payable monthly for life. The retirement allowance is an amount equal to 2% of their average compensation for each year of credited service up to and including 25 years and 2.5% for each year of credited service over 25 years, if hired prior to July 1, 2011. If hired on July 1, 2011 or after they are entitled to an annual retirement allowance, payable monthly for life, in an amount equal to 2% of their average compensation for each year of credited service up to and including 30 years and 2.5% for each year of credited service over 30 years. There is an actuarial reduction for each year of creditable service below 30 or for each year of age below age 65, whichever is less for those hired on July 1, 2011 or after. "Average compensation" is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect an option for a reduced 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 four years of credited service for those hired prior to June 30, 2007 and vest with completion of eight years of credited service for those hired on or after July 1, 2007. PERS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense. Benefit provisions for PERS are established by Section 25-11-1 et seq., Mississippi Code of 1972, as amended, and may be amended from time to time only by the State Legislature.

The System incurs no expense for post-retirement health benefits.

Membership in MHSPRS is a condition of employment and eligibility is granted upon hiring for all officers of the Mississippi Highway Safety Patrol (the "Highway Patrol") who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as uniformed officers of the Highway Patrol. Participating employees in MHSPRS 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 credited service at any age are entitled to an annual retirement allowance, payable monthly for life, in an amount equal to 2.5% of their average compensation during the four highest consecutive years of earnings reduced 3% for each year below age 55 or 3% for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code of 1972, as amended, and may be amended from time to time only by the State Legislature.

Employees covered by PERS are required to contribute 9.0% of their salaries, as of July 1, 2010. Employees of MHSPRS are required to contribute 7.25%, as of July 1, 2008. Members of SLRP are required to contribute an additional 3% of their compensation. Beginning July 1, 2013, the employers of PERS are required to contribute 15.75%; MHSPRS, 37.00%; and SLRP, remains at 7.40%, since January 1, 2012.

During a special session, the 2010 Mississippi Legislature passed House Bill 1 ("House Bill 1") which amends Sections 25-11-123, 25-11-109 and 25-11-115, Mississippi Code of 1972, and increased the percent of earned compensation as stated above from 7.25% to 9% (as a percentage of gross salary) and members who retire on or after July 1, 2010 will receive credit for ½ day of leave for each full year of membership service accrued after June 30, 2010. Also, a new option for members of PERS for payment of a member's retirement allowance provides that upon the retired member's death, ¾ of the member's reduced retirement allowance will be continued throughout the life of the employee's beneficiary.

Actuarial assumptions at June 30, 2014 were:

(a) Rate of return on investment of 8.0%;

(b) Projected Wage inflation rates 4.25% ;

(c) Projected salary increases of 4.25% to 19.5% per year for PERS, 5.0% to 10.52% for MHSPRS and 4.25% for SLRP attributable to seniority/merit;

(d) Assumption that post-retirement benefits will increase 3.0% per year for PERS and SLRP; calculated 3% simple interest to age 55, compounded each year thereafter; and 3.0% for MHSPRS; calculated 3% simple interest to age 60, compounded each year thereafter;
(e) Entry age for actuarial cost method; and

(f) Five-year smoothed market asset valuation method.

Employer contribution rates for PERS, MHSPRS, and SLRP are set by State statute. The adequacy of these rates is assessed annually by actuarial valuation. Unfunded actuarial accrued liabilities are amortized as a level percent of the active member payroll, over the period of future years that produces the statutory employer contribution rate. Assuming the amortization period is reasonable, the employer contribution rate so computed, expressed as a percent of active member payroll, is designed to accumulate sufficient assets to pay benefits when due. For MRS, the unfunded actuarial accrued liability is being amortized on a closed basis as a level percent over a remaining period of 21 years. The current financing arrangement provides for a contribution determined as a percentage of each municipality's assessed property valuation.

House Bill 1 increased the PERS member contribution rate from 7.25% to 9.0% (as a percentage of gross salary) effective July 1, 2010. Employer contribution rate increases scheduled to go into effect July 1, 2011, were delayed six months. At its October 2010 scheduled meeting, the Board approved rate increases from 12 to 12.93% for PERS-covered employers, 6.65 to 7.40% for the SLRP and 30.30 to 35.21% for the MHSPRS. However, in response to a request from leaders in the Mississippi Legislature, the Board of Trustees took action at its February 2011 meeting and the MHSPRS Administrative Board voted in March 2011 to delay any employer contribution rate increase until January 1, 2012. Effective July 1, 2012, the PERS employer contribution rate increased from 12.93% to 14.26% and the MHSPRS from 35.21% to 37.0%. Effective July 1, 2013, the PERS employer contribution rate increased from 14.26% to 15.75%.

The defined benefit plans administered by the System were actuarially funded at an average of 61.0% as of June 30, 2014, an increase from the comparative average of 58.0% as of June 30, 2013.
The actuarial value of assets is used in determining the funding progress of the System. The actuarial value of assets is based on a smoothed fair value basis in accordance with GASB Statement No. 25. For the June 30, 2014 actuarial valuation, investment asset appreciation and depreciation for PERS, MHSPRS and SLRP was smoothed over a five-year period recognizing 19% of the current year's depreciation. This smoothed actuarial value of assets is used in determining the actuarial funding status of the System and in establishing the contribution rates necessary to accumulate assets to meet benefit obligations when due.

For fiscal year 2014, the combined net assets of all the defined benefit plans administered by PERS increased by $3.2 billion, or 11.3%.

At June 30, 2014, the plans' unfunded pension benefit obligations were as follows (*in thousands).

<table>
<thead>
<tr>
<th></th>
<th>PERS*</th>
<th>MHSPRS*</th>
<th>SLRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total actuarial accrued liability</td>
<td>$37,015,288</td>
<td>$445,822</td>
<td>$20,240</td>
</tr>
<tr>
<td>Assets used in valuation</td>
<td>22,569,940</td>
<td>295,298</td>
<td>14,899</td>
</tr>
<tr>
<td>Unfunded (overfunded) actuarial accrued liability</td>
<td>$14,445,348</td>
<td>$150,524</td>
<td>$5,341</td>
</tr>
</tbody>
</table>

Funding policies for PERS, MHSPRS and SLRP provide for periodic employer contributions at actuarially determined rates that are adequate to accumulate sufficient assets to pay benefits when due.
Actuarial valuations prepared as of June 30, 2014, the most recent valuation date, indicate that the unfunded (overfunded) accrued liability amortization periods of PERS, MHSPRS and SLRP are 29.2, 36.5 and 25 years, respectively, using an open amortization approach.

In October 2012, the Board of Trustees adopted a revised funding policy aimed at stabilizing the employer contribution rate that set the PERS rate at 15.75% and the SLRP rate at 7.4% effective July 1, 2013. The funding policy also established a goal for the System to be 80.0% funded by 2042. Under the revised funding policy, contribution rates would no longer be determined annually based on a rolling 30-year amortization period; rather the focus would be on a declining amortization period and reducing volatility in the contribution rate. The actuarial value of assets includes smoothed actuarial gains and loss over the previous four years. If market value alone had been used to determine unfunded liability periods, PERS would stand at 26.1 years, MSHPRS at 24.5 years and SLRP at 30.3 years. The System incorporated the requirements of GASB Statement 67, *Financial Reporting for Pension Plans* in its fiscal year-end 2014 financial reports which no longer requires a 30-year amortization period for the unfunded accrued liability.

[The remainder of this page left blank intentionally.]
### PERS Funded Ratio

**Funded Ratio:** The ratio of the assets of a pension plan to its liabilities. The ratio is determined by dividing the actuarial value of assets by the actuarial accrued liability.

Below is the annual funded ratio of PERS since 1999 and the projected funded ratios with the 2019 revision of the PERS funding policy by the Board of Trustees, which set a goal of being 80 percent funded by 2017. This projection assumes PERS will earn an 8 percent rate of return on investments. Over the past 30 years, PERS has earned, on average, a 0.61 percent rate of return.

**PERS Average Annual Benefit:** $21,372

![Graph showing the funded ratio over the years]

### PERS Amortization Period of Unfunded Accrued Liability

**Amortization:** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump-sum payment.

**Unfunded Accrued Liability:** The difference between the actuarial accrued liability and valuation of assets.

![Graph showing the amortization period over the years]

*Actuary estimate of UAL period without benefit improvements implemented 1991 - 2002 with the employer contribution rate of 0.75% and the member rate at 7.25%*
Actuarial Accrued Liability and Funded Ratio

MS Highway Safety Patrol Retirement System (MHSPRS)

Funded Ratio

The ratio of the assets of a pension plan to its liabilities. The ratio is determined by dividing the actuarial value of assets by the actuarial accrued liability.

MHSPRS Average Annual Benefit: $37,453

Amortization Period of Unfunded Accrued Liability

Source: MHSPRS Actuarial Valuation Report
Supplemental Legislative Retirement Plan (SLRP)

Actuarial Accrued Liability and Funded Ratio

**Funded Ratio**

The ratio of the assets of a pension plan to its liabilities. The ratio is determined by dividing the actuarial value of assets by the actuarial accrued liability.

**SLRP Average Annual Benefit:** $6,093

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**Amortization Period of Unfunded Accrued Liability**
### PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

*For Fiscal Year Ended June 30 (In Thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Contribution</td>
<td>$623,043</td>
<td>$631,479</td>
<td>$626,361</td>
<td>$625,867</td>
</tr>
<tr>
<td>Employer Contributions</td>
<td>756,134</td>
<td>802,623</td>
<td>915,096</td>
<td>1,005,219</td>
</tr>
<tr>
<td>Total Contributions</td>
<td>1,379,177</td>
<td>1,434,102</td>
<td>1,541,457</td>
<td>1,631,086</td>
</tr>
<tr>
<td><strong>Investment Income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Appreciation (Depreciation) in Fair Value Assets</td>
<td>3,911,329</td>
<td>(434,594)</td>
<td>2,244,621</td>
<td>3,662,259</td>
</tr>
<tr>
<td>Interest and Dividends</td>
<td>557,866</td>
<td>534,890</td>
<td>550,856</td>
<td>581,828</td>
</tr>
<tr>
<td>Interest Income on Securities Lending</td>
<td>20,552</td>
<td>20,035</td>
<td>17,371</td>
<td>19,133</td>
</tr>
<tr>
<td>Manager's Fees &amp; Trading Costs</td>
<td>(42,765)</td>
<td>(44,299)</td>
<td>(50,210)</td>
<td>(83,449)</td>
</tr>
<tr>
<td>Interest Expense on Reverse Repurchase Agreements</td>
<td>(2,445)</td>
<td>(2,742)</td>
<td>(2,726)</td>
<td>(2,680)</td>
</tr>
<tr>
<td>Net Investment Income (Loss)</td>
<td>4,444,537</td>
<td>73,290</td>
<td>2,759,912</td>
<td>4,177,091</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>3,438</td>
<td>3,255</td>
<td>3,462</td>
<td>268</td>
</tr>
<tr>
<td>Total Additions (Reductions)</td>
<td>$5,827,152</td>
<td>$1,510,647</td>
<td>$4,304,831</td>
<td>$5,808,445</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement Annuities</td>
<td>1,865,929</td>
<td>2,026,376</td>
<td>2,108,559</td>
<td>2,263,161</td>
</tr>
<tr>
<td>Refunds to Terminated Employees</td>
<td>88,438</td>
<td>93,431</td>
<td>108,536</td>
<td>121,599</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>12,637</td>
<td>13,744</td>
<td>14,106</td>
<td>13,454</td>
</tr>
<tr>
<td>Loss on Disposal of Equipment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>409</td>
<td>660</td>
<td>772</td>
<td>778</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>$1,967,413</td>
<td>$2,134,211</td>
<td>$2,231,973</td>
<td>$2,398,992</td>
</tr>
<tr>
<td>Net Increase (Decrease) in Plan Net Assets</td>
<td>3,859,739</td>
<td>(625,564)</td>
<td>2,072,850</td>
<td>3,409,453</td>
</tr>
</tbody>
</table>

**Net Assets held in Trust for Pension**

| Benefits Beginning of Year | 18,274,112 | 22,133,851 | 21,510,287 | 23,583,145 |
| End of Year | $22,133,851 | $21,510,287 | $23,583,145 | $26,992,598 |

Source: State Auditor and Public Employees’ Retirement System.

### ORGANIZATION OF STATE GOVERNMENT

The State Constitution separates the legal powers of State government into three distinct branches, the legislative, the executive and the judicial.

**Legislative Branch**

Legislative power is vested in the Senate and the House of Representatives, which jointly comprise the Legislature of the State. The Senate is composed of 52 members, and the House of Representatives consists of 122 members. Each member of each chamber is elected to a four-year term.

The Legislature convenes annually on the first Tuesday after the first Monday in January. Regular sessions last 90 days in all years of an administration except for the first session after a new governor has been elected, when a 125-day session is held, which last occurred in January 2012. Any regular session may be extended by a concurrent resolution adopted by a 2/3 vote of the membership of both the House and the Senate. The Governor may convene the Legislature by a proclamation whenever, in the Governor’s opinion, the public safety or welfare requires it, or upon written application of 3/5 of the members of each legislative body. The Legislature has the authority to enact legislation to complement the constitutional duties and powers of the executive branch of government.
Executive Branch

The Governor is vested with the chief executive powers of the State. The Governor is elected to a four-
year term and may be elected for one additional four-year term. The Governor recommends to the Legislature,
by message at the commencement of each session, the passage of such measures as the Governor deems
appropriate; appoints, by and with the advice and consent of the Senate, certain officers of State government;
may remit fines and penalties; grant reprieves, commute sentences, and grant pardons and paroles after
convictions; and is Commander-in-Chief of the military forces of the State and, as such, may call out the
National Guard to enforce laws, suppress insurrections and repel invasion.

Specific administrative functions are performed by the other statewide elected officials; the Lieutenant
Governor, the Secretary of State, the Attorney General, the State Treasurer, the State Auditor, the State
Insurance Commissioner and the State Commissioner of Agriculture and Commerce. For example, legal
services are provided by the Attorney General; audit functions are performed under the direction of the State
Auditor; and the Secretary of State maintains official records of the State, regulates the securities industry in
the State and performs other statutory duties.

Other activities of State government are conducted through various boards and commissions created by
the Legislature and accountable to either or both the legislative and executive branches. These include, among
others:

(1) The Department of Transportation includes the State Highway Department, the Aeronautics and Rail Division, the weight inspection stations and portable scales from the Department of Revenue and the State Aid Engineer and the Division of State Aid Road Construction. The three elected members of the Mississippi Transportation Commission (one from each Supreme Court District of the State) select an executive director who serves as the administrative head of the Department of Transportation. The primary responsibilities of the department are the maintenance of highways and roads within the State and to promote the coordinated and efficient use of all available and future modes of transportation, to study means of encouraging travel and transportation of goods by the combination of motor vehicle and other modes of transportation. For operational purposes, the department is divided into six districts with maintenance and construction engineers in each district. However, certain functions, such as right-of-way acquisition, relocation assistance, bridge design, property control, research and development and testing are controlled at the departmental level. Other transportation related agencies are the Department of Public Safety and the Public Service Commission.

(2) Mississippi has a number of agencies that perform activities related to public health and welfare. Among those agencies are the State Department of Health, the Department of Human Services, the Department of Rehabilitation Services, the Division of Medicaid and the Parole Board. The Department of Health administers programs involving disease control, family health and environmental health. It also inspects sewer and water facilities, factories, food processing plants and conditions in State institutions. The Department of Human Services administers assistance payments to families of dependent children and makes determination of Medicaid eligibility. Additional services are provided through the Child Support, Food Assistance and Social Services Programs. The Division of Medicaid, within the Office of the Governor, administers the activities of all health related programs under Title XIX of the Social Security Act.

(3) The construction, maintenance and repair of State buildings are administered by the Office of Building, Grounds and Real Property Management, within the Department of Finance and Administration. In order to fulfill its responsibilities, pursuant to authority granted by the Legislature, the Office of Building, Grounds and Real Property Management has the authority to acquire real and personal property by lease or purchase and to exercise the right of eminent domain. Short and long-range public plans are subject to the approval of the Public Procurement Review Board of the Department of Finance and Administration.

(4) Under the supervision of three-elected commissioners, one from each Supreme Court district of the State, the Public Service Commission supervises and regulates various activities of utilities and motor carriers operating within the State. It has the authority and responsibility of prescribing rates and charges that will allow the utilities a fair and reasonable rate of return on investment under efficient operating conditions while protecting at all times the interest and welfare of the public. In the case of motor carriers, the Public Service Commission is charged with the responsibility of enforcing the provisions of the Motor Regulatory Act of 1938 on a fair and equitable basis by assuring that proper tags are purchased, that proper commodities are
transported at proper rates, that franchise provisions are strictly adhered to and that each carrier has full and adequate insurance coverage.

**Judicial Branch**

The Judicial Branch of State government consists of a Supreme Court, a Court of Appeals, Chancery District Courts and Circuit District Courts. The Supreme Court is an appellate court with members elected from three districts for terms of eight years. The Court of Appeals is an intermediate appellate court comprised of ten appellate judges, two elected from each congressional district, to serve for a period of eight years. There are 20 Chancery District Courts and 22 Circuit District Courts in the State, subject to change by the Legislature, with judges elected from each district for terms of four years. County Court judges in certain counties, and Justice Court judges in every county, are elected for four-year terms.

**Local Governments**

County and municipal governments and other political subdivisions have no sovereign powers in the State. In the State's counties and municipalities, the major sources of revenues are shared revenues from sales taxes and property taxes assessed on all local real and personal property, subject to certain exemptions. State agencies, however, provide various important services to political subdivisions, including the following: the State Department of Health works in an advisory capacity with local health departments; the State Department of Education provides guidance and aid for county and municipal Superintendents of Education; the Department of Transportation provides funding and technical assistance for county and urban road and bridge construction; and the Mississippi Development Authority is authorized to provide many economic development services.

**EDUCATION**

**Elementary/Secondary Education**

Public Education in Mississippi has seen dramatic changes during the past 30 years, with the 1982 Education Reform Act serving to trigger much of that change. A statewide core curriculum has also been established, outlining objectives school districts are expected to include in their instruction. The State has been a leader in developing a performance-based accreditation model, with both schools and districts receiving an annual accreditation level. The State is home to the Mississippi School for Mathematics and Science, the fourth of its kind in the nation when it opened in 1988, which provides intensive training in math, science and technology to certain high school juniors and seniors. The Mississippi School of Fine Arts, which opened in the fall of 2003, offers certain high school juniors and seniors training in the various fine arts. During the 2013-2014 school year, public elementary schools (K-6) enrolled 320,159 students. There were 211,436 secondary students, with a total of 531,595 students. The State's public schools employed 32,356 full time equivalent classroom teachers. State and local boards of education are responsible for governing public elementary and secondary education. At the State level, a nine-member State Board of Education administers these responsibilities. The State Superintendent of Education, appointed by the State Board of Education, serves as its secretary and chief operating officer.

**Community Colleges**

The State was the first state to establish a system of public two-year colleges and has 15 community colleges located on 34 campuses and centers in every area of the State. These two-year institutions offer university level courses of study as well as vocational and technical programs. There is a wide variety of specialized programs for industry start-up and industry training, which are offered Statewide. Total headcount enrollment (unduplicated) at the public community and junior colleges for 2013-2014 school year was 78,359. Public community colleges are governed by local boards of trustees, with State coordination by a ten member State Board for Community and Junior Colleges.

**Universities and Colleges**

Eight institutions of higher learning, including a medical center, are supported by the State. These institutions offer courses and programs statewide. The 2013-2014 academic year enrollment in the State supported institutions of higher learning was approximately 80,300. The State's eight institutions of higher
learning are administered by a 12 member Board of Trustees of State Institutions of Higher Learning and a Commissioner of Higher Education.

THE ECONOMY

Location and Geography

The State is centrally located in the southern region of the United States of America. It is bounded on the east by Alabama, on the north by Tennessee, on the west by the Mississippi River, which separates it from Arkansas and Louisiana, and by Louisiana and the Gulf of Mexico on its southern boundary. The State encompasses 47,715 square miles and ranks 32nd in physical size among the states. Jackson, located in the central part of the State, is the capital and the largest city.

The State has a temperate to subtropical climate. The temperature ranges from a high mean temperature throughout the State of 84.5 degrees during July to a low mean temperature of 45.6 degrees in January. The State has an average rainfall of 53.9 inches. The topography of the State ranges from flat to hilly, with a maximum elevation of 806 feet in the northeastern corner of the State.

The State’s Economy

Mississippi’s economy has been mixed in recent months. Following employment gains in the second and third quarters of 2014, the State lost approximately 5,200 jobs in October and November 2014. Total nonfarm employment grew 0.8% from January 2014 to November 2014, equal to the growth from January 2013 to November 2013. Payrolls increased 2 to 3 percent in several sectors, including manufacturing, educational services, and accommodation and food services. These employment gains more than offset job losses in construction, information, retail trade, and arts and entertainment. This performance is reflected in the Mississippi Index of Coincident Indicators, which has increased in value by only 0.8% over the last six months.

Like the national economy, Mississippi’s economy slowed during the first quarter of 2014 in part due to an unusually cold winter. The winding down of major construction projects within the State such as the power plant in Kemper County also contributed significantly. However, both the national and State economies have rebounded. The Mississippi Index of Leading Indicators is up 6.9% over the last six months, as all components increased during this period.

From September to November of 2014, employment in Mississippi rose 0.4% compared to the same period in 2013. Initial and continued unemployment claims were down 17.0% and 23.1%, respectively, for the same period relative to 2013. Compared to a year ago, individual income tax withholdings in Mississippi were up 3.3% for the September through November period.

General Fund revenue for FY 2015 to date, which consists of July through December, is up 4.8% over a year ago (excluding Attorney General Settlements). The growth is primarily due to sales taxes and individual income taxes. Sales tax collections are up 7.5% and individual income tax collections are up 12.1% from the same period in FY 2014. Corporate taxes, which accounted for much of the growth in FY 2014, are down 2.1%. Gaming tax revenues are down 3.7% relative to FY 2014, indicating the continued decline of the State’s gaming sector.

Employment in Mississippi is down 0.1% since the end of calendar year 2013, reflecting the slowdown that occurred during the winter months as well as a slowing of the national manufacturing sector in the last quarter of 2014. The State’s economy is expected to achieve 0.8% employment growth for 2014. In 2013, employment grew 0.9%, similar to growth in 2012. Employment declined in the State for three consecutive years (2008-2010) and was flat in 2011.

Short-Term Outlook

The national and State economies both improved from a turbulent first quarter in 2014. The U.S. economy added an average of 246,000 jobs per month in 2014, the most employment growth since 1999. U.S. retail sales and light vehicle sales both trended up in 2014, signs of a return to more typical levels of consumer spending. The decline in gasoline prices in the second half of 2014 has also improved consumer expectations about the economy.
It is anticipated that Mississippi's economy will improve as the U.S. economy improves. The most recent estimate is that U.S. real GDP rose 5.0% in the third quarter of 2014. Most forecasts expect U.S. real GDP rose about 2.5% in 2014, still a relatively low annual rate for an economy in recovery that reflects the contraction in the first quarter of 2014. Mississippi's real GDP rose 1.6% in 2013, slightly below the national rate. Mississippi's growth is expected to have risen to 1.3% for 2014. However, both national and State growth levels are expected to improve in 2015 and 2016.

Mississippi job growth is likewise expected to moderate from 2013 to 0.8% in 2014. A number of challenges emerged in 2014, such as the end of the construction phase of a Mississippi Power Company power plant in Kemper County and the close of Harrah's Tunica and other casinos in the State. The development of the energy sector in southwest Mississippi appears to be slowing due to the decline in oil prices. However, employment in the manufacturing and leisure and hospitality sectors in Mississippi continues to trend up. Despite modest gains in job growth, it is expected that unemployment will remain persistently high for the foreseeable future.

**State Economic Structure**

About 82% of the State's roughly 1.1 million wage and salary workers are in service-producing industries. The remaining 18% are employed in goods-producing industries. Almost 78% of total nonfarm employment is in the private sector while government employs the remaining 22%. Nationally, the government represents slightly more than 16% of the workforce. Mississippi also depends relatively more on the manufacturing sector than the U.S. with 12.5% of employment concentrated in the sector compared to the national average of slightly less than 9%. Because of the strong linkages to the rest of the economy, the manufacturing sector is a driver of significant economic activity in other sectors as well.

**Economic Development**

The Mississippi Development Authority ("MDA") was created to improve the quality of life for Mississippians through the creation of productive employment opportunities and the enhancement of the State's tax base. To accomplish its mandate, MDA concentrates on recruiting new industries into the State, encouraging expansion of existing industries, expanding world markets for State products, seeking international business investment, assisting in the development of minority businesses, and providing training and retraining programs for the State's work force to meet the needs of today's business.

A variety of services are available to individuals and businesses to stimulate jobs and income growth in the State. MDA provides financial, management and technical assistance services. Some of these include tax incentives, loan programs and bond financing programs for industries, small businesses and agribusinesses.

**Banking and Finance**

There are 84 financial institutions in the State, consisting of 4 federal thrifts, 10 national banks and 70 state-chartered banks. The total number of branches for these institutions stands at 1,215. Total assets held by the State's financial institutions as of December 31, 2014, were $76,675,616,000.

The State's largest financial institution, Whitney Bank, has assets of over $19 billion. There are seven financial institutions with assets over $1 billion and whose combined assets total $55,342,641,000. Of the total deposits in the State, these financial institutions control approximately 72%.

Statewide banking has been in existence since 1986, with "de novo" branching as well as mergers. Since 1990, reciprocal interstate acquisitions are permitted, but only with states in the southeast. Effective September 29, 1995, the State Legislature allowed the State to participate in nationwide banking effective with the enactment of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, Public Law 103-328. Beginning December 1, 1997, by legislation passed in 1996, State banks were able to have branches out-of-state, as well as, out-of-state banks being able to branch into the State.

**Manufacturing**

The manufacturing sector is a leading employer in the State. Approximately 140,000 persons are employed in more than 2,600 manufacturing facilities. About one-fourth of these facilities have 100 or more
employees and account for 80% of all manufacturing workers. The State has eighteen (18) manufacturing companies with 1,000 or more employees.

Every county in the State has a manufacturing facility. Hinds County has the largest number of manufacturing plants followed by Lee County, Rankin County, DeSoto County and Harrison County. The leading product groups in the State are apparel, electrical machinery and equipment, food products, furniture and fixtures, lumber and wood products and transportation equipment.

In November 2000, Nissan North America, Inc. (“Nissan”) announced the location of a $930 million automobile manufacturing facility in Madison County, Mississippi. In June 2002, while the original facility was still under construction, Nissan announced that it would expand the facility to 2.5 million square feet with an additional investment of $500 million. When the plant began production, 2,040 people were employed and has grown to present employment of 5,600. The 3.5 million-square-foot plant has a capacity to produce 400,000 vehicles per year.

In March 2007, Toyota Motor Engineering & Manufacturing North America, Inc. (“Toyota”) announced its plans to locate a new manufacturing plant near the town of Blue Springs, Mississippi. Toyota directly employs 2,000 and represents an $800 million investment. Since the plant began production during November of 2011, Mississippians have been successfully producing Toyota’s best-selling model, the Corolla, for the U.S. market and is at full production today.

Huntington Ingalls Industries is the State's largest manufacturing employer through its shipyards located in Pascagoula and Gulfport. With current employment above 11,000, Huntington Ingalls Industries has an annual payroll of approximately $400 million. The company develops and produces technologically advanced warships for the United States Navy, Coast Guard, Marine Corps and for foreign and commercial customers. It has operated in the State since 1938.

In May 2007, PACCAR, a global leader in the design and manufacture of premium light-, medium- and heavy-duty trucks, announced its plans to construct its newest engine manufacturing and assembly plant on a 394-acre site in Lowndes County. The plant is now in full operation.

Yokohama has selected West Point, Mississippi as the location for its new tire manufacturing facility. The company plans to invest approximately $1 billion and create 2,000 jobs. Construction of the first phase has begun and is expected to be in operation by second quarter of 2015.

Tourism and Gaming

Since 1992, the total capital investment in the State by the gaming industry is $4.5 billion. The gross gaming revenues for the 30 State-licensed casinos in fiscal year 2014 were approximately $2.1 billion. The State's gaming industry has 38,165 State-licensed and casino hotel employees, based on the second quarterly average for fiscal year 2014. In addition, the Mississippi Band of Choctaw Indians employs an estimated 3,225 persons at its casino hotels.

According to the Department of Revenue, gross gaming revenues for the first six months of fiscal year 2015 were $1,006,315,507.96.

Agriculture and Forestry

Agriculture is one of the State’s leading industries, employing approximately 17% of the State’s workforce either directly or indirectly. Agriculture in the State is a $6.88 billion industry with a $12.7 billion economic impact each year. There are approximately 42,300 farms in the State covering 11 million acres. The average size farm is composed of 262 acres. Agriculture makes a significant contribution to all 82 counties. The primary agricultural products in Mississippi are poultry, forestry, soybeans, corn, rice, catfish, hay, cattle and calves, cotton, hogs, horticulture crops, mill, sweet potatoes, wheat and peanuts.

Forestry and forestry products contribute a total impact of $17.4 billion to the State’s economy. 19.8 million acres or about 65% of the total land in the State is devoted to forest production. Mississippi ranks number one in the nation in the number of certified tree farms with more than 3,200. The forestry sector, which includes pulp mills, paper mills, wood furniture, employs 25% of the State’s manufacturing workforce.
Construction

The construction industry plays a powerful role in sustaining economic growth, in addition to producing structures that add to productivity and quality of life. Private non-residential construction spending in the State totaled $2.5 billion in 2013 while nonresidential starts in the State totaled $1.8 billion in 2013. Construction employment in November 2014 totaled 49,100. Construction worker's pay in the State averaged $45,800, 27% more than all private sector employees in the State.

During the period 2009 through 2013, building permits issued for residential construction averaged 5,920 annually, with an average annual valuation of $794 million. The following chart presents annual data for residential building activity.

### RESIDENTIAL CONSTRUCTION BUILDING ACTIVITY
(Valuation in Millions)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Building Permits (In Thousands)</th>
<th>Privately-Owned Housing Units Valuation (In Millions)</th>
<th>Contract Construction Employment (In Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>12.1</td>
<td>1,254.5</td>
<td>51.3</td>
</tr>
<tr>
<td>2004</td>
<td>13.6</td>
<td>1,399.3</td>
<td>50.6</td>
</tr>
<tr>
<td>2005</td>
<td>13.0</td>
<td>1,533.2</td>
<td>52.1</td>
</tr>
<tr>
<td>2006</td>
<td>15.6</td>
<td>1,891.0</td>
<td>53.0</td>
</tr>
<tr>
<td>2007</td>
<td>16.3</td>
<td>1,773.0</td>
<td>58.2</td>
</tr>
<tr>
<td>2008</td>
<td>10.0</td>
<td>1,119.3</td>
<td>57.5</td>
</tr>
<tr>
<td>2009</td>
<td>6.7</td>
<td>807.2</td>
<td>47.8</td>
</tr>
<tr>
<td>2010</td>
<td>4.8</td>
<td>646.3</td>
<td>50.2</td>
</tr>
<tr>
<td>2011</td>
<td>5.3</td>
<td>724.1</td>
<td>49.6</td>
</tr>
<tr>
<td>2012</td>
<td>6.0</td>
<td>896.5</td>
<td>48.8</td>
</tr>
<tr>
<td>2013</td>
<td>6.8</td>
<td>956.1</td>
<td>49.6</td>
</tr>
</tbody>
</table>

Source: University Research Center, the U.S. Department of Commerce, Bureau of the Census, Building Permits Branch and the Bureau of Labor Statistics, Associated General Contractors of America. 2014 annual information is not available at this time.

Transportation

The Mississippi Department of Transportation ("MDOT") is the lead agency to meet the transportation needs of the State. MDOT is committed to providing a transportation system - a network of highways, airports, public transit systems, ports, weight enforcement offices and rail systems - that will provide for the safe and efficient movement of people and goods. Much of the success of the transportation system can be attributed to the AHEAD program enacted in 1987, which promises to link every Mississippian to a four-lane highway within 30 miles or 30 minutes. In the spring of 2002, the Mississippi Legislature enacted Vision 21 - MDOT's Proposed Highway Program for the 21st Century. This pay-as-you-go highway program has been and will continue to upgrade existing roadways or build new highways where they are needed most, without burdening the public with new taxes.

The State’s 81 public and private airports provide facilities for both commercial and private aircraft and play a vital part in the economic development of the small communities in the State. The mission of the MDOT Aeronautics Division is to assist airport owners in developing a safe and effective air transportation system in the State.

The State’s public ports continue to play a vital role in the State’s transportation system and the State’s economy. Currently, there are 16 public ports in the State: the State controls the Port of Gulfport and the Yellow Creek State Inland Port in Tishomingo County. The remaining 14 ports are locally owned and operated. These ports contribute $1.4 billion to the State economy, representing almost 3% of the Gross State Product and including some 34,000 direct and indirect jobs paying $765 million in wages and salaries. On average, over 47.7 million tons of cargo moved through the public and private terminals within the State’s ports annually.

Mississippi has 2,542 miles of mainline railroad providing service between major centers throughout the State. This mileage is comprised of five Class-I Railroads (large rail systems extending from the Gulf of

40
Mexico into Canada) and 24 Class-III Railroads (short intrastate rail systems) utilizing the Mississippi Rail System.

Population

According to the 2010 Census, the population of the State was 2,967,297.

TOTAL RESIDENT POPULATION FOR MISSISSIPPI AND THE UNITED STATES
(In Thousands)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Mississippi Population</th>
<th>Percent Change</th>
<th>United States Population</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>2,217</td>
<td>1.80%</td>
<td>203,302</td>
<td>13.40%</td>
</tr>
<tr>
<td>1980</td>
<td>2,521</td>
<td>13.70</td>
<td>226,546</td>
<td>11.40</td>
</tr>
<tr>
<td>1990</td>
<td>2,577</td>
<td>2.10</td>
<td>249,440</td>
<td>10.10</td>
</tr>
<tr>
<td>2000</td>
<td>2,844</td>
<td>10.36</td>
<td>282,224</td>
<td>14.30</td>
</tr>
<tr>
<td>2001</td>
<td>2,856</td>
<td>.25</td>
<td>285,318</td>
<td>1.10</td>
</tr>
<tr>
<td>2002</td>
<td>2,863</td>
<td>.25</td>
<td>288,369</td>
<td>1.10</td>
</tr>
<tr>
<td>2003</td>
<td>2,874</td>
<td>.40</td>
<td>290,810</td>
<td>1.00</td>
</tr>
<tr>
<td>2004</td>
<td>2,893</td>
<td>.66</td>
<td>293,655</td>
<td>1.00</td>
</tr>
<tr>
<td>2005</td>
<td>2,908</td>
<td>.52</td>
<td>296,410</td>
<td>.93</td>
</tr>
<tr>
<td>2006</td>
<td>2,911</td>
<td>.10</td>
<td>299,398</td>
<td>1.00</td>
</tr>
<tr>
<td>2007</td>
<td>2,919</td>
<td>.27</td>
<td>303,809</td>
<td>1.47</td>
</tr>
<tr>
<td>2008</td>
<td>2,939</td>
<td>.69</td>
<td>305,800</td>
<td>1.00</td>
</tr>
<tr>
<td>2009</td>
<td>2,951</td>
<td>.40</td>
<td>307,007</td>
<td>.40</td>
</tr>
<tr>
<td>2010</td>
<td>2,967</td>
<td>.54</td>
<td>308,746</td>
<td>.60</td>
</tr>
<tr>
<td>2011</td>
<td>2,979</td>
<td>.40</td>
<td>311,592</td>
<td>.92</td>
</tr>
<tr>
<td>2012</td>
<td>2,985</td>
<td>.20</td>
<td>313,914</td>
<td>.75</td>
</tr>
<tr>
<td>2013</td>
<td>2,991</td>
<td>.20</td>
<td>316,129</td>
<td>.71</td>
</tr>
</tbody>
</table>


MISSISSIPPI RESIDENT POPULATION CHARACTERISTICS AND PERCENTAGE CHANGE BY CENSUS PERIOD
(In Thousands of People)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>1,213.8</td>
<td>1,388.6</td>
<td>1,331.0</td>
<td>20.7%</td>
<td>1.6%</td>
<td>14.4%</td>
<td>(4.1)%</td>
</tr>
<tr>
<td>Rural Non-farm</td>
<td>1,307.2</td>
<td>1,490.7</td>
<td>1,591.1</td>
<td>28.4%</td>
<td>5.0%</td>
<td>7.8%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Rural Farm</td>
<td>56.2</td>
<td>46.4</td>
<td>45.2</td>
<td>(67.6)%</td>
<td>(33.7)%</td>
<td>(17.4)%</td>
<td>(2.6)%</td>
</tr>
<tr>
<td>TOTAL/AVERAGE</td>
<td>2,577.2</td>
<td>2,844.7</td>
<td>2,967.3</td>
<td>13.6%</td>
<td>2.1%</td>
<td>10.4%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>


Employment

The service producing industries are the leading employers within the State employing 925,000 people or 83% of total non-agricultural employment as of November 2014. Other large employment sectors are government, trade and transportation, and manufacturing with each employing 248,300, 219,700, and 142,200, respectively, as of November 2014. Within the goods producing industry, the durable goods segment of the industry employed 94,800 and the nondurable goods segment employ 47,200. The leading manufacturers by product category are transportation equipment which includes ship building (45,200), food manufacturing (21,800) followed by furniture manufacturing (18,200). Although its importance has declined, agriculture continues to contribute significantly to the State’s economy. The total employment in agriculture as of November 2014 was 23,100.
### TEN LARGEST MISSISSIPPI MANUFACTURING EMPLOYERS⁽¹⁾

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Major Product</th>
<th>2014 Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huntington Ingalls Industries</td>
<td>Ship Building</td>
<td>11,300</td>
</tr>
<tr>
<td>Nissan North America</td>
<td>Automobile Manufacturer</td>
<td>6,000</td>
</tr>
<tr>
<td>Tyson Foods</td>
<td>Food Processing</td>
<td>5,323</td>
</tr>
<tr>
<td>Howard Industries</td>
<td>Electronics</td>
<td>5,137</td>
</tr>
<tr>
<td>Sanderson Farms</td>
<td>Processed Poultry</td>
<td>5,008</td>
</tr>
<tr>
<td>Ashley Furniture</td>
<td>Upholstered Furniture</td>
<td>4,374</td>
</tr>
<tr>
<td>Furniture Brands International</td>
<td>Upholstered Furniture</td>
<td>3,066</td>
</tr>
<tr>
<td>Peco Foods of Mississippi</td>
<td>Food Processing</td>
<td>2,879</td>
</tr>
<tr>
<td>Toyota</td>
<td>Automobile Manufacturer</td>
<td>2,350</td>
</tr>
<tr>
<td>Koch Foods, Inc.</td>
<td>Food Processing</td>
<td>2,035</td>
</tr>
</tbody>
</table>

⁽¹⁾ Number of employees is based on an annual estimate by each employer as a part of a survey conducted by MDA and reflects actual direct employees without contractors or temporary workers employed by a third party.

Source: Mississippi Development Authority, Existing Industry and Business Division, Manufacturers Cross-Match Program January 2015.

### RECENT MISSISSIPPI LABOR FORCE STATISTICS

(In Thousands of People)

<table>
<thead>
<tr>
<th>Year/Month</th>
<th>Civilian Labor Force</th>
<th>Total Employed</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1,326.4</td>
<td>1,251.1</td>
<td>5.7</td>
</tr>
<tr>
<td>2001</td>
<td>1,305.3</td>
<td>1,233.9</td>
<td>5.5</td>
</tr>
<tr>
<td>2002</td>
<td>1,298.0</td>
<td>1,209.8</td>
<td>6.8</td>
</tr>
<tr>
<td>2003</td>
<td>1,312.1</td>
<td>1,229.0</td>
<td>6.3</td>
</tr>
<tr>
<td>2004</td>
<td>1,330.2</td>
<td>1,248.1</td>
<td>6.2</td>
</tr>
<tr>
<td>2005</td>
<td>1,343.2</td>
<td>1,237.2</td>
<td>7.9</td>
</tr>
<tr>
<td>2006</td>
<td>1,316.5</td>
<td>1,220.5</td>
<td>7.3</td>
</tr>
<tr>
<td>2007</td>
<td>1,317.9</td>
<td>1,234.1</td>
<td>6.4</td>
</tr>
<tr>
<td>2008</td>
<td>1,326.6</td>
<td>1,234.3</td>
<td>7.0</td>
</tr>
<tr>
<td>2009</td>
<td>1,300.3</td>
<td>1,176.8</td>
<td>9.5</td>
</tr>
<tr>
<td>2010</td>
<td>1,575.6</td>
<td>1,411.3</td>
<td>10.4</td>
</tr>
<tr>
<td>2011</td>
<td>1,344.6</td>
<td>1,203.6</td>
<td>10.5</td>
</tr>
<tr>
<td>2012</td>
<td>1,336.9</td>
<td>1,216.3</td>
<td>9.0</td>
</tr>
<tr>
<td>2013</td>
<td>1,299.1</td>
<td>1,194.2</td>
<td>8.7</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td>1,266.3</td>
<td>1,171.3</td>
<td>7.5</td>
</tr>
<tr>
<td>Feb</td>
<td>1,265.1</td>
<td>1,171.6</td>
<td>7.4</td>
</tr>
<tr>
<td>March</td>
<td>1,268.0</td>
<td>1,171.6</td>
<td>7.6</td>
</tr>
<tr>
<td>April</td>
<td>1,267.6</td>
<td>1,172.2</td>
<td>7.5</td>
</tr>
<tr>
<td>May</td>
<td>1,268.0</td>
<td>1,169.8</td>
<td>7.7</td>
</tr>
<tr>
<td>June</td>
<td>1,266.3</td>
<td>1,165.9</td>
<td>7.9</td>
</tr>
<tr>
<td>July</td>
<td>1,260.3</td>
<td>1,158.9</td>
<td>8.0</td>
</tr>
<tr>
<td>August</td>
<td>1,253.6</td>
<td>1,154.0</td>
<td>7.9</td>
</tr>
<tr>
<td>September</td>
<td>1,249.3</td>
<td>1,152.9</td>
<td>7.7</td>
</tr>
<tr>
<td>October</td>
<td>1,250.1</td>
<td>1,155.0</td>
<td>7.6</td>
</tr>
<tr>
<td>November</td>
<td>1,246.5⁽¹⁾</td>
<td>1,155.9⁽¹⁾</td>
<td>7.3⁽¹⁾</td>
</tr>
</tbody>
</table>

⁽¹⁾ Preliminary

MISSISSIPPI ANNUAL EMPLOYMENT STATISTICS
(In Thousands of People)

<table>
<thead>
<tr>
<th></th>
<th>November 2014 (preliminary)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Civilian labor force</td>
<td>1,313.4</td>
</tr>
<tr>
<td>Total employment</td>
<td>1,176.3</td>
</tr>
<tr>
<td>Agricultural(1)</td>
<td>35.3</td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>1,089.7</td>
</tr>
<tr>
<td>All Other</td>
<td>51.3</td>
</tr>
</tbody>
</table>

Unemployment Rates

<table>
<thead>
<tr>
<th></th>
<th>Mississippi</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.4</td>
<td>10.5</td>
</tr>
<tr>
<td></td>
<td>9.0</td>
<td>8.0</td>
</tr>
<tr>
<td></td>
<td>8.6</td>
<td>8.6</td>
</tr>
</tbody>
</table>

By Place of Employment

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Agricultural</td>
<td>1,089.7</td>
<td>1,089.0</td>
<td>1,092.1</td>
<td>1,111.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>135.8</td>
<td>134.4</td>
<td>136.2</td>
<td>136.5</td>
</tr>
<tr>
<td>Durable goods</td>
<td>87.2</td>
<td>87.8</td>
<td>89.4</td>
<td>90.0</td>
</tr>
<tr>
<td>Wood Product</td>
<td>8.4</td>
<td>9.3</td>
<td>9.0</td>
<td>8.7</td>
</tr>
<tr>
<td>Furniture &amp; Related Products</td>
<td>18.4</td>
<td>17.5</td>
<td>17.6</td>
<td>17.4</td>
</tr>
<tr>
<td>Metal Products</td>
<td>8.6</td>
<td>8.4</td>
<td>8.3</td>
<td>9.8</td>
</tr>
<tr>
<td>Machinery Manufacturing</td>
<td>9.4</td>
<td>11.1</td>
<td>11.6</td>
<td>12.2</td>
</tr>
<tr>
<td>Electrical Equipment &amp; Appliance</td>
<td>10.2</td>
<td>10.6</td>
<td>10.8</td>
<td>10.7</td>
</tr>
</tbody>
</table>

Transportation Equip(2)

|                        | 39.6            | 40.4            | 38.8            | 41.6            |

Nondurable goods

|                        | 49.5            | 46.6            | 46.8            | 46.5            |

Food

|                        | 23.8            | 23.0            | 22.4            | 22.0            |

Paper

|                        | 4.1             | 3.7             | 3.6             | 3.8             |

Plastics & Rubber

|                        | 5.5             | 5.7             | 5.7             | 5.8             |

Service Producing

|                        | 886.9           | 901.9           | 898.8           | 877.0           |

Mining(3)

|                        | 8.6             | 9.2             | 9.2             | 9.2             |

Construction

|                        | 48.9            | 47.2            | 45.8            | 51.5            |

Information

|                        | 12.4            | 11.8            | 11.8            | 12.6            |

Trade & Transportation

|                        | 212.7           | 217.4           | 215.1           | 217.0           |

F.I.R. (4)

|                        | 45.0            | 45.2            | 44.9            | 44.7            |

Government

|                        | 248.9           | 247.9           | 245.4           | 242.9           |

Education & Health Services(5)

|                        | 132.3           | 139.0           | 138.2           | 131.3           |

Leisure & Hospitality

|                        | 119.8           | 113.4           | 116.2           | 127.4           |

Professional & Business

|                        | 88.8            | 93.5            | 93.2            | 106.1           |

Other Services

|                        | 34.8            | 34.2            | 34.2            | 37.7            |

(1) Mississippi Agricultural Statistics.
(2) Motor Vehicle Parts, Ship and Boat Building.
(3) Natural Resources and Mining.
(4) Finance, Insurance, Real Estate and Rental.
(5) Education, Health Care and Social Assistance.

Income

Services, government, trade and transportation, and manufacturing employment represent the largest components of earned personal income in the State.

**COMPARISON OF MISSISSIPPI AND UNITED STATES PER CAPITA INCOME**

<table>
<thead>
<tr>
<th>Year</th>
<th>Mississippi</th>
<th>United States</th>
<th>Mississippi as a Percentage of United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$20,920</td>
<td>$29,760</td>
<td>70.3%</td>
</tr>
<tr>
<td>2001</td>
<td>21,653</td>
<td>30,413</td>
<td>71.2</td>
</tr>
<tr>
<td>2002</td>
<td>22,417</td>
<td>30,899</td>
<td>72.6</td>
</tr>
<tr>
<td>2003</td>
<td>23,466</td>
<td>31,472</td>
<td>74.6</td>
</tr>
<tr>
<td>2004</td>
<td>24,650</td>
<td>32,937</td>
<td>74.8</td>
</tr>
<tr>
<td>2005</td>
<td>25,318</td>
<td>34,586</td>
<td>73.2</td>
</tr>
<tr>
<td>2006</td>
<td>26,535</td>
<td>36,276</td>
<td>73.1</td>
</tr>
<tr>
<td>2007</td>
<td>28,845</td>
<td>38,611</td>
<td>74.7</td>
</tr>
<tr>
<td>2008</td>
<td>29,922</td>
<td>39,928</td>
<td>74.9</td>
</tr>
<tr>
<td>2009</td>
<td>30,103</td>
<td>39,138</td>
<td>76.9</td>
</tr>
<tr>
<td>2010</td>
<td>31,186</td>
<td>40,584</td>
<td>76.8</td>
</tr>
<tr>
<td>2011</td>
<td>31,882</td>
<td>41,415</td>
<td>77.0</td>
</tr>
<tr>
<td>2012</td>
<td>33,657</td>
<td>43,735</td>
<td>77.0</td>
</tr>
<tr>
<td>2013</td>
<td>34,478</td>
<td>44,543</td>
<td>77.0</td>
</tr>
</tbody>
</table>

**MISSISSIPPI PERSONAL INCOME STATISTICS**

(Rounded in Millions of Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Personal Income (by place of residence)</td>
<td>$89,743</td>
<td>$92,539</td>
<td>$95,313</td>
<td>$98,722</td>
<td>$103,132</td>
</tr>
</tbody>
</table>

**Earnings by Industry**

<table>
<thead>
<tr>
<th>Industry</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm</td>
<td>1,167</td>
<td>1,054</td>
<td>1,130</td>
<td>1,794</td>
<td>1,939</td>
</tr>
<tr>
<td>Agricultural Services(1)</td>
<td>453</td>
<td>496</td>
<td>548</td>
<td>590</td>
<td>572</td>
</tr>
<tr>
<td>Mining</td>
<td>986</td>
<td>995</td>
<td>894</td>
<td>913</td>
<td>1,462</td>
</tr>
<tr>
<td>Utilities</td>
<td>712</td>
<td>730</td>
<td>746</td>
<td>840</td>
<td>822</td>
</tr>
<tr>
<td>Construction</td>
<td>3,266</td>
<td>3,147</td>
<td>4,051</td>
<td>4,254</td>
<td>4,907</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7,757</td>
<td>7,749</td>
<td>7,868</td>
<td>8,267</td>
<td>8,430</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>2,335</td>
<td>2,369</td>
<td>2,243</td>
<td>2,283</td>
<td>2,433</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>4,219</td>
<td>4,374</td>
<td>4,637</td>
<td>4,866</td>
<td>4,916</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>2,371</td>
<td>2,450</td>
<td>2,464</td>
<td>2,522</td>
<td>2,748</td>
</tr>
<tr>
<td>Information</td>
<td>804</td>
<td>814</td>
<td>706</td>
<td>764</td>
<td>844</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>2,166</td>
<td>2,132</td>
<td>2,346</td>
<td>2,353</td>
<td>2,606</td>
</tr>
<tr>
<td>Real Estate, Rental and Leasing</td>
<td>594</td>
<td>575</td>
<td>675</td>
<td>664</td>
<td>906</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>2,983</td>
<td>3,020</td>
<td>2,775</td>
<td>2,864</td>
<td>2,843</td>
</tr>
</tbody>
</table>


(1) Agricultural services include forestry, fishing and related activities.

44
### UNITED STATES PERSONAL INCOME STATISTICS
(Rounded in Billions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Personal Income</td>
<td>$11,916.8</td>
<td>$12,353.6</td>
<td>$12,949.9</td>
<td>$13,401.9</td>
<td>$14,081.2</td>
</tr>
<tr>
<td>(by place of residence)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Earnings by Industry**

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural, Forestry, Fishing, and Hunting</td>
<td>91.4</td>
<td>99.8</td>
<td>102.8</td>
<td>99.7</td>
<td>112.6</td>
</tr>
<tr>
<td>Mining</td>
<td>75.9</td>
<td>83.1</td>
<td>115.0</td>
<td>119.2</td>
<td>176.3</td>
</tr>
<tr>
<td>Utilities</td>
<td>72.8</td>
<td>73.3</td>
<td>75.5</td>
<td>85.8</td>
<td>82.8</td>
</tr>
<tr>
<td>Construction</td>
<td>494.0</td>
<td>479.5</td>
<td>498.3</td>
<td>525.4</td>
<td>561.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>876.9</td>
<td>891.6</td>
<td>943.8</td>
<td>987.2</td>
<td>988.3</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>447.3</td>
<td>456.2</td>
<td>480.3</td>
<td>504.8</td>
<td>520.6</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>537.4</td>
<td>553.5</td>
<td>572.1</td>
<td>601.4</td>
<td>600.3</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>286.9</td>
<td>295.4</td>
<td>314.4</td>
<td>324.9</td>
<td>343.0</td>
</tr>
<tr>
<td>Information</td>
<td>288.5</td>
<td>294.3</td>
<td>308.5</td>
<td>322.5</td>
<td>326.8</td>
</tr>
<tr>
<td>Finance, Insurance, Real Estate, Rental and Leasing</td>
<td>761.9</td>
<td>795.8</td>
<td>877.3</td>
<td>864.5</td>
<td>712.4</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>1,061.5</td>
<td>1,110.3</td>
<td>1,162.6</td>
<td>1,234.1</td>
<td>1,018.8</td>
</tr>
<tr>
<td>Educational Services, Health Care &amp; Social Assistance</td>
<td>1,109.4</td>
<td>1,147.0</td>
<td>1,199.9</td>
<td>1,233.9</td>
<td>1,287.9</td>
</tr>
<tr>
<td>Arts, Entertainment, Recreation, Accommodation and Food Services</td>
<td>355.8</td>
<td>379.8</td>
<td>391.0</td>
<td>410.1</td>
<td>430.1</td>
</tr>
<tr>
<td>Other Services except Government</td>
<td>321.1</td>
<td>330.4</td>
<td>345.7</td>
<td>355.6</td>
<td>368.5</td>
</tr>
<tr>
<td>Government</td>
<td>1,607.5</td>
<td>1,642.7</td>
<td>1,663.6</td>
<td>1,674.6</td>
<td>1,715.7</td>
</tr>
</tbody>
</table>


### MISSISSIPPI GROSS TAXABLE SALES(1)
**For Fiscal Year Ended June 30**
(In Millions of Dollars)

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>$5,023.8</td>
<td>$4,864.0</td>
<td>$5,443.9</td>
<td>$5,903.8</td>
<td>$6,282.4</td>
</tr>
<tr>
<td>Machinery</td>
<td>2,656.0</td>
<td>2,380.9</td>
<td>2,706.0</td>
<td>3,099.3</td>
<td>3,578.6</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>7,658.4</td>
<td>7,712.5</td>
<td>7,889.1</td>
<td>8,193.2</td>
<td>8,449.3</td>
</tr>
<tr>
<td>Furniture</td>
<td>859.0</td>
<td>874.4</td>
<td>864.5</td>
<td>865.4</td>
<td>853.7</td>
</tr>
<tr>
<td>Gen. Merchant</td>
<td>7,697.2</td>
<td>7,496.0</td>
<td>7,582.4</td>
<td>7,732.8</td>
<td>7,896.8</td>
</tr>
<tr>
<td>Lumber</td>
<td>2,870.9</td>
<td>2,510.4</td>
<td>2,587.4</td>
<td>2,574.4</td>
<td>2,672.8</td>
</tr>
<tr>
<td>Misc. Retail</td>
<td>3,567.7</td>
<td>3,339.7</td>
<td>3,453.4</td>
<td>3,591.9</td>
<td>3,715.8</td>
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<td>Misc. Services</td>
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<td>2,580.1</td>
<td>2,796.3</td>
<td>2,719.8</td>
<td>2,683.2</td>
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<tr>
<td>Utilities</td>
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<td>4,229.6</td>
<td>4,174.7</td>
<td>4,126.4</td>
<td>4,309.8</td>
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<tr>
<td>Contracting</td>
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<td>6,088.3</td>
<td>5,694.5</td>
<td>5,418.9</td>
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<tr>
<td>Wholesale</td>
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<td>756.6</td>
<td>785.3</td>
<td>800.0</td>
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<td>Recreation</td>
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<td>144.9</td>
<td>145.5</td>
<td>152.7</td>
<td>153.1</td>
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<tr>
<td>Total Taxable Sales</td>
<td>$46,217.2</td>
<td>$43,047.4</td>
<td>$44,132.1</td>
<td>$45,178.7</td>
<td>$46,825.5</td>
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</tbody>
</table>

(1) Fiscal year 2014 annual information not available at time of publication.

Source: Mississippi Department of Revenue, Fiscal Years 2009-2013.
RATINGS

Fitch Ratings ("Fitch"), Moody’s Investors Service, Inc. ("Moody’s") and Standard & Poor’s Credit Market Services, a division of The McGraw Hill Companies, Inc. ("S&P"), have assigned ratings of "AA+ (negative outlook)," "Aa2 (stable outlook)," and "AA (stable outlook)," respectively, to the Series 2015 Refunding Bonds. An explanation of the significance of such ratings may be obtained from the agencies which assigned the ratings.

There is no assurance that present or future ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of any or all of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the Series 2015 Refunding Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

CONTINUING DISCLOSURE

On November 10, 1994 and May 26, 2010, the Securities and Exchange Commission (the "SEC") amended Rule 15c2-12 (the "Rule") which was originally adopted by the Commission in 1989 under the Securities Exchange Act of 1934 and set forth certain disclosure requirements relating to a primary offering of municipal securities. The amendments to the Rule, the newest of which apply to primary offerings that occur on or after December 1, 2010, add to the existing disclosure obligations relating to municipal securities by requiring that, prior to purchasing or selling municipal securities, brokers, dealers and municipal securities dealers must reasonably determine that the issuer of such municipal securities, together with any other "obligated persons," within the meaning of the Rule, have entered into an undertaking for the benefit of bondholders to make certain information available to bondholders on a continuing basis. The State is an "obligated person" with respect to the Series 2015 Refunding Bonds within the meaning of the Rule.

The State will enter into a written undertaking for the benefit of the bondholders for the Series 2015 Refunding Bonds to deliver, or cause to be delivered, to (a) the Municipal Securities Rulemaking Board (the "MSRB") through MSRB's Electronic Municipal Market Assessment system at http://emma.msrb.org ("EMMA") in the electronic format then prescribed by the SEC pursuant to the Rule, and (b) any public or private repository or entity designated by the State as a State repository, if any, for the purposes of the Rule, the information described in the undertaking, including, but not limited to, annual financial reports and notices of certain material events, together with any identifying information or other information then required to accompany the applicable filing. This information will be made available free to securities brokers and others through EMMA. For the procedures for all filings and notices due to the MSRB, instructions will be provided on the following website for MSRB: http://emma.msrb.org.

For a summary of the State's undertaking, see "APPENDIX C - FORMS OF CONTINUING DISCLOSURE CERTIFICATES".

The State is current with its previous continuing disclosure undertakings under the Rule. However, there have been some instances in the previous five years in which the State filed its annual undertakings late. The State recently discovered that although it filed its 2009 CAFR on EMMA in January of 2010, the 2009 CAFR was never published on EMMA, for which EMMA cannot provide an explanation. Consequently, the State filed its 2009 CAFR with EMMA again on January 15, 2015. In addition, the CAFR for fiscal year 2010 was filed with EMMA on February 11, 2011, and the CAFR for fiscal year 2011 was filed with EMMA on May 30, 2012. Likewise, although the State does not deem such failures material, the State has in the past failed to timely file certain event notices such as ratings changes and refunding notices and has also on occasion failed to link its filings to all of its CUSIPs. The State has taken steps to ensure that it will timely comply with all undertakings in the future. Specifically, the State has approved a "State of Mississippi Debt Management Policy" which provides detailed procedures for the timely filing of continuing disclosure by the State. Also, the State has engaged FSC Disclosure Services, a division of First Southwest Company, LLC, Dallas, Texas, as dissemination agent under the Continuing Disclosure Certificate, to assist future compliance with the terms of the Continuing Disclosure Certificate.
LITIGATION

The Attorney General’s Office has reviewed the status of pending litigation involving the State. The State is party to various legal proceedings that arise in the normal course of governmental operations.

It is anticipated, regardless of the ultimate outcome of any litigation, that neither the courts nor the Mississippi Legislature will act inconsistently with the State’s financial ability to pay all outstanding bonded indebtedness and the interest thereon. It is not anticipated that the ultimate outcome of any or all of the pending litigation will result in obligations exceeding the financial resources of the State, so that in all events it is reasonable to expect that the State will remain in a sufficiently viable financial position to meet all of these obligations, including, but not limited to, the Series 2015 Refunding Bonds provided the same are issued, sold and delivered. To predict with any degree of accuracy the ultimate outcome of any litigation would be conjectural.

UNDERWRITING

The Series 2015C Bonds are initially being purchased for reoffering by J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Raymond James & Associates, Inc. and Duncan-Williams, Inc. (collectively, the “Series 2015C Underwriters”). The Series 2015C Underwriters have agreed to purchase the Series 2015C Bonds at a purchase price of $304,657,052.05, representing $249,980,000.00 par amount less an underwriters’ discount of $311,225.10 and plus an original issue premium of $54,988,277.15. The bond purchase agreement pursuant to which the Series 2015C Underwriters expect to purchase the Series 2015C Bonds provides that the Series 2015C Underwriters will purchase all the Series 2015C Bonds if any are purchased. The obligation of the Series 2015C Underwriters to accept delivery of the Series 2015C Bonds is subject to various conditions stated in such bond purchase agreement.

The Series 2015D Bonds are initially being purchased for reoffering by RBC Capital Markets, LLC, Piper Jaffray & Co. and Citigroup Global Markets Inc. (collectively, the “Series 2015D Underwriters” and together with the Series 2015C Underwriters, the “Underwriters”). The Series 2015D Underwriters have agreed to purchase the Series 2015D Bonds at a purchase price of $178,911,976.92, representing $179,135,000.00 par amount less an underwriters’ discount of $223,023.08. The bond purchase agreement pursuant to which the Series 2015D Underwriters expect to purchase the Series 2015D Bonds provides that the Series 2015D Underwriters will purchase all the Series 2015D Bonds if any are purchased. The obligation of the Series 2015D Underwriters to accept delivery of the Series 2015D Bonds is subject to various conditions stated in such bond purchase agreement.

The Underwriters may offer and sell the Series 2015 Refunding Bonds to other dealers and other purchasers at prices lower than the public offering prices stated on the insider cover page hereto. The initial public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the State for which they received or will receive customary fees and expenses. In addition, affiliates of some of the Underwriters are lenders, and in some cases agents or managers for the lenders, under our credit facility.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.
J.P. Morgan Securities LLC ("JPMS"), one of the Series 2015C Underwriters, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Series 2015C Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2015C Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., one of the Series 2015C Underwriters, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015C Bonds.

Piper Jaffray & Co. ("Piper"), one of the Series 2015D Underwriters, and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper, including the Series 2015D Bonds. Under the Agreement, Piper will share with Pershing LLC a portion of the fee or commission paid to Piper.

Citigroup Global Markets Inc. ("Citigroup") has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2015D Bonds.

VALIDATION

 Prior to issuance, the Series 2015 Refunding Bonds will be validated before the Chancery Court of the First Judicial District of Hinds County, Mississippi, as provided in Sections 31-13-1 et seq., Mississippi Code of 1972, as amended.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Series 2015 Refunding Bonds are subject to the approving legal opinions of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, Bond Counsel, whose approving legal opinions will be available at the time of delivery of the Series 2015 Refunding Bonds (see APPENDIX E, herein). Certain legal matters with respect to the State will be passed upon by the State Attorney General, Jim Hood, Esq. (see APPENDIX D, herein). Certain legal matters will be passed upon for the Underwriters by their counsel Butler Snow LLP, Ridgeland, Mississippi.

FINANCIAL ADVISOR

The State has retained First Southwest Company, LLC, Dallas, Texas, as independent financial advisor (the "Financial Advisor") in connection with the sale and issuance of the Series 2015 Refunding Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the State with respect to the preparation of documents, the preparation for the sale of the Series 2015 Refunding Bonds and of the time of the sale, tax-exempt and taxable bond market conditions and other factors related to the sale of the Series 2015 Refunding Bonds. Although the Financial Advisor performed an active role in the drafting of this Official Statement, it has not independently verified any of the information set forth herein.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations supporting the conclusions (a) that the principal amounts and the interest thereon of the Investment Securities to be deposited in trust with the Escrow Trustee (see "PLAN OF REFUNDING" herein) are adequate to provide for the payment when due and upon redemption thereof, of the principal of, premium, if any, and interest on the Refunded Bonds, and (b) that the Series 2015C Bonds are not "arbitrage bonds" under Section 148 of the Code (as defined herein) will be verified by Causey.
Demgen & Moore P.C., independent certified public accountants, as Verification Agent. Such verification will be based, in part, upon information supplied to the Verification Agent by the State and the Financial Advisor.

**TAX MATTERS**

**Series 2015C Bonds**

The Internal Revenue Code of 1986, as amended and supplemented from time to time (the "Code"), includes requirements which the State must continue to meet after the issuance of the Series 2015C Bonds in order that interest on the Series 2015C Bonds not be included in gross income for federal income tax purposes. The State's failure to meet these requirements may cause interest on the Series 2015C Bonds to be included in gross income for federal income tax purposes retroactive to its date of issuance. The State has covenanted in the Series 2015C Resolution and in certain certificates to comply with the requirements of the Code in order to maintain the exclusion of interest on the Series 2015C Bonds from gross income for federal income tax purposes.

In the opinion of Bond Counsel, assuming compliance by the State with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2015C Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2015C Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2015C Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015C Bonds is exempt from income taxation in the State.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2015C Bonds. Ownership of tax-exempt obligations such as the Series 2015C Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2015C Bonds should consult their tax advisors as to the applicability and impact of any such collateral consequences.

**Series 2015C Premium Bonds**

The initial public offering prices of the Series 2015C Bonds are more than the amounts payable at the maturity dates thereof as set forth on the inside front cover of this Official Statement. Under the Code, the difference between the principal amount of a Series 2015C Bond and the cost basis of such Series 2015C Bond to its owner (other than an owner who holds such a Series 2015C Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is "bond premium." Bond premium is amortized over the term of such a Series 2015C Bond for federal income tax purposes. The owner of a Series 2015C Bond is required to decrease its basis in such Series 2015C Bond by the amount of amortizable bond premium attributable to each taxable year he holds the Series 2015C Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Series 2015C Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Series 2015C Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2015C Bonds.

**Future Legislation**

The federal government is considering various legislative proposals for reducing the federal budget deficit and the federal debt and promoting economic growth, and some of these proposals, if enacted, could affect the tax-exempt status of state and local bonds, such as the Series 2015C Bonds. Owners of the Series 2015C Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of
the alternative minimum tax, the environmental tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

Series 2015D Bonds

INTEREST ON THE SERIES 2015D BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015D Bonds is exempt from income taxation in the State.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the predictions and estimates will be realized.

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2015 Refunding Bonds, the security for the payment of the Series 2015 Refunding Bonds and the rights and obligations of the registered owners thereof.

References herein to the Resolutions, the State Constitution, the Act and all other legislative acts referred to herein are only summaries, excerpts or brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof. Additional information may be obtained upon request from the Office of the State Treasurer, 1101 Woolfolk Building, Suite A, 501 North West Street, Jackson, Mississippi, 39201, (601) 359-3600, Attention: Mr. Ricky Manning or from the Department of Finance and Administration, 1301 Woolfolk Building, Suite A, 501 North West Street, Jackson, Mississippi 39201, (601) 359-3160, Attention: Mr. Mark Valentine.

The execution of this Official Statement has been duly authorized by the Commission.

STATE OF MISSISSIPPI

By: /s/Phil Bryant
    Phil Bryant, Governor

By: /s/Jim Hood
    Jim Hood, Attorney General

By: /s/Lynn Fitch
    Lynn Fitch, State Treasurer

Prepared by: Office of the State Treasurer
1101 Woolfolk Building, Suite A
501 North West Street
Jackson, Mississippi 39201
(601) 359-3600

Prepared by: Department of Finance and Administration
1301 Woolfolk Building, Suite A
501 North West Street
Jackson, Mississippi 39201
(601) 359-3160
APPENDIX A
DEBT SERVICE ON THE SERIES 2015C BONDS

$249,980,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015C
(Tax-Exempt)

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Principal &amp; Interest</th>
</tr>
</thead>
<tbody>
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<td>2015 $</td>
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<td>$1,479,868.89</td>
<td>$1,479,868.89</td>
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<td>2016</td>
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<td>12,389,600.00</td>
<td>12,389,600.00</td>
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<tr>
<td>2017</td>
<td>0.00</td>
<td>12,389,600.00</td>
<td>12,389,600.00</td>
</tr>
<tr>
<td>2018</td>
<td>0.00</td>
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<td>12,389,600.00</td>
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<tr>
<td>2019 22,020,000.00</td>
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<td>11,839,100.00</td>
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</tr>
<tr>
<td>2020 29,720,000.00</td>
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<td>10,545,600.00</td>
<td>40,265,600.00</td>
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<tr>
<td>2021 30,990,000.00</td>
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<td>9,027,850.00</td>
<td>40,017,850.00</td>
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<tr>
<td>2022 5,410,000.00</td>
<td></td>
<td>8,117,850.00</td>
<td>13,527,850.00</td>
</tr>
<tr>
<td>2023 5,540,000.00</td>
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<td>7,844,100.00</td>
<td>13,384,100.00</td>
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<tr>
<td>2024 5,665,000.00</td>
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<td>7,563,975.00</td>
<td>13,228,975.00</td>
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<tr>
<td>2025 36,685,000.00</td>
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<td>43,208,475.00</td>
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<td>135,800.00</td>
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<td>$108,610,718.89</td>
<td>$358,590,718.89</td>
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DEBT SERVICE ON THE SERIES 2015D BONDS

$179,135,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015D

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Principal &amp; Interest</th>
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<tbody>
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<td>June 30</td>
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<td>2015</td>
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<td>$679,470.94</td>
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<td>2,520,000.00</td>
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<td>5,650,841.90</td>
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<td>2019</td>
<td>2,575,000.00</td>
<td>5,618,046.90</td>
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<td>2020</td>
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<td>TOTAL</td>
<td>$179,135,000.00</td>
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<td>$262,315,025.15</td>
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<td>Year</td>
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Source: Department of Finance and Administration.
APPENDIX B

EXCERPTS FROM 2014 UNAUDITED FINANCIAL STATEMENTS
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, 2014. 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 at the close of the fiscal year by $15,135,313,000 (reported as “net position”). Of this amount, a negative $2,829,555,000 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 $4,236,636,000 in restricted net position. Net position of governmental activities and business-type activities increased by $500,058,000 and $14,844,000, respectively.

Fund Level - At the end of the fiscal year, the State’s governmental funds reported combined ending fund balances of $4,284,374,000, which is $37,656,000 greater than the previous year. Federal government revenues continued their downward trend with many programs ending and others not being renewed. Revenues from taxes grew once again as the economy continued to improve. As overall revenues increased, expenditures followed suit.

Long-term Debt - The total outstanding net long-term bonds and notes were $5,392,113,000 at June 30, 2014. During the year, the State issued $364,615,000 in bonds and notes, net of premiums. These bonds and notes were issued primarily for capital improvements, and transportation projects.

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, and liabilities, 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. 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 Propaid 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 and the Schedule of Funding Progress for pension trust funds and for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following the RSI.
Net Position

The State’s combined net position for governmental and business-type activities increased $514,902,000 in fiscal year 2014. Current year net position is $15,135,313,000 in contrast to the prior year balance of $14,620,411,000. 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.

The largest share of net position, 91.0 percent, consisted 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 $354,712,000 from the previous year. The governmental activities’ increase of $322,719,000 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 $31,993,000 is directly attributed to ongoing construction projects at the Port Authority at Gulfport.

Restricted net position, representing resources that are subject to externally imposed restrictions, comprised 27.9 percent of total net position, as compared to 28.6 percent in the prior year. The remaining negative balance represented unrestricted net position of $2,829,550,000. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of $212,462,000 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 net position may be used.

<table>
<thead>
<tr>
<th>Net Position</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$6,278,663</td>
<td>$6,304,829</td>
<td>$1,311,263</td>
</tr>
<tr>
<td>Capital assets</td>
<td>14,945,218</td>
<td>14,441,890</td>
<td>320,967</td>
</tr>
<tr>
<td>Total Assets</td>
<td>21,223,881</td>
<td>20,746,719</td>
<td>1,632,230</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>122,121</td>
<td>134,064</td>
<td></td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>5,434,634</td>
<td>5,396,804</td>
<td>481,882</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,889,178</td>
<td>1,961,847</td>
<td>37,225</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>7,323,812</td>
<td>7,358,651</td>
<td>519,107</td>
</tr>
<tr>
<td>Net position:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>13,430,397</td>
<td>13,107,079</td>
<td>297,030</td>
</tr>
<tr>
<td>Restricted</td>
<td>3,633,805</td>
<td>3,802,589</td>
<td>602,831</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(3,042,012)</td>
<td>(3,168,135)</td>
<td>212,482</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$14,022,190</td>
<td>$13,522,132</td>
<td>$1,113,123</td>
</tr>
</tbody>
</table>
Changes in Net Position

Operating grants and contributions of $6,853,241,000 and taxes of $8,862,881,000 were the State's major revenue sources. Together, they accounted for 81.4 percent of total revenues. Revenue from taxes increased $393,546,000 over the prior year to improve net position. Conversely, operating grants and contributions decreased by $243,125,000 with several federal programs ending. As in the prior year, the majority of the State's total expenses were related to the health and social services function at $7,373,683,000 or 45.2 percent. Expenses within this function rose over the prior year by $1,598,000 as medical expenses continued their upswing. Unemployment compensation expenses were down by $134,194,000 as fewer claims were filed driven by an improving economy.

<table>
<thead>
<tr>
<th>Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(amounts expressed in thousands)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$2,216,861</td>
<td>$2,246,921</td>
<td>$209,277</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>6,796,079</td>
<td>6,934,753</td>
<td>57,162</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>546,283</td>
<td>561,283</td>
<td>33</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>6,662,661</td>
<td>6,466,135</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>82,307</td>
<td>9,208</td>
<td>70,196</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>16,506,211</td>
<td>16,221,300</td>
<td>336,688</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>2,125,113</td>
<td>2,028,155</td>
<td>2,125,113</td>
</tr>
<tr>
<td>Education</td>
<td>3,993,629</td>
<td>3,912,889</td>
<td>3,993,629</td>
</tr>
<tr>
<td>Health and social services</td>
<td>7,373,683</td>
<td>7,372,085</td>
<td>7,373,683</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>898,637</td>
<td>862,870</td>
<td>898,637</td>
</tr>
<tr>
<td>Recreation and resource development</td>
<td>636,703</td>
<td>587,367</td>
<td></td>
</tr>
<tr>
<td>Regulation of business and professions</td>
<td>39,174</td>
<td>39,703</td>
<td>39,174</td>
</tr>
<tr>
<td>Transportation</td>
<td>647,552</td>
<td>596,160</td>
<td>647,552</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>243,099</td>
<td>247,012</td>
<td>243,099</td>
</tr>
<tr>
<td>Unemployment compensation</td>
<td>204,206</td>
<td>338,390</td>
<td>204,206</td>
</tr>
<tr>
<td>Port Authority at Gulfport</td>
<td>25,688</td>
<td>28,569</td>
<td>25,688</td>
</tr>
<tr>
<td>Prepaid affordable college tuition</td>
<td>103,134</td>
<td>41,278</td>
<td>103,134</td>
</tr>
<tr>
<td>Other business-type</td>
<td>37,379</td>
<td>35,421</td>
<td>37,379</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>15,957,570</td>
<td>15,767,241</td>
<td>370,407</td>
</tr>
<tr>
<td>Excess/(Deficit) before Transfers</td>
<td>549,641</td>
<td>454,059</td>
<td>(33,739)</td>
</tr>
<tr>
<td>Transfers</td>
<td>(48,583)</td>
<td>(82,478)</td>
<td>48,583</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>500,058</td>
<td>371,581</td>
<td>14,844</td>
</tr>
<tr>
<td>Net Position - Beginning</td>
<td>13,522,132</td>
<td>13,150,551</td>
<td>1,098,279</td>
</tr>
<tr>
<td>Net Position - Ending</td>
<td>$14,022,180</td>
<td>$13,522,132</td>
<td>$1,113,123</td>
</tr>
</tbody>
</table>
Governmental Activities

Governmental activities increased the State's net position by 500,058,000 for fiscal year 2014. The biggest source of revenue at 41.8 percent was taxes, up by $393,546,000 from the prior year. Revenues from taxes comprised 41.8 percent of total revenues, slightly higher than the 39.9 percent reached in the prior year. The health and social services function was the predominate leader in both the expenses and program revenues at $7,373,683,000 and $6,055,021,000, respectively. Education expenses of $3,933,629,000 exceeded program revenues of $723,962,000 resulting in a negative $3,269,667,000 to be funded from general revenues.
Business-type Activities

Business-type activities increased the State's net position by $14,844,000. The percentage of revenues by source shifted as investment income grew by 8.4 percent which was a reflection of the general improvement in the investment market. The share of revenues for operating grants and contributions decreased by 16.8 percent signaling a decrease in monies from the federal government for the Unemployment Compensation Fund. Charges for services comprise the remainder of revenues and were up by 8.4 percent across the board. For the current year, the Unemployment Compensation Fund had decreases in both program revenues and expenses with a positive change in net position of $24,121,000 as the trend continued with fewer people filing for unemployment benefits.
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, 2014, the governmental funds reported combined fund balances of $4,284,374,000, indicating an increase of $37,656,000 from the prior year. Within fund balances, $108,511,000 or 2.5 percent was classified as nonspendable. The majority of the fund balance, $3,453,844,000 or 80.8 percent was restricted. Committed fund balance equaled $139,936,000 or 3.2 percent of the total. Assigned fund balance comprised 0.3 percent or $10,503,000. The remaining 13.4 percent, or $671,680,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The General Fund increased $37,006,000 from the prior year to an ending fund balance of $4,222,761,000. The $138,327,000 increase in corporate income and franchise tax revenues was a result of extremely robust corporate tax collections. A $141,752,000 rise in sales and use tax revenues was in tandem with the improvement in the economy. Several grant programs reached the end of their funding period and others did not renew bringing federal government revenues down by $151,516,000. As a result, expenditures in the law, justice and public safety and education functions were directly impacted with decreases of $85,916,000 and $552,440,000, respectively. The largest portion of the $10,698,000 increase in health and social services expenditures was attributed to Medicaid. Due to mandates issued for the Affordable Care Act, Medicaid had an increase in the number of enrolled beneficiaries.

Proprietary Funds

The Unemployment Compensation Fund experienced an increase in net position of $24,121,000 as compared to the prior year which had a slightly higher increase of $37,835,000. Operating expenses decreased by $134,184,000 from the prior year as a result of a reduction in claims and benefits expense as the economy continued to gradually improve. The $104,359,000 decline in federal revenue and the $43,974,000 decline in assessments are tied directly to this trend.

The Port Authority at Gulfport Fund increased net position by $32,531,000 as compared to a larger $58,827,000 increase reported in the prior year. Operating revenues were flat while operating expenses decreased $2,705,000. The increase in net position is attributable to the $41,972,000 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 had an $46,944,000 decrease in net position, after experiencing a $11,567,000 increase in the prior year. The program’s enrollment was deferred in August 2012, resulting in a $6,407,000 decrease in tuition receipts. Although no new contracts were sold during FY 2014, the program still collected contributions from its current contract holders. The $51,770,000 increase in claims and benefits expense was directly related changes to the program’s actuarial assumptions. Investment income increased by $42,257,000 due to improving market conditions as well as realized gains on investments.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2014 General Fund revenues was 2.8 percent. This estimate was revised to nine 0.7 percent decline, then in October 2013 to a 2.0 percent growth rate and finally revised in March 2014 to reflect a growth of 4.9 percent. Actual fiscal year 2014 General Fund revenue collections were 5.6 percent higher than the prior year. Each of these revenue components grew: 2.3 percent in sales tax, 1.0 percent in individual income tax, and 29.2 percent in corporate income and franchise tax.

Actual fiscal year 2014 revenues were $293,345,000 higher than in the prior year. These same revenues were $320,107,000 above estimated amounts. Positive revenue variances occurred in two of the largest General Fund revenue components: corporate income and franchise tax - $212,546,000, and sales tax - $9,113,000. The final expenditure budget was $6,044,000 more than the original budget and actual expenditures were $12,918,000 less than the final budget.
Capital Assets

The State's investment in capital assets for governmental and business-type activities as of June 30, 2014 amounted to $19,857,196,000, less accumulated depreciation of $4,591,011,000, resulting in a net book value of $15,266,185,000. For the current fiscal year, both governmental activities and business-type activities increased by $503,332,000 and $29,488,000, respectively. The current year percentages included increases of 3.5 and 10.1, respectively, while the prior fiscal year boasted increases of 4.1 and 22.5, respectively.

Major capital asset events during fiscal year 2014 included the following:

Infrastructure for governmental activities had the largest increase of any asset class with $916,544,000. Pavement rehabilitation projects took place in Forrest, Jackson, Lamar, Neshoba, and Rankin counties. Vision 21 highway projects were completed in Desoto, Itawamba, Lowndes, Neshoba, Newton, Pike, and Union counties. Phase III of the Four Lane Highway Program was finalized in Bolivar, George, Greene, and Montgomery counties.

Construction in progress increased significantly by $788,528,000. Mississippi Department of Transportation accounts for the majority of this increase with $728,043,000. The Department of Finance and Administration added $31,023,000 in building projects which included renovations to the Department of Public Safety Central Mississippi Crime Lab, the Mississippi Museum's Civil Rights and History Museum, and the Department of Rehabilitation Services.

During fiscal year 2014, net capital assets for business-type activities increased by $29,488,000. The Port Authority at Gulfport added $35,373,000 to construction in progress. Expenditures included the completion of West Pier security gate complex and the third and final phase of the 84 acre fill project. The first phase of wharf upgrades and the shoreline protection project were 95 percent complete at year end.

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)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$2,234,356</td>
<td>$2,179,301</td>
</tr>
<tr>
<td>Software</td>
<td>56,631</td>
<td>1,448</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,501,716</td>
<td>1,454,997</td>
</tr>
<tr>
<td>Land improvements</td>
<td>119,225</td>
<td>118,614</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>255,835</td>
<td>221,795</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>6,674,282</td>
<td>6,057,721</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>4,103,171</td>
<td>4,408,041</td>
</tr>
<tr>
<td>Total</td>
<td>$14,945,218</td>
<td>$14,441,890</td>
</tr>
</tbody>
</table>
Mississippi

Debt Administration

As of June 30, 2014, outstanding general obligation debt for the State was $4,313,146,000, net of premiums. General Obligation Refunding bonds of $1,728,184,000, Capital Improvements bonds of $1,708,481,000, and Industry Incentive Financing bonds of $336,605,000 comprise 73.0 percent of this outstanding debt. During the current fiscal year, the State issued $339,166,000 in general obligation bonds which are reported in governmental activities. These bonds were primarily issued for capital improvements, and transportation projects. Within business-type activities, general obligation bonds decreased by $2,707,000 as the Port Authority at Gulfport continued to repay its long-term debt.

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, 2014, the State had established a constitutional legal debt limit of $12,523,921,000, 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.

<table>
<thead>
<tr>
<th>Outstanding Long-term Debt</th>
<th>Bonds and Notes</th>
<th>(amounts expressed in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental</td>
<td>Business-type</td>
</tr>
<tr>
<td></td>
<td>Activities</td>
<td>Activities</td>
</tr>
<tr>
<td>General obligation bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and notes</td>
<td>$4,297,643</td>
<td>$4,297,238</td>
</tr>
<tr>
<td>Notes payable</td>
<td>$1,078,067</td>
<td>1,140,010</td>
</tr>
<tr>
<td>Total</td>
<td>$5,375,610</td>
<td>$5,437,248</td>
</tr>
</tbody>
</table>

Economic Factors and Next Year's Budget

The State's average unemployment rate for the calendar year 2013 average was 8.6 percent. The average for the twelve months ending November 2014 dropped to 7.7 percent. The national average rates were more favorable at 7.4 percent and 6.3 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2015, the economy of the State is expected to improve slightly. The initial estimated overall fiscal year 2015 General Fund revenue growth rate was 1.1 percent, with component revenue growth projections of 4.6 percent in sales tax, 4.2 percent in individual income tax and negative 1.6 percent in corporate income and franchise tax. The overall estimate in November 2014 remained constant at 1.1 percent. The November component revenue projections were 5.0 percent in sales tax, 4.9 percent in individual income tax and negative 3.8 percent in corporate income and franchise tax.

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.

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## Statement of Net Position
June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in internal investment pool</td>
<td>$3,495,073</td>
<td>$67,321</td>
<td>$3,562,394</td>
<td>$13,112</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>301,917</td>
<td>599,270</td>
<td>901,183</td>
<td>431,091</td>
</tr>
<tr>
<td>Investments</td>
<td>74,209</td>
<td>23,812</td>
<td>98,021</td>
<td>240,396</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>809,077</td>
<td>70,554</td>
<td>679,631</td>
<td>286,423</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>151</td>
<td>151</td>
<td>151</td>
<td>151</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>528,868</td>
<td>573</td>
<td>528,441</td>
<td>147</td>
</tr>
<tr>
<td>Internal balances</td>
<td>(15,323)</td>
<td>15,323</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from component units</td>
<td>1,270</td>
<td>252</td>
<td>1,522</td>
<td>30,165</td>
</tr>
<tr>
<td>Due from primary government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>37,061</td>
<td>780</td>
<td>37,841</td>
<td>29,937</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>536</td>
<td>536</td>
<td>536</td>
<td>24,393</td>
</tr>
<tr>
<td>Loans and notes receivable, net</td>
<td>33,307</td>
<td>5,375</td>
<td>38,682</td>
<td>39,398</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td></td>
<td></td>
<td>3,361</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>5,064,459</td>
<td>783,863</td>
<td>5,848,421</td>
<td>1,096,423</td>
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<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>155,085</td>
<td>376,289</td>
<td>531,374</td>
<td>577,507</td>
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<tr>
<td>Receivables, net</td>
<td>145,853</td>
<td></td>
<td>145,853</td>
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<tr>
<td>Due from other governments, net</td>
<td>620,058</td>
<td>620,058</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and notes receivable, net</td>
<td>293,208</td>
<td>150,571</td>
<td>443,779</td>
<td>142,007</td>
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<tr>
<td>Restricted assets:</td>
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<tr>
<td>Cash and cash equivalents</td>
<td>450</td>
<td>450</td>
<td>450</td>
<td>198,143</td>
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<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td>937,843</td>
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<td>Capital assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Land and construction in progress</td>
<td>6,337,529</td>
<td>166,503</td>
<td>6,504,032</td>
<td>602,721</td>
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<tr>
<td>Other capital assets, net</td>
<td>8,607,889</td>
<td>154,464</td>
<td>8,762,153</td>
<td>2,947,880</td>
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<tr>
<td>Other assets</td>
<td></td>
<td></td>
<td></td>
<td>19,333</td>
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<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>16,159,422</td>
<td>848,277</td>
<td>17,007,699</td>
<td>5,425,034</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>21,223,881</td>
<td>1,832,230</td>
<td>22,856,111</td>
<td>6,523,457</td>
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</table>

## Deferred Outflows of Resources

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred amount on refunding</td>
<td>122,101</td>
<td>122,101</td>
<td>7,376</td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>20</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Deferred Outflows</strong></td>
<td>$122,121</td>
<td>$122,121</td>
<td>$7,376</td>
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</tr>
</tbody>
</table>

(Continued on Next Page)
Statement of Net Position
June 30, 2014 (Expressed in Thousands)
(Continued from Previous Page)

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental</td>
<td>Business-type Activities</td>
</tr>
<tr>
<td>Current liabilities:</td>
<td>$58,834 $1,263 $61,097</td>
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</tr>
<tr>
<td>Warrants payable</td>
<td>578,894 12,991 592,885</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>90,352 977 91,329</td>
<td></td>
</tr>
<tr>
<td>Income tax refunds payable</td>
<td>214,000</td>
<td></td>
</tr>
<tr>
<td>Due to other governments</td>
<td>323,486 10,493 333,979</td>
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<tr>
<td>Due to component units</td>
<td>30,165</td>
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<tr>
<td>Due to primary government</td>
<td>1,522</td>
<td></td>
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<tr>
<td>Claims and benefits payable</td>
<td>153,041 6,616 159,657</td>
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<tr>
<td>Unearned revenues</td>
<td>97,515 415 97,930</td>
<td></td>
</tr>
<tr>
<td>Pollution remediation obligation</td>
<td>7,080</td>
<td></td>
</tr>
<tr>
<td>Bonds and notes payable, net</td>
<td>327,162 2,833 329,995</td>
<td></td>
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<tr>
<td>Lease obligations payable</td>
<td>6,649 72 6,721</td>
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</tr>
<tr>
<td>Other liabilities</td>
<td>63,719</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$1,889,178 37,225 1,926,403</td>
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<tr>
<td>Noncurrent liabilities:</td>
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<td></td>
</tr>
<tr>
<td>Due to other governments</td>
<td>11,232</td>
<td></td>
</tr>
<tr>
<td>Claims and benefits payable</td>
<td>38,820 456,899 495,720</td>
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</tr>
<tr>
<td>Derivative instruments</td>
<td>39,039</td>
<td></td>
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<tr>
<td>Other postemployment benefits payable</td>
<td>139,943</td>
<td></td>
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<tr>
<td>Pollution remediation obligation</td>
<td>34,777</td>
<td></td>
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<tr>
<td>Bonds and notes payable, net</td>
<td>5,049,448 12,670 5,062,118</td>
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</tr>
<tr>
<td>Lease obligations payable</td>
<td>16,126 72 16,398</td>
<td></td>
</tr>
<tr>
<td>Liabilities payable from restricted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>151</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>116,481 668 117,149</td>
<td></td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>$5,434,834 481,862 5,916,516</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>$7,323,812 519,107 7,842,919</td>
<td></td>
</tr>
</tbody>
</table>

**Net Position**

Net investment in capital assets 13,430,397 297,830 13,728,227 2,593,372

Restricted for:

| Expendable:                        | | |
| General government                 | 302,204 | | 302,204 |
| Education                         | 186,865 | | 186,865 |
| Health and social services        | 384,424 | | 384,424 |
| Law, justice and public safety    | 112,279 | | 112,279 |
| Recreation and resources development | 1,366,267 | | 1,366,267 |
| Regulation of business and professions | 59,680 | | 59,680 |
| Transportation                    | 495,180 | | 495,180 |
| Capital projects                  | 286,454 | | 286,454 |
| Debt service                      | 369,002 | | 369,002 |
| Unemployment compensation benefits | 602,381 | | 602,381 |
| Other purposes                    | 450 | | 450 |
| **Total Net Position**            | $14,022,190 1,113,123 $15,135,313 | | $4,856,528 |

Nonexpendable:

| Education                         | 58,566 | | 58,566 |
| Health and social services        | 2,025 | | 2,025 |
| Recreation and resources development | 10,859 | | 10,859 |
| **Unrestricted**                  | (3,042,012) 212,462 (2,829,550) | | 942,810 |

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

Statement of Activities
For the Year Ended June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
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</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$2,125,113</td>
<td>$1,310,188</td>
<td>$27,756</td>
<td>$712</td>
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<tr>
<td>Education</td>
<td>3,993,620</td>
<td>23,989</td>
<td>699,973</td>
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<tr>
<td>Health and social services</td>
<td>7,373,683</td>
<td>583,738</td>
<td>5,471,232</td>
<td>51</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>858,637</td>
<td>126,054</td>
<td>266,542</td>
<td>4,295</td>
</tr>
<tr>
<td>Recreation and resource development</td>
<td>636,703</td>
<td>79,287</td>
<td>311,649</td>
<td>1,059</td>
</tr>
<tr>
<td>Regulation of business and professions</td>
<td>39,174</td>
<td>43,764</td>
<td>708</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>647,532</td>
<td>49,841</td>
<td>18,219</td>
<td>542,166</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>243,099</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>15,957,570</td>
<td>2,216,851</td>
<td>6,796,079</td>
<td>548,283</td>
</tr>
<tr>
<td><strong>Business-type activities:</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Unemployment compensation</td>
<td>204,206</td>
<td>158,741</td>
<td>57,162</td>
<td></td>
</tr>
<tr>
<td>Port Authority at Gulfport</td>
<td>25,688</td>
<td>15,603</td>
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<td></td>
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<tr>
<td>Prepaid affordable college tuition</td>
<td>103,134</td>
<td>6,370</td>
<td></td>
<td></td>
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<tr>
<td>Other business-type</td>
<td>37,379</td>
<td>28,583</td>
<td></td>
<td>33</td>
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<tr>
<td><strong>Total Business-type Activities</strong></td>
<td>370,407</td>
<td>209,277</td>
<td>57,162</td>
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<tr>
<td><strong>Total Primary Government</strong></td>
<td>$16,327,977</td>
<td>$2,426,138</td>
<td>$6,853,241</td>
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<tr>
<td><strong>Component units:</strong></td>
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<tr>
<td>Universities</td>
<td>$3,169,007</td>
<td>$1,791,714</td>
<td>$481,346</td>
<td>$65,854</td>
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<tr>
<td>Nonmajor</td>
<td>38,357</td>
<td>23,307</td>
<td>2,177</td>
<td>2,157</td>
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<tr>
<td><strong>Total Component Units</strong></td>
<td>$3,207,364</td>
<td>$1,820,021</td>
<td>$483,523</td>
<td>$67,811</td>
</tr>
</tbody>
</table>

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, as restated
- 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**

<table>
<thead>
<tr>
<th>Govermental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (788,457)</td>
<td>$ (788,457)</td>
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<td></td>
</tr>
<tr>
<td>(3,269,667)</td>
<td>(3,269,667)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1,318,662)</td>
<td>(1,318,662)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(501,748)</td>
<td>(501,748)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(244,708)</td>
<td>(244,708)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,298</td>
<td>5,298</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(37,306)</td>
<td>(37,306)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(243,099)</td>
<td>(243,099)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6,398,347)</td>
<td>(6,398,347)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11,697</td>
<td>11,697</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(10,085)</td>
<td>(10,085)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(96,764)</td>
<td>(96,764)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(8,783)</td>
<td>(8,783)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(103,935)</td>
<td>(103,935)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6,398,347)</td>
<td>(6,398,347)</td>
<td></td>
<td>(6,500,282)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ (830,293)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(5,716)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(836,009)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                          |                          |       |                 |
| 3,263,643               | 3,263,643                |       |                 |
| 408,667                 | 408,667                  |       |                 |
| 1,703,736               | 1,703,736                |       |                 |
| 677,168                 | 677,168                  |       |                 |
| 267,971                 | 267,971                  |       |                 |
| 541,496                 | 541,496                  |       |                 |
| 82,307                  | 70,196                   | 152,503 | 152,831         |
|                        |                          |       | 207,941         |
|                        |                          |       | 785,908         |
|                        |                          |       | 33,394          |
| (48,583)               | 48,583                   |       |                 |

| 6,898,405               | 118,779                  | 7,015,184 | 1,180,074       |
| 500,058                 | 14,844                   | 514,902   | 344,085         |
| 13,522,132             | 1,098,279                | 14,620,411 | 4,512,463      |
| $ 14,022,190           | $ 1,113,123              | $ 15,135,313 | $ 4,856,528   |
## Balance Sheet

June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>General</th>
<th>Permanent</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity in internal investment pool</td>
<td>$3,189,296</td>
<td>$2,587</td>
<td>$3,191,883</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>210,655</td>
<td>385</td>
<td>211,040</td>
</tr>
<tr>
<td>Investments</td>
<td>133,645</td>
<td>58,727</td>
<td>192,372</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>754,178</td>
<td>349</td>
<td>754,527</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>1,147,293</td>
<td>1,147,293</td>
<td></td>
</tr>
<tr>
<td>Due from other funds</td>
<td>2,728</td>
<td>2,728</td>
<td></td>
</tr>
<tr>
<td>Due from component units</td>
<td>396</td>
<td>396</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>37,061</td>
<td>37,061</td>
<td></td>
</tr>
<tr>
<td>Loans receivable, net</td>
<td>326,515</td>
<td>326,515</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$5,801,767</strong></td>
<td><strong>$62,048</strong></td>
<td><strong>$5,863,815</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities, Deferred Inflows and Fund Balances</th>
<th>General</th>
<th>Permanent</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warrants payable</td>
<td>$59,501</td>
<td></td>
<td>$59,501</td>
</tr>
<tr>
<td>Accounts payable and accruals</td>
<td>507,678</td>
<td>275</td>
<td>507,953</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>90,352</td>
<td></td>
<td>90,352</td>
</tr>
<tr>
<td>Income tax refunds payable</td>
<td>214,000</td>
<td></td>
<td>214,000</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>323,133</td>
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<td>323,133</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>40,086</td>
<td>160</td>
<td>40,246</td>
</tr>
<tr>
<td>Due to component units</td>
<td>30,108</td>
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<td>30,108</td>
</tr>
<tr>
<td>Claims payable</td>
<td>39,885</td>
<td></td>
<td>39,885</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>82,588</td>
<td></td>
<td>82,588</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>1,387,311</strong></td>
<td>435</td>
<td><strong>1,387,746</strong></td>
</tr>
</tbody>
</table>

| Deferred inflows of resources: | | | |
| Deferred revenues | 191,695 | | 191,695 |

<table>
<thead>
<tr>
<th>Fund balances:</th>
<th>General</th>
<th>Permanent</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable Inventories</td>
<td>37,061</td>
<td></td>
<td>37,061</td>
</tr>
<tr>
<td>Principal</td>
<td>15,000</td>
<td>56,450</td>
<td>71,450</td>
</tr>
<tr>
<td>Restricted</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>301,275</td>
<td></td>
<td>301,275</td>
</tr>
<tr>
<td>Education</td>
<td>124,098</td>
<td>4,201</td>
<td>128,299</td>
</tr>
<tr>
<td>Health and social services</td>
<td>367,682</td>
<td>284</td>
<td>367,966</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>105,392</td>
<td></td>
<td>105,392</td>
</tr>
<tr>
<td>Recreation and resources development</td>
<td>1,354,636</td>
<td>678</td>
<td>1,355,314</td>
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<tr>
<td>Regulation of business and professions</td>
<td>59,680</td>
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<td>59,680</td>
</tr>
<tr>
<td>Transportation</td>
<td>480,462</td>
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<td>480,462</td>
</tr>
<tr>
<td>Capital projects</td>
<td>286,454</td>
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<td>286,454</td>
</tr>
<tr>
<td>Debt service</td>
<td>369,002</td>
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<td>369,002</td>
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<tr>
<td><strong>Committed</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>General government</td>
<td>103,481</td>
<td></td>
<td>103,481</td>
</tr>
<tr>
<td>Education</td>
<td>6,689</td>
<td></td>
<td>6,689</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>18,696</td>
<td></td>
<td>18,696</td>
</tr>
<tr>
<td>Recreation and resources development</td>
<td>4,115</td>
<td></td>
<td>4,115</td>
</tr>
<tr>
<td>Transportation</td>
<td>6,955</td>
<td></td>
<td>6,955</td>
</tr>
<tr>
<td><strong>Assigned</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>6,268</td>
<td></td>
<td>6,268</td>
</tr>
<tr>
<td>Education</td>
<td>44</td>
<td></td>
<td>44</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>1,765</td>
<td></td>
<td>1,765</td>
</tr>
<tr>
<td>Recreation and resources development</td>
<td>2,426</td>
<td></td>
<td>2,426</td>
</tr>
<tr>
<td><strong>Unassigned</strong></td>
<td><strong>571,580</strong></td>
<td></td>
<td><strong>571,580</strong></td>
</tr>
<tr>
<td><strong>Total Fund Balances</strong></td>
<td><strong>4,222,761</strong></td>
<td><strong>61,613</strong></td>
<td><strong>4,284,374</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities, Deferred Inflows and Fund Balances</strong></td>
<td><strong>$5,801,767</strong></td>
<td><strong>$62,048</strong></td>
<td><strong>$5,863,815</strong></td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014 (Expressed in Thousands)

Total fund balances for governmental funds $ 4,284,374

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 funds (excluding amounts for internal service funds' capital assets that are reported in the internal service funds' net reconciling item below):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 2,234,358</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>4,103,171</td>
</tr>
<tr>
<td>Software</td>
<td>61,573</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,056,972</td>
</tr>
<tr>
<td>Land improvements</td>
<td>242,793</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>690,755</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>9,980,031</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(4,457,530)</td>
</tr>
</tbody>
</table>

Deferred amount on refunding of debt reported as deferred outflows of resources in governmental activities is not financial resources and therefore are not reported in the funds. 122,101

Interest rate swaps reported as deferred outflows of resources in governmental activities are not financial resources and therefore are not reported in the funds. 20

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. 191,695

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General obligation bonds and notes</td>
<td>(4,135,272)</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>(21,834)</td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>(124,202)</td>
</tr>
<tr>
<td>Pollution remediation obligation</td>
<td>(41,857)</td>
</tr>
<tr>
<td>Notes payable</td>
<td>(1,006,639)</td>
</tr>
<tr>
<td>Unamortized premiums</td>
<td>(234,099)</td>
</tr>
<tr>
<td>Claims payable</td>
<td>(2,868)</td>
</tr>
<tr>
<td>Other postemployment benefits payable</td>
<td>(139,943)</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>(67,383)</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>(39,039)</td>
</tr>
</tbody>
</table>

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. 315,703

Net position of governmental activities $ 14,022,190

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Permanent</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and use</td>
<td>$ 3,264,343</td>
<td>$</td>
<td>$ 3,264,343</td>
</tr>
<tr>
<td>Gasoline and other motor fuel</td>
<td>406,047</td>
<td></td>
<td>406,047</td>
</tr>
<tr>
<td>Individual income</td>
<td>1,676,064</td>
<td>1,676,064</td>
<td></td>
</tr>
<tr>
<td>Corporate income and franchise</td>
<td>677,501</td>
<td></td>
<td>677,501</td>
</tr>
<tr>
<td>Insurance</td>
<td>267,971</td>
<td></td>
<td>267,971</td>
</tr>
<tr>
<td>Other</td>
<td>541,496</td>
<td></td>
<td>541,496</td>
</tr>
<tr>
<td>Licenses, fees and permits</td>
<td>522,588</td>
<td>236</td>
<td>522,824</td>
</tr>
<tr>
<td>Federal government</td>
<td>7,343,489</td>
<td></td>
<td>7,343,489</td>
</tr>
<tr>
<td>Investment income</td>
<td>67,807</td>
<td>1,327</td>
<td>69,134</td>
</tr>
<tr>
<td>Charges for sales and services</td>
<td>363,976</td>
<td></td>
<td>363,976</td>
</tr>
<tr>
<td>Rentals</td>
<td>32,662</td>
<td></td>
<td>32,662</td>
</tr>
<tr>
<td>Court assessments and settlements</td>
<td>169,497</td>
<td></td>
<td>169,497</td>
</tr>
<tr>
<td>Other</td>
<td>561,818</td>
<td>210</td>
<td>562,028</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>15,895,859</td>
<td>1,773</td>
<td>15,897,632</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>1,549,957</td>
<td></td>
<td>1,549,957</td>
</tr>
<tr>
<td>Education</td>
<td>3,991,290</td>
<td>117</td>
<td>3,991,407</td>
</tr>
<tr>
<td>Health and social services</td>
<td>7,384,246</td>
<td></td>
<td>7,384,246</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>899,233</td>
<td></td>
<td>899,233</td>
</tr>
<tr>
<td>Recreation and resources development</td>
<td>638,422</td>
<td></td>
<td>638,422</td>
</tr>
<tr>
<td>Regulation of business and professions</td>
<td>39,444</td>
<td></td>
<td>39,444</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,143,230</td>
<td></td>
<td>1,143,230</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>319,798</td>
<td></td>
<td>319,798</td>
</tr>
<tr>
<td>Interest and other fiscal charges</td>
<td>244,164</td>
<td></td>
<td>244,164</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>16,209,784</td>
<td>117</td>
<td>16,209,901</td>
</tr>
<tr>
<td><strong>Excess of Revenues over (under) Expenditures</strong></td>
<td>(313,925)</td>
<td>1,656</td>
<td>(312,269)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Financing Sources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and notes issued</td>
<td>348,776</td>
<td></td>
<td>348,776</td>
</tr>
<tr>
<td>Capital leases issued</td>
<td>16,107</td>
<td></td>
<td>16,107</td>
</tr>
<tr>
<td>Insurance recovery</td>
<td>17,827</td>
<td></td>
<td>17,827</td>
</tr>
<tr>
<td>Premiums on bonds issued</td>
<td>15,838</td>
<td></td>
<td>15,838</td>
</tr>
<tr>
<td>Transfers in</td>
<td>4,508</td>
<td></td>
<td>4,508</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(52,125)</td>
<td>(1,006)</td>
<td>(53,131)</td>
</tr>
<tr>
<td><strong>Net Other Financing Sources (Uses)</strong></td>
<td>350,931</td>
<td>(1,006)</td>
<td>349,925</td>
</tr>
<tr>
<td><strong>Net Change in Fund Balances</strong></td>
<td>37,006</td>
<td>650</td>
<td>37,656</td>
</tr>
<tr>
<td><strong>Fund Balances - Beginning</strong></td>
<td>4,185,755</td>
<td>60,983</td>
<td>4,246,738</td>
</tr>
<tr>
<td><strong>Fund Balances - Ending</strong></td>
<td>$ 4,222,761</td>
<td>$ 61,613</td>
<td>$ 4,284,374</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
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, 2014 (Expressed in Thousands)

Net change in fund balances - total governmental funds $ 37,656

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay</td>
<td>$ 881,889</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(394,484)</td>
</tr>
<tr>
<td></td>
<td>487,205</td>
</tr>
</tbody>
</table>

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

21,732

In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(10,523)

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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums on notes and refunding bonds and notes issued</td>
<td>(15,838)</td>
</tr>
<tr>
<td>Bonds and notes issued</td>
<td>(348,777)</td>
</tr>
<tr>
<td>Capital leases issued</td>
<td>(16,107)</td>
</tr>
<tr>
<td>Payments of debt principal</td>
<td>319,798</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>(899)</td>
</tr>
<tr>
<td></td>
<td>(61,823)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations of equipment</td>
<td>162</td>
</tr>
<tr>
<td>Change in claims payable</td>
<td>953</td>
</tr>
<tr>
<td>Change in compensated absences</td>
<td>999</td>
</tr>
<tr>
<td>Change in deferred revenues</td>
<td>28,744</td>
</tr>
<tr>
<td>Change in other postemployment benefits payable</td>
<td>(14,750)</td>
</tr>
<tr>
<td>Change in pollution remediation obligation</td>
<td>(209)</td>
</tr>
<tr>
<td>Change in fair value of Investment Derivative</td>
<td>7,947</td>
</tr>
<tr>
<td>Amortization of premiums</td>
<td>21,649</td>
</tr>
<tr>
<td>Amortization of deferred amount on refunding</td>
<td>(19,684)</td>
</tr>
<tr>
<td></td>
<td>25,811</td>
</tr>
</tbody>
</table>

Change in net position of governmental activities $ 500,058

The accompanying notes to the financial statements are an integral part of this statement.
## Statement of Net Position
June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Department of Employment Security</th>
<th>State Treasurer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unemployment Compensation</td>
<td>Port Authority at Gulfport</td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in internal investment pool</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>558,368</td>
<td>16,507</td>
</tr>
<tr>
<td>Investments</td>
<td>23,812</td>
<td></td>
</tr>
<tr>
<td>Receivables, net</td>
<td>60,984</td>
<td>1,554</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>151</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>554</td>
<td>19</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>587</td>
<td>7,121</td>
</tr>
<tr>
<td>Due from component units</td>
<td>243</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and notes receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>620,736</td>
<td>50,104</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>57,142</td>
<td></td>
</tr>
<tr>
<td>Loans and notes receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and construction in progress</td>
<td>161,479</td>
<td></td>
</tr>
<tr>
<td>Other capital assets, net</td>
<td>122,146</td>
<td></td>
</tr>
<tr>
<td>Total Noncurrent Assets</td>
<td>341,217</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 620,736</td>
<td>$ 391,321</td>
</tr>
<tr>
<td>Enterprise Funds</td>
<td>Governmental Activities - Internal Service Funds</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>-----------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Nonmajor Funds</strong></td>
<td><strong>Totals</strong></td>
<td><strong>Funds</strong></td>
</tr>
<tr>
<td>$ 96,071</td>
<td>$ 67,321</td>
<td>$ 303,160</td>
</tr>
<tr>
<td>16,958</td>
<td>589,276</td>
<td>90,877</td>
</tr>
<tr>
<td>23,812</td>
<td>4,135</td>
<td></td>
</tr>
<tr>
<td>4,862</td>
<td>70,554</td>
<td>401</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11,529</td>
<td>19,237</td>
<td>23,836</td>
</tr>
<tr>
<td>9</td>
<td>252</td>
<td>874</td>
</tr>
<tr>
<td>780</td>
<td>780</td>
<td></td>
</tr>
<tr>
<td>331</td>
<td>536</td>
<td></td>
</tr>
<tr>
<td>5,376</td>
<td>5,376</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>$ 105,913</td>
<td>$ 787,887</td>
<td>$ 424,406</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>376,289</td>
<td>32,787</td>
<td></td>
</tr>
<tr>
<td>150,571</td>
<td>150,571</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>450</td>
</tr>
<tr>
<td>5,024</td>
<td>166,503</td>
<td></td>
</tr>
<tr>
<td>32,318</td>
<td>154,464</td>
<td>33,185</td>
</tr>
<tr>
<td>187,913</td>
<td>848,277</td>
<td>86,972</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>$ 293,825</td>
<td>$ 1,636,144</td>
<td>$ 490,018</td>
</tr>
</tbody>
</table>

(Continued on Next Page)
Statement of Net Position
June 30, 2014 (Expressed in Thousands)
(Continued from Previous Page)

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Department of Employment Security</th>
<th>Port Authority at Gulfport</th>
<th>State Treasurer</th>
<th>Prepaid Affordable College Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warrants payable</td>
<td>$119</td>
<td>$5,989</td>
<td>$249</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracts payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to other governments</td>
<td>10,318</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to other funds</td>
<td>1,135</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to component units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims and benefits payable</td>
<td>6,816</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>187</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease obligations payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>18,355</td>
<td>9,908</td>
<td>3,171</td>
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<tr>
<td>Noncurrent liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to other governments</td>
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<td>456,889</td>
</tr>
<tr>
<td>Claims and benefits payable</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
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<td>Lease obligations payable</td>
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<td>Liabilities payable from restricted assets:</td>
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<tr>
<td>Deposits</td>
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<tr>
<td>Other liabilities</td>
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<tr>
<td>Total Noncurrent Liabilities</td>
<td></td>
<td>13,040</td>
<td>456,927</td>
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<tr>
<td>Total Liabilities</td>
<td></td>
<td>18,355</td>
<td>22,948</td>
<td>460,098</td>
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</table>

Net Position                                      |                                   |                            |                 |                                   |
Net investment in capital assets                   |                                    |                            |                 |                                   |
Restricted for:                                    |                                    |                            |                 |                                   |
Expendable                                        | 602,381                            |                            |                 |                                   |
Unemployment compensation benefits                 |                                    | 450                        |                 |                                   |
Other purposes                                    |                                    | 59,801                     |                 | (128,837)                         |
Unrestricted                                      |                                    |                            |                 |                                   |
Total Net Position                                 |                                   | 602,381                     | 368,373         | (129,837)                         |

The accompanying notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Nonmajor Funds</th>
<th>Totals</th>
<th>Governmental Activities - Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,014</td>
<td>$ 1,263</td>
<td>$ 333</td>
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<td>3,961</td>
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<td>2,778</td>
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<td>1,759</td>
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<td>2,833</td>
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<td>415</td>
<td>14,927</td>
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<td>305</td>
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<tr>
<td>9,705</td>
<td>41,139</td>
<td>135,134</td>
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<td>11,232</td>
<td>11,232</td>
<td>37,375</td>
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<tr>
<td>456,889</td>
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<td>272</td>
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<tr>
<td>411</td>
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<td>39,181</td>
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<td>21,620</td>
<td>523,021</td>
<td>174,315</td>
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<td>29,708</td>
<td>297,830</td>
<td>32,252</td>
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<td>450</td>
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<tr>
<td>242,408</td>
<td>212,462</td>
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<tr>
<td>$ 272,206</td>
<td>$ 1,113,123</td>
<td>$ 315,703</td>
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</table>
Properf\text{t}y Funds

Mississippi

DRAFT

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Business-type Activities</th>
<th>Department of Employment Security</th>
<th>Port Authority at Gulfport</th>
<th>State Treasurer Prepaid Affordable College Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unemployment Compensation</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>$</td>
<td>$</td>
<td>14,660 $</td>
</tr>
<tr>
<td>Charges for sales and services/premiums</td>
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<td></td>
</tr>
<tr>
<td>Assessments</td>
<td></td>
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<tr>
<td>Investment income</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Federal agencies</td>
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<td>Rentals</td>
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<tr>
<td>Fees</td>
<td></td>
<td></td>
<td>793</td>
</tr>
<tr>
<td>Tuition receipts</td>
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<td></td>
<td>5,582</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>215,903</td>
<td>14,660</td>
<td>6,370</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>204,206</td>
<td>24,996</td>
<td>103,134</td>
</tr>
<tr>
<td>Cost of sales and services</td>
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<tr>
<td>General and administrative</td>
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<td>Contractual services</td>
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<td>Commodities</td>
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<td>Depreciation</td>
<td>6,397</td>
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<td></td>
</tr>
<tr>
<td>Claims and benefits</td>
<td>204,206</td>
<td>101,709</td>
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</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>204,206</td>
<td>24,996</td>
<td>103,134</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>11,697</td>
<td>(10,336)</td>
<td>(96,764)</td>
</tr>
<tr>
<td><strong>Nonoperating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from counties</td>
<td>931</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance recovery</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of capital assets</td>
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<tr>
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<td>389</td>
<td>49,820</td>
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<tr>
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<td>1,338</td>
<td>49,820</td>
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<tr>
<td><strong>Nonoperating Expenses</strong></td>
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<td></td>
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<tr>
<td>Loss on disposal of capital assets</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other fiscal charges</td>
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<td></td>
</tr>
<tr>
<td>Total Nonoperating Expenses</td>
<td>696</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income (Loss) before Capital Contributions and Transfers</td>
<td>24,121</td>
<td>(9,696)</td>
<td>(46,944)</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>42,227</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers In</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers Out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>24,121</td>
<td>32,531</td>
<td>(46,944)</td>
</tr>
<tr>
<td>Total Net Position - Beginning</td>
<td>578,260</td>
<td>335,842</td>
<td>(82,893)</td>
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<tr>
<td>Total Net Position - Ending</td>
<td>$ 602,381</td>
<td>$ 368,373</td>
<td>$ (120,837)</td>
</tr>
</tbody>
</table>

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

38
<table>
<thead>
<tr>
<th>Enterprise Funds</th>
<th>Governmental Activities - Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonmajor Funds</strong></td>
<td><strong>Totals</strong></td>
</tr>
<tr>
<td>$25,284</td>
<td>$39,944</td>
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<tr>
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<td>1,707</td>
<td>1,707</td>
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<tr>
<td>54</td>
<td>556</td>
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<tr>
<td>1,468</td>
<td>1,483</td>
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<td><strong>35,077</strong></td>
<td><strong>272,010</strong></td>
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<td><strong>15,292</strong></td>
<td><strong>15,950</strong></td>
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<td><strong>6,758</strong></td>
<td><strong>23,049</strong></td>
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<tr>
<td><strong>1,629</strong></td>
<td><strong>1,921</strong></td>
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<tr>
<td><strong>1,491</strong></td>
<td><strong>7,888</strong></td>
</tr>
<tr>
<td><strong>15</strong></td>
<td><strong>305,915</strong></td>
</tr>
<tr>
<td><strong>37,694</strong></td>
<td><strong>370,030</strong></td>
</tr>
<tr>
<td><strong>(2,617)</strong></td>
<td><strong>(98,020)</strong></td>
</tr>
<tr>
<td><strong>931</strong></td>
<td><strong>62</strong></td>
</tr>
<tr>
<td><strong>343</strong></td>
<td><strong>347</strong></td>
</tr>
<tr>
<td><strong>999</strong></td>
<td><strong>63,632</strong></td>
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<td><strong>64,972</strong></td>
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<td><strong>18</strong></td>
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<td><strong>10</strong></td>
<td><strong>706</strong></td>
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<tr>
<td><strong>28</strong></td>
<td><strong>724</strong></td>
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<tr>
<td><strong>(1,253)</strong></td>
<td><strong>(33,772)</strong></td>
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<td><strong>33</strong></td>
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<td><strong>9,698</strong></td>
<td><strong>51,925</strong></td>
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<tr>
<td><strong>5,136</strong></td>
<td><strong>14,844</strong></td>
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<tr>
<td><strong>267,070</strong></td>
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</tr>
<tr>
<td><strong>$272,206</strong></td>
<td><strong>$1,113,123</strong></td>
</tr>
</tbody>
</table>
# Statement of Cash Flows
For the Year Ended June 30, 2014  (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Department of Employment Security</th>
<th>Port Authority at Gulfport</th>
<th>State Treasurer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Compensation</td>
<td>60,150</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>14,052</td>
<td>6,370</td>
</tr>
<tr>
<td></td>
<td>174,266</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(14,259)</td>
<td>(1,020)</td>
</tr>
<tr>
<td></td>
<td>(2,935)</td>
<td>(454)</td>
</tr>
<tr>
<td></td>
<td>(210,498)</td>
<td>(22,874)</td>
</tr>
<tr>
<td>Net Cash Provided by (Used for) Operating Activities</td>
<td>23,918</td>
<td>(3,142)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Noncapital Financing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
</tr>
<tr>
<td>Transfers out</td>
</tr>
<tr>
<td>Revenues from counties</td>
</tr>
<tr>
<td>Proceeds from other governments</td>
</tr>
<tr>
<td>Net Cash Provided by Noncapital Financing Activities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Capital and Related Financing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition and construction of capital assets</td>
</tr>
<tr>
<td>Capital grants received</td>
</tr>
<tr>
<td>Proceeds from sales of capital assets</td>
</tr>
<tr>
<td>Principal paid on bonds and capital assets contracts</td>
</tr>
<tr>
<td>Interest paid on bonds and capital assets contracts</td>
</tr>
<tr>
<td>Proceeds from insurance recovery</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Net Cash Used for Capital and Related Financing Activities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows From Investing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales of investments</td>
</tr>
<tr>
<td>Purchases of investments</td>
</tr>
<tr>
<td>Investment income</td>
</tr>
<tr>
<td>Net Cash Provided by Investing Activities</td>
</tr>
<tr>
<td>Net Change in Cash and Cash Equivalents</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - Beginning</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - Ending</td>
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</table>

40
<table>
<thead>
<tr>
<th>Enterprise Funds</th>
<th>Governmental Activities - Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonmajor Funds</td>
<td>Totals</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
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<tr>
<td>27,377</td>
<td>47,799</td>
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<td>174,266</td>
<td>578,667</td>
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<td>(22,462)</td>
<td>(37,741)</td>
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<tr>
<td>(12,405)</td>
<td>(15,794)</td>
</tr>
<tr>
<td>(233,372)</td>
<td>(719,813)</td>
</tr>
<tr>
<td>1,094</td>
<td>1,094</td>
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<td>(2)</td>
<td>(2)</td>
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<tr>
<td>23,306</td>
<td>23,306</td>
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<tr>
<td>(22,642)</td>
<td>(22,642)</td>
</tr>
<tr>
<td>(5,794)</td>
<td>(2,936)</td>
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<td>(3,290)</td>
<td>(3,290)</td>
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<td>677</td>
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<td>63,486</td>
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<td>25</td>
<td>(2,969)</td>
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<tr>
<td>452</td>
<td>462</td>
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<td>2</td>
<td>2</td>
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<tr>
<td>(166)</td>
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<td>(47,241)</td>
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<td>(213,355)</td>
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<td>19,096</td>
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<td>986</td>
<td>22,293</td>
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<td>35,602</td>
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<tr>
<td>394,067</td>
<td>394,067</td>
</tr>
</tbody>
</table>

(Continued on Next Page)
Statement of Cash Flows
For the Year Ended June 30, 2014 (Expressed in Thousands)
(Continued from Previous Page)

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities

Operating income (loss)

Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:

Depreciation
Change in assets and liabilities:
(Increase) decrease in assets:
- Receivables, net
- Due from other governments
- Due from other funds
- Due from component units
- Inventories
- Prepaid items
- Loans and notes receivable

Increase (decrease) in liabilities:
- Warrants payable
- Accounts payable and other liabilities
- Due to other governments
- Due to other funds
- Due to component units
- Claims and benefits payable
- Unearned revenues

Total adjustments

Net Cash Provided by (Used for) Operating Activities

<table>
<thead>
<tr>
<th>Department of Employment Security</th>
<th>Port Authority at Gulfport</th>
<th>State Treasurer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Compensation</td>
<td></td>
<td>Prepaid Affordable College Tuition</td>
</tr>
<tr>
<td>$ 11,697</td>
<td>(10,336)</td>
<td>(96,764)</td>
</tr>
<tr>
<td>6,397</td>
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<td></td>
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<tr>
<td>11,721</td>
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<tr>
<td>99</td>
<td></td>
<td></td>
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<tr>
<td>113</td>
<td></td>
<td></td>
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<tr>
<td>(33)</td>
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<td></td>
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<tr>
<td>12,221</td>
<td>7,194</td>
<td>78,786</td>
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<tr>
<td>$ 23,918</td>
<td>(3,142)</td>
<td>(17,976)</td>
</tr>
</tbody>
</table>

Noncash Capital and Related Financing and Investing Activities
Capital contributions
Gain (loss) on disposal of capital assets
Change in market value of investments

The accompanying notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Enterprise Funds</th>
<th>Governmental Activities - Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonmajor Funds</td>
<td>Totals</td>
</tr>
<tr>
<td>$ (2,617)</td>
<td>$ (98,020)</td>
</tr>
<tr>
<td>1,491</td>
<td>7,888</td>
</tr>
<tr>
<td>53</td>
<td>11,665</td>
</tr>
<tr>
<td>38</td>
<td>6,670</td>
</tr>
<tr>
<td>(265)</td>
<td>(166)</td>
</tr>
<tr>
<td>9</td>
<td>122</td>
</tr>
<tr>
<td>(171)</td>
<td>(171)</td>
</tr>
<tr>
<td>99</td>
<td>88</td>
</tr>
<tr>
<td>(3,304)</td>
<td>(3,304)</td>
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<tr>
<td>509</td>
<td>284</td>
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<tr>
<td>223</td>
<td>1,810</td>
</tr>
<tr>
<td>1</td>
<td>(629)</td>
</tr>
<tr>
<td>1,193</td>
<td>(52)</td>
</tr>
<tr>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>74,654</td>
<td>7,781</td>
</tr>
<tr>
<td>8</td>
<td>57</td>
</tr>
<tr>
<td>(3,117)</td>
<td>95,084</td>
</tr>
<tr>
<td>$ (5,734)</td>
<td>$ (2,936)</td>
</tr>
</tbody>
</table>

33  33  27,775
325 329 (4)
14,378 1,708
# Statement of Fiduciary Net Position

**June 30, 2014  (Expressed in Thousands)**

<table>
<thead>
<tr>
<th></th>
<th>Pension Trust Funds</th>
<th>Private-purpose Trust Fund</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in internal investment pool</td>
<td>$2,030</td>
<td>$7</td>
<td>$9,490</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>757,325</td>
<td></td>
<td>61,562</td>
</tr>
<tr>
<td>Investments, at fair value:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>129,576</td>
<td>1,785</td>
<td></td>
</tr>
<tr>
<td>Long-term debt securities</td>
<td>4,981,687</td>
<td>54,288</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>17,182,687</td>
<td>86,091</td>
<td></td>
</tr>
<tr>
<td>Private equity</td>
<td>973,401</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate investments</td>
<td>2,272,605</td>
<td>8,518</td>
<td></td>
</tr>
<tr>
<td>Asset allocation fund</td>
<td>92,154</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate and variable</td>
<td>558,010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life insurance contracts</td>
<td>339</td>
<td>29,630</td>
<td></td>
</tr>
<tr>
<td>Securities lending:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>912,346</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt securities</td>
<td>2,809,750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables, net:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer contributions</td>
<td>66,623</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee contributions</td>
<td>39,208</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment proceeds</td>
<td>383,570</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>60,788</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,284</td>
<td>306</td>
<td>527</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity inventory</td>
<td></td>
<td>1,229</td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and construction in progress</td>
<td>16,613</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other capital assets, net</td>
<td>13,708</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>31,283,616</td>
<td>180,697</td>
<td>$72,808</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Pension Trust Funds</th>
<th>Private-purpose Trust Fund</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warrants payable</td>
<td>138</td>
<td>1</td>
<td>$334</td>
</tr>
<tr>
<td>Accounts payable and accruals</td>
<td>569,725</td>
<td>484</td>
<td>1,573</td>
</tr>
<tr>
<td>Due to other governments</td>
<td></td>
<td></td>
<td>1,138</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts held in custody for others</td>
<td></td>
<td></td>
<td>69,763</td>
</tr>
<tr>
<td>Obligations under securities lending</td>
<td>3,721,141</td>
<td>485</td>
<td>$72,808</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>4,291,018</td>
<td>485</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Pension Trust Funds</th>
<th>Private-purpose Trust Fund</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held in trust for pension benefits and trust beneficiaries</td>
<td>$26,992,598</td>
<td>$180,212</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
## Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Additions</th>
<th>Pension Trust Funds</th>
<th>Private-purpose Trust Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer</td>
<td>$ 1,005,219</td>
<td>$</td>
</tr>
<tr>
<td>Plan participant</td>
<td>625,867</td>
<td>22,054</td>
</tr>
<tr>
<td>Total Contributions</td>
<td>1,631,086</td>
<td>22,054</td>
</tr>
<tr>
<td>Net Investment Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair value of investments</td>
<td>3,654,142</td>
<td>17,332</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>589,945</td>
<td>2,923</td>
</tr>
<tr>
<td>Securities lending:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from securities lending</td>
<td>19,133</td>
<td></td>
</tr>
<tr>
<td>Interest expense and trading costs from securities lending</td>
<td>(2,680)</td>
<td></td>
</tr>
<tr>
<td>Managers' fees and trading costs</td>
<td>(33,449)</td>
<td></td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>4,177,091</td>
<td>20,255</td>
</tr>
<tr>
<td>Other Additions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative fees</td>
<td>617</td>
<td>150</td>
</tr>
<tr>
<td>Other</td>
<td>268</td>
<td></td>
</tr>
<tr>
<td>Total Other Additions</td>
<td>885</td>
<td>150</td>
</tr>
<tr>
<td>Total Additions</td>
<td>5,809,062</td>
<td>42,459</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deductions</th>
<th>Pension Trust Funds</th>
<th>Private-purpose Trust Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>2,263,161</td>
<td>19,022</td>
</tr>
<tr>
<td>Refunds to terminated employees</td>
<td>121,599</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>14,071</td>
<td>850</td>
</tr>
<tr>
<td>Depreciation</td>
<td>778</td>
<td></td>
</tr>
<tr>
<td>Total Deductions</td>
<td>2,399,609</td>
<td>19,872</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>3,409,453</td>
<td>22,587</td>
</tr>
<tr>
<td>Net Position - Beginning</td>
<td>23,583,145</td>
<td>157,625</td>
</tr>
<tr>
<td>Net Position - Ending</td>
<td>$ 26,992,598</td>
<td>$ 180,212</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
## Statement of Net Position

**June 30, 2014 (Expressed in Thousands)**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Universities</th>
<th>Nonmajor</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in internal investment pool</td>
<td>$11,100</td>
<td>$2,012</td>
<td>$13,112</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>409,691</td>
<td>21,400</td>
<td>431,091</td>
</tr>
<tr>
<td>Investments</td>
<td>211,447</td>
<td>28,040</td>
<td>240,366</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>282,657</td>
<td>3,766</td>
<td>286,423</td>
</tr>
<tr>
<td>Due from other governments</td>
<td></td>
<td>147</td>
<td>147</td>
</tr>
<tr>
<td>Due from primary government</td>
<td>30,061</td>
<td>114</td>
<td>30,165</td>
</tr>
<tr>
<td>Inventories</td>
<td>28,801</td>
<td>1,136</td>
<td>29,937</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>24,114</td>
<td>279</td>
<td>24,393</td>
</tr>
<tr>
<td>Notes receivable, net</td>
<td>38,748</td>
<td>650</td>
<td>39,398</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,346</td>
<td>15</td>
<td>3,361</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,039,955</td>
<td>58,468</td>
<td>1,098,423</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>577,507</td>
<td></td>
<td>577,507</td>
</tr>
<tr>
<td>Notes receivable, net</td>
<td>142,007</td>
<td></td>
<td>142,007</td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>195,339</td>
<td>2,804</td>
<td>198,143</td>
</tr>
<tr>
<td>Investments</td>
<td>930,643</td>
<td>7,000</td>
<td>937,643</td>
</tr>
<tr>
<td><strong>Capital assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and construction in progress</td>
<td>582,595</td>
<td>20,126</td>
<td>602,721</td>
</tr>
<tr>
<td>Other capital assets, net</td>
<td>2,793,691</td>
<td>153,989</td>
<td>2,947,680</td>
</tr>
<tr>
<td>Other assets</td>
<td>18,333</td>
<td></td>
<td>18,333</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>5,241,115</td>
<td>183,919</td>
<td>5,425,034</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>6,281,070</td>
<td>242,387</td>
<td>6,523,457</td>
</tr>
<tr>
<td><strong>Deferred Outflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred amount on refunding</td>
<td>7,376</td>
<td></td>
<td>7,376</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>197,240</td>
<td>3,955</td>
<td>201,195</td>
</tr>
<tr>
<td>Due to primary government</td>
<td>885</td>
<td>667</td>
<td>1,552</td>
</tr>
<tr>
<td>Deposits</td>
<td>90,239</td>
<td>521</td>
<td>96,760</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>30,605</td>
<td>650</td>
<td>31,255</td>
</tr>
<tr>
<td>Bonds and notes payable</td>
<td>1,460</td>
<td>43</td>
<td>1,533</td>
</tr>
<tr>
<td>Lease obligations payable</td>
<td>63,719</td>
<td></td>
<td>63,719</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>390,148</td>
<td>6,430</td>
<td>396,578</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and notes payable</td>
<td>989,039</td>
<td></td>
<td>989,039</td>
</tr>
<tr>
<td>Lease obligations payable</td>
<td>31,152</td>
<td>185</td>
<td>31,337</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>256,003</td>
<td>748</td>
<td>257,351</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>1,276,784</td>
<td>933</td>
<td>1,277,727</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,666,942</td>
<td>7,363</td>
<td>1,674,305</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>2,420,103</td>
<td>173,269</td>
<td>2,593,372</td>
</tr>
<tr>
<td><strong>Restricted for:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>2,884</td>
<td></td>
<td>2,884</td>
</tr>
<tr>
<td>Other purposes</td>
<td>597,678</td>
<td>4,384</td>
<td>602,062</td>
</tr>
<tr>
<td><strong>Permanent endowments:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>708,600</td>
<td>7,000</td>
<td>715,600</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>895,123</td>
<td>47,487</td>
<td>942,610</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$4,621,504</td>
<td>$235,024</td>
<td>$4,856,528</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of this statement.
## Statement of Activities
For the Year Ended June 30, 2014  (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
<th>Program Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universities</td>
<td>$3,169,007</td>
<td>$1,791,714</td>
<td>$481,346</td>
<td>$65,854</td>
</tr>
<tr>
<td>Nonmajor</td>
<td>38,357</td>
<td>28,307</td>
<td>2,177</td>
<td>2,157</td>
</tr>
<tr>
<td>Total</td>
<td>$3,207,364</td>
<td>$1,820,021</td>
<td>$483,523</td>
<td>$67,811</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net (Expense) Revenue and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universities</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>$(830,293)</td>
</tr>
</tbody>
</table>

General revenues:
- Investment income: 152,101
- Other: 205,502
- Payment from State of Mississippi: 785,908
- Contributions to permanent endowments: 33,394

Total General Revenues and Contributions: 1,176,905
Change in Net Position: 346,612

Net Position - Beginning: 4,274,892
Net Position - Ending: 4,621,504

The accompanying notes to the financial statements are an integral part of this statement.
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June 30, 2014

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 independent 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 - 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 five 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, 2014, 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.
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 to one another, 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 but the district is fiscally dependent and a financial benefit/burden relationship exists. 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 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 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 Systems and the State's Deferred Compensation Plan.

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. 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.

G. 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.

H. 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 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.

1. 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.

2. 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.

3. 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.

4. 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 fair market value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or fair market 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 15 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.

5. 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.

6. 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 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.
O. 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.

P. 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 laws 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.

Q. 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.

R. 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.

S. Changes in Accounting Standards - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 66, Technical Corrections – 2012; an amendment of GASB Statement No. 10 and No. 62, GASB Statement No 67, Financial Reporting for Pension Plans; an amendment of GASB Statement 25; and GASB Statement No. 79, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The provisions of these standards have been incorporated into the financial statements and the notes.

The State will be implementing GASB Statement No. 88, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement 27. This Statement is effective for fiscal years beginning after June 15, 2014 and will establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures/expenses. For defined benefit pensions, this Statement will identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The impact of this standard could affect a number of the State’s financial statement amounts, disclosures and required supplemental information, however the State is unable to determine the magnitude of the Standard’s implementation at this time.
**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 $8,473,272,000 of restricted net position, of which $700,477,000 is restricted by enabling legislation.

B. Deficit Net Position - At June 30, 2014, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net position of $129,837,000. The deficit is a result of actual investment earnings being less than actuarial assumptions.

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. The Account balance, in excess of $40,000,000, may be permanently transferred to the General Fund to cover deficits up to a maximum of $50,000,000 in any one fiscal year. 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, 2014, the Account, as reported in the General Fund, has an unassigned fund balance of $110,190,000.
## Note 3 - Interfund Transactions

At June 30, 2014, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Due From</th>
<th>General</th>
<th>Internal Service</th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Nonmajor Enterprise</th>
<th>Fiduciary Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>$</td>
<td>$ 21,473</td>
<td>$ 7,121</td>
<td>$ 11,472</td>
<td></td>
<td>$ 40,066</td>
<td></td>
</tr>
<tr>
<td>Nonmajor Governmental</td>
<td>160</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Service</td>
<td>1,013</td>
<td>102</td>
<td>587</td>
<td>57</td>
<td></td>
<td>1,759</td>
<td></td>
</tr>
<tr>
<td>Proprietary:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Compensation</td>
<td>1,135</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,135</td>
<td></td>
</tr>
<tr>
<td>Port Authority at Gulfport</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Nonmajor Enterprise</td>
<td>420</td>
<td>2,358</td>
<td></td>
<td></td>
<td></td>
<td>2,778</td>
<td></td>
</tr>
<tr>
<td>Fiduciary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,728</td>
<td>$ 23,936</td>
<td>$ 587</td>
<td>$ 7,121</td>
<td>$ 11,529</td>
<td>$ 12</td>
<td>45,913</td>
</tr>
</tbody>
</table>

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, 2014, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Due From</th>
<th>Primary Government</th>
<th>Component Units</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Universities</td>
</tr>
<tr>
<td>General</td>
<td>$</td>
<td>$</td>
<td>$ 30,051</td>
</tr>
<tr>
<td>Internal Service</td>
<td>$ 300</td>
<td>$ 874</td>
<td>243</td>
</tr>
<tr>
<td>Total</td>
<td>$ 396</td>
<td>$ 874</td>
<td>$ 30,051</td>
</tr>
</tbody>
</table>

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, 2014, interfund transfers consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Transfer From</th>
<th>General</th>
<th>Internal Service</th>
<th>Port Authority at Gulfport</th>
<th>Nonmajor Enterprise</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>$</td>
<td>$ 200</td>
<td>$ 42,227</td>
<td>$ 9,698</td>
<td>52,125</td>
</tr>
<tr>
<td>Nonmajor Governmental</td>
<td>1,006</td>
<td></td>
<td></td>
<td></td>
<td>1,006</td>
</tr>
<tr>
<td>Internal Service</td>
<td>160</td>
<td></td>
<td></td>
<td></td>
<td>160</td>
</tr>
<tr>
<td>Proprietary:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonmajor Enterprise</td>
<td>3,342</td>
<td></td>
<td></td>
<td></td>
<td>3,342</td>
</tr>
<tr>
<td>Total</td>
<td>$ 4,508</td>
<td>$ 200</td>
<td>$ 42,227</td>
<td>$ 9,698</td>
<td>56,633</td>
</tr>
</tbody>
</table>

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.
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 Trustees' 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 pledge 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 27-125-6, 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. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2014, $53,322,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2014, $80,000 was uninsured and uncollateralized.
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, not to exceed 50 percent of total investments with maturities of 30 days or longer. During the year, these investments exceeded the limit imposed by the statute. On September 7, 2008, Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) were placed into conservatorship by the U.S. government, lending an additional level of security to these investments. The Agency bonds purchased over and above the statutory limitation were purchased in lieu of Treasury bonds that were offered at substantially lower yields. As Congress debates possible reforms to FHLMC and FNMA, the risk position of the portfolio will continue to be monitored to ensure that funds are invested in a manner consistent with the risk limitations intended by the statute. Whatever identity FHLMC and FNMA assume post-conservatorship will be evaluated in light of the statute and the appropriate limitations to the asset allocation will be imposed; 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, instrumentalties or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalties 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 and the Education Improvement Trust 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 B/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;

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, 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Aaa/AAA</th>
<th>Aa/AA</th>
<th>A/A</th>
<th>Baa/BBB</th>
<th>Not Rated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$3,534</td>
<td>$2,381</td>
<td>$1,028</td>
<td>$2,327</td>
<td>$147,589</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>816</td>
<td>1,988</td>
<td>788</td>
<td>5,983</td>
<td>107,952</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td></td>
<td>4,913</td>
<td>17,186</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>89,839</td>
<td></td>
<td></td>
<td></td>
<td>56,079</td>
</tr>
<tr>
<td>State and local obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>1,780,075</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$94,189</td>
<td>$1,789,607</td>
<td>$19,002</td>
<td>$8,310</td>
<td>$311,620</td>
</tr>
</tbody>
</table>

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, 2014, the primary government had the following investments and maturities (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less than 1</th>
<th>1 - 5</th>
<th>6 - 10</th>
<th>More than 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$9,270</td>
<td>$3,178</td>
<td>$3,891</td>
<td>$2,201</td>
<td></td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>278,488</td>
<td>8,637</td>
<td>1,522</td>
<td>268,196</td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>33,138</td>
<td>2,213</td>
<td>19,873</td>
<td>7,085</td>
<td></td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td>115,976</td>
<td>6,909</td>
<td>36,820</td>
<td>72,418</td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>145,918</td>
<td>9,782</td>
<td>44,512</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other pass-through securities</td>
<td>144,148</td>
<td>34,897</td>
<td>22,474</td>
<td>86,744</td>
<td></td>
</tr>
<tr>
<td>State and local obligations</td>
<td>250</td>
<td>250</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>1,783,502</td>
<td>1,265,030</td>
<td>479,907</td>
<td>1,736</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>578,460</td>
<td>487,539</td>
<td>5,744</td>
<td>2,766</td>
<td></td>
</tr>
<tr>
<td>Zero coupon bonds</td>
<td>3,221</td>
<td>1,675</td>
<td></td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$3,092,371</td>
<td>$1,837,870</td>
<td>$598,583</td>
<td>$441,148</td>
<td></td>
</tr>
</tbody>
</table>
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.

C. 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 Board limits non-U.S. investments to 20 percent of total investments. The primary government’s exposure to foreign currency risk at June 30, 2014, is as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Currency</th>
<th>Cash and Equivalents</th>
<th>Equities</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian dollar</td>
<td>$</td>
<td>$4,129</td>
<td>$4,129</td>
</tr>
<tr>
<td>British Pound sterling</td>
<td>5,398</td>
<td>5,396</td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>10,040</td>
<td>10,040</td>
<td></td>
</tr>
<tr>
<td>Hong Kong dollar</td>
<td>3,116</td>
<td>3,116</td>
<td></td>
</tr>
<tr>
<td>Israeli shekel</td>
<td>594</td>
<td>594</td>
<td></td>
</tr>
<tr>
<td>Japanese yen</td>
<td>3,769</td>
<td>3,769</td>
<td></td>
</tr>
<tr>
<td>Malaysian ringgit</td>
<td>3,197</td>
<td>1,973</td>
<td></td>
</tr>
<tr>
<td>New Taiwan dollar</td>
<td>1,290</td>
<td>1,290</td>
<td></td>
</tr>
<tr>
<td>Norwegian krone</td>
<td>352</td>
<td>352</td>
<td></td>
</tr>
<tr>
<td>Singapore dollar</td>
<td>2,079</td>
<td>2,079</td>
<td></td>
</tr>
<tr>
<td>Swedish krona</td>
<td>1,315</td>
<td>1,315</td>
<td></td>
</tr>
<tr>
<td>Swiss franc</td>
<td>4,994</td>
<td>4,994</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$138</td>
<td>$39,044</td>
<td>$39,182</td>
</tr>
</tbody>
</table>

D. 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 $586,990 13.30%
- Federal Home Loan Mortgage Corporation 544,403 12.77%
- Federal National Mortgage Association 683,816 16.04%

E. 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 associated bonds have been refunded with a new final maturity of November 1, 2017. As a result of the refunding, the portions of the swap agreements attributable to dates after November 1, 2017 have no hedgeable form and therefore, are being accounted for as investment derivatives. Details of the June 30, 2014 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 Obligation Bonds.

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, 2014, the System had no deposits in foreign demand deposit accounts.
Mississippi

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 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 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 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;
- 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 he 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, 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Aaa/AAA</th>
<th>Aa/AA</th>
<th>A/A</th>
<th>Baa/BBB</th>
<th>Ba/BB</th>
<th>BB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$951,776</td>
<td>$30,159</td>
<td>$35,972</td>
<td>$23,296</td>
<td>$5,249</td>
<td>$6,361</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>201,397</td>
<td>198,505</td>
<td>40,146</td>
<td>50,602</td>
<td>17,191</td>
<td>22,441</td>
</tr>
<tr>
<td>Commercial paper</td>
<td></td>
<td></td>
<td>514,890</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>103,260</td>
<td>912,095</td>
<td>1,287,619</td>
<td>926,480</td>
<td>274,263</td>
<td>150,801</td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td>299,587</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>178,216</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign governments debt</td>
<td>113,164</td>
<td>127,222</td>
<td>228,876</td>
<td>476,628</td>
<td>124,661</td>
<td>50,961</td>
</tr>
<tr>
<td>State and local obligations</td>
<td>1,113</td>
<td>19,416</td>
<td>22,192</td>
<td>3,699</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>2,291</td>
<td>70,869</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yankee/Global bonds</td>
<td>39,685</td>
<td>9,118</td>
<td>1,081</td>
<td>15,012</td>
<td>1,907</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,412,666</td>
<td>$1,846,189</td>
<td>$2,130,776</td>
<td>$1,495,717</td>
<td>$423,271</td>
<td>$230,564</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Caa/CCC</th>
<th>Ca/CC</th>
<th>C/C</th>
<th>D/D</th>
<th>F</th>
<th>P</th>
<th>WR</th>
<th>Not Rated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$12,476</td>
<td>$3</td>
<td>$18</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>25,565</td>
<td>1,714</td>
<td>419</td>
<td>17,486</td>
<td>260</td>
<td>3,771</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial paper</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>213,170</td>
<td>11,101</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>6,363</td>
<td>3,319</td>
<td></td>
<td></td>
<td>534</td>
<td>2,505</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign governments debt</td>
<td>29,839</td>
<td>913</td>
<td></td>
<td></td>
<td>913</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yankee/Global bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,287</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$74,043</td>
<td>5,036</td>
<td>437</td>
<td>17,486</td>
<td>213,170</td>
<td>11,101</td>
<td>1,747</td>
<td>7,563</td>
</tr>
</tbody>
</table>

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 the 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 Government. Within the System, the pension funds have $2,391,556,000 in investments at June 30, 2014. Of this amount, $5,100,000,000 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, 2014, consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash collateral securities</td>
<td></td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>$ 913,980</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>25,705</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>739,161</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,870,065</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>173,185</td>
</tr>
<tr>
<td>Total cash collateral securities</td>
<td>3,722,090</td>
</tr>
<tr>
<td>Underlying securities on non-cash loans</td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>89,684</td>
</tr>
<tr>
<td>Equities</td>
<td>1,204,609</td>
</tr>
<tr>
<td>Real Estates Investment Trusts</td>
<td>113,050</td>
</tr>
<tr>
<td>Total underlying securities on non-cash loans</td>
<td>1,407,343</td>
</tr>
<tr>
<td></td>
<td>5,129,439</td>
</tr>
</tbody>
</table>

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, 2014, the System had the following investments and maturities (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$ 1,065,350</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>579,497</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>739,161</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,663,920</td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td>376,035</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>178,218</td>
</tr>
<tr>
<td>Sovereign governments debt</td>
<td>1,155,383</td>
</tr>
<tr>
<td>State and local obligations</td>
<td>48,420</td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>73,180</td>
</tr>
<tr>
<td>U.S. Treasury obligations</td>
<td>763,823</td>
</tr>
<tr>
<td>Yankee/Global bonds</td>
<td>68,070</td>
</tr>
<tr>
<td>Total</td>
<td>$ 8,729,037</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Maturities (in Years)</th>
<th>Less than 1</th>
<th>1-5</th>
<th>6-10</th>
<th>More than 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset backed securities</td>
<td>$ 996,737</td>
<td>32,729</td>
<td>20,574</td>
<td>15,310</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>100,670</td>
<td>4,882</td>
<td>25,343</td>
<td>446,802</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>739,161</td>
<td>739,161</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>869,293</td>
<td>1,650,778</td>
<td>765,321</td>
<td>378,528</td>
</tr>
<tr>
<td>Mortgage pass-throughs</td>
<td>2,239</td>
<td>8,342</td>
<td>365,454</td>
<td></td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>178,218</td>
<td>178,218</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign governments debt</td>
<td>47,484</td>
<td>276,894</td>
<td>519,224</td>
<td>311,781</td>
</tr>
<tr>
<td>State and local obligations</td>
<td>357</td>
<td>505</td>
<td>9,008</td>
<td>36,549</td>
</tr>
<tr>
<td>U.S. Government agency obligations</td>
<td>10,397</td>
<td>28,904</td>
<td>7,835</td>
<td>27,964</td>
</tr>
<tr>
<td>U.S. Treasury obligations</td>
<td>47,191</td>
<td>324,454</td>
<td>342,064</td>
<td>70,114</td>
</tr>
<tr>
<td>Yankee/Global bonds</td>
<td>1,651</td>
<td>38,189</td>
<td>9,273</td>
<td>18,957</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,991,159</td>
<td>2,357,575</td>
<td>1,707,044</td>
<td>1,673,259</td>
</tr>
</tbody>
</table>

During fiscal year 2014, 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 $15,100,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 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 mortgage. Cash flows are distributed to different investment classes or tranches in accordance with that CMOs' 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 $579,500,000 in CMOs at June 30, 2014. Of this amount, $223,200,000 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 specialty 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 $1,065,400,000 in ABS held at June 30, 2014, $46,400,000 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, 2014, the System has invested in $378,000,000 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 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 investment asset allocation policy does not limit foreign currency-denominated investments of the System. The System's exposure to foreign currency risk at June 30, 2014, is as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Currency</th>
<th>Cash and Equivalents</th>
<th>Equities and REITs</th>
<th>Debt Securities</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian dollar</td>
<td>$ (24,873)</td>
<td>$ 249,773</td>
<td>$ 25,767</td>
<td>$ 247,667</td>
</tr>
<tr>
<td>Brazilian real</td>
<td>(7,588)</td>
<td>186,213</td>
<td>33,306</td>
<td>211,931</td>
</tr>
<tr>
<td>British pound sterling</td>
<td>(94,450)</td>
<td>904,642</td>
<td>99,288</td>
<td>900,480</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>(41,697)</td>
<td>215,474</td>
<td>45,591</td>
<td>219,388</td>
</tr>
<tr>
<td>Chilean peso</td>
<td>1</td>
<td>7,266</td>
<td></td>
<td>7,267</td>
</tr>
<tr>
<td>Colombian peso</td>
<td>(2,201)</td>
<td></td>
<td>7,402</td>
<td>5,201</td>
</tr>
<tr>
<td>Danish krone</td>
<td>(1,741)</td>
<td>57,809</td>
<td>1,813</td>
<td>57,881</td>
</tr>
<tr>
<td>Egyptian pound</td>
<td></td>
<td>3,512</td>
<td></td>
<td>3,512</td>
</tr>
<tr>
<td>Euro</td>
<td>(338,565)</td>
<td>1,537,635</td>
<td>375,107</td>
<td>1,576,177</td>
</tr>
<tr>
<td>Hong Kong dollar</td>
<td>935</td>
<td>317,585</td>
<td></td>
<td>318,520</td>
</tr>
<tr>
<td>Hungarian forint</td>
<td></td>
<td>9,838</td>
<td></td>
<td>9,838</td>
</tr>
<tr>
<td>Indian rupee</td>
<td>181</td>
<td>120,403</td>
<td></td>
<td>120,584</td>
</tr>
<tr>
<td>Indonesian rupiah</td>
<td>11</td>
<td>60,300</td>
<td></td>
<td>60,311</td>
</tr>
<tr>
<td>Israeli shekel</td>
<td>79</td>
<td>19,515</td>
<td></td>
<td>19,594</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>(91,930)</td>
<td>869,017</td>
<td>96,892</td>
<td>873,979</td>
</tr>
<tr>
<td>Kenyan shilling</td>
<td></td>
<td>2,057</td>
<td></td>
<td>2,057</td>
</tr>
<tr>
<td>Malaysian ringgit</td>
<td>5,330</td>
<td>17,899</td>
<td></td>
<td>23,229</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>(48,210)</td>
<td>33,842</td>
<td>93,481</td>
<td>79,113</td>
</tr>
<tr>
<td>New Taiwan dollar</td>
<td>249</td>
<td>118,820</td>
<td>-</td>
<td>119,069</td>
</tr>
<tr>
<td>New Turkish lira</td>
<td>(2,475)</td>
<td>58,710</td>
<td>2,503</td>
<td>58,738</td>
</tr>
<tr>
<td>New Zealand dollar</td>
<td>(23,854)</td>
<td>11,997</td>
<td>24,318</td>
<td>12,459</td>
</tr>
<tr>
<td>Norwegian krone</td>
<td>(4,299)</td>
<td>69,082</td>
<td>4,460</td>
<td>69,263</td>
</tr>
<tr>
<td>Pakistani rupee</td>
<td></td>
<td>18,076</td>
<td></td>
<td>18,076</td>
</tr>
<tr>
<td>Peruvian nuevo sol</td>
<td>(1,113)</td>
<td></td>
<td>3,071</td>
<td>1,955</td>
</tr>
<tr>
<td>Philippines peso</td>
<td>193</td>
<td>4,645</td>
<td>6,403</td>
<td>11,241</td>
</tr>
<tr>
<td>Polish złoty</td>
<td>(4,287)</td>
<td>2,556</td>
<td>6,127</td>
<td>4,396</td>
</tr>
<tr>
<td>Qatari riyal</td>
<td></td>
<td>2,139</td>
<td></td>
<td>2,139</td>
</tr>
<tr>
<td>Russian ruble</td>
<td>(3,093)</td>
<td>3,948</td>
<td>5,150</td>
<td>6,005</td>
</tr>
<tr>
<td>Singapore dollar</td>
<td>(343)</td>
<td>94,204</td>
<td>2,481</td>
<td>96,342</td>
</tr>
<tr>
<td>South African rand</td>
<td>(10,739)</td>
<td>128,973</td>
<td>17,431</td>
<td>135,665</td>
</tr>
<tr>
<td>South Korean won</td>
<td>1</td>
<td>230,573</td>
<td></td>
<td>230,574</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>(7,244)</td>
<td>96,456</td>
<td>7,780</td>
<td>96,991</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>2,384</td>
<td>303,507</td>
<td></td>
<td>305,891</td>
</tr>
<tr>
<td>Thailand baht</td>
<td></td>
<td>37,603</td>
<td></td>
<td>37,603</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(697,338)</strong></td>
<td><strong>5,791,068</strong></td>
<td><strong>858,389</strong></td>
<td><strong>5,952,119</strong></td>
</tr>
</tbody>
</table>
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. The counterparties of the foreign currency forwards have short term credit ratings of A or better 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 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 are 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, 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Notional Amount</th>
<th>Changes in Fair Value</th>
<th>Fair Value at June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Classification</td>
<td>Amount</td>
</tr>
<tr>
<td>Foreign currency forwards</td>
<td>(15,640,273)</td>
<td>Investment income</td>
<td>(5,747)</td>
</tr>
<tr>
<td>To-be-announced securities</td>
<td>108,169</td>
<td>Investment income</td>
<td>805</td>
</tr>
</tbody>
</table>

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. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2014, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities.

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 foreign 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. The contractual agreement with the custodian provides indemnification in the event the borrower defaults. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

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. 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 and debt obligations were held as collateral on the non-cash loans as of June 30, 2014.

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 4 days at June 30, 2014. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, ABS and CMOs. The weighted average effective duration of all collateral investments at June 30, 2014, was 37 days with a weighted average maturity of 37 days.

Securities lent at year end for cash collateral 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 $1,407,343,000 securities lent for securities collateral as of June 30, 2014. 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, 2014, the aggregate fair value of securities lending holdings, including accrued interest was $3,723,613,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $5,010,671,000. The value of the collateral pledged by borrowers at year end was $5,286,635,000.
### Note 5 - Receivables

At June 30, 2014, receivables consisted of (amounts expressed in thousands):

**Governmental Funds**

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Permanent</th>
<th>Internal Service</th>
<th>Receivables Reclass</th>
<th>Total Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Taxes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>$177,237</td>
<td>$60</td>
<td>$41</td>
<td>$2</td>
<td>$177,340</td>
</tr>
<tr>
<td>Income</td>
<td>336,862</td>
<td></td>
<td></td>
<td></td>
<td>336,862</td>
</tr>
<tr>
<td>Gasoline</td>
<td>295,638</td>
<td></td>
<td></td>
<td></td>
<td>295,638</td>
</tr>
<tr>
<td>Other</td>
<td>49,155</td>
<td></td>
<td></td>
<td></td>
<td>49,155</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>66,577</td>
<td></td>
<td></td>
<td></td>
<td>66,577</td>
</tr>
<tr>
<td>Other</td>
<td>11,119</td>
<td>289</td>
<td>380</td>
<td></td>
<td>11,798</td>
</tr>
</tbody>
</table>

|                  |         |           |                  |                     |                              |
| Gross receivables| $936,587| 349       | 401              | 2                   | $937,339                     |
| Allowance for uncollectibles | (182,409) |           |                  |                     | (182,409)                   |

|                  | $754,178| 349       | 401              | 2                   | $754,530                     |

|                  | $145,853|           |                  |                     | $145,853                     |

#### Business-type Activities

<table>
<thead>
<tr>
<th></th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Prepaid Affordable College Tuition</th>
<th>Nonmajor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>$82,959</td>
<td>$1,466</td>
<td>$2,552</td>
<td>$4,280</td>
<td>$91,257</td>
</tr>
<tr>
<td>Assessments</td>
<td>51,845</td>
<td></td>
<td></td>
<td></td>
<td>51,845</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>88</td>
<td>602</td>
<td>591</td>
<td></td>
<td>1,281</td>
</tr>
<tr>
<td>Gross receivables</td>
<td>134,804</td>
<td>1,554</td>
<td>3,154</td>
<td>4,871</td>
<td>144,383</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(73,820)</td>
<td></td>
<td></td>
<td>(9)</td>
<td>(73,829)</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>$60,984</td>
<td>1,554</td>
<td>3,154</td>
<td>4,862</td>
<td>$70,554</td>
</tr>
</tbody>
</table>

#### Component Units

<table>
<thead>
<tr>
<th></th>
<th>Universities</th>
<th>Nonmajor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts interest</td>
<td>$2,823,063</td>
<td>$3,584</td>
<td>$2,826,647</td>
</tr>
<tr>
<td>Gross receivables</td>
<td>2,825,868</td>
<td>3,766</td>
<td>2,829,634</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(2,543,211)</td>
<td></td>
<td>(2,543,211)</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>$282,657</td>
<td>3,766</td>
<td>$286,423</td>
</tr>
</tbody>
</table>
Note 6 - Due From Other Governments

At June 30, 2014, due from other governments consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Governmental Funds</th>
<th>General</th>
<th>Internal Service</th>
<th>Total Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from other governments</td>
<td>$1,147,414</td>
<td>$633</td>
<td>$1,148,047</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(121)</td>
<td></td>
<td>(121)</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>$1,147,293</td>
<td>$633</td>
<td>$1,147,926</td>
</tr>
</tbody>
</table>

Amounts not scheduled for collection in subsequent year $620,058

<table>
<thead>
<tr>
<th>Business-type Activities</th>
<th>Unemployment Compensation</th>
<th>Port Authority at Gulfport</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from other governments</td>
<td>$2,586</td>
<td>$19</td>
<td>$2,605</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td>(2,032)</td>
<td></td>
<td>(2,032)</td>
</tr>
<tr>
<td>Due from other governments, net</td>
<td>$554</td>
<td>$19</td>
<td>$573</td>
</tr>
</tbody>
</table>

Note 7 - Loans and Notes Receivable

At June 30, 2014, loans and notes receivables consisted of (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Activities</td>
<td>Universities</td>
</tr>
<tr>
<td>Governmental Funds</td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>$376,917</td>
</tr>
<tr>
<td>Loan and notes receivable</td>
<td>(50,402)</td>
</tr>
<tr>
<td>Allowance for uncollectibles</td>
<td></td>
</tr>
<tr>
<td>Loan and notes receivable, net</td>
<td>$326,515</td>
</tr>
<tr>
<td>Amounts not scheduled for collection in subsequent year</td>
<td>$293,208</td>
</tr>
</tbody>
</table>

67
Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2014, was as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$2,179,301</td>
<td>$55,140</td>
<td>$83</td>
<td>$2,234,356</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>4,408,014</td>
<td>786,528</td>
<td>1,091,371</td>
<td>4,113,171</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>6,587,315</td>
<td>841,668</td>
<td>1,091,454</td>
<td>6,357,529</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>5,963</td>
<td>55,620</td>
<td></td>
<td>61,573</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,055,400</td>
<td>92,785</td>
<td>14,130</td>
<td>2,064,055</td>
</tr>
<tr>
<td>Land improvements</td>
<td>232,885</td>
<td>11,703</td>
<td>1,855</td>
<td>242,743</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>662,021</td>
<td>67,958</td>
<td>32,473</td>
<td>717,507</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>9,322,380</td>
<td>916,544</td>
<td>257,266</td>
<td>9,961,658</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>12,228,049</td>
<td>1,164,611</td>
<td>305,724</td>
<td>13,087,536</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>4,505</td>
<td>437</td>
<td></td>
<td>4,942</td>
</tr>
<tr>
<td>Buildings</td>
<td>550,403</td>
<td>40,165</td>
<td>8,229</td>
<td>582,339</td>
</tr>
<tr>
<td>Land improvements</td>
<td>114,281</td>
<td>9,817</td>
<td>580</td>
<td>123,518</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>440,226</td>
<td>48,296</td>
<td>26,840</td>
<td>461,672</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3,264,659</td>
<td>299,983</td>
<td>257,266</td>
<td>3,307,376</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>4,374,074</td>
<td>398,688</td>
<td>292,815</td>
<td>4,479,947</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>7,854,575</td>
<td>765,923</td>
<td>12,809</td>
<td>8,607,689</td>
</tr>
<tr>
<td>Governmental activities capital assets, net</td>
<td>$14,441,660</td>
<td>$1,607,591</td>
<td>$1,104,263</td>
<td>$14,945,218</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business-type Activities:</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$71,111</td>
<td>$59,422</td>
<td>$117</td>
<td>$130,436</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>62,202</td>
<td>36,837</td>
<td>62,952</td>
<td>36,087</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>133,313</td>
<td>96,259</td>
<td>63,069</td>
<td>166,503</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>75,030</td>
<td>2,346</td>
<td></td>
<td>77,376</td>
</tr>
<tr>
<td>Land improvements</td>
<td>41,872</td>
<td>1,178</td>
<td></td>
<td>42,850</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>20,362</td>
<td>820</td>
<td>416</td>
<td>20,766</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>124,636</td>
<td></td>
<td></td>
<td>124,636</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>261,700</td>
<td>4,344</td>
<td>416</td>
<td>235,628</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>20,204</td>
<td>1,505</td>
<td></td>
<td>21,709</td>
</tr>
<tr>
<td>Land improvements</td>
<td>22,909</td>
<td>1,474</td>
<td></td>
<td>24,383</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>11,822</td>
<td>988</td>
<td>266</td>
<td>12,542</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>48,609</td>
<td>3,921</td>
<td></td>
<td>52,530</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>103,544</td>
<td>7,888</td>
<td>266</td>
<td>111,164</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>158,156</td>
<td>(3,544)</td>
<td>146</td>
<td>154,464</td>
</tr>
<tr>
<td>Business-type activities capital assets, net</td>
<td>$291,469</td>
<td>$92,715</td>
<td>$63,217</td>
<td>$320,967</td>
</tr>
</tbody>
</table>
Mississippi

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

**Governmental Activities:**

<table>
<thead>
<tr>
<th>Function</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$21,941</td>
</tr>
<tr>
<td>Education</td>
<td>$3,955</td>
</tr>
<tr>
<td>Health and social services</td>
<td>$14,418</td>
</tr>
<tr>
<td>Law, justice and public safety</td>
<td>$28,614</td>
</tr>
<tr>
<td>Recreation and resources development</td>
<td>$10,938</td>
</tr>
<tr>
<td>Regulation of business and profession</td>
<td>$201</td>
</tr>
<tr>
<td>Transportation</td>
<td>$314,419</td>
</tr>
</tbody>
</table>

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

Total depreciation expense - governmental activities  $398,679

**Business-type Activities:**

<table>
<thead>
<tr>
<th>Function</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Authority at Gulfport</td>
<td>$6,397</td>
</tr>
<tr>
<td>Other business-type</td>
<td>$1,491</td>
</tr>
</tbody>
</table>

Total depreciation expense - business-type activities $7,888

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

<table>
<thead>
<tr>
<th>Project Authorization</th>
<th>Expended To Date</th>
<th>Outstanding Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>$4,711,621</td>
<td>$3,848,169</td>
</tr>
<tr>
<td>Department of Finance and Administration</td>
<td>$142,863</td>
<td>$95,034</td>
</tr>
<tr>
<td>Information Technology Services</td>
<td>$11,115</td>
<td>$9,634</td>
</tr>
<tr>
<td>Wireless Communication Commission</td>
<td>$26,658</td>
<td>$13,134</td>
</tr>
<tr>
<td>Department of Public Safety</td>
<td>$44,308</td>
<td>$31,887</td>
</tr>
<tr>
<td>Department of Health</td>
<td>$41,608</td>
<td>$33,994</td>
</tr>
<tr>
<td>Department of Revenue</td>
<td>$33,740</td>
<td>$18,475</td>
</tr>
<tr>
<td>East MS State Hospital</td>
<td>$25,019</td>
<td>$11,936</td>
</tr>
<tr>
<td>Military Department</td>
<td>$19,242</td>
<td>$17,354</td>
</tr>
<tr>
<td>Department of Rehabilitation Services</td>
<td>$13,578</td>
<td>$12,855</td>
</tr>
<tr>
<td>Other projects less than $10 million</td>
<td>$18,655</td>
<td>$10,703</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>$5,066,407</td>
<td>$4,103,175</td>
</tr>
</tbody>
</table>

| **Business-type Activities:** |                  |                        |
| Port Authority at Gulfport        | $81,211          | $36,087                | $45,124                |
| Other projects less than $10 million | $1,300          | $1,266                 | $1,034                 |
| Total business-type activities    | $82,511          | $37,353                | $46,124                |
| Total construction in progress    | $5,168,918       | $4,140,528             | $1,010,436             |
Component Units

At June 30, 2014, capital assets consisted of (expressed in thousands):

<table>
<thead>
<tr>
<th>Capital assets not being depreciated:</th>
<th>Universities</th>
<th>Nonmajor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$87,771</td>
<td>$17,142</td>
<td>$104,913</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>494,824</td>
<td>2,984</td>
<td>497,808</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>582,595</td>
<td>20,126</td>
<td>602,721</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>3,088,339</td>
<td>161,857</td>
<td>3,250,196</td>
</tr>
<tr>
<td>Land improvements</td>
<td>312,651</td>
<td>68,010</td>
<td>380,661</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>1,153,571</td>
<td>48,204</td>
<td>1,201,775</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>4,554,561</td>
<td>278,071</td>
<td>4,832,632</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>2,793,591</td>
<td>153,989</td>
<td>2,947,680</td>
</tr>
<tr>
<td>Component units capital assets, net</td>
<td>$3,376,286</td>
<td>$174,115</td>
<td>$3,550,401</td>
</tr>
</tbody>
</table>

Note 9 - Long-term General 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.

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, 2014 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, 2014, 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, 2014, $242,625,000 of outstanding general obligation bonds are considered defeased.
At June 30, 2014, the primary government's outstanding general obligation bonds as presented in governmental activities and business-type activities are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Outstanding Amount</th>
<th>Interest Rates</th>
<th>Maturity Date</th>
<th>Original Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, Water, and Timber Resources</td>
<td>$ 1,230</td>
<td>4.4%</td>
<td>Nov. 2014</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Local Governments Rail Program</td>
<td>370</td>
<td>4.4%</td>
<td>Nov. 2014</td>
<td>3,000</td>
</tr>
<tr>
<td>Milk Producers</td>
<td>1,625</td>
<td>4.93% - 5.17%</td>
<td>Dec. 2017</td>
<td>3,500</td>
</tr>
<tr>
<td>Technology Alliance</td>
<td>745</td>
<td>5% - 5.25%</td>
<td>Oct. 2023</td>
<td>1,000</td>
</tr>
<tr>
<td>Parish Street Historic District</td>
<td>832</td>
<td>1.75% - 5.25%</td>
<td>Nov. 2023</td>
<td>1,500</td>
</tr>
<tr>
<td>Heritage, History, and Culture Tourism</td>
<td>665</td>
<td>1.75% - 4.35%</td>
<td>Nov. 2023</td>
<td>700</td>
</tr>
<tr>
<td>Small Business and Existing Forestry Industry</td>
<td>4,685</td>
<td>1.75% - 4.35%</td>
<td>Nov. 2023</td>
<td>5,000</td>
</tr>
<tr>
<td>State Railroad Revitalization</td>
<td>940</td>
<td>1.75% - 4.35%</td>
<td>Nov. 2023</td>
<td>1,000</td>
</tr>
<tr>
<td>Sustainable Energy</td>
<td>910</td>
<td>7.0% - 4.35%</td>
<td>Nov. 2023</td>
<td>1,000</td>
</tr>
<tr>
<td>Local Governments Capital Improvements</td>
<td>8,270</td>
<td>.79% - 5.25%</td>
<td>Dec. 2025</td>
<td>15,500</td>
</tr>
<tr>
<td>Raspel Flight Research Laboratory</td>
<td>113</td>
<td>1.83% - 5%</td>
<td>Dec. 2025</td>
<td>1,200</td>
</tr>
<tr>
<td>State Shipyard Improvements</td>
<td>49,310</td>
<td>4.36% - 5.4%</td>
<td>Dec. 2025</td>
<td>116,000</td>
</tr>
<tr>
<td>Tennis Space Center</td>
<td>4,561</td>
<td>4.93% - 5.25%</td>
<td>Dec. 2025</td>
<td>11,870</td>
</tr>
<tr>
<td>Hinds County Development Project Loans</td>
<td>20,000</td>
<td>31% - 4.17%</td>
<td>Dec. 2026</td>
<td>20,000</td>
</tr>
<tr>
<td>Job Protection</td>
<td>3,200</td>
<td>31% - 5.25%</td>
<td>Dec. 2026</td>
<td>8,000</td>
</tr>
<tr>
<td>Railroad Lines and Bridges Improvement</td>
<td>4,561</td>
<td>31% - 5.25%</td>
<td>Dec. 2026</td>
<td>5,000</td>
</tr>
<tr>
<td>Workforce Training</td>
<td>4,640</td>
<td>31% - 4.35%</td>
<td>Dec. 2026</td>
<td>5,000</td>
</tr>
<tr>
<td>Industry Incentive Financing</td>
<td>336,605</td>
<td>4.36% - 6.5%</td>
<td>Oct. 2027</td>
<td>340,010</td>
</tr>
<tr>
<td>Small Enterprise Development Finance</td>
<td>12,795</td>
<td>3.63% - 6.5%</td>
<td>July 2028</td>
<td>76,085</td>
</tr>
<tr>
<td>ACE Fund</td>
<td>38,145</td>
<td>70% - 5.54%</td>
<td>Oct. 2029</td>
<td>47,450</td>
</tr>
<tr>
<td>Existing Industry</td>
<td>41,274</td>
<td>70% - 5.54%</td>
<td>Oct. 2029</td>
<td>46,500</td>
</tr>
<tr>
<td>Rural Impact</td>
<td>8,162</td>
<td>31% - 5.45%</td>
<td>Oct. 2029</td>
<td>16,200</td>
</tr>
<tr>
<td>Statewide Wireless Communication System</td>
<td>41,192</td>
<td>1.8% - 5.54%</td>
<td>Oct. 2029</td>
<td>47,000</td>
</tr>
<tr>
<td>Major Economic Impact</td>
<td>207,250</td>
<td>.31% - 6.09%</td>
<td>Dec. 2033</td>
<td>259,300</td>
</tr>
<tr>
<td>Port Improvements</td>
<td>10,000</td>
<td>5%</td>
<td>Dec. 2033</td>
<td>10,000</td>
</tr>
<tr>
<td>Rail Authority of East Mississippi</td>
<td>1,000</td>
<td>5%</td>
<td>Dec. 2033</td>
<td>1,000</td>
</tr>
<tr>
<td>Farm Reform</td>
<td>3,113</td>
<td>.79% - 5.67%</td>
<td>Oct. 2034</td>
<td>5,000</td>
</tr>
<tr>
<td>Small Municipalities and Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population Counties</td>
<td>19,550</td>
<td>.31% - 5.67%</td>
<td>Oct. 2034</td>
<td>30,750</td>
</tr>
<tr>
<td>Business Investment</td>
<td>22,010</td>
<td>.31% - 5.25%</td>
<td>Nov. 2034</td>
<td>38,400</td>
</tr>
<tr>
<td>Economic Development Highway</td>
<td>164,280</td>
<td>.31% - 5.54%</td>
<td>Nov. 2034</td>
<td>195,000</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>1,106,481</td>
<td>.31% - 5.67%</td>
<td>Oct. 2036</td>
<td>1,445,860</td>
</tr>
<tr>
<td>General Obligation Refunding Bonds *</td>
<td>1,705,681</td>
<td>.78% - 7.15%</td>
<td>Oct. 2036</td>
<td>2,368,432</td>
</tr>
<tr>
<td>Local Governments Water System Improvement</td>
<td>10,682</td>
<td>.31% - 5.25%</td>
<td>Oct. 2036</td>
<td>14,843</td>
</tr>
<tr>
<td>Local System Bridge Replacement and Rehabilitation</td>
<td>93,735</td>
<td>1.63% - 5.25%</td>
<td>Oct. 2036</td>
<td>127,200</td>
</tr>
<tr>
<td>Rural Fire Truck Acquisition</td>
<td>10,030</td>
<td>1.63% - 5.67%</td>
<td>Oct. 2036</td>
<td>17,250</td>
</tr>
<tr>
<td>Transportation</td>
<td>182,335</td>
<td>1.63% - 5.45%</td>
<td>Oct. 2036</td>
<td>193,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,135,272</td>
<td></td>
<td></td>
<td>5,494,450</td>
</tr>
<tr>
<td><strong>Premiums</strong></td>
<td>162,371</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>4,297,643</td>
<td></td>
<td></td>
<td>5,494,450</td>
</tr>
<tr>
<td><strong>Business-type Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Obligation Refunding Bonds</td>
<td>15,503</td>
<td>3.81% - 5.5%</td>
<td>Nov. 2022</td>
<td>27,367</td>
</tr>
<tr>
<td><strong>Total General Obligation Bonds</strong></td>
<td>$ 4,313,146</td>
<td>3.81% - 5.5%</td>
<td></td>
<td>$ 5,521,817</td>
</tr>
</tbody>
</table>

* Interest rate swap agreements have been entered into in connection with $74,025,000 of outstanding variable rate general obligation refunding bonds 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. Additionally, interest rate swap agreements have been entered into in connection with $100,000,000 of outstanding variable rate general obligation refunding bonds 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.
At June 30, 2014, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Governmental Activities</th>
<th></th>
<th>Business-type Activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2015</td>
<td>$265,687</td>
<td>$184,839</td>
<td>2,833</td>
<td>$622</td>
</tr>
<tr>
<td>2016</td>
<td>280,296</td>
<td>173,030</td>
<td>2,974</td>
<td>505</td>
</tr>
<tr>
<td>2017</td>
<td>290,118</td>
<td>160,839</td>
<td>3,022</td>
<td>379</td>
</tr>
<tr>
<td>2018</td>
<td>402,823</td>
<td>143,509</td>
<td>3,127</td>
<td>241</td>
</tr>
<tr>
<td>2019</td>
<td>232,927</td>
<td>131,402</td>
<td>3,238</td>
<td>92</td>
</tr>
<tr>
<td>2020-2024</td>
<td>944,306</td>
<td>530,022</td>
<td></td>
<td>309</td>
</tr>
<tr>
<td>2025-2029</td>
<td>770,025</td>
<td>338,865</td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>2030-2034</td>
<td>704,915</td>
<td>159,487</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>2035-2038</td>
<td>251,175</td>
<td>15,311</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>4,135,272</td>
<td>1,837,304</td>
<td>15,503</td>
<td>1,864</td>
</tr>
<tr>
<td>Premiums</td>
<td></td>
<td></td>
<td>162,371</td>
<td>1,864</td>
</tr>
<tr>
<td>Total Debt Service, Net</td>
<td>$ 4,297,643</td>
<td>$1,837,304</td>
<td>$15,503</td>
<td>$1,864</td>
</tr>
</tbody>
</table>

Derivative Instruments

The State entered into interest rate swap agreements in connection with $174,025,000 of outstanding variable rate debt in order to hedge changes in cash flows.

At June 30, 2014, the State had the following pay-fixed interest rate swap derivative instruments reported in governmental activities, all of which had the objective of hedging changes in the fair value of the associated bonds:

<table>
<thead>
<tr>
<th>Associated Bonds</th>
<th>Notional Amount</th>
<th>Effective Date</th>
<th>Final Maturity Date</th>
<th>Terms</th>
<th>Counterparty Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012C</td>
<td>$50,000,000</td>
<td>Sept. 2012</td>
<td>Nov. 2017</td>
<td>Pay 5.708%; receive one-month LIBOR</td>
<td>A/A2/A</td>
</tr>
<tr>
<td>2012C</td>
<td>50,000,000</td>
<td>Sept. 2012</td>
<td>Nov. 2017</td>
<td>Pay 5.248%; receive one-month LIBOR</td>
<td>AA-/Aa2/AA-</td>
</tr>
<tr>
<td>2012D</td>
<td>39,115,000</td>
<td>Sept. 2012</td>
<td>Nov. 2017</td>
<td>Pay 3.980%; receive SIFMA swap index</td>
<td>A/Baa2/A</td>
</tr>
<tr>
<td>2012D</td>
<td>34,910,000</td>
<td>Sept. 2012</td>
<td>Nov. 2017</td>
<td>Pay 4.037%; receive SIFMA swap index</td>
<td>A/Baa2/A</td>
</tr>
</tbody>
</table>

The swaps associated with the 2012C 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 rate. 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 is the LIBOR index. For the 2012C bonds, the swap that the State entered into does not meet the criteria for the consistent critical terms method. Because the swap is 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 (meaning that there is 95 percent confidence that the analysis is fairly stated)

The regression coefficient for the slope is between -1.25 and -0.80 (meaning that the correlation between the numbers is between 125 percent and 80 percent).

Data was used from November and December 2011 through June 30, 2014, to determine if the potential hedging derivative instruments were effective as of June 30, 2014. 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 .999 (rounded), the F-statistic is 95 percent and the slope is between -1.013 and -9.987. Based on these parameters required to apply hedge accounting, the 2012C hedges are deemed highly effective.

The hedging derivative instruments are considered hybrid instruments since the derivatives were "off-market" at the time of association with the 2012C bonds. Additionally, as a result of the refunding, the resulting maturity date was revised from November 1, 2028 to November 1, 2017 and therefore, the portion of each hedging derivative instruments value attributable to payment dates beyond November 1, 2017 will be accounted for as an investment derivative, since there is no hedgeable item beyond that date.

The swaps associated with the 2012D variable rates bonds have consistent critical terms with the underlying bonds. Therefore, no other tests of effectiveness are required.

**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, 2014 and the changes in fair value of pay fixed receive-variable interest rate swaps reported in governmental activities are:

<table>
<thead>
<tr>
<th>Associated Bonds</th>
<th>Notional Amount</th>
<th>Changes in Fair Value</th>
<th>Fair Value at June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Classification</td>
<td>Amount</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cash Flow Hedges</td>
<td></td>
</tr>
<tr>
<td>2012C</td>
<td>50,000,000</td>
<td>Deferred amount on refunding</td>
<td>(2,414,792)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred outflows of resources</td>
<td>573,254</td>
</tr>
<tr>
<td>2012C</td>
<td>50,000,000</td>
<td>Deferred amount on refunding</td>
<td>(1,981,670)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred outflows of resources</td>
<td>344,105</td>
</tr>
<tr>
<td>2012D</td>
<td>39,115,000</td>
<td>Deferred amount on refunding</td>
<td>(1,314,533)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred outflows of resources</td>
<td>304,654</td>
</tr>
<tr>
<td>2012D</td>
<td>34,910,000</td>
<td>Deferred amount on refunding</td>
<td>(1,198,187)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deferred outflows of resources</td>
<td>262,243</td>
</tr>
</tbody>
</table>

**Investment Derivatives**

|                  |                | Classification       | Amount                    | Classification | Amount                |
| 2012C            | 44,642,000     | Investment revenue   | 2,286,937                | Investment Derivative | (6,753,301)      |
| 2012C            | 44,642,000     | Investment revenue   | 1,751,505                | Investment Derivative | (5,577,488)      |
| 2012D            | 34,923,000     | Investment revenue   | 683,514                  | Investment Derivative | (1,697,401)      |

**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. The future minimum debt service on long-term general obligation debt reported for the primary government is presented at the end of this note. At June 30, 2014, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Net Swap Payment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>4,375</td>
<td>1,273</td>
<td>0,101</td>
<td>13,740</td>
</tr>
<tr>
<td>2016</td>
<td>4,550</td>
<td>1,246</td>
<td>7,923</td>
<td>13,719</td>
</tr>
<tr>
<td>2017</td>
<td>4,755</td>
<td>1,219</td>
<td>7,737</td>
<td>13,711</td>
</tr>
<tr>
<td>2018</td>
<td>161,255</td>
<td>349</td>
<td>2,198</td>
<td>163,802</td>
</tr>
<tr>
<td></td>
<td>$ 174,935</td>
<td>$ 4,687</td>
<td>$ 25,969</td>
<td>$ 204,881</td>
</tr>
</tbody>
</table>

**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, 2014, 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 the SIFMA swap index, which may differ from the interest rates set by the remarketing agents for the State's variable rate bonds. As of June 30, 2014, the weighted average variable interest rate paid on the bonds was .14239%, while the SIFMA swap index was .00% and one month LIBOR was .15526%.

*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.

*Market-Access Risk and Rollover Risk* - The swap agreements are for the same maturity terms as the hedged variable rate bonds. Therefore, the State is not exposed to market access risk or rollover risk that would be present if the swap agreements' maturity terms ended prior to the maturities of the hedged bonds.

*Foreign Currency Risk* - The swap agreements and the hedged bonds do not have terms denominated in a foreign currency. Therefore, the State is not exposed to foreign currency risk on the swap agreements.
Note 10 - Bonds Authorized But Unissued

At June 30, 2014, authorized but unaissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Authorized</th>
<th>Authorized But Unissued</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACE Fund</td>
<td>$67,450</td>
<td>$10,000</td>
</tr>
<tr>
<td>Business Investment Act</td>
<td>341,500</td>
<td>47,823</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>566,050</td>
<td>102,656</td>
</tr>
<tr>
<td>Deer Island Project</td>
<td>10,000</td>
<td>1,200</td>
</tr>
<tr>
<td>Economic Development Highway</td>
<td>364,500</td>
<td>75,600</td>
</tr>
<tr>
<td>Energy Infrastructure Revolving Loan</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Farm Reform</td>
<td>128,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Job Protection</td>
<td>15,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Industry Incentive Financing</td>
<td>458,000</td>
<td>124,680</td>
</tr>
<tr>
<td>Local Governmental Capital Improvements</td>
<td>128,000</td>
<td>12,500</td>
</tr>
<tr>
<td>Major Economic Impact</td>
<td>1,142,800</td>
<td>85,110</td>
</tr>
<tr>
<td>North Central Mississippi Regional Railroad Grant</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Railroad Revitalization and Stimulus</td>
<td>3,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Rural Fire Truck Acquisition</td>
<td>17,850</td>
<td>300</td>
</tr>
<tr>
<td>Small Business and Existing Forestry Industry Revolving Loan</td>
<td>30,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Small Enterprise Development Finance</td>
<td>140,000</td>
<td>127,205</td>
</tr>
<tr>
<td>Sustainable Energy Research</td>
<td>2,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Technology Alliance</td>
<td>4,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Transportation - Access Roads</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Workforce Training</td>
<td>5,000</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,450,150</strong></td>
<td><strong>$645,884</strong></td>
</tr>
</tbody>
</table>

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, 2014, outstanding revenue bonds and notes are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Outstanding Amount</th>
<th>Interest Rates</th>
<th>Final Maturity Date</th>
<th>Original Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component Units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Universities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>$1,002,490</td>
<td>2.34% - 6.84%</td>
<td>Sept. 2043</td>
<td>$1,227,333</td>
</tr>
<tr>
<td>Notes</td>
<td>17,154</td>
<td>1.23% - 5.13%</td>
<td>Sept. 2039</td>
<td>21,902</td>
</tr>
<tr>
<td><strong>Total Component Units</strong></td>
<td><strong>$1,019,644</strong></td>
<td></td>
<td></td>
<td><strong>$1,249,235</strong></td>
</tr>
</tbody>
</table>
At June 30, 2014, future revenue bond and note debt service requirements are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Component Units</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Ending June 30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>30,605 $</td>
<td>45,378</td>
</tr>
<tr>
<td>2016</td>
<td>32,230 $</td>
<td>45,317</td>
</tr>
<tr>
<td>2017</td>
<td>33,928 $</td>
<td>44,015</td>
</tr>
<tr>
<td>2018</td>
<td>32,033 $</td>
<td>42,771</td>
</tr>
<tr>
<td>2019</td>
<td>33,723 $</td>
<td>42,288</td>
</tr>
<tr>
<td>2020 - 2024</td>
<td>177,676 $</td>
<td>185,515</td>
</tr>
<tr>
<td>2025 - 2029</td>
<td>191,137 $</td>
<td>143,944</td>
</tr>
<tr>
<td>2030 - 2034</td>
<td>218,601 $</td>
<td>99,448</td>
</tr>
<tr>
<td>2035 - 2039</td>
<td>173,461 $</td>
<td>43,203</td>
</tr>
<tr>
<td>2040 - 2044</td>
<td>96,351 $</td>
<td>7,149</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,019,644</td>
<td>$ 693,025</td>
</tr>
</tbody>
</table>

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2014 is $125,486,000 for governmental activities and $713,000 for business-type activities. Internal service compensated absences of $1,284,000 are included in governmental activities. The component units' liability for compensated absences is $118,517,000, of which $115,768,000 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-N).

B. Pollution Remediation Obligation - As of June 30, 2014, 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, 2014, the primary government's pollution remediation obligation is $41,857,000. 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. 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, 2014, the primary government's outstanding notes payable as presented in governmental activities are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Outstanding Amount</th>
<th>Interest Rates</th>
<th>Final Maturity Date</th>
<th>Original Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility restoration</td>
<td>$ 108,384</td>
<td>5% - 5.45%</td>
<td>Jul. 2019</td>
<td>$ 189,883</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>13,777</td>
<td>3.08% - 5.73%</td>
<td>Apr. 2026</td>
<td>17,131</td>
</tr>
<tr>
<td>Buildings</td>
<td>218,335</td>
<td>2% - 5.37%</td>
<td>Jul. 2031</td>
<td>228,885</td>
</tr>
<tr>
<td>Roads and bridges</td>
<td>666,143</td>
<td>2% - 6.59%</td>
<td>Jan. 2040</td>
<td>889,581</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,006,639</td>
<td></td>
<td></td>
<td>1,425,557</td>
</tr>
</tbody>
</table>

Defeased Notes – In prior years, the State defeased certain outstanding notes 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 notes and related trust accounts are not included in the financial statements. At June 30, 2014, $227,910,000 of outstanding notes are considered defeased.
At June 30, 2014, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$46,711</td>
<td>$51,138</td>
</tr>
<tr>
<td>2016</td>
<td>53,710</td>
<td>48,816</td>
</tr>
<tr>
<td>2017</td>
<td>61,831</td>
<td>46,172</td>
</tr>
<tr>
<td>2018</td>
<td>64,363</td>
<td>43,370</td>
</tr>
<tr>
<td>2019</td>
<td>64,739</td>
<td>40,224</td>
</tr>
<tr>
<td>2020-2024</td>
<td>276,169</td>
<td>160,094</td>
</tr>
<tr>
<td>2025-2029</td>
<td>252,028</td>
<td>91,089</td>
</tr>
<tr>
<td>2030-2034</td>
<td>107,715</td>
<td>45,166</td>
</tr>
<tr>
<td>2035-2039</td>
<td>67,385</td>
<td>15,175</td>
</tr>
<tr>
<td>2040-2044</td>
<td>11,990</td>
<td>789</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,006,639</td>
<td>$542,013</td>
</tr>
<tr>
<td><strong>Premiums</strong></td>
<td>72,329</td>
<td></td>
</tr>
<tr>
<td><strong>Total Debt Service, Net</strong></td>
<td>$1,078,967</td>
<td>$542,013</td>
</tr>
</tbody>
</table>

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, 2014, assets recorded under capital leases are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land</strong></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$700</td>
</tr>
<tr>
<td><strong>Machinery and Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>42,134</td>
<td>1,493</td>
</tr>
<tr>
<td>(22,936)</td>
<td>(653)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$18,198</td>
</tr>
<tr>
<td></td>
<td>$1,540</td>
</tr>
</tbody>
</table>

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of $463,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of $31,528,000.

At June 30, 2014, future minimum commitments under capital leases are (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Governmental Activities</th>
<th>Business-Type Government</th>
<th>Total Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$7,291</td>
<td>$83</td>
<td>$7,374</td>
<td>$2,420</td>
</tr>
<tr>
<td>2016</td>
<td>6,525</td>
<td>83</td>
<td>6,608</td>
<td>3,035</td>
</tr>
<tr>
<td>2017</td>
<td>4,945</td>
<td>83</td>
<td>5,028</td>
<td>3,479</td>
</tr>
<tr>
<td>2018</td>
<td>2,604</td>
<td>83</td>
<td>2,887</td>
<td>3,563</td>
</tr>
<tr>
<td>2019</td>
<td>1,540</td>
<td>43</td>
<td>1,583</td>
<td>10,946</td>
</tr>
<tr>
<td>2020-2024</td>
<td>1,340</td>
<td></td>
<td>1,340</td>
<td>5,403</td>
</tr>
<tr>
<td>2025-2029</td>
<td></td>
<td></td>
<td></td>
<td>5,395</td>
</tr>
<tr>
<td>2030-2034</td>
<td></td>
<td></td>
<td></td>
<td>6,097</td>
</tr>
<tr>
<td>2035-2039</td>
<td></td>
<td></td>
<td></td>
<td>4,699</td>
</tr>
<tr>
<td><strong>Total Minimum Lease Payments</strong></td>
<td>24,445</td>
<td>375</td>
<td>24,820</td>
<td>45,037</td>
</tr>
<tr>
<td>Less Interest</td>
<td>1,670</td>
<td>31</td>
<td>1,701</td>
<td>12,167</td>
</tr>
<tr>
<td><strong>Present Value of Minimum Lease Payments</strong></td>
<td>$22,775</td>
<td>$344</td>
<td>$23,119</td>
<td>$32,870</td>
</tr>
</tbody>
</table>

Internal service future minimum lease payments of $988,000 less interest of $47,000 are included in the governmental activities column.
Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2014 are summarized below (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Beginning Balance as restated</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds (Note 9)</td>
<td>$4,045,596</td>
<td>$339,165</td>
<td>$249,488</td>
<td>$4,135,272</td>
<td>$256,087</td>
</tr>
<tr>
<td>Premiums/Discounts (Note 9)</td>
<td>161,642</td>
<td>15,838</td>
<td>15,109</td>
<td>162,371</td>
<td>15,442</td>
</tr>
<tr>
<td>Notes Payable (Note 12)</td>
<td>1,061,142</td>
<td>9,512</td>
<td>64,115</td>
<td>1,006,639</td>
<td>46,711</td>
</tr>
<tr>
<td>Premiums (Note 12)</td>
<td>78,868</td>
<td></td>
<td>6,540</td>
<td>72,328</td>
<td>6,322</td>
</tr>
<tr>
<td>Total Bonds and Notes</td>
<td>5,347,248</td>
<td>364,615</td>
<td>335,253</td>
<td>5,378,610</td>
<td>327,162</td>
</tr>
<tr>
<td>Derivative Instruments (Note 9)</td>
<td>39,245</td>
<td></td>
<td>206</td>
<td>39,039</td>
<td></td>
</tr>
<tr>
<td>Capital Lease Obligations (Note 12)</td>
<td>13,158</td>
<td>16,107</td>
<td>6,490</td>
<td>22,775</td>
<td>6,649</td>
</tr>
<tr>
<td>Accrued Compensated Absences (Note 12)</td>
<td>126,480</td>
<td>60,942</td>
<td>61,936</td>
<td>125,486</td>
<td>8,891</td>
</tr>
<tr>
<td>Pollution Remediation Obligation (Note 12)</td>
<td>41,648</td>
<td>13,198</td>
<td>12,989</td>
<td>41,857</td>
<td>7,080</td>
</tr>
<tr>
<td></td>
<td>$5,567,779</td>
<td>$454,862</td>
<td>$416,874</td>
<td>$5,605,787</td>
<td>$349,782</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business-type Activities:</th>
<th>Beginning Balance as restated</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds (Note 9)</td>
<td>$18,210</td>
<td></td>
<td>$2,707</td>
<td>$15,503</td>
<td>$2,833</td>
</tr>
<tr>
<td>Capital Lease Obligations (Note 12)</td>
<td>131</td>
<td>378</td>
<td>165</td>
<td>344</td>
<td>72</td>
</tr>
<tr>
<td>Accrued Compensated Absences (Note 12)</td>
<td>663</td>
<td>221</td>
<td>171</td>
<td>713</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>$19,004</td>
<td>$599</td>
<td>$3,043</td>
<td>$16,560</td>
<td>$2,952</td>
</tr>
</tbody>
</table>

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 $1,237,000 and $941,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include $1,279,000 and $1,284,000, respectively, of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund.

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

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 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Medicaid Line of Credit</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0</td>
<td>$30,000</td>
<td>$0</td>
<td>$30,000</td>
</tr>
</tbody>
</table>
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 become 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 creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who become 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 (65 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, 2014, the total annual COLA payments for PERS were $476,401,043.

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, 2014, the total annual COLA payments for MHSPRS were $8,029,954.
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 88.67 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 21-23-1 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, 2014, the total COLAs for MRS plans were $5,406,759.

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, 2014, the total COLAs for SLRP were $242,440.

Actuarial Asset Valuation

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2014. An actuarial valuation of MRS is required to be performed at least once in each four-year period. Due to the change in plan year, the actuarial valuation for MRS is now performed as of June 30, with the most recent being June 30, 2014. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.
Funding Policy and Annual Pension Costs

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, annual local and private legislation and may be amended only by the State Legislature.

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

<table>
<thead>
<tr>
<th></th>
<th>PERS</th>
<th>MHSPRS</th>
<th>MRS</th>
<th>SLRP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contribution rates:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>15.75% ***</td>
<td>37% ***</td>
<td>N/A</td>
<td>7.4% ***</td>
</tr>
<tr>
<td>Other employers</td>
<td>N/A</td>
<td>N/A</td>
<td>1.44 - 6.9 mills</td>
<td>N/A</td>
</tr>
<tr>
<td>Plan members</td>
<td>9%</td>
<td>7.25%</td>
<td>7% - 10%</td>
<td>3% *</td>
</tr>
<tr>
<td><strong>Annual pension cost</strong></td>
<td>$921,872</td>
<td>$13,595</td>
<td>$19,344</td>
<td>$519</td>
</tr>
<tr>
<td>Employer contributions made</td>
<td>$960,674</td>
<td>$13,600 **</td>
<td>$20,337</td>
<td>$514</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Entry age</td>
<td>Entry age</td>
<td>Entry age</td>
<td>Entry age</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level</td>
<td>Level</td>
<td>Level</td>
<td>Level</td>
</tr>
<tr>
<td>percent open</td>
<td>Entry age</td>
<td>percent open</td>
<td>dollar closed</td>
<td>percent open</td>
</tr>
<tr>
<td>Actuarial assumptions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment rate of return</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Wage inflation rate</td>
<td>4.25%</td>
<td>4.25%</td>
<td>4.25%</td>
<td>4.25%</td>
</tr>
<tr>
<td>Projected salary increases</td>
<td>4.5% - 20%</td>
<td>5% - 10.52%</td>
<td>4.5% - 6%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Increases in benefits after retirement</td>
<td>3% ~</td>
<td>3% @</td>
<td>2% - 3.75% #</td>
<td>3% ~</td>
</tr>
</tbody>
</table>

* In addition to 9% required by PERS.
@ Calculated 3% simple interest to age 60, compounded each fiscal year thereafter.
~ Calculated 3% simple interest to age 55, compounded each fiscal year thereafter.
# Varies depending on municipality.

** 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 (14 percent of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2014 was $3,496,000.

*** 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%, the SLRP rate at 7.4%, and MHSPRS rate at 37%.
Mississippi

Three-Year Trend Information

The following table provides the employer contribution to PERS, MHSPRS, MRS, and SLRP for the last three fiscal years (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Contributions:</th>
<th>PERS</th>
<th>MHSPRS*</th>
<th>MRS**</th>
<th>SLRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$768,914</td>
<td>$12,044</td>
<td>$22,793</td>
<td>$490</td>
</tr>
<tr>
<td>2013</td>
<td>881,847</td>
<td>13,366</td>
<td>21,718</td>
<td>503</td>
</tr>
<tr>
<td>2014</td>
<td>969,674</td>
<td>13,500</td>
<td>20,337</td>
<td>514</td>
</tr>
</tbody>
</table>

* Includes fees authorized by the State Legislature that are reported as either additions in the pension trust funds.

** The 2012 information furnished for MRS is for the period ended September 30. Beginning in 2013, the MRS plan year changed to June 30.

The annual pension cost is equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met the required contributions except for MRS where the percent contributed was 127% of the required contributions for September 30, 2012, and 102.6% and 105.4% of the required contributions for the years ended June 30, 2013, and 2014, respectively.

Funded Status and Funding Progress

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

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>PERS</th>
<th>MHSPRS</th>
<th>MRS</th>
<th>SLRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>$22,569,940</td>
<td>$295,298</td>
<td>$157,970</td>
<td>$14,899</td>
<td></td>
</tr>
<tr>
<td>$37,015,288</td>
<td>$445,822</td>
<td>$340,385</td>
<td>$20,240</td>
<td></td>
</tr>
<tr>
<td>$14,445,348</td>
<td>$150,524</td>
<td>$182,415</td>
<td>$5,341</td>
<td></td>
</tr>
<tr>
<td>Percent Funded</td>
<td>61.0%</td>
<td>66.2%</td>
<td>46.4%</td>
<td>73.8%</td>
</tr>
<tr>
<td>$5,834,687</td>
<td>$25,554</td>
<td>$727</td>
<td>$6,918</td>
<td></td>
</tr>
<tr>
<td>Unfunded AAL as a Percentage of Annual Covered Payroll</td>
<td>June 30, 2014</td>
<td>June 30, 2014</td>
<td>June 30, 2014</td>
<td>June 30, 2014</td>
</tr>
<tr>
<td>247.6%</td>
<td>589.0%</td>
<td>25,091.5%</td>
<td>77.2%</td>
<td></td>
</tr>
</tbody>
</table>

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents 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.
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 authorizes 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.

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, 2014, retiree premiums range from $190 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, 2014. 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 $43,939,000 is 1.00 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2014 (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution</td>
<td>$43,939</td>
</tr>
<tr>
<td>Interest on prior year net OPEB obligation</td>
<td>6,634</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>4,320</td>
</tr>
<tr>
<td>Annual OPEB cost</td>
<td>44,253</td>
</tr>
<tr>
<td>Contributions made</td>
<td>30,503</td>
</tr>
<tr>
<td>Increase in net OPEB obligation</td>
<td>14,750</td>
</tr>
<tr>
<td>Net OPEB obligation – Beginning of year</td>
<td>125,193</td>
</tr>
<tr>
<td>Net OPEB obligation – End of year</td>
<td>$139,943</td>
</tr>
</tbody>
</table>

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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):

<table>
<thead>
<tr>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 $46,994</td>
<td>43.8%</td>
<td>$108,636</td>
</tr>
<tr>
<td>2013 $46,047</td>
<td>64.0</td>
<td>$125,193</td>
</tr>
<tr>
<td>2014 $45,253</td>
<td>67.4</td>
<td>$139,943</td>
</tr>
</tbody>
</table>

Funded Status and Funding Progress

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

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Value of Assets</td>
<td>$0</td>
</tr>
<tr>
<td>Actuarial Accrued Liability (AAL) Entry Age Normal</td>
<td>$762,358</td>
</tr>
<tr>
<td>Unfunded AAL (UAAL)</td>
<td>$762,358</td>
</tr>
<tr>
<td>Funded Ratio</td>
<td>0.0%</td>
</tr>
<tr>
<td>Annual Covered Payroll</td>
<td>$4,406,047</td>
</tr>
<tr>
<td>UAAL as a Percentage of Annual Covered Payroll</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

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, 2014
- 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*: 7.75%
  - Ultimate trend rate: 5.0%
  - Year of ultimate trend rate: 2019
  - * Includes price inflation at
  - ** Includes wage inflation at
  - 3.5%
  - 4.25%

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.
Mississippi

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, 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>22,176</td>
</tr>
<tr>
<td>2016</td>
<td>19,621</td>
</tr>
<tr>
<td>2017</td>
<td>14,633</td>
</tr>
<tr>
<td>2018</td>
<td>10,424</td>
</tr>
<tr>
<td>2019</td>
<td>6,947</td>
</tr>
<tr>
<td>2020 - 2024</td>
<td>19,129</td>
</tr>
<tr>
<td>2025 - 2029</td>
<td>14,531</td>
</tr>
<tr>
<td>2030 - 2034</td>
<td>14,151</td>
</tr>
<tr>
<td>2035 - 2039</td>
<td>249</td>
</tr>
<tr>
<td>2040 - 2044</td>
<td>168</td>
</tr>
<tr>
<td>2045 - 2049</td>
<td>59</td>
</tr>
<tr>
<td>Total Minimum Commitments</td>
<td>$122,088</td>
</tr>
</tbody>
</table>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2014 amounted to $22,653,000.

B. Contracts

At June 30, 2014, the Department of Transportation had contracts outstanding of approximately $779,896,000 with performance continuing during fiscal year 2015. Of this amount $22,314,000 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 57 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 $38,362,000 outstanding at June 30, 2014 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 31 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 $185,182,000 at June 30, 2014. These contracts will be paid from the General fund.

The Military Department had contracts outstanding of approximately $1,888,000 at June 30, 2014. 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 $45,124,000 at June 30, 2014. 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 $37,233,000 at June 30, 2014. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) statewide digital trunked land mobile radio system including enhancements which add broadband data capabilities. Approximately 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.

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, 2014, the encumbrance amounts in the General Fund were $26,184,000.
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 2013 and 2014 are as follows (amounts expressed in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Claims and Changes in Estimates</th>
<th>Claims Payments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$150,598</td>
<td>$710,675</td>
<td>$713,599</td>
<td>$147,675</td>
</tr>
<tr>
<td>2014</td>
<td>147,675</td>
<td>771,804</td>
<td>727,718</td>
<td>191,861</td>
</tr>
</tbody>
</table>

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 retifing 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 incurrence and payment to estimate incurred claims from available claim date. 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 specified 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.

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.

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 $8,366,000. 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, 2014, outstanding MDA loan guarantees totaled $34,352,000.

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 presidency declared disaster that adversely affected their ability to provide essential governmental services. In March 2013, federal legislation allowed borrowers to apply for cancellation of debt based on inability to repay their loans. At June 30, 2014, the remaining outstanding CDL loan guarantees totaled $3,691,000. 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 $2,184,048,000 at June 30, 2014. 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 $296,859,796 from the Working Cash Stabilization Reserve Account and $166,898,049 from budgetary special funds as of January 16, 2015. In order to comply with State law, all borrowings must be repaid by the end of the fiscal year.

The State entered into a financing agreement on July 2, 2014 to accelerate the construction of a highway project. The agreement resulted in notes payable totaling $82,940,000 payable beginning in year 2015 through year 2030 with interest rates ranging from 1% to 5%.
## Required Supplementary Information

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

For the Year Ended June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Revenues</th>
<th>General Fund</th>
<th>Variance with Final Budget Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Final Budget</td>
</tr>
<tr>
<td>Sales tax</td>
<td>$1,946,000</td>
<td>$1,946,000</td>
</tr>
<tr>
<td>Individual income tax</td>
<td>1,688,400</td>
<td>1,688,400</td>
</tr>
<tr>
<td>Corporate income and franchise taxes</td>
<td>464,500</td>
<td>484,500</td>
</tr>
<tr>
<td>Use and wholesale compensating taxes</td>
<td>231,500</td>
<td>231,500</td>
</tr>
<tr>
<td>Tobacco, beer and wine taxes</td>
<td>188,200</td>
<td>188,200</td>
</tr>
<tr>
<td>Insurance tax</td>
<td>208,500</td>
<td>208,500</td>
</tr>
<tr>
<td>Oil and gas severance taxes</td>
<td>80,300</td>
<td>80,300</td>
</tr>
<tr>
<td>Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages</td>
<td>69,500</td>
<td>69,500</td>
</tr>
<tr>
<td>Other taxes</td>
<td>10,700</td>
<td>10,700</td>
</tr>
<tr>
<td>Interest</td>
<td>17,100</td>
<td>17,100</td>
</tr>
<tr>
<td>Auto privilege, tag and title fees</td>
<td>10,800</td>
<td>10,800</td>
</tr>
<tr>
<td>Gaming fees</td>
<td>139,300</td>
<td>139,300</td>
</tr>
<tr>
<td>Highway Safety Patrol fees</td>
<td>21,100</td>
<td>21,100</td>
</tr>
<tr>
<td>Other fees and services</td>
<td>11,500</td>
<td>11,500</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,300</td>
<td>4,300</td>
</tr>
<tr>
<td>Court assessments and settlements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Fund revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures by Major Budgetary Function</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legislative</td>
<td>28,396</td>
<td>28,942</td>
</tr>
<tr>
<td>Judiciary and justice</td>
<td>64,500</td>
<td>64,500</td>
</tr>
<tr>
<td>Executive and administrative</td>
<td>3,289</td>
<td>3,289</td>
</tr>
<tr>
<td>Fiscal affairs</td>
<td>56,850</td>
<td>56,850</td>
</tr>
<tr>
<td>Public education</td>
<td>2,080,865</td>
<td>2,085,865</td>
</tr>
<tr>
<td>Higher education</td>
<td>761,536</td>
<td>761,536</td>
</tr>
<tr>
<td>Public health</td>
<td>36,039</td>
<td>36,039</td>
</tr>
<tr>
<td>Hospitals and hospital schools</td>
<td>216,134</td>
<td>216,134</td>
</tr>
<tr>
<td>Agriculture, commerce and economic development</td>
<td>110,144</td>
<td>110,144</td>
</tr>
<tr>
<td>Conservation and recreation</td>
<td>48,197</td>
<td>48,197</td>
</tr>
<tr>
<td>Insurance and banking corrections</td>
<td>334,633</td>
<td>334,633</td>
</tr>
<tr>
<td>Interdepartmental service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social welfare</td>
<td>737,880</td>
<td>737,880</td>
</tr>
<tr>
<td>Public protection and veterans assistance</td>
<td>88,951</td>
<td>88,951</td>
</tr>
<tr>
<td>Local assistance</td>
<td>81,109</td>
<td>81,109</td>
</tr>
<tr>
<td>Motor vehicle and other regulatory agencies</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,337</td>
<td>1,337</td>
</tr>
<tr>
<td>Public works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>375,360</td>
<td>375,360</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>5,025,362</td>
<td>5,031,406</td>
</tr>
<tr>
<td>Excess of Revenues over (under) Expenditures</td>
<td>37,638</td>
<td>38,294</td>
</tr>
<tr>
<td>Other Financing Sources (Uses)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>11,200</td>
<td>11,200</td>
</tr>
<tr>
<td>Transfers out</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other sources of cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of Revenues and Other Sources over (under) Expenditures and Other Uses</td>
<td>56,538</td>
<td>48,494</td>
</tr>
<tr>
<td>Budgetary Fund Balances - Beginning</td>
<td>54,121</td>
<td>54,121</td>
</tr>
<tr>
<td>Budgetary Fund Balances - Ending</td>
<td>109,659</td>
<td>103,615</td>
</tr>
</tbody>
</table>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.
<table>
<thead>
<tr>
<th>Education Enhancement Fund</th>
<th>Special Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Original Budget</strong></td>
<td><strong>Final Budget</strong></td>
</tr>
<tr>
<td>$252,492</td>
<td>$258,299</td>
</tr>
<tr>
<td>27,198</td>
<td>27,769</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td>279,690</td>
<td>286,068</td>
</tr>
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<td></td>
<td></td>
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<tr>
<td>254,668</td>
<td>255,907</td>
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<tr>
<td>96,115</td>
<td>98,115</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2,966</td>
<td>2,966</td>
</tr>
<tr>
<td>125</td>
<td>125</td>
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<td></td>
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<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>356,324</td>
<td>357,563</td>
</tr>
<tr>
<td>(76,634)</td>
<td>(71,495)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>(76,634)</td>
<td>(71,495)</td>
</tr>
<tr>
<td>25,991</td>
<td>25,991</td>
</tr>
<tr>
<td>$ (76,634)</td>
<td>$ (71,495)</td>
</tr>
</tbody>
</table>

91
### Notes to Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2014

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 encumbrances. 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, 2014 is presented below (amounts expressed in thousands):

<table>
<thead>
<tr>
<th>Budgetary Funds</th>
<th>General</th>
<th>Education Enhancement</th>
<th>Special</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Statement Major Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Change in Budgetary Fund Balances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassifications:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$(12,796)</td>
<td>$(2,765)</td>
<td>$(25,575)</td>
<td></td>
</tr>
<tr>
<td>Budgetary fund excesses are reclassified to the General Fund for GAAP reporting</td>
<td>(30,128)</td>
<td>2,765</td>
<td>27,363</td>
</tr>
<tr>
<td>The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds</td>
<td></td>
<td></td>
<td>(1,788)</td>
</tr>
<tr>
<td><strong>Adjustments:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The financial reporting fund structure includes funds that are not part of the budgetary fund structure</td>
<td>94,434</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis</td>
<td>(523,231)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period</td>
<td></td>
<td>508,727</td>
<td></td>
</tr>
<tr>
<td><strong>Net Change in GAAP Fund Balances</strong></td>
<td>$37,006</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Schedule of Funding Progress - Pension Trust Funds
June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) (b)</th>
<th>Unfunded AAL (b - a)</th>
<th>Percent Funded (a / b)</th>
<th>Annual Covered Payroll (c)</th>
<th>Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Employees' Retirement System of Mississippi</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$19,992,797</td>
<td>$34,492,873</td>
<td>$14,500,076</td>
<td>58.0%</td>
<td>$5,857,789</td>
<td>247.5%</td>
</tr>
<tr>
<td>2013</td>
<td>20,460,555</td>
<td>35,542,848</td>
<td>15,052,293</td>
<td>57.7</td>
<td>5,823,578</td>
<td>258.5</td>
</tr>
<tr>
<td>2014</td>
<td>22,569,940</td>
<td>37,015,288</td>
<td>14,445,348</td>
<td>61.0</td>
<td>5,834,687</td>
<td>247.6</td>
</tr>
<tr>
<td>Mississippi Highway Safety Patrol Retirement System</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$268,424</td>
<td>$421,415</td>
<td>$152,991</td>
<td>63.7%</td>
<td>$25,670</td>
<td>596.0%</td>
</tr>
<tr>
<td>2013</td>
<td>271,097</td>
<td>431,575</td>
<td>160,478</td>
<td>62.8</td>
<td>25,816</td>
<td>621.6</td>
</tr>
<tr>
<td>2014</td>
<td>295,298</td>
<td>445,822</td>
<td>150,524</td>
<td>56.2</td>
<td>25,554</td>
<td>589.0</td>
</tr>
<tr>
<td>Municipal Retirement Systems *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$155,484</td>
<td>$356,571</td>
<td>$201,087</td>
<td>43.6%</td>
<td>$1,131</td>
<td>17,779.6%</td>
</tr>
<tr>
<td>2013</td>
<td>153,241</td>
<td>349,588</td>
<td>196,347</td>
<td>43.8</td>
<td>794</td>
<td>24,728.8</td>
</tr>
<tr>
<td>2014</td>
<td>157,970</td>
<td>340,365</td>
<td>192,415</td>
<td>46.4</td>
<td>727</td>
<td>25,931.5</td>
</tr>
<tr>
<td>Supplemental Legislative Retirement Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$13,268</td>
<td>$19,537</td>
<td>$6,269</td>
<td>67.9%</td>
<td>$6,872</td>
<td>91.2%</td>
</tr>
<tr>
<td>2013</td>
<td>13,554</td>
<td>19,978</td>
<td>6,424</td>
<td>67.8</td>
<td>6,695</td>
<td>95.9</td>
</tr>
<tr>
<td>2014</td>
<td>14,899</td>
<td>20,240</td>
<td>5,341</td>
<td>73.6</td>
<td>6,916</td>
<td>77.2</td>
</tr>
</tbody>
</table>

* Valuation information furnished for MRS is as of September 30 for fiscal year 2012. MRS changed its plan year end from September 30 to June 30 beginning in fiscal year 2013.

Notes to Schedule of Funding Progress - Pension Trust Funds
The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2014 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.
### Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2014 (Expressed in Thousands)

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) Entry Age (b)</th>
<th>Unfunded AAL (b - a)</th>
<th>Percent Funded (a / b)</th>
<th>Annual Covered Payroll (c)</th>
<th>Unfunded AAL as a Percentage of Annual Covered Payroll (b - a) / c</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2012</td>
<td>$0</td>
<td>$664,738</td>
<td>$664,738</td>
<td>0.0%</td>
<td>$4,312,666</td>
<td>15.4%</td>
</tr>
<tr>
<td>June 30, 2013</td>
<td>0</td>
<td>690,339</td>
<td>690,339</td>
<td>0.0</td>
<td>4,425,843</td>
<td>15.6%</td>
</tr>
<tr>
<td>June 30, 2014</td>
<td>0</td>
<td>762,358</td>
<td>762,358</td>
<td>0.0</td>
<td>4,406,047</td>
<td>17.3%</td>
</tr>
</tbody>
</table>
APPENDIX C

FORMS OF CONTINUING DISCLOSURE CERTIFICATES
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the State of Mississippi (the "Issuer" or the "State") in connection with the issuance of the $249,980,000 State of Mississippi General Obligation Refunding Bonds, Series 2015C (the "Series 2015 Bonds"). The Series 2015 Bonds are being issued pursuant to a resolution of the State Bond Commission of the State dated January 7, 2015 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Series 2015 Bonds and the beneficial owners of the Series 2015 Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5)(i)(C).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean FSC Disclosure Services, a division of First Southwest Company, LLC, and any successors thereto, which has been designated by the Department of Finance and Administration, an agency of the State, to serve as Dissemination Agent to the State.

"EMMA" shall mean the Electronic Municipal Market Access System found at http://emma.msrb.org which is the electronic format prescribed by the MSRB pursuant to the Rule.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. The electronic filings with the MSRB shall be through EMMA.

"Participating Underwriters" shall mean any of the original underwriters of the Series 2015 Bonds required to comply with the Rule.

"Repository" shall mean the MSRB and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5)(i)(C) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report. If the audited financial statements of the Issuer are publically unavailable on February 1 of each year, the Issuer agrees to provide such audited financial statements within thirty (30) days of the date that they become publically available.

If the Issuer is unable to provide the Repositories an Annual Report by the date required in the immediately preceding paragraph, the Issuer shall send a notice to each Repository.

The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.
SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall be the Comprehensive Annual Financial Report of the State prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events in a timely manner not in excess of ten (10) business days after the occurrence thereof, if material. All fifteen (15) events mandated by the Rule are listed below; however, some may not apply to the Series 2015 Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on the credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modification to rights of security holders;
8. Bond calls;
9. Tender offers;
10. Defeasances;
11. Release, substitution or sale of property securing repayment of the securities;
12. Rating changes;
13. Bankruptcy, insolvency, receivership or similar event of the State;
14. Consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
15. The appointment of a successor or additional trustee or the change of name of a trustee.

(b) Any Listed Event under subsection (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) of this Section will always be deemed to be material.

SECTION 6. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Series 2015 Bonds.

SECTION 7. Dissemination Agent. The Issuer has engaged the Dissemination Agent to assist it in disseminating information hereunder. The Issuer shall send the information required by Section 4 hereof and event notices required by this Disclosure Certificate to the Dissemination Agent. Unless otherwise agreed to, the Dissemination Agent shall, as soon as practicable but not later than five (5) days after receipt of such information, forward the same to (i) the MSRB and State Repository, if any, as described herein, and (ii) any beneficial holder of the Series 2015 Bonds who requests such information in writing to the Dissemination Agent or the Issuer. The Dissemination Agent shall have no duty to review the materials described in this paragraph prior to disseminating such materials.
The initial Dissemination Agent shall be FSC Disclosure Services, a division of First Southwest Company, LLC. The Issuer may discharge the Dissemination Agent or any successor Dissemination Agent, but in such event shall take steps necessary to appoint a successor Dissemination Agent who shall be responsible for undertaking all responsibilities of Dissemination hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of a Series 2015 Bonds or the Participating Underwriter may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an “event of default” under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters, holders from time to time of the Series 2015 Bonds, and beneficial owners of the Series 2015 Bonds and shall create no rights in any other person or entity.

SECTION 13. Prior Disclosure. The Issuer is current with its previous continuing disclosure undertakings under the Rule. However, there have been some instances in the previous five years in which the Issuer filed its annual undertakings late. The Issuer recently discovered that although it filed its 2009 CAFR on EMMA in January of 2010, the 2009 CAFR was never published on EMMA, for which EMMA cannot provide an explanation. Consequently, the State filed its 2009 CAFR with EMMA again on January 15, 2015. In addition, the CAFR for fiscal year 2010 was filed with EMMA on February 11, 2011, and the CAFR for fiscal year 2011 was filed with EMMA on May 30, 2012. Likewise, although the Issuer does not deem such failures material, the Issuer has in the past failed to timely file certain event notices such as ratings changes and refunding notices and has also on occasion failed to link its filings to all of its CUSIPs. The Issuer has taken steps to ensure that it will timely comply with all undertakings in the future. Specifically, the Issuer has approved a “State of Mississippi Debt Management Policy” which provides detailed procedures for the timely filing of continuing disclosure by the Issuer. Also, the Issuer has engaged the Dissemination Agent to assist future compliance with the terms of this Disclosure Certificate.

Date: February 18, 2015

STATE OF MISSISSIPPI

By: _______________________________
Governor and Ex officio Chairman of the
State Bond Commission

C-3
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the State of Mississippi (the "Issuer" or the "State") in connection with the issuance of the $179,135,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2015D (the "Series 2015 Bonds"). The Series 2015 Bonds are being issued pursuant to a resolution of the State Bond Commission of the State dated January 7, 2015 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Series 2015 Bonds and the beneficial owners of the Series 2015 Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5)(i)(C).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean FSC Disclosure Services, a division of First Southwest Company, LLC, and any successors thereto, which has been designated by the Department of Finance and Administration, an agency of the State, to serve as Dissemination Agent to the State.

"EMMA" shall mean the Electronic Municipal Market Access System found at http://emma.msrb.org which is the electronic format prescribed by the MSRB pursuant to the Rule.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. The electronic filings with the MSRB shall be through EMMA.

"Participating Underwriters" shall mean any of the original underwriters of the Series 2015 Bonds required to comply with the Rule.

"Repository" shall mean the MSRB and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5)(i)(C) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report. If the audited financial statements of the Issuer are publicly unavailable on February 1 of each year, the Issuer agrees to provide such audited financial statements within thirty (30) days of the date that they become publicly available.

If the Issuer is unable to provide the Repositories an Annual Report by the date required in the immediately preceding paragraph, the Issuer shall send a notice to each Repository.

The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.
SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall be the Comprehensive Annual Financial Report of the State prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events in a timely manner not in excess of ten (10) business days after the occurrence thereof, if material. All fifteen (15) events mandated by the Rule are listed below; however, some may not apply to the Series 2015 Bonds:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on the credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(7) Modification to rights of security holders;
(8) Bond calls;
(9) Tender offers;
(10) Defeasances;
(11) Release, substitution or sale of property securing repayment of the securities;
(12) Rating changes;
(13) Bankruptcy, insolvency, receivership or similar event of the State;
(14) Consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
(15) The appointment of a successor or additional trustee or the change of name of a trustee.

(b) Any Listed Event under subsection (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) of this Section will always be deemed to be material.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Series 2015 Bonds.

SECTION 7. Dissemination Agent. The Issuer has engaged the Dissemination Agent to assist it in disseminating information hereunder. The Issuer shall send the information required by Section 4 hereof and event notices required by this Disclosure Certificate to the Dissemination Agent. Unless otherwise agreed to, the Dissemination Agent shall, as soon as practicable but not later than five (5) days after receipt of such information, forward the same to (i) the MSRB and State Repository, if any, as described herein, and (ii) any beneficial holder of the Series 2015 Bonds who requests such information in writing to the Dissemination Agent or the Issuer. The Dissemination Agent shall have no duty to review the materials described in this paragraph prior to disseminating such materials.
The initial Dissemination Agent shall be FSC Disclosure Services, a division of First Southwest Company, LLC. The Issuer may discharge the Dissemination Agent or any successor Dissemination Agent, but in such event shall take steps necessary to appoint a successor Dissemination Agent who shall be responsible for undertaking all responsibilities of Dissemination hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of a Series 2015 Bonds or the Participating Underwriter may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an “event of default” under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters, holders from time to time of the Series 2015 Bonds, and beneficial owners of the Series 2015 Bonds and shall create no rights in any other person or entity.

SECTION 13. Prior Disclosure. The Issuer is current with its previous continuing disclosure undertakings under the Rule. However, there have been some instances in the previous five years in which the Issuer filed its annual undertakings late. The Issuer recently discovered that although it filed its 2009 CAFR on EMMA in January of 2010, the 2009 CAFR was never published on EMMA, for which EMMA cannot provide an explanation. Consequently, the State filed its 2009 CAFR with EMMA again on January 15, 2015. In addition, the CAFR for fiscal year 2010 was filed with EMMA on February 11, 2011, and the CAFR for fiscal year 2011 was filed with EMMA on May 30, 2012. Likewise, although the Issuer does not deem such failures material, the Issuer has in the past failed to timely file certain event notices such as ratings changes and refunding notices and has also on occasion failed to link its filings to all of its CUSIPs. The Issuer has taken steps to ensure that it will timely comply with all undertakings in the future. Specifically, the Issuer has approved a “State of Mississippi Debt Management Policy” which provides detailed procedures for the timely filing of continuing disclosure by the Issuer. Also, the Issuer has engaged the Dissemination Agent to assist future compliance with the terms of this Disclosure Certificate.

Date: February 18, 2015

STATE OF MISSISSIPPI

By: ____________________________________________

Governor and Ex officio Chairman of the
State Bond Commission
APPENDIX D

FORM OF OPINION OF ATTORNEY GENERAL
STATE OF MISSISSIPPI

OFFICE OF THE ATTORNEY GENERAL
OFFICIAL ATTORNEY GENERAL'S OPINION

[FORM OF OPINION OF ATTORNEY GENERAL]

February 18, 2015

JIM HOOD
ATTORNEY GENERAL

State Bond Commission
State of Mississippi
Jackson, Mississippi

Re: $249,980,000 State of Mississippi General Obligation Refunding Bonds, Series 2015C (Tax-Exempt), dated as of the date of their delivery

$179,135,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2015D, dated as of the date of their delivery

Commission Members:

The opinion as hereinafter set forth is submitted regarding several matters pertaining to the sale and issuance of the above described bond issues (together, the "Series 2015 Refunding Bonds") of the State of Mississippi (the "State").

There are three members of the State Bond Commission (the "Commission") and, in addition to being a member of the Commission, the Attorney General is legal advisor to the Commission. The Commission is authorized to issue the Series 2015 Refunding Bonds under the provisions of Sections 31-27-1 et seq., Mississippi Code of 1972, as amended and supplemented from time to time (the "Act"), and resolutions adopted by the State Bond Commission on January 7, 2015 (the "Resolutions").

The existing State Constitution is the Mississippi Constitution of 1890. Protection for the contractual obligations owed holders of the Series 2015 Refunding Bonds arising from the issuance of the Series 2015 Refunding Bonds is expressed in the provisions of Section 16 of the Constitution:

Ex post facto laws, or laws impairing the obligation of contracts shall not be passed.

I am of the opinion that when the Series 2015 Refunding Bonds are validated, issued and delivered, such Series 2015 Refunding Bonds shall constitute a contract as contemplated by Section 16, supra, and shall enjoy the full protection thereof.

The Series 2015 Refunding Bonds have been subjected to validation by a competent State court. Validation procedure is prescribed by statute and requires that the submission for validation shall be accompanied by the written opinion of the State's Bond Attorney, an attorney appointed by the Governor of the State and who shall possess the same qualifications for office as the Attorney General.
Section 31-13-7, Mississippi Code of 1972, as amended from time to time, provides that when a decree shall be entered confirming and validating bonds and there shall be no appeal from the decree, or if on appeal the Supreme Court enters its decree confirming and validating such bonds, the validity of such bonds shall never be called in question in any court in the State.

A Certificate of Non-litigation shall be rendered by the Attorney General certifying the finality of validation prior to delivery of the Series 2015 Refunding Bonds.

As to general obligations, the Act and the Resolutions provide generally:

The bonds issued under the provisions hereof are general obligations of the State, and for the repayment thereof the full faith and credit of the State is irrevocably pledged. If the funds appropriated by the Legislature are insufficient to pay the principal of and the interest on such bonds as they become due, then the deficiency shall be paid by the State Treasurer from any funds in the State Treasury not otherwise appropriated.

It is my opinion that the Series 2015 Refunding Bonds have been duly and validly authorized, issued, executed and delivered by and on behalf of the State, that the Series 2015 Refunding Bonds constitute valid and binding general obligations of the State enforceable in accordance with the terms thereof (except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity), and that for the payment thereof, the full faith, credit and taxing power of the State is irrevocably pledged.

In connection with the sale and issuance of the Series 2015 Refunding Bonds, the State will deliver its Continuing Disclosure Certificates dated as of the date of the issuance and delivery of the Series 2015 Refunding Bonds. The Continuing Disclosure Certificates will be delivered by the State for the benefit of the holders of the Series 2015 Refunding Bonds and in order to assist the participating underwriters in complying with SEC Rule 15c2-12(b)(5).

It is my opinion that the Continuing Disclosure Certificates have been duly and validly authorized, executed and delivered by and on behalf of the State and constitute valid and binding obligations of the State enforceable in accordance with the terms thereof (except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity).

The Mississippi Legislature enacted Section 11-46-1 et seq., Mississippi Code of 1972, as amended from time to time, to address the tort liability of the State and its political subdivisions. This act creates an immunity and then waives this immunity except in certain situations up to a maximum of two hundred fifty thousand dollars ($250,000.00) per occurrence before July 1, 2001 and up to a maximum of five hundred thousand dollars ($500,000.00) per occurrence on or after July 1, 2001.

When the Attorney General of the State shall give his opinion in writing to an officer, board, commission, department or person authorized to require such written opinion, there shall be no liability, civil or criminal, accruing to or against such body or person who in good faith follows the direction of such opinion and acts in accordance therewith, unless a court of competent jurisdiction, after a full hearing, shall publicly declare that such opinion is manifestly wrong and without any substantial support.

This opinion is being rendered in connection with the issuance of the Series 2015 Refunding Bonds and in anticipation that it will be relied upon by the parties purchasing the Series 2015 Refunding Bonds and by Bond Counsel, in rendering its opinion with respect to the Series 2015 Refunding Bonds, and such reliance is hereby specifically authorized.

Very truly yours,

JIM HOOD, Attorney General
APPENDIX E

FORMS OF OPINIONS OF BOND COUNSEL
FORM OF OPINION OF BOND COUNSEL WITH RESPECT TO
THE SERIES 2015C BONDS

February 18, 2015

State Bond Commission
State of Mississippi
Jackson, Mississippi

Commission Members:

We have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Sections 31-27-1 et seq., Mississippi Code of 1972, as amended and supplemented from time to time (the "Act"), and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution on January 7, 2015 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$249,980,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015C
(Tax-Exempt)
dated the date of delivery thereof, and maturing in such amounts and at such times, bearing interest and subject to redemption, all as set forth in the Resolution (the "Series 2015C Bonds"). The Series 2015C Bonds are being issued for the purpose of (a) advance refunding and defeasing certain maturities of the State's (i) $167,315,000 (original principal amount) General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B. B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt) Project), Series 2006D, dated as of November 1, 2006, (ii) $299,020,000 (original principal amount) General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated as of December 1, 2007, and (iii) $133,545,000 State of Mississippi General Obligation Bonds, Series 2008A (Community Heritage Preservation Grant Program, Local Governments and Rural Water Systems Program, Water Pollution Control Revolving Fund, Local System Bridge Replacement Program, Mississippi Public Health Laboratory Project, Rural Fire Truck Acquisition Assistance Program, Bureau of Buildings Projects and Soil and Water Conservation Program), dated as of October 1, 2008, and (b) paying the costs incident to the sale, issuance and delivery of the Series 2015C Bonds, all as authorized under Act and the Resolution.

As to questions of fact material to our opinion, we have relied upon such certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have also examined one of the Series 2015C Bonds as executed and assume that all other Series 2015C Bonds have been similarly executed.

Based on the foregoing, we are of the opinion that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Series 2015C Bonds by the State pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The Series 2015C Bonds have been duly authorized, executed and delivered under the provisions of the Resolution and are entitled to the pledge and security of the Resolution.

3. The Series 2015C Bonds are legal, valid and binding general obligations of the State and, under the provisions of the Act, for the payment thereof the full faith and credit of the State are pledged. The Act provides that if the funds appropriated by the Legislature of the State shall be insufficient to pay the
principal of and interest on the Series 2015C Bonds as they become due, the deficiency shall be paid by the State Treasurer from funds in the State Treasury not otherwise appropriated.

4. Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated below, interest on the Series 2015C Bonds is excluded from gross income for federal income tax purposes. Furthermore, interest on the Series 2015C Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2015C Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2015C Bonds. In rendering the opinion contained in this paragraph 4, we have assumed continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met after the issuance of the Series 2015C Bonds in order that interest on the Series 2015C Bonds not be included in gross income for federal income tax purposes. The failure to meet such requirements may cause interest on the Series 2015C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015C Bonds. The State has covenanted to comply with or to require compliance with the requirements of the Code in order to maintain the exclusion of interest on the Series 2015C Bonds from gross income for federal income tax purposes. Owners of the Series 2015C Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the environmental tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

5. Under and pursuant to the Act, the Series 2015C Bonds and interest thereon are exempt from all income taxes imposed by the State.

It is to be understood that the rights of the holders of the Series 2015C Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereinafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, PC
February 18, 2015

State Bond Commission
State of Mississippi
Jackson, Mississippi

Commission Members:

We have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Sections 31-27-1 et seq., Mississippi Code of 1972, as amended and supplemented from time to time (the "Act"), and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution on January 7, 2015 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$179,135,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2015D

dated the date of delivery thereof and maturing in such amounts and at such times, bearing interest and subject to redemption, all as set forth in the Resolution (the "Series 2015D Bonds"). The Series 2015D Bonds are being issued for the purpose of (a) advance refunding and defeasing certain maturities of the State's (i) 96,600,000 State of Mississippi Taxable General Obligation Bonds, Series 2008B (Economic Development Highway Fund, 2006 Shipyard Improvements, Ace Fund, Small Municipalities and Limited Population Counties Fund, Job Protection Program, Northeast Counties Railroad Improvements, Mississippi Major Economic Impact Program, Minority Business Enterprise Program, Local Governments Capital Improvements Revolving Loan Program, Mississippi Technology Alliance Program, Children's Museum Program and Statewide Wireless Communications System Project), dated as of October 1, 2008, and (ii) $120,000,000 State of Mississippi Taxable General Obligation Bonds, Series 2009E, dated October 29, 2009, and (b) paying the costs incident to the sale, issuance and delivery of the Series 2015D Bonds, all as authorized under the Act and the Resolution.

As to questions of fact material to our opinion, we have relied upon such certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have also examined one of the Series 2015D Bonds as executed and assume that all other Series 2015D Bonds have been similarly executed.

Based on the foregoing, we are of the opinion that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Series 2015D Bonds by the State pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The Series 2015D Bonds have been duly authorized, executed and delivered under the provisions of the Resolution and are entitled to the pledge and security of the Resolution.
3. The Series 2015D Bonds are legal, valid and binding general obligations of the State and, under the provisions of the Act, for the payment thereof the full faith and credit of the State are pledged. The Act provides that if the funds appropriated by the Mississippi Legislature shall be insufficient to pay the principal of and interest on the Series 2015D Bonds as they become due, the deficiency shall be paid by the State Treasurer from funds in the State Treasury not otherwise appropriated.

4. Under and pursuant to the Act, the Series 2015D Bonds and interest thereon are exempt from all income taxes imposed by the State.

**Interest on the Series 2015D Bonds should be treated as includable in gross income of the holders thereof for federal income tax purposes.**

It is to be understood that the rights of the holders of the Series 2015D Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereinafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, PC
APPENDIX F

BOOK-ENTRY-ONLY SYSTEM
BOOK-ENTRY-ONLY SYSTEM

The information provided under this APPENDIX F has been provided by The Depository Trust Company ("DTC"). No representation is made by the State as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+.

The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the $249,980,000 State of Mississippi General Obligation Refunding Bonds, Series 2015C (Tax-Exempt) and the $179,135,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2015D (together, the "Series 2015 Refunding Bonds") under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2015 Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Refunding Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Refunding Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Refunding Bonds, except in the event that use of the book-entry system for the Series 2015 Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Refunding Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2015 Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2015 Refunding Bond documents. For example, Beneficial Owners of Series 2015 Refunding Bonds may wish to ascertain that the nominee holding the Series 2015 Refunding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.
Redemption notices are to be sent to DTC. If less than all of the Series 2015 Refunding Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying and Transfer Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments, if any, on the Series 2015 Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the State or the Paying and Transfer Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying and Transfer Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying and Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Refunding Bonds at any time by giving reasonable notice to the State or the Paying and Transfer Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2015 Refunding Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2015 Refunding Bonds in definitive form will be printed and delivered. See the caption "DESCRIPTION OF THE SERIES 2015 BONDS - Registration" in this Official Statement.

THE STATE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCE THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2015 REFUNDING BONDS (a) PAYMENTS OF PRINCIPAL OR INTEREST ON THE SERIES 2015 REFUNDING BONDS; (b) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2015 REFUNDING BONDS; OR (c) REDEMPTION OR OTHER NOTICES SENT TO DTC OR Cede & Co., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2015 REFUNDING BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

THE STATE AND THE UNDERWRITERS WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (a) THE SERIES 2015 REFUNDING BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (c) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF AND INTEREST ON THE SERIES 2015 REFUNDING BONDS; (d) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTIONS TO BE GIVEN TO HOLDERS OF THE SERIES 2015 REFUNDING BONDS; OR (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE SERIES 2015 REFUNDING BONDS.