OFFICIAL STATEMENT

ONE NEW ISSUE **See "RATINGS" herein**
BOOK-ENTRY ONLY

In the opinion of Butler Snow LLP, Ridgeland, Mississippi ("Bond Counsel"), under existing laws, regulations, rulings and judicial decisions, interest on the 2017B Bonds (as defined herein) is excludable from gross income for federal tax purposes pursuant to Section 103 of the Code (as defined herein). However, see "TAX MATTERS" for a description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the 2017B Bonds. Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the 2017B Bonds is exempt from income taxation in the State (as defined herein). See "TAX MATTERS" herein and APPENDIX E - FORM OF OPINION OF BOND COUNSEL attached hereto.

$61,260,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2017B (LIBOR TERM RATE)

Dated: Date of Delivery **Due:** September 1, as shown on inside front cover

The $61,260,000 State of Mississippi General Obligation Bonds, Series 2017B (LIBOR Term Rate) (the "2017B Bonds") will initially and prior to Conversion (as defined herein) bear interest at the Initial Term Rate (as defined herein) equal to the sum of 67% of one-month LIBOR plus 0.33% (33 basis points) for the Initial Term Rate Period (as defined herein); provided however, the interest rate on the 2017B Bonds shall never exceed 11% per annum. The interest rate for the Initial Interest Period (as defined herein) will be set on the date of issuance and delivery of the 2017B Bonds. After the Initial Interest Period, each Interest Reset Period (as defined herein) will be the period from and including an Interest Reset Date (as defined herein) to, but excluding, the immediately succeeding Interest Reset Date. If any Interest Reset Date or Interest Payment Date (as defined herein) would otherwise be a day that is not a Business Day (as defined herein), the Interest Reset Date and the Interest Payment Date will be postponed to the immediately succeeding day that is a Business Day except if that Business Day is in the immediately succeeding calendar month, the Interest Reset Date and the Interest Payment Date shall be the immediately preceding Business Day. The interest rate for each Interest Reset Period shall be determined by U.S. Bank National Association, Olive Branch, Mississippi, or any successor thereto, as Calculation Agent for the 2017B Bonds. The 2017B Bonds will bear interest at the Initial Term Rate for the Initial Term Rate Period beginning and ending on the dates as set forth in the "SUMMARY OF THE OFFERING" herein, and will mature as shown in the "SUMMARY OF THE OFFERING" herein.

While the 2017B Bonds bear interest at the Initial Term Rate, interest thereon will be payable on the first Business Day of each month, commencing on October 1, 2017, and, in addition, on the Conversion Date (as defined herein).

The 2017B Bonds will be subject to mandatory tender for purchase (and remarketing) on the initial Conversion Date (the first day after the last day of the Initial Term Rate Period) as set forth in the "SUMMARY OF THE OFFERING" herein.

There is no liquidity facility for the 2017B Bonds, and neither the State nor the Remarketing Agent (as defined herein) is obligated to purchase any tendered 2017B Bonds. Tendered 2017B Bonds will be purchased solely with proceeds from the remarketing thereof. It is not an Event of Default (as defined herein) under the Resolution (as defined herein) if the 2017B Bonds are not purchased upon mandatory tender on the applicable Purchase Date because remarketing proceeds are insufficient for such purchase. If proceeds of the remarketing are not sufficient to pay the Purchase Price of the tendered 2017B Bonds, the tendering holders thereof will continue to hold such 2017B Bonds which will bear interest from the proposed Conversion Date at a rate per annum as described herein until they are Converted to another Rate Mode pursuant to the Resolution.

After the Initial Term Rate Period, the 2017B Bonds are subject to Conversion to Daily Rate Bonds, Weekly Rate Bonds or Fixed Rate Bonds, or may continue as Term Rate Bonds at a new Term Rate for a new Term Rate Period, as further described herein. **This Official Statement provides information concerning the 2017B Bonds only while bearing interest at Initial Term Rate identified in the "SUMMARY OF THE OFFERING" following this cover page during the respective Initial Term Rate Period.**

The State Bond Commission of the State of Mississippi (the "State") has designated U.S. Bank National Association, Olive Branch, Mississippi (the "Paying and Transfer Agent") to serve as paying agent, transfer agent and registrar of the 2017B Bonds. The 2017B 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 ("DTC"), New York, New York, which will act as securities depository for the 2017B Bonds under a book-entry-only system. So long as the 2017B Bonds are held in book-entry form, Beneficial Owners (as defined herein) of the 2017B Bonds will not receive physical delivery of bond certificates. The principal of, and interest on, the 2017B 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 defined herein) and Indirect Participants (as defined herein), which will in turn remit such principal, and interest to the Beneficial Owners of the 2017B 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. See "DESCRIPTION OF THE 2017B BONDS - Book-Entry-Only System" and APPENDIX F.

The 2017B Bonds are general obligations of the State and are secured by a pledge of the full faith and credit of the State.

The 2017B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity date as more particularly described herein. See "DESCRIPTION OF THE 2017B BONDS – "Redemption Provisions."

SEE "SUMMARY OF THE OFFERING" ON THE INSIDE FRONT COVER

The 2017B Bonds are being issued at the same time as the $101,145,000 State of Mississippi Taxable General Obligation Bonds, Series 2017C (LIBOR Term Rate).

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 2017B Bonds are offered subject to the final approving opinion of Butler Snow LLP, Ridgeland Mississippi, Bond Counsel. Certain legal matters will be passed upon for the Underwriters (identified below) by their counsel, Balch & Bingham LLP, Jackson, Mississippi. Certain legal matters with respect to the State will be passed upon by the State's Attorney General, Jim Hood, Esq. FirstSouthwest, a division of Hilltop Securities, Dallas, Texas, is serving as Financial Advisor to the State in connection with the sale and issuance of the 2017B Bonds. It is expected that delivery of the 2017B Bonds in definitive form will be made on or about August 30, 2017.

Morgan Stanley

Loop Capital Markets

Dated: August 16, 2017

SUMMARY OF THE OFFERING

$61,260,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2017B (LIBOR TERM RATE)

Maturity Date: September 1, 2027
CUSIP[1]: 605581JY4

Initial Term Rate Period Begins	Initial Term Rate Period Ends	Next Conversion Date	Initial Term Rate	Price
August 30, 2017	August 31, 2020	September 1, 2020	67% of one-month LIBOR Plus 0.33%	100%

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1 CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services.

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

LAURA JACKSON — *Executive Director*
BRIAN PUGH — *Deputy Executive Director*
STEVEN MCDEVITT — *Director, Bond Advisory Division*

OFFICE OF THE ATTORNEY GENERAL

ROMAINE RICHARDS — *Special Assistant Attorney General*

OFFICE OF THE STATE TREASURER

JESSE GRAHAM — *Deputy Treasurer*

BOND COUNSEL

BUTLER SNOW LLP
Ridgeland, Mississippi

UNDERWRITERS' COUNSEL

BALCH & BINGHAM LLP
Jackson, Mississippi

FINANCIAL ADVISOR

FIRSTSOUTHWEST,
A DIVISION OF HILLTOP SECURITIES
Dallas, Texas

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NO DEALER, BROKER, SALES REPRESENTATIVE OR OTHER PERSON HAS BEEN AUTHORIZED BY THE STATE, THE STATE BOND COMMISSION OF THE STATE OR THE UNDERWRITERS SHOWN ON THE COVER HEREOF TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED HEREIN IN CONNECTION WITH THE OFFERING OF THE 2017B BONDS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE 2017B BONDS NOR SHALL THERE BE ANY SALE OF THE 2017B BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER, SOLICITATION OR SALE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE STATE AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE. THE INFORMATION SET FORTH HEREIN CONCERNING DTC HAS BEEN FURNISHED BY DTC AND NO REPRESENTATION IS MADE BY THE STATE OR THE UNDERWRITERS AS TO THE ACCURACY OR COMPLETENESS THEREOF. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE STATE SINCE THE DATE HEREOF.

THIS OFFICIAL STATEMENT CONTAINS FORECASTS, PROJECTIONS AND ESTIMATES THAT ARE BASED ON EXPECTATIONS AND ASSUMPTIONS WHICH EXISTED AT THE TIME SUCH FORECASTS, PROJECTIONS AND ESTIMATES WERE PREPARED. IN LIGHT OF THE IMPORTANT FACTORS THAT MAY MATERIALLY AFFECT ECONOMIC CONDITIONS IN THE STATE, THE INCLUSION IN THIS OFFICIAL STATEMENT OF SUCH FORECASTS, PROJECTIONS AND ESTIMATES SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE STATE THAT SUCH FORECASTS, PROJECTIONS AND ESTIMATES WILL OCCUR. SUCH FORECASTS, PROJECTIONS AND ESTIMATES ARE NOT INTENDED AS REPRESENTATIONS OF FACT OR GUARANTEES OF RESULTS.

IF AND WHEN INCLUDED IN THIS OFFICIAL STATEMENT, THE WORDS "EXPECTS," "FORECASTS," "PROJECTS," "INTENDS," "ANTICIPATES," "ESTIMATES" AND ANALOGOUS EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS AND ANY SUCH STATEMENTS INHERENTLY ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED. SUCH RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, LITIGATION AND VARIOUS OTHER EVENTS, CONDITIONS AND CIRCUMSTANCES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE STATE. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE STATE DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE STATE'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

INFORMATION HEREIN HAS BEEN OBTAINED FROM THE STATE, DTC, AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION IS NOT GUARANTEED BY THE UNDERWRITERS.

THE PRICES AT WHICH THE 2017B BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2017B BONDS, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2017B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: "EACH UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND

CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION."

UPON ISSUANCE, THE 2017B BONDS WILL NOT BE REGISTERED BY THE STATE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR THE 2017B BONDS OFFERED FOR SALE BY THIS OFFICIAL STATEMENT.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE CAPTIONS AND HEADINGS IN THIS OFFICIAL STATEMENT ARE FOR CONVENIENCE OF REFERENCE ONLY, AND IN NO WAY DEFINE, LIMIT OR DESCRIBE THE SCOPE OR INTENT, OR AFFECT THE MEANING OR CONSTRUCTION, OF ANY PROVISION OR SECTIONS OF THIS OFFICIAL STATEMENT. THE OFFERING OF THE 2017B BONDS IS MADE ONLY BY MEANS OF THIS OFFICIAL STATEMENT.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IS PRINTED IN ITS ENTIRETY FROM SUCH WEBSITE.

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OFFICIAL STATEMENT SUMMARY

THE OFFERING

$61,260,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2017B (LIBOR TERM RATE)

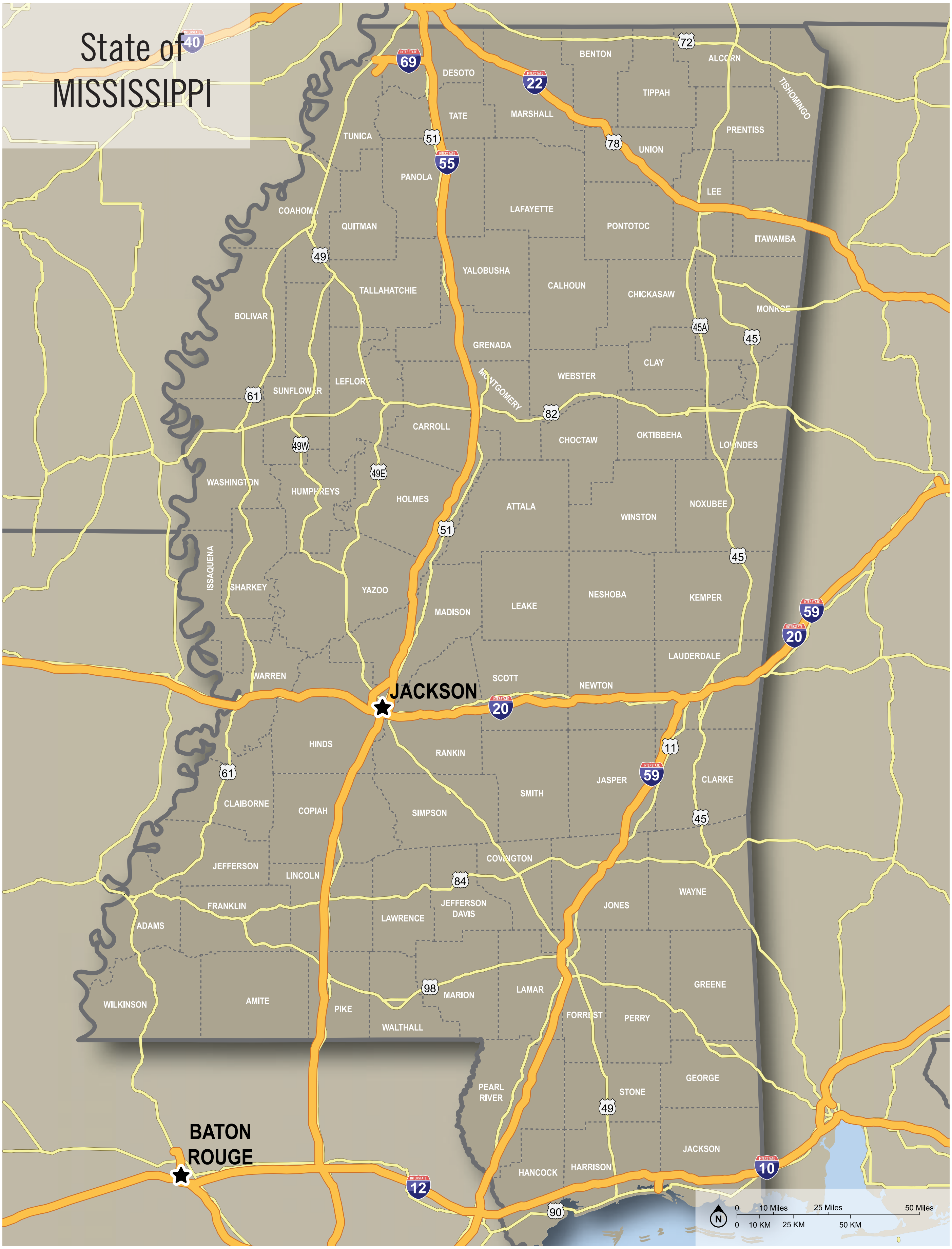
The Issuer	State of Mississippi (the "State").
Issue and Date	$61,260,000 State of Mississippi General Obligation Bonds, Series 2017B (LIBOR Term Rate) (the "2017B Bonds"), dated their date of delivery.
Authority	The 2017B Bonds will be issued pursuant to the provisions of Sections 31-18-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the "Act") and the Resolution (as defined herein).
Purpose	The 2017B Bonds are being issued (a) to provide a portion of the funds necessary to restructure the $78,625,000 (original principal amount) State of Mississippi General Obligation Refunding Bonds (Capital Improvements Projects), Series 2012D (SIFMA Index), and (b) to pay the costs incident to the sale, issuance and delivery of the 2017B Bonds, all as authorized under Act.
Amounts and Maturities..........	The 2017B Bonds will mature on September 1, 2027.
Interest Payment Dates...........	Interest on the 2017B Bonds will be payable on the first Business Day (as defined herein) of each month, commencing October 1, 2017.
Initial Term Rate and Initial Term Rate Period	The 2017B Bonds will initially and prior to Conversion bear interest at a rate equal to 67% of one-month LIBOR (as defined herein) plus 0.33% (33 basis points) for the Initial Term Rate Period; provided however, the interest rate on the 2017B Bonds shall never exceed 11% per annum. The interest rate for the Initial Interest Period will be set on the date of issuance and delivery of the 2017B Bonds. After the Initial Interest Period, each Interest Reset Period will be the period from and including an Interest Reset Date to, but excluding, the immediately succeeding Interest Reset Date. If any Interest Reset Date or Interest Payment Date would otherwise be a day that is not a Business Day, the Interest Reset Date and the Interest Payment Date will be postponed to the immediately succeeding day that is a Business Day except if that Business Day is in the immediately succeeding calendar month, the Interest Reset Date and the Interest Payment Date shall be the immediately preceding Business Day. The interest rate for each Interest Reset Period shall be determined by U.S. Bank National Association, Olive Branch, Mississippi, or any successor thereto, as Calculation Agent for the 2017B Bonds. The Initial Term Rate Period commences on August 30, 2017 and ends on August 31, 2020.
Conversion Date	The initial Conversion Date for the 2017B Bonds shall be September 1, 2020.
Redemption Provisions	The 2017B Bonds will be subject to optional and mandatory sinking fund redemption prior to maturity (see "DESCRIPTION OF THE 2017B BONDS - Redemption Provisions," herein).

Mandatory Tender The 2017B Bonds will be subject to mandatory tender and remarketing on the initial Conversion Date (which is the first day after the last date of the Initial Term Rate Period) (see "DESCRIPTION OF THE 2017B BONDS – Mandatory Tender," herein).

Security for Payment............... Pursuant to the Act, the 2017B 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 2017B BONDS - Security," herein).

Tax Matters .... In the opinion of Bond Counsel (as defined herein), interest on the 2017B 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 2017B Bonds. Bond Counsel is further of the opinion that interest on the 2017B Bonds is exempt from 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

$61,260,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2017B (LIBOR TERM RATE)

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 $61,260,000 General Obligation Bonds, Series 2017B (LIBOR Term Rate) (the "2017B Bonds").

This Introduction is qualified in its entirety by the more detailed information included and referred to elsewhere in this Official Statement, including the Summary of the Offering and Appendices hereto. The offering of the 2017B Bonds to potential investors is made only by means of the entire Official Statement, including the Summary of the Offering and all such Appendices. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement. Definitions of certain capitalized terms relating to the Resolution and used in this Official Statement are set forth in APPENDIX G — "SUMMARY OF THE RESOLUTION."

DESCRIPTION OF THE 2017B BONDS

The following is a summary of certain provisions of the 2017B Bonds. This summary of the 2017B Bonds is not intended to be an exhaustive discussion of the 2017B Bonds. Investors are advised that the Resolution should be reviewed for the general terms of the 2017B Bonds. See APPENDIX G — "SUMMARY OF THE RESOLUTION."

THIS SUMMARY OF THE 2017B BONDS APPLIES ONLY WHILE THEY BEAR INTEREST AT THE INITIAL TERM RATE DURING THE INITIAL TERM RATE PERIOD. HOLDERS AND POTENTIAL OWNERS OF THE 2017B BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING A CHANGE OF THE 2017B BONDS TO ANY RATE MODE OTHER THAN THE INITIAL TERM RATE FOR THE INITIAL TERM RATE PERIOD, BUT SHOULD LOOK SOLELY TO THE RESOLUTION AND THE REMARKETING MEMORANDUM OR REMARKETING CIRCULAR TO BE ISSUED IN CONNECTION WITH ANY SUCH RATE PERIOD CHANGE WITH RESPECT TO THE 2017B BONDS.

General

The 2017B Bonds will mature on September 1, 2027, in the principal amount shown in the "SUMMARY OF THE OFFERING" on the inside cover page hereof. The 2017B Bonds will initially and prior to Conversion bear interest at the Initial Term Rate equal to the sum of 67% of one-month LIBOR plus 0.33% (33 basis points) for the Initial Term Rate Period; provided however, the interest rate on the 2017B Bonds shall never exceed 11% per annum. Interest will be payable on the first Business Day of each month, commencing October 1, 2017 (each an "Interest Reset Date"), and on the initial Conversion Date. The interest rate for the Initial Interest Period will be set on the date of issuance and delivery of the 2017B Bonds. After the Initial Interest Period, each Interest Reset Period will be the period from and including an Interest Reset Date to, but excluding, the immediately succeeding Interest Reset Date. If any Interest Reset Date or Interest Payment Date would otherwise be a day that is not a Business Day, the Interest Reset Date and the Interest Payment Date will be postponed to the immediately succeeding day that is a Business Day except if that Business Day is in the immediately succeeding calendar month, the Interest Reset Date and the Interest Payment Date shall be the immediately preceding Business Day. The interest rate for each Interest Reset Period shall be determined by U.S. Bank National Association, Olive Branch, Mississippi, or any successor thereto, as Calculation Agent for the 2017B Bonds (the "Calculation Agent"). See "DESCRIPTION OF THE 2017B BONDS – Determination of LIBOR Term Rate" herein.

The 2017B Bonds will be subject to mandatory tender for purchase (and remarketing) on the initial Conversion Date (the first day after the last day of the Initial Term Rate Period) as set forth in the "SUMMARY OF THE OFFERING," and thereafter on each subsequent Conversion Date, subject to the limitations described in this Official Statement. See "DESCRIPTION OF THE 2017B BONDS - Mandatory Tender of Term Rate Bonds Upon Conversion — Consequences of a Failed Remarketing." On the day after the last day of the Initial Term Rate Period for the 2017B Bonds, all of the 2017B Bonds may be converted to bear interest at a Daily Rate ("Daily Rate Bonds"), a Weekly Rate ("Weekly Rate Bonds") or a Fixed Rate or may continue to bear interest as Term Rate Bonds at a new Term Rate for a new Term Rate Period.

U.S. Bank National Association, Olive Branch, Mississippi, has been designated by the State Bond Commission (the "Commission") of the State to serve as paying agent, transfer agent and registrar of the 2017B Bonds (the "Paying and Transfer Agent").

The 2017B 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 2017B Bonds held in book-entry form shall be payable as described herein under the heading "DESCRIPTION OF THE 2017B BONDS - Book-Entry-Only System" and APPENDIX F - BOOK-ENTRY-ONLY SYSTEM."

The principal of and interest on, the 2017B 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 and Indirect Participants, which will in turn remit such principal and interest to the Beneficial Owners of the 2017B 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 2017B Bonds will be issued in denominations of $5,000 or any integral multiple of $5,000 in excess thereof.

Authorization

The 2017B Bonds will be issued pursuant to the provisions of Section 31-18-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the "Act") and a resolution adopted by the Commission of the State on August 3, 2017 (the "Resolution") (a) to provide a portion of the funds necessary to restructure the $78,625,000 (original principal amount) State of Mississippi General Obligation Refunding Bonds (Capital Improvements Projects), Series 2012D (SIFMA Index) (the "Series 2012 Bonds"), and (b) to pay the costs incident to the sale and issuance of the 2017B Bonds, as authorized under the Act (see "PLAN OF FINANCING," herein).

Security

The 2017B 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 2017B Bonds as they 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 2017B 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 2017B 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 2017B Bonds.

Determination of LIBOR Term Rate

The 2017B Bonds will initially and prior to Conversion bear interest at a rate equal to 67% of one-month LIBOR plus 0.33% (33 basis points) for the Initial Interest Period, reset monthly for each Interest Reset Period commencing on or after October 1, 2017, in each case as more fully described below, provided that the interest rate on the 2017B Bonds shall not exceed 11% per annum.

Interest on the 2017B Bonds will accrue from the Closing, or from the most recent Interest Payment Date to which interest has been paid or provided for, as more fully described below, and will be payable on each Interest Payment Date, commencing October 1, 2017, to the Registered Owners at the close of business on the Record Date. Interest on the 2017B Bonds will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days as the case may be.

If the maturity date falls on a day that is not a Business Day, the payment will be made on the next Business Day as if it were made on the date the payment was due, and no interest will accrue on the amount so payable for the period from and after that maturity date to the date the payment is made. Interest payments for the 2017B Bonds will include accrued interest from and including the date of issue or from and including the last date in respect of which interest has been paid, as the case may be, to, but excluding, the Interest Payment Date or the date of maturity, as the case may be.

The interest rate on the 2017B Bonds will be reset monthly on the Interest Reset Date. The interest rate for the Initial Interest Period will be set on the date of Closing. If any Interest Reset Date or any Interest Payment Date would otherwise be a day that is not a Business Day, the Interest Reset Date and Interest Payment Date will be postponed to the immediately succeeding day that is a Business Day except that if that Business Day is in the immediately succeeding calendar month, the Interest Reset Date and Interest Payment Date shall be the immediately preceding Business Day.

The interest rate in effect on each day during each Interest Reset Period will be (i) if that day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding such Interest Reset Date or (ii) if that day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date. The interest rate applicable to each Interest Reset Period commencing on the related Interest Reset Date beginning on and after October 1, 2017, will be the rate determined as of the applicable Interest Determination Date.

One-month LIBOR will be determined by the Calculation Agent as of the applicable Interest Determination Date in accordance with the following provisions and the Paying and Transfer Agent/Calculation Agent Agreement:

(1) LIBOR shall mean, on any date of determination, the rate for deposits in U.S. dollars for the one-month period or as established by the State at the time of a remarketing of the 2017B Bonds which appears on Bloomberg Page BBAM1 at approximately 11:00 a.m., London time, on the applicable Interest Determination Date.

(2) If at any time the LIBOR rate is no longer available, there shall be used in its place such rate as the State Treasurer and the Executive Director, following consultation with the Calculation Agent and any Remarketing Agent, from time to time determines most closely approximates the LIBOR period set forth in a Supplemental Resolution of the Commission.

All percentages resulting from any calculation of any interest rate for the 2017B Bonds will be truncated to the nearest one thousandth of a percentage point (e.g., 9.876545% would be truncated to 9.876%), and all dollar amounts will be rounded to the nearest cent, with one-half cent being rounded upward.

Promptly upon such determination, the Calculation Agent will notify the State Treasurer of the interest rate for the new Interest Reset Period. Upon request of a holder of the 2017B Bonds, the Calculation Agent will provide to such holder the interest rate in effect on the date of such request and, if determined, the interest rate for the next Interest Reset Period.

All calculations made by the Calculation Agent for the purposes of calculating interest on the 2017B Bonds shall be conclusive and binding on the Holders, the State and the State Treasurer, absent manifest error.

Risks Associated with LIBOR Securities

In September 2012, the U.K. government published the results of its review of LIBOR (commonly referred to as the "Wheatley Review"). The Wheatley Review made a number of recommendations for changes with respect to LIBOR including the introduction of statutory regulation of LIBOR, the transfer of responsibility for LIBOR from the British Bankers' Association (the "BBA") to an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate setting. Based on the Wheatley Review, final rules for the regulation and supervision of LIBOR by the Financial Conduct Authority (the "FCA") were published and came into effect on April 2, 2013 (the "FCA Rules").

In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. In addition, in response to the Wheatley Review recommendations, ICE Benchmark Administration Limited (the "ICE Administration") has been appointed as the independent LIBOR administrator, effective February 1, 2014.

On July 27, 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "FCA Announcement"). It is not possible to predict the effect of the FCA Rules, the FCA Announcement, any changes in the methods pursuant to which the LIBOR rates are determined and any other reforms to LIBOR that will be enacted in the U.K. and elsewhere, which may adversely affect the trading market for LIBOR based securities or result in the phasing out of LIBOR as a reference rate for securities. In addition, any changes announced by the FCA, including the FCA Announcement, the ICE Administration or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur and to the extent that the value of LIBOR securities is affected by reported LIBOR rates, the level of interest payments and the value of the securities may be affected. Further, uncertainty as to the extent and manner in which the Wheatley Review recommendations will continue to be adopted and the timing of such changes may adversely affect the current trading market for LIBOR based securities and the value of the 2017B Bonds.

Conversions

Upon the direction of the State, which may be in at the form of a certificate from the State Treasurer and the Executive Director, all of the 2017B Bonds may be converted from a Term Rate to a Daily Rate, Weekly Rate or Fixed Rate or another Term Rate for another Term Rate Period, which may vary in duration from the initial Term Rate Period.

It is currently anticipated that, should the 2017B Bonds be converted to bear interest at a Daily Rate, Weekly Rate, Fixed Rate, or a new Term Rate for a new Term Rate Period, a remarketing memorandum or remarketing circular will be distributed describing such 2017B Bonds during such Interest Mode.

The Conversion Date for a Conversion from a Term Rate (or from one Term Rate Period to another Term Rate Period) is required to occur on the day immediately following the last day of the Term Rate Period in effect immediately prior to the Conversion. See the "SUMMARY OF THE OFFERING" on the inside cover page hereof for the initial Conversion Date following the end of the Initial Term Rate Period. On such Conversion Date, the 2017B Bonds are subject to mandatory tender for purchase (and remarketing) following notice to the Owners thereof, unless the State withdraws its election to Convert the 2017B Bonds as described below.

In connection with a Conversion of the 2017B Bonds, at the option of the State and subject to the provisions of the Resolution, the State may authorize the Remarketing Agent for such 2017B Bonds to remarket them at a rate that includes any, all or any combination of the following special provisions: (A) a floating rate based on an index or an index plus or minus any number of basis points, (B) more than one specified interest rates that change on specified dates and/or (C) an interest rate that changes upon the occurrence or nonoccurrence of one or any number of events.

If the State desires to exercise its option to cause the Term Rate to be a floating rate based on an index or an index plus or minus any number of basis points, the notice from the State shall specify the index to be used; and the Term Rate shall be the rate determined based on such index, plus or minus the number of basis points which, in the judgment of the Remarketing Agent, results in the lowest rate of interest that would cause the Term Rate Bonds bearing interest at such rate to have a market value equal to the principal amount thereof plus accrued interest (if any), under prevailing market conditions on the commencement date of the Term Rate Period.

Not later than the third day prior to a Conversion Date (or the immediately preceding Business Day, if such third day is not a Business Day), the State may irrevocably withdraw its election to Convert the Term Rate Bonds proposed to be Converted and its notice of mandatory tender by giving written notice of such withdrawal to the Tender Agent, the Paying and Transfer Agent, the Remarketing Agent and any related Liquidity Provider; provided that the State may irrevocably withdraw its election to Convert the Non-Remarketed Bonds (as defined under "Consequences of a Failed Remarketing" below) and its notice of mandatory tender with respect to such Non-Remarketed Bonds by giving notice to the same Persons not later than the Business Day prior to the proposed Conversion Date for a proposed Conversion of such Non-Remarketed Bonds, as hereinafter defined. In the event the State gives such notice of withdrawal, (i) the Tender Agent is required to promptly give Written Notice to the Owners of the Term Rate Bonds; (ii) the Term Rate Bonds that were bearing interest at Term Rate for a Term Rate Period Without Liquidity (except as provided in clause (iii) of this subsection) will, on the proposed Conversion Date, begin to bear interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity and the Interest Payment Dates and the next Conversion Date for such Term Rate Bonds shall be as described under "Consequences of Failed Remarketing" below; and (iii) any such Term Rate Bonds that were bearing interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity shall continue to bear interest at such rate and the Interest Payment Dates and the next Conversion Date for such Term Rate Bonds shall continue to be as described under "Consequences of Failed Remarketing" below. Failure by the Tender Agent to provide such notice to the Owners of the Term Rate Bonds with respect to which Conversion the State withdrew its election to Convert will not affect the validity of the notice of withdrawal given by the State.

Each Conversion is conditioned upon determination of the new rate or rates of interest by the Remarketing Agent and receipt (not later than 10:00 a.m., New York City time, on the Conversion Date) of an opinion of Bond Counsel to the effect that such Conversion is authorized by the Resolution and does not adversely affect the exclusion of interest on the Term Rate Bonds from gross income for federal income tax purposes.

If a proposed Conversion does not occur (whether pursuant to a notice of withdrawal from the State described above or otherwise), the 2017B Bonds bearing interest at the Term Rate will begin to bear interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity, as described under "Consequences of Failed Remarketing" below. See "SUMMARY OF THE RESOLUTION — Conversions," "— Division of Series into Subseries; Serialization; Grouping into Term Bonds" and "— Floating Rates and Stepped Coupons; Remarketing at a Discount or Premium" in APPENDIX G hereto for descriptions of certain other provisions of the Resolution applicable to Conversions. It shall not constitute an Event of Default under the Resolution if a proposed Conversion does not occur.

Mandatory Tender of Term Rate Bonds Upon Conversion

General. The 2017B Bonds (other than any 2017B Bonds held by or for the State) will be subject to mandatory tender for purchase on the next Conversion Date shown in the "SUMMARY OF THE OFFERING" at a Purchase Price equal to 100% of the principal amount thereof (or, at the option of the State, at a discount or premium), plus accrued interest to but excluding the date on which such Term Rate Bonds are required to be tendered (the "Purchase Date").

Notice of Mandatory Tender. Not less than eight days prior to the Conversion Date, the State shall give Written Notice, which notice may be given by the State Treasurer and the Executive Director of the Conversion to the Tender Agent, the Paying and Transfer Agent and the Remarketing Agent setting forth the proposed Conversion Date and the proposed Rate Mode (and if such Rate Mode is the Term Rate Mode, the proposed Term Rate Period) following the Conversion; provided, however, that Written Notice of a Conversion from a Rate Following Failed Conversion From Term Rate Period Without Liquidity may be given by the State as described in this subsection on any Business Day. Written Notice of mandatory tender shall be given to the Owners of the 2017B Bonds subject to such mandatory tender at least six days prior to the Conversion Date. Such notice shall state the Purchase Date, the Purchase Price, that, with respect to any Registered Owner of the 2017B Bonds who has not properly tendered such 2017B Bonds, such 2017B Bonds will nevertheless be deemed tendered and purchased on the Purchase Date and that after the Purchase Date, interest on such 2017B Bonds subject to mandatory tender will cease to accrue and after the Purchase Date such Registered Owner will have no rights with respect to such 2017B Bonds except a right to receive payment of the Purchase Price upon tender of its 2017B Bonds to the Tender Agent.

Sources of Funds for Purchase of Tendered 2017B Bonds. There is no Liquidity Facility for the 2017B Bonds and neither the State nor the Remarketing Agent is obligated to purchase any tendered 2017B Bonds. Tendered 2017B Bonds will be purchased solely with proceeds from the remarketing of such 2017B Bonds, and, in the case of a remarketing at a discount, Available Moneys that the State delivers to the Tender Agent pursuant to the Resolution. It is not an Event of Default under the Resolution if the 2017B Bonds are not purchased upon mandatory tender on the Purchase Date because remarketing proceeds are insufficient for such purchase. See "Consequences of a Failed Remarketing" below.

Remarketing of the Tendered 2017B Bonds. The Remarketing Agent is required under the Resolution, and subject to the provisions of any Remarketing Agreement, to offer for sale and use its best efforts to find purchasers (at par, or, if directed by the State, discount or premium, plus accrued interest, if any) for all of the 2017B Bonds or portions thereof properly tendered pursuant to the Resolution. Such 2017B Bonds shall not be remarketed to the State or any affiliate thereof unless the State has received an opinion of Bond Counsel to the effect that the purchase of such 2017B Bonds by the State does not adversely affect the exclusion of interest on such 2017B Bonds from gross income for federal income tax purposes. The Remarketing Agent shall cause the Purchase Price to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Purchase Date. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any such 2017B Bond as to which a notice of redemption or mandatory tender has been given unless the Remarketing Agent has advised the Person to whom the 2017B Bond is offered for purchase of the notice of redemption or mandatory tender.

If the State desires to exercise its option to cause the 2017B Bonds to be remarketed in certain circumstances as described in "SUMMARY OF THE RESOLUTION – Floating Rates and Stepped Coupons; Remarketing at a Discount or Premium" in APPENDIX G hereto, the notice from the State shall specify the discount or premium, the source from which any net discount will be funded and the manner in which any net premium will be distributed; and the floating rate or stepped coupon rate shall be the rate which, in the judgment of the Remarketing Agent, is the lowest rate of interest that would cause such 2017B Bonds bearing interest at such rate to have a market value equal to the principal amount thereof, plus or minus such premium or discount and plus accrued interest (if any), under prevailing market conditions on the commencement date of the new Rate Period.

No notice from the State exercising any option to have such 2017B Bonds remarketed in certain circumstances as described in "SUMMARY OF THE RESOLUTION – Floating Rates and Stepped Coupons; Remarketing at a Discount or Premium" in APPENDIX G hereto, will be effective until the State has received an opinion of Bond Counsel to the effect that the action resulting from the State's exercise of its option (including but not limited to the funding of any net discount and the use of any net premium) is authorized by the Resolution and does not adversely affect the exclusion of interest on such 2017B Bonds from gross income for federal income tax purposes; and if the State exercises its option to cause such 2017B Bonds to be remarketed at a net discount, the State agrees to deliver and submits evidence satisfactory to the Tender Agent that it will be able to deliver Available Moneys to the Tender Agent in an amount equal to the difference between the proceeds from the remarketing of such 2017B Bonds and the Purchase Price of such 2017B Bonds before the Purchase Price of such 2017B Bonds is due to the Persons from whom such 2017B Bonds are to be purchased.

If the 2017B Bonds are remarketed at a net discount, the State shall deliver Available Moneys to the Tender Agent in an amount equal to the difference between the proceeds from the remarketing of such 2017B Bonds and the Purchase Price of such 2017B Bonds before the Purchase Price of such 2017B Bonds is due to the Persons from whom such 2017B Bonds are to be purchased. The Tender Agent is required to deposit such moneys into the Remarketing Account of the Tender Fund and such moneys will be used to pay the Purchase Price of such 2017B Bonds.

Consequences of a Failed Remarketing. If the moneys held in the Remarketing Account of the Tender Fund following a mandatory tender of a Series of the 2017B Bonds are not sufficient to pay the Purchase Price of all Tendered Bonds of such Series (a "Failed Remarketing"), no such 2017B Bonds shall be purchased, and such 2017B Bonds (the "Non-Remarketed Bonds") will bear interest from the proposed Conversion Date until they are converted to another Rate Mode pursuant to the Resolution at a rate per annum (computed based on a

365/366-day year and the actual number of days elapsed) determined by the Paying and Transfer Agent as follows:

1) During the first 89 days following a Failed Remarketing, the rate of interest for Non-Remarketed Bonds shall be equal to 67% of one-month LIBOR plus 2.50% (provided that the rate of interest for Non-Remarketed Bonds shall never exceed the Maximum Rate). The Maximum Rate is 11% per annum.

2) From the 90th day to and including the 179th day following a Failed Remarketing, the rate of interest for Non-Remarketed Bonds shall be equal to the greater of (x) 67% of one-month LIBOR plus 5.00% , or (y) 7.50% (provided that the rate of interest for Non-Remarketed Bonds shall never exceed the Maximum Rate).

3) From and after the 180th day following a Failed Remarketing, the rate of interest for Non-Remarketed Bonds shall be equal to 11% (provided that the rate of interest for Non-Remarketed Bonds shall never exceed the Maximum Rate).

The Interest Payment Dates for such Non-Remarketed Bonds shall be the first Business Day of each month and such Non-Remarketed Bonds may be Converted to another Rate Mode on any Business Day designated by the State. Failure to pay the Purchase Price on all Tendered Bonds on the Purchase Date because remarketing proceeds are insufficient for such purchase is not an Event of Default under the Resolution.

The Remarketing Agent is required to continue to use its best efforts to remarket any Non-Remarketed Bonds pursuant to the Resolution and the Remarketing Agreement.

Delivery of the 2017B Bonds upon Mandatory Tender. On the Purchase Date designated for the 2017B Bonds, if sufficient money for the payment of the Purchase Price of such 2017B Bond is held by the Tender Agent, interest on such 2017B Bond will cease to accrue to the former Owner, such 2017B Bond shall be deemed to have been purchased pursuant to the Resolution, irrespective of whether or not such 2017B Bond shall have been presented to the Tender Agent, and the former Owner of such 2017B Bond or interests therein shall have no claim thereunder or otherwise for any amount other than to receive the Purchase Price therefor. The State is required to execute and the Tender Agent will authenticate and deliver to or upon the order of the new Owner on the Purchase Date or the next succeeding Business Day, without charge therefor, a new 2017B Bond of the same maturity and designation, of Authorized Denominations and in the principal amount equal to such 2017B Bonds so purchased but not tendered by the former Owners thereof on the Purchase Date ("Undelivered Bonds").

The Tender Agent is required to hold a fund designated as the 2017 Tender Fund (the "Tender Fund") in which there are established two special accounts known as the "Liquidity Facility Account" (to be used if a Liquidity Facility is in place; there will be no Liquidity Facility with respect to the 2017B Bonds during the Term Rate Period described in "SUMMARY OF THE OFFERING") and the "Remarketing Account." No funds will be accepted by the Tender Agent for deposit to the Remarketing Account other than the proceeds of the remarketing of the 2017B Bonds by the Remarketing Agent and, in the case of a remarketing at a discount, Available Moneys that the State delivers to the Tender Agent pursuant to the Resolution. Money held to the credit of the Tender Fund may not be invested or commingled.

The Tender Agent shall hold in the Tender Fund money for the Purchase Price of Undelivered Bonds, uninvested and without liability for interest thereon, for the benefit of the former Owners of such 2017B Bonds, who shall thereafter be restricted to such money for the satisfaction of any claim for the Purchase Price of such 2017B Bonds.

The Tender Agent is required to accept delivery of all of the Bonds of a Series of the 2017B Bonds surrendered to it in accordance with the Resolution and the Tender Agent Agreement, and hold such 2017B Bonds in trust for the benefit of the respective Owners that shall have so surrendered such 2017B Bonds, until the Purchase Price of such 2017B Bonds shall have been delivered to or for the account of or to the order of such Owners or otherwise held by the Tender Agent under the Resolution.

Certain Considerations Relating to the Remarketing Agent, Remarketing and Marketability of the 2017B Bonds while Term Rate Bonds

The Remarketing Agent is Paid by the State. The responsibilities of the Remarketing Agent include determining the interest rates from time to time and remarketing the Term Rate Bonds that are optionally or mandatorily tendered for purchase by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed and paid by the State for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Owners and potential purchasers of the Term Rate Bonds.

The Remarketing Agent May Purchase the 2017B Bonds for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Term Rate Bonds for its own account and, in its sole discretion, may acquire such tendered Term Rate Bonds in order to achieve a successful remarketing of the Term Rate Bonds (i.e., because there otherwise are not enough buyers to purchase the Term Rate Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Term Rate Bonds, and may cease doing so at any time without notice. The Remarketing Agent also may make a market for the Term Rate Bonds by routinely purchasing and selling Term Rate Bonds other than in connection with an optional or a mandatory tender and remarketing. Such purchases and sales may be at, above or below par. However, the Remarketing Agent is not required to make a market for the Term Rate Bonds. The Remarketing Agent also may sell any Term Rate Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce their exposure in connection with the Term Rate Bonds. The purchase of the Term Rate Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Term Rate Bonds in the market than is actually the case. The practices described above also may result in fewer Term Rate Bonds being tendered in a remarketing.

Term Rate Bonds May be Offered at Different Prices on Any Date Including a Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Term Rate Bonds bearing interest at the interest rate at par (or premium or discount, if elected by the State and if certain conditions for such election are met), plus accrued interest, if any, on and as of a Rate Determination Date. At the time the new rate becomes effective, the Remarketing Agent is required to use its best efforts to remarket the Term Rate Bonds at par (or premium or discount, if elected by the State and if certain conditions for such election are met). The interest rate will reflect, among other factors, the level of market demand for the Term Rate Bonds (including whether the Remarketing Agent is willing to purchase Term Rate Bonds for its own account). There may or may not be Term Rate Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Term Rate Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Term Rate Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the Term Rate Bonds at the remarketing price. In the event the Remarketing Agent owns any Term Rate Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Term Rate Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Term Rate Bonds Other than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Term Rate Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to sell their Term Rate Bonds to instead tender their Term Rate Bonds through the Tender Agent with appropriate notice. Thus, investors who purchase the Term Rate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Term Rate Bonds other than by tendering the Term Rate Bonds in accordance with the tender process provided in the Resolution.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2017B Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

There is No Third-Party Liquidity Support for the 2017B Bonds. There is no Liquidity Facility for the 2017B Bonds and neither the State nor the Remarketing Agent is obligated to purchase the tendered 2017B

Bonds. The tendered 2017B Bonds will be purchased solely with proceeds from the remarketing of such 2017B Bonds, and, in the case of a remarketing at a discount, Available Moneys that the State delivers to the Tender Agent pursuant to the Resolution. It is not an Event of Default under the Resolution if such 2017B Bonds are not purchased upon mandatory tender on the Purchase Date because remarketing proceeds are insufficient for such purchase. See "Mandatory Tender of Term Rate Bonds Upon Conversion – Consequences of a Failed Remarketing" above.

No Optional Tenders

The 2017B Bonds will not be subject to optional tender during the Initial Term Rate Period.

Redemption Provisions

Optional Redemption. The 2017B Bonds will be subject to redemption prior to maturity at the option of the State, in whole or in part in integral multiples of $5,000 in principal amount, and if in part, by lot, on March 1, 2020 and on any date thereafter, at a Redemption Price equal to the principal amount thereof (with no redemption premium), plus any interest accrued to the Redemption Date. Any Non-Remarketed Bonds will be subject to redemption at the option of the State, in whole or in part, on any Business Day, at a Redemption Price equal to the principal amount thereof plus any interest accrued to the Redemption Date.

Mandatory Sinking Fund Redemption. The 2017B Bonds are subject to mandatory sinking fund redemption, at a Redemption Price equal to the principal amount of the 2017B Bonds redeemed, together with accrued interest thereon to the Redemption Date, pursuant to Sinking Fund Installments on September 1 in each of the years and principal amounts specified below, except that the Sinking Fund Installments of 2017B Bonds shall be reduced in any order selected by the State of any 2017B Bonds of the same maturity that were redeemed pursuant to any other optional redemption provision or were purchased by the State and delivered to the Paying and Transfer Agent for cancellation on or before the date on which notice of the redemption of the 2017B Bonds subject to any such Sinking Fund Installment is given by the Paying and Transfer Agent.

Sinking Fund Redemption Date (September 1)	Sinking Fund Installment
2018	$5,180,000
2019	5,400,000
2020	5,635,000
2021	5,885,000
2022	6,135,000
2023	6,400,000
2024	6,680,000
2025	6,970,000
2026	3,470,000
2027	9,505,000

Selection of 2017B Bonds to be Redeemed

Held in Book-Entry Only System. If less than all of the 2017B 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 2017B Bonds, partial redemptions of the 2017B 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 2017B Bonds subject to redemption are called for redemption, the Paying and Transfer Agent shall select the 2017B Bonds to be redeemed from the outstanding 2017B 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 2017B Bond shall be not less than $5,000.

Notice of Redemption

Notice of redemption of the 2017B Bonds shall be given by the State to the Paying and Transfer Agent at least 10 days prior to the date on which notice of redemption of such 2017B Bonds is to be given to the

Registered Owners of the 2017B Bonds to be redeemed; provided however that with respect to redemptions of 2017B Bonds bearing interest at a Daily Rate, a Weekly Rate or a Term Rate, the 10-day notice requirement shall be two Business Days. When the Paying and Transfer Agent shall receive notice from the State of its election or direction to redeem 2017B Bonds, and when redemption of 2017B Bonds is authorized or required, the Paying and Transfer Agent shall give notice, in the name of the State, of the redemption of such 2017B Bonds, which notice shall specify the Series and maturities of the 2017B Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such Redemption Date will be payable and, if less than all of the 2017B Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2017B Bonds so to be redeemed, and, in the case of 2017B Bonds to be redeemed in part only, such notices shall also specify the respective portions thereof to be redeemed. Such notice shall further state that on such Redemption Date there shall become due and payable upon each 2017B Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions thereof, in the case of 2017B Bonds to be redeemed in part only, together with interest accrued and Accreted Value accreted to the Redemption Date, and that from and after such date interest thereon and the Accreted Value thereof shall cease to accrue or accrete and be payable. The Paying and Transfer Agent shall transmit such notice by Electronic Means, or shall mail a copy of such notice, first class mail postage prepaid, not less than 20 nor more than 60 days before the Redemption Date (or such shorter period as shall be provided by Supplemental Resolution), to the Owners of any 2017B Bonds or portions of 2017B Bonds which are to be redeemed, at their last addresses, if any, appearing upon the Bond Register. The Paying and Transfer Agent's obligation to give the notice required by the Resolution shall not be conditioned upon the prior payment to the Paying and Transfer Agent of funds sufficient to pay the Redemption Price of the 2017B Bonds to which such notice relates or interest thereon or Accreted Value thereof to the Redemption Date and may be given in conditional form, specifying that the redemption is subject to receipt by the Paying and Transfer Agent of moneys sufficient to pay the Redemption Price of and accrued interest on or Accreted Value of the 2017B Bonds to be redeemed or to other conditions. The failure to give the notice required by the Resolution to any Registered Owner of any 2017B Bond or portion thereof to be redeemed shall not affect the validity of any proceedings for the redemption of any other 2017B Bond for which such notice has been duly given.

If, on or prior to the redemption date, sufficient moneys shall be deposited hereunder to pay the principal amount of the 2017B Bonds called for redemption and accrued interest or interest due thereon on such redemption date, the 2017B Bonds or portions thereof thus called and provided for as hereinabove specified shall not bear interest after the redemption date and shall not be considered to be Outstanding or to have any other rights under the Resolution other than this right to receive payment.

Records of an escrow agent (which may be the Paying and Transfer Agent) showing that such notice was mailed as required by the Resolution shall be conclusive evidence of the giving of such notice. Upon presentation and surrender of the 2017B Bonds so called for redemption at the place or places of payment, such 2017B Bonds shall be redeemed.

Defeasance

Under the Resolution, all 2017B Bonds for the payment of which sufficient monies, 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 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 premium, if any, on such municipal obligations (all of which collectively, with Government Obligations, are hereinafter called "Defeasance Securities"), shall have been deposited with an escrow agent appointed for the purpose in trust for the owners thereof, which may be the Paying and Transfer Agent, (whether upon or prior to the maturity or the redemption date of such 2017B Bonds) shall be deemed to have been paid within the meaning hereof, shall cease to be entitled to any lien, benefit or security under the Resolution and shall no longer be deemed to be outstanding hereunder and the Registered Owners shall have no rights in respect thereof except to receive payment of principal of and interest on such 2017B Bonds from the funds held for that purpose. Defeasance Securities will be considered sufficient 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 when due on the 2017B Bonds. For the purpose hereof, Defeasance Securities shall mean and include only (a) such Defeasance Securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or (b) Defeasance Securities which, if subject to redemption shall, nevertheless, in all events, regardless of when redeemed, provide sufficient and timely funds for payment of the principal of and interest on the 2017B Bonds to be paid thereby.

Registration

2017B Bonds Subject to the Book-Entry-Only System. For so long as DTC acts as securities depository for the 2017B Bonds, the registration and transfer of ownership interests in 2017B 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 2017B BONDS-Book-Entry-Only System."

2017B Bonds Not Subject to Book-Entry-Only System. Should the 2017B Bonds no longer be held in book-entry form, each 2017B 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 2017B Bond, the State shall issue, in the name of the transferee, a new 2017B Bond or 2017B 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 2017B Bond.

2017B Bonds, upon surrender thereof at the office of the Paying and Transfer Agent 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 2017B 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 2017B Bonds. The Paying and Transfer Agent will not be required to register the transfer of or exchange any 2017B Bond after the mailing of notice calling such 2017B Bond for redemption has been given as provided in the Resolution, 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 2017B Bonds held by a central depository system and to have transfers of the 2017B Bonds handled by a book-entry system on the records of DTC. Unless and until the book-entry-only system has been discontinued, the 2017B 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 2017B Bonds. The 2017B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered 2017B Bond will be issued for each maturity of the 2017B 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 2017B Bonds will be payable by check or draft of the Paying and Transfer Agent as described under the heading "DESCRIPTION OF THE 2017B BONDS - Registration."

PLAN OF FINANCING

Series 2012 Bonds

The 2017B Bonds are being issued under and pursuant to the Act and the Resolution (a) to provide a portion of the funds necessary to restructure the outstanding Series 2012 Bonds, and (b) to pay certain costs incident to the sale and issuance of the 2017B Bonds.

Pursuant to the Prior Resolution and the Act, on the closing date for the 2017B Bonds, a portion of the proceeds received from the sale of the 2017B Bonds in an amount sufficient to pay the maturing principal on the

Series 2012 Bonds on the maturity date of September 1, 2017, shall be transferred by the State Treasury to the Prior Paying Agent and deposited in the bond fund created under the Prior Resolution. Likewise, on the closing date, the State will transfer sufficient funds from other available revenues to pay the accrued interest due and owing on the Series 2012 Bonds on September 1, 2017. The remainder of the proceeds of the 2017B Bonds shall be used by the State Treasurer to pay the costs of issuance of the 2017B Bonds.

Existing Swap Agreements

The State is a party to two floating-to-fixed interest rate swap agreements (together, the "Swap Agreements") with Morgan Stanley Capital Services, Inc. ("Morgan Stanley") in connection with the Series 2012 Bonds. One Swap Agreement associated with $25,195,000 notional amount of the Series 2012 Bonds provides that Morgan Stanley will pay to the State a floating amount (the rate for which will be 67% of one-month LIBOR), and the State will pay to Morgan Stanley fixed amounts at the fixed rate of 3.843%. This Swap Agreement has a termination date of September 1, 2025. The other Swap Agreement associated with $30,180,000 notional amount of the Series 2012 Bonds provides that Morgan Stanley will pay to the State a floating amount (the rate for which will be 67% of one-month LIBOR), and the State will pay to Morgan Stanley fixed amounts at the fixed rate of 3.75%. This Swap Agreement has a termination date of September 1, 2027.

It is expected that the Swap Agreements will remain in full force and effect with respect to the 2017B Bonds.

In accordance with the Act, payments under both of Swap Agreements to Morgan Stanley are subject to appropriation by the State Legislature. The initial aggregate notional amount of the Swap Agreements will reduce in time over the term of the Swap Agreements. Upon the occurrence of certain events provided in the Swap Agreements, such Swap Agreements may be terminated prior to their respective stated termination dates, requiring the State to make, or entitling the State to receive, a termination payment, based upon the market value of the terminated Swap Agreements at the time of termination. Morgan Stanley is not responsible for the payment of any amounts due with the respect to the Series 2012 Bonds or the 2017B Bonds and the agreement by Morgan Stanley to pay certain amounts to the State pursuant to their respective Swap Agreements does not alter or affect the State's obligation to pay the principal of, interest on, and redemption price of, any of Series 2012 Bonds or the 2017B Bonds. Neither the Owners of the 2017B Bonds nor any other person other than the State will have any rights under the respective Swap Agreements or against Morgan Stanley.

SERIES 2017C BONDS

Contemporaneously with the sale and issuance of the 2017B Bonds, the State is planning to issue its $101,145,000 Taxable General Obligation Bonds, Series 2017C (LIBOR Term Rate) (the "Series 2017C Bonds"). The issuance of the Series 2017C 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 2017B Bonds.

Sources	
Par Amount	$61,260,000.00
State Contribution	228,882.04*
Total Sources	$61,488,882.04*
Uses	
For Restructuring of Series 2012 Bonds	$60,993,882.04*
For Use to Pay Costs of Issuance[1]	495,000.00
Total Uses	$61,488,882.04*

* Estimated. The interest owed by the State on the Series 2012 Bonds on the redemption date cannot be calculated at this time.

1 Includes, among other expenses, Underwriters' discount and rating agency, municipal advisor, swap advisor and legal fees. Payment of such fees is contingent upon the issuance of the 2017B 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 is presently outstanding. In July 2016, the State issued its $80,000,000 Taxable General Obligation Note, Series 2016A (the "Series 2016A Note") to provide temporary financing for a portion of the costs of a project for Continental Tire The Americas, LLC to be located in Hinds County, Mississippi. There is currently $20,000,000 outstanding under the Series 2016A Note. The Series 2016A Note matures July 7, 2018. The State anticipates refinancing the Series 2016A Note with long term bonds prior to maturity thereof.

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.

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The following table summarizes the outstanding principal amount of debt of the State.

STATE OF MISSISSIPPI
LONG TERM INDEBTEDNESS [(1)]
As of July 1, 2017

State of Mississippi Bonds	
General Obligation Bonds Payable from General Fund or General Fund Revenues	$4,114,015,000
Self-Supporting General Obligation Bonds	0
Revenue Bonds	196,595,000
GROSS DEBT	$4,310,610,000
DEDUCTIONS:	
Revenue Bonds	$ 196,595,000
Subtotal	196,595,000
GROSS DIRECT DEBT	$4,114,015,000
Self-Supporting General Obligation Bonds	0
Subtotal	4,114,015,000
NET DIRECT DEBT	$4,114,015,000

(1) Does not include the effects of the 2017B Bonds or the Series 2017C Bonds.

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

As of July 1	Gross Debt	Revenue Bond Debt	Gross Direct Debt	Self-Supporting General Obligation Debt	General Net Direct Debt
2005	$3,066,040,000	$91,995,000	$2,974,045,000	$39,955,000	$2,934,090,000
2006	3,094,325,000	70,320,000	3,024,005,000	36,605,000	2,987,400,000
2007	3,140,150,000	47,880,000	3,092,270,000	34,070,000	3,058,200,000
2008	3,365,750,000	24,460,000	3,341,290,000	31,435,000	3,309,855,000
2009	3,426,630,000	0	3,426,630,000	3,790,000	3,422,840,000
2010	3,480,067,000	0	3,480,067,000	2,885,000	3,477,182,000
2011	3,780,490,000	0	3,780,490,000	1,955,000	3,778,535,000
2012	4,131,465,000	0	4,131,465,000	995,000	4,130,470,000
2013	4,055,890,000	0	4,055,890,000	0	4,055,890,000
2014	4,142,675,000	0	4,142,675,000	0	4,142,675,000
2015	4,176,700,000	0	4,176,700,000	0	4,176,700,000
2016	4,379,240,000	200,000,000	4,179,240,000	0	4,179,240,000
2017	4,310,610,000	196,595,000	4,114,015,000	0	4,114,015,000

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

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GENERAL FUND DEBT SERVICE
AS A PERCENTAGE OF GENERAL FUND REVENUES[(1)]

Fiscal Year Ended	General Fund Revenues	General Fund Debt Service	General Obligation Debt Service as a Percent of Revenues
2005	$3,930,938,591	$207,175,252	5.27%
2006	4,332,615,923	331,458,398	7.65
2007	4,789,398,828	212,707,963[(2)]	4.44
2008	4,936,891,193	289,547,871	5.86
2009	4,729,998,654	289,547,871	6.12
2010	4,453,337,142	347,187,030	7.80
2011	4,580,238,231	360,834,668	7.88
2012	4,850,552,501	369,045,642	7.61
2013	5,083,326,217	376,367,667	7.40
2014	5,332,732,585	375,860,167	7.05
2015	5,486,482,394	385,628,277	7.03
2016	5,450,753,169	392,741,392	7.21

(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 July 1, 2017.

As of July 1, 2017	Amount	Debt Per Capita[(1)]	Debt to Assessed Valuation[(2)]	Debt to Estimated Full Valuation[(3)]	Debt to Personal Income[(4)]
Gross Debt	$4,310,610,000	$1,442.29	26.28%	3.26%	4.01%
Direct Debt	$4,114,015,000	$1,376.51	25.09%	3.11%	3.83%

(1) Based on 2016 estimated population of 2,988,726. Source: U.S. Department of Commerce, Bureau of the Census. www.census.gov/quickfacts/table/PST045216/28.

(2) Based on calendar year 2015 assessed valuation of $16,399,806,931 (Real Property tax roll). Source: Mississippi Department of Revenue, Annual Report FY Ending June 30, 2016.

(3) Based on 2015 full valuation of $132,354,004,254 (Real Property tax roll). Source: Mississippi Department of Revenue, Annual Report FY Ending June 30, 2016.

(4) Based on 2016 estimated total personal income of $107,402,992,000 (not adjusted for inflation). Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/bearfacts last updated March 27, 2017.

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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 2008[1]

As of July 1	Outstanding	Debt Per Capita	Debt to Assessed Valuation	Debt to Estimated Full Valuation	Debt to Personal Income
2017					
Gross Debt	$4,310,610,000	$1,442.29	26.28%	3.26%	4.01%
Net Direct Debt	4,114,015,000	1,376.51	25.09	3.11	3.83
2016					
Gross Debt	4,379,240,000	1,463.49	27.00	3.35	4.20
Net Direct Debt	4,179,240,000	1,396.65	25.77	3.20	4.02
2015					
Gross Debt	4,176,700,000	1,394.99	26.26	3.25	4.07
Net Direct Debt	4,176,700,000	1,394.99	26.26	3.25	4.07
2014					
Gross Debt	4,142,675,000	1,384.95	26.04	3.22	4.08
Net Direct Debt	4,142,675,000	1,384.95	26.04	3.22	4.08
2013					
Gross Debt	4,055,890,000	1,366.86	25.89	3.25	4.04
Net Direct Debt	4,055,890,000	1,366.86	25.89	3.25	4.04
2012					
Gross Debt	4,131,465,000	1,392.33	26.38	3.31	4.31
Net Direct Debt	4,130,470,000	1,383.78	26.37	3.31	4.31
2011					
Gross Debt	3,780,490,000	1,274.05	24.89	3.10	4.09
Net Direct Debt	3,778,535,000	1,273.39	24.88	3.10	4.08
2010					
Gross Debt	3,480,067,000	1,223.22	40.60	5.02	5.85
Net Direct Debt	3,477,182,000	1,222.21	40.57	5.01	5.84
2009					
Gross Debt	3,426,630,000	1,204.44	39.98	4.94	5.76
Net Direct Debt	3,422,840,000	1,203.11	39.93	4.94	5.76
2008					
Gross Debt	3,365,750,000	1,183.04	39.27	4.86	5.66
Net Direct Debt	3,309,855,000	1,163.39	38.61	4.78	5.57

[1] 2008 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: U.S. Department of Commerce, Bureau of the Census. www.census.gov.

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 and supplemented (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 June 30, 2017 of $18,228,498.94.

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 June 30, 2017 of $3,668,790.42 and an outstanding balance under the Community College Leases of $62,460.39.

Certificates of Participation

Sections 47-5-1201 *et seq.*, Mississippi Code of 1972, as amended and supplemented, 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 original 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 then 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 and the current outstanding amount under the Marshall County Lease is $2,815,000.

Section 47-5-941 of the Mississippi Code of 1972, as amended and supplemented, 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 original principal amount of $31,435,000 to finance the construction of a 500-bed correctional facility to be located in Wilkinson County, which facility presently has 1,000 beds as a result of a subsequent expansion. In connection with the refunding of the then outstanding amounts under the Wilkinson County Lease, the Wilkinson County Lease has been amended and restated and assigned to secure the payment of the $20,100,000 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 and the current outstanding amount under the Wilkinson County Lease is $20,100,000.

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 original 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 additional bonds were issued in the principal amount of $39,000,000 to finance such expansion. In connection with the refunding of the then outstanding amounts under the East Mississippi Lease, the East Mississippi Lease has been amended and restated and assigned to secure the payment of the (a) $68,830,000 (original aggregate principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2010D (MDOC - East Mississippi Correctional Facility Refunding Bonds Project), dated July 20, 2010 and currently outstanding in the amount of $53,480,000, (b) $26,685,000 (original aggregate principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2016C (Mississippi Department of Corrections East Mississippi Correctional Facility Refunding Bond Project), dated July 29, 2016 and currently outstanding in the amount of $26,685,000, and (c) $20,340,000 (original aggregate principal amount) Mississippi Development Bank Taxable Special Obligation Bonds, Series 2016D (Mississippi Department of Corrections East Mississippi Correctional Facility Refunding Bond Project), dated July 29, 2016 and currently outstanding in the amount of $19,980,000. 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 original principal amount of $41,420,000 to finance the construction of a 1000-bed correctional facility (the "Walnut Grove 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 Walnut Grove Facility and additional 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 (a) $93,580,000 (original aggregate principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2010C (Mississippi Department of Corrections Walnut Grove Correctional Facility Refunding Bonds Project), dated July 20, 2010 and currently outstanding in the amount of $71,885,000, (b) $34,995,000 (original aggregate principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2016A (Mississippi Department of Corrections Walnut Grove Correctional Facility Refunding Project), dated July 29, 2016 and currently outstanding in the amount of $34,995,000, and (c) $26,235,000 (original aggregate principal amount) Mississippi Development Bank Taxable Special Obligation Bonds, Series 2016B (Mississippi Department of Corrections Walnut Grove Correctional Facility Refunding Project), dated July 29, 2016 and currently outstanding in the amount of $25,760,000. The Walnut Grove Lease currently expires on August 1, 2027. On June 10, 2016, MDOC notified the Walnut Grove Authority of the termination of the residential services agreement between MDOC and the Walnut Grove Authority providing for the housing of inmates at the Walnut Grove Facility, effective on September 15, 2016. MDOC ceased housing inmates at the Walnut Grove Facility on September 15, 2016 and such facility was shut down. The closure of the Walnut Grove Facility did not terminate the Walnut Grove Lease or the obligation of the State to make rental payments under the Walnut Grove Lease.

The obligations of the State to make rental payments under 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 July 1, 2017, the State's Gross Debt was $4,310,610,000. 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 2017 and the next three fiscal years.

Fiscal Year Ending June 30	Revenues(1)	Constitutional Debt Limit	Outstanding Gross Debt
2007	$8,006,244,243	$10,930,261,350	$3,140,150,000
2008	8,295,079,853	12,009,366,365	3,365,750,000
2009	7,960,861,538	12,451,109,180	3,426,630,000
2010	7,698,390,482	12,451,109,180	3,480,067,000
2011	7,956,269,318	12,451,109,180	3,780,490,000
2012	8,336,735,857	12,451,109,180	4,131,465,000
2013	8,549,281,153	12,505,103,786	4,063,805,000
2014	8,874,795,859	12,823,921,730	4,150,775,000
2015	8,647,704,125	13,312,193,788	4,185,105,000
2016	8,706,340,254	13,312,193,788	4,388,070,000
2017(2)	8,793,403,657	13,312,193,788	--
2018(2)	8,881,337,693	13,312,193,788	--
2019(2)	8,970,151,070	13,322,006,540	--
2020(2)	9,059,852,581	13,455,226,605	--

(1) Figures represent budgetary basis of revenues.

(2) Assumes a 1.0% growth in Revenue.

Source: Department of Finance and Administration.

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 July 1, 2017.

Fiscal Year Ending June 30	Principal(1)(2)	Interest(1)(2)(3)	Total Annual Debt Service(1)(2)(3)
2018	$ 398,555,000	$ 166,720,557	$ 607,819,337
2019	268,805,000	157,992,360	426,797,360
2020	240,800,000	148,467,738	389,267,738
2021	230,260,000	139,417,540	369,677,540
2022	222,670,000	130,518,185	353,188,185
2023	217,105,000	122,020,887	339,125,887
2024	206,080,000	113,784,478	319,864,478
2025	198,880,000	105,427,333	304,307,333
2026	206,970,000	96,606,420	303,576,420
2027	193,920,000	87,467,807	281,387,807
2028	192,985,000	78,117,726	271,102,726
2029	178,790,000	68,845,304	247,635,304
2030	180,155,000	59,928,707	240,083,707
2031	165,115,000	51,639,130	216,754,130
2032	213,840,000	42,972,606	256,812,606
2033	204,635,000	33,381,297	238,016,297
2034	201,070,000	23,574,529	224,644,529
2035	183,580,000	13,963,702	197,543,702
2036	144,535,000	6,095,751	150,630,751
2037	65,265,000	1,408,250	66,673,251
TOTAL	$4,114,015,000	$1,648,350,308	$5,762,365,308

(1) Of the principal amounts outstanding, $161,255,000 is currently being refunded and restructured by the issuance of the 2017B Bonds and the Series 2017C Bonds. The interest due on the floating rate notes is not reflected in this table.

(2) Does not include the effect of the 2017B Bonds or the Series 2017C 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. 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 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.

Revenue Bonds

On October 22, 2015 the State issued its $200,000,000 Gaming Tax Revenue Bonds, Series 2015E (the "Series 2015E Bonds") to provide funds to the State to finance the costs of the repair, rehabilitation, replacement, construction and/or reconstruction of State maintained bridges within the State. The Series 2015E Bonds are limited obligations of the State and payable from all or a portion of the Dedicated Gaming Tax Revenue (which is defined for purposes of the Series 2015E Bonds as the first $3,000,000.00 of all taxes, fees, interest, penalties, damages, fines or other monies collected monthly by the Mississippi Department of Revenue in accordance with Section 75-76-177(c), Mississippi Code (1972), as amended, in connection with all gaming operations in the State). The full faith and credit of the State is not pledged for the repayment of the Series 2015E Bonds.

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 and supplemented (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, but is not obligated to, 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 July 1, 2017, the Development Bank Bonds outstanding carrying a moral obligation pledge of the State totaled $376,280,000. 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

Except as set forth below, there has been no default on general obligations of the State as to payment of either principal or interest during the last 100 years.

On May 3, 2017, the State gave notice of the optional call, on June 5, 2017, of $75,000 principal amount of its State of Mississippi General Obligation Bonds (Mississippi Small Enterprise Development Finance Act Issue 2003 Series A through C) (the "Series 2003 Bonds"). As a result of a clerical error by the State and its paying agent, the payment of the principal and interest on that portion of the Series 2003 Bonds was not made until June 7, 2017. The State has taken action to ensure that such an error will not occur in the future.

Annual Debt Service Requirements

Annual debt service requirements for the 2017B Bonds are set forth on page A-1 in APPENDIX A hereto.

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, 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.

Each 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 2014 exceeded expectations in excess of $252 million or 5.1%. Tax collections for fiscal year 2015 exceeded expectations in the amount of $25 million or .05%. Tax collections for fiscal year 2016 were less than expectations in an amount of $207 million or -3.71%. For fiscal year 2017, tax collections have been less than expectations in an amount of $169 million or -3.07% through June 2017.

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. Senate Bill 2001 of the Second Extraordinary Session of the 2016 State Legislature removed the $50.0 million limitation for fiscal year 2016. Senate Bill 2649 of the 2017 Regular Legislative Session provided not more than $100 million may be transferred in fiscal year 2017.

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"). 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. If an agency has a line item budget, 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. If an agency has a lump sum appropriation, transfers are not limited. 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 shall direct the transfer of such funds as necessary but not more than $50.0 million from the Working Cash-Stabilization Fund to the General Fund. For fiscal year 2017, the State Legislature provided that not more than $100 million may be transferred. 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 and supplemented. 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 audited general purpose financial statements of the State for the fiscal year ended June 30, 2016, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), 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 2015 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, 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 and supplemented, 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 has met new functional and data requirements; reduces inefficiencies and costs associated with multiple stand-alone systems at the statewide and agency levels; maintains enterprise data on a consistent, "real-time" basis; replaces aging, incompatible technology; and uses state of the art technology based on best business practices. Once MAGIC is fully implemented, it will replace the following legacy systems: SPAHRS (Statewide Payroll and Human Resource System) and ACE (Access Channel for Employees). All other systems utilized by the State prior to the implementation of MAGIC has been discontinued including SAAS (Statewide Automated Accounting Systems); WebProcure; MERLIN (Mississippi Executive Resource Library and Information Network); MELMS (Mississippi Enterprise Learning Management System); and PATS (Project Accounting and Tracking System).

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 and fees, 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, 2017 not including lapse period collections, sales taxes accounted for 36.5%, individual income taxes for 31.7% and corporation income and franchise taxes for 10.2% 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 2015 State Legislature waived this rule for fiscal year 2016 and appropriated 100% of the revenue estimate pursuant to House Bill 434. The 2016 State Legislature waived this rule for fiscal year 2017 and appropriated 100% of the revenue estimate. The 2017 State Legislature waived this rule for fiscal year 2018 and appropriated 99% of the revenue estimate. For the fiscal year ending June 30, 2017, appropriation for educational purposes accounts for 53% 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 2016 financial statements in APPENDIX B, is defined in Note 1 of the Notes to the Financial Statements on Significant Accounting Policies. The 2016 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) an amount equal to 50% of the remaining balance, not to exceed 10% of the General Fund appropriations for the fiscal year that the unencumbered balance represents, to the Working Cash Stabilization Reserve Fund; and (3) any remaining amount to the Capital Expense Fund.

As of June 30, 2017, the Working Cash Stabilization Fund had a fund balance of $291,041,030.76.

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State of Mississippi General Fund
Results of Operations-Budget Basis for Fiscal Year Ended June 30 (In Thousands)

	2012	2013	2014	2015	2016
TAXES:					
Sales	$1,854,730	$1,911,112	$1,955,113	$2,034,319	$2,062,137
Individual Income	1,489,168	1,650,091	1,666,791	1,743,427	1,769,431
Corporate Income and Franchise	505,306	524,077	677,046	714,086	596,260
Use and Wholesale Compensating	215,879	233,462	246,322	226,522	238,254
Tobacco, Beer and Wine	187,979	181,017	176,181	177,786	175,573
Insurance	193,045	198,103	250,984	240,413	292,774
Oil and Gas Severance	89,913	82,796	76,654	54,761	26,483
Alcohol Excise and Privilege	66,669	70,017	71,525	73,854	73,369
Other	11,970	12,157	10,869	15,256	12,845
Interest	14,678	13,151	13,511	13,336	10,206
Auto Privilege, Tax and Title Fees	8,977	8,716	9,759	9,443	9,389
Gaming Fees	152,077	139,630	127,777	131,270	133,847
Highway Safety Patrol Fees	20,774	21,297	22,855	23,595	20,429
Other Fees and Services	11,266	11,109	10,292	12,543	11,680
Miscellaneous	4,587	4,499	3,851	3,314	2,826
Court Assessments and Settlements	20,041	35,228	70,286	50,011	66,207
Special Fund Revenues				0	0
TOTAL REVENUES	$4,847,059	$5,096,461	$5,389,807	$5,523,927	$5,501,710
Expenditures by Major Budgetary Function:					
Legislative	$ 23,931	$ 26,364	$ 26,378	$ 26,454	$ 28,154
Judiciary & Justice	62,165	62,664	64,453	71,260	74,070
Executive & Adm	2,940	3,044	3,217	3,171	3,128
Fiscal Affairs	54,180	56,320	56,792	63,396	66,876
Public Education(1)	2,011,890	2,029,370	2,077,657	2,162,141	2,252,624
Higher Education	764,001	721,016	761,596	789,825	807,597
Public Health	26,513	33,117	35,796	35,442	36,569
Hospitals and Hospital Schools	235,343	210,426	216,072	219,418	221,768
Agriculture, Commerce & Economic Dev.	104,893	103,303	110,034	116,204	118,615
Conservation and Recreation	46,035	45,388	48,135	51,867	52,357
Insurance and Banking	0	0	0	0	0
Corrections	310,951	311,739	334,580	345,280	326,411
Social Welfare	311,284	541,775	737,836	990,961	1,098,569
Public Protection and Veterans Assistance	85,433	87,988	88,001	104,006	108,103
Local Assistance	81,109	81,109	81,109	84,455	83,188
Motor Veh. & Other Regulatory Agencies	22	39	40	40	32
Miscellaneous	1,211	1,212	1,337	1,378	1,540
Public Works	0	0	0	32,000	0
Debt Service	369,564	375,804	375,455	380,532	392,099
TOTAL EXPENDITURES	4,491,465	4,690,667	5,018,488	5,477,830	5,671,626
Excess of Rev. over (under) expenditures	355,594	405,795	371,319	46,097	(169,916)
Other Financing Sources (Uses)					
Transfers In	23,534	22,092	13,213	12,184	190,961
Transfers Out	(376,405)	(426,992)	(397,492)	(50,761)	(62,416)
Other Sources (uses) of Cash	24	24	164	(343)	(515)
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	2,747	919	(12,796)	7,177	(41,886)
Budgetary Fund Balances, Beginning	$ 50,455	$ 53,202	$ 54,121	$ 41,325	$ 48,502

(1) Public Education reflects all educational activities.

Source: Department of Finance and Administration. (FY17 information is not available until late Fall 2017.)

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 10% 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)

	2013	**2014**	**2015**	**2016**	**Unaudited 2017**
RESOURCES:					
Surplus from Prior Year	$ 35,386.2	$ 24,539.0	$ 20,501.5	$ 7,896.0	$ 0.0
Sales Tax	268,582.6	276,440.3	288,934.5	294,023.3	296,419.8
Use Tax	28,127.5	30,036.6	27,539.7	29,457.4	29,215.5
Ad Valorem Reduction	46,000.0	45,596.1	46,002.2	46,000.0	46,000.0
Additional EEF from Dept. of Ed.	4,481.7	213.0	403.9	2,031.0	1,952.4
Transfer in from General Fund	0.0	0.0	0.0	0.0	0.0
Total Resources Available	$ 382,578.0	$ 376,825.0	$ 383,381.8	$ 379,407.7	$ 373,587.7
DISBURSEMENTS:					
Education, K-12	$ 254,226.3	$ 252,529.1	$ 265,482.2	$ 268,333.1	$ 260,810.2
Community & Jr. Colleges	60,833.4	40,002.8	42,522.7	42,730.3	40,763.3
Institutions of Higher Learning	40,180.1	60,822.3	64,292.8	64,957.6	61,988.1
Other	2,799.2	2,969.2	3,188.1	3,386.7	3,444.1
Total Disbursements	358,039.0	356,323.4	375,485.8	379,407.7	367,005.7
YEAR END SURPLUS	$ 24,539.0	$ 20,501.6	$ 7,896.0	$ 0.0	$ 6,582.0

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, 2016, Special Funds received approximately $6,753.2 million from the federal government which includes $680.9 million for public education and $496.1 million for highways. In addition, State tax receipts of $1,466.6 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 and supplemented, 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 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:

Fiscal Year	Annual Transfer
2006	$186,000,000
2007	186,000,000
2008	106,000,000
2009	92,254,000
2010	112,000,000
2011	112,000,000
2012	56,263,438
2013	97,450,332
2014	23,100,000
2015	3,055,564
2016	18,762

Source: Department of Finance and Administration.

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 payments on December 31, 2015 and in April 2016, the combined balance of both payments was transferred into the Expendable Fund by the end of fiscal year 2016. Future payments from the annual tobacco settlement will be transferred directly into the Expendable Fund. At June 30, 2017, the Health Care Expendable Fund had a balance of $9,075,555.21.

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.

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 at its April 30, 2013 Board meeting. 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 on October 1, 2014. Utilizing the revised actuarial assumptions, as of June 30, 2016, the MPACT Fund-Legacy Plan had $306.1 million in assets under management with a funded status of 72.1%. The value of expected liabilities of the trust exceeded the value of the assets, including the value of future payments by contract holders, by $126.5 million. As of June 30, 2016, the MPACT Fund-Horizon Plan had $16.8 million in assets under management with a funded status of 117.2%. The value of assets of the trust exceeded the value of the expected liabilities, including the value of future payments by contract holders, by $4.2 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. During the 2016 legislative session, the Legislature directed the initial $150 million deposit of the BP Litigation Settlement to the Budget Contingency Fund, and appropriated $42.5 million to various coastal projects. The $150 million settlement payment was received in early fiscal year 2017. At the end of fiscal year 2017, the fund balance was $109,579,617.94.

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 April 30, 2017, the Education Improvement Trust Fund had a balance of $48,422,209.86.

STATE OF MISSISSIPPI SPECIAL FUND RECEIPTS[(1)(2)]
For Fiscal Year Ended June 30, (In Thousands)

	2013	2014	2015	2016
TAXES:				
Department of Revenue	$ 752,613.2	$ 826,485.8	$ 786,111.4	$ 874,481.0
Motor Vehicle Division	529,981.6	527,316.6	539,017.9	571,830.0
Other	29,505.9	29,726.9	15,969.1	20,277.9
Licenses, Fees, Permits & Penalties	809,560.6	778,155.9	505,127.0	508,141.6
Interest on Direct Investments	42,795.9	34,439.7	21,977.1	24,827.8
Sales and Services	775,814.0	806,157.4	656,960.2	932,302.9
Federal Grants-In-Aid				
Education	710,666.2	655,345.5	614,719.9	680,904.3
Highways	561,562.9	550,970.8	483,559.9	496,123.5
Public Health & Welfare[(2)]	4,320,283.7	4,277,499.9		0.0
Federal-State Local Programs	332,720.2	246,077.6	5,351,049.2	5,576,163.7
Agricultural & Economic Dev[(2)]	7,445.0	5,556.5		0.0
Employment Security[(2)]	82,708.5	61,212.1		
Other	443,002.7	362,532.1	9,346.2	14.8
Political Subdivisions	146,564.7	189,757.2	180,694.0	115,633.6
Gross Sales of Alcoholic Bev	228,973.6	233,304.1	319,584.8	245.2
TOTAL REVENUE RECEIPT	$ 9,774,198.7	$ 9,584,538.2	$ 9,484,116.7	$ 9,800,946.3
Bonds, Notes Issued	763,555.3	335,024.5	76.1	0.0
Trans, Refunds & Other Rec.	2,634,216.0	1,974,623.4	1,748,512.6	1,470,072.7
TOTAL RECEIPTS	$13,171,970.0	$11,894,186.1	$11,232,705.4	$11,271,019.0

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

(2) Public Health & Welfare, Agricultural & Economic Development, and Employment Security now included in the Federal State Local Programs.

Source: Department of Finance and Administration. (FY17 information is not available until late Fall 2017.)

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STATE OF MISSISSIPPI SPECIAL FUND DISBURSEMENTS[(1)]
For Fiscal Year Ended June 30 (In Thousands)

	2013	2014	2014	2015	2016
Legislative	$ 808.0	$ 0.0	$ 6.0	$ 6.0	$ 0.0
Judiciary & Justice	53,690.0	65,884.0	61,568.0	63,687.3	72,379.1
Executive & Administrative	50,969.0	20,576.0	22,871.0	39,500.0	18,638.0
Fiscal Affairs	149,591.0	115,895.0	129,467.0	158,908.0	115,726.0
Public Education	899,741.0	787,847.0	764,376.0	763,362.8	809,456.0
Higher Education	65,993.0	75,362.0	79,833.0	91,522.9	86,206.0
Public Health & Social Welfare	6,487,583.0	6,625,960.0	6,380,977.0	6,589,816.0	6,668,631.0
Hospitals & Hospital Schools	372,768.0	366,932.0	366,650.0	382,159.7	375,919.0
Agriculture & Economic Development	396,694.0	333,927.0	272,311.0	257,455.0	208,373.0
Conservation & Recreation	320,940.0	257,725.0	263,898.0	239,583.0	243,233.0
Insurance & Banking	48,981.0	56,912.0	60,519.0	70,252.5	57,907.0
Corrections	28,873.0	48,564.0	44,418.0	13,747.1	32,302.0
Interdepartmental Service	48,301.0	46,756.0	48,422.0	47,115.6	51,905.0
Public Protection & Assistance to Veterans	690,168.0	544,601.0	457,827.0	497,464.0	377,013.0
Local Assistance					
Motor Vehicle & Other Regulatory Agencies	27,153.0	30,190.0	27,759.0	28,345.8	29,119.0
Miscellaneous	1,003.0	996.0	720.0	767.0	1,213.0
Public Works	1,341,052.0	1,233,866.0	1,318,348.0	1,161,434.0	1,198,184.0
Debt Service	24,063.0	27,036.0	46,222.0	28,464.0	9,989.0
TOTAL DISBURSEMENTS	$11,008,371.0	$10,639,029.0	$10,346,192.0	$10,433,592.0	$10,356,193.0

(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. (FY17 information is not available until late Fall 2017.)

Potential Claims Related to Federal Grants

The State is aware of several potential claims against the State by federal agencies for the reimbursement of certain federal grant monies. The State believes that the maximum aggregate exposure for the repayment of these grants, if any, will not exceed $104,000,000. The State is in the process of gathering information which it believes will mitigate this exposure to the federal government.

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. The Mississippi Taxpayer Pay Raise Act of 2016 (the "Taxpayer Pay Raise Act") passed during the 2016 Legislative Session will gradually eliminate the 3% tax bracket. Under the current plan, $1,000 of the first $5,000 of taxable income would be exempted in 2018, with another $1000 each year until the bracket is phased out by 2022.

Corporate Income and Franchise Taxes. Franchise taxes are currently imposed at a rate of $2.50 per $1,000 of capital employed in the State. The Taxpayer Pay Raise Act will gradually eliminate the franchise tax. Beginning in 2018, the first $100,000 of taxable capital will be exempt from the franchise tax. In 2019, the tax cut reduces the rate by 25 cents every year until the franchise tax is fully repealed by January 1, 2028. 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 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
Fiscal Year Ended June 30
(In Millions)

	2015		**2016**		**2017[1]**	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Total General Fund Receipts	$5,536.5	100.0%	$5,692.7	100.0%	$5,650.5	100.0%
Sales Taxes	2,034.3	36.7	2,062.1	36.2	2,055.2	36.4
Individual Income Taxes	1,743.4	31.5	1,769.4	31.1	1,781.7	31.5
Corporate Income & Franchise Taxes	714.1	12.9	596.3	10.5	564.0	10.0
Use Taxes	226.5	4.1	238.3	4.2	234.1	4.1
Gaming Taxes & Fees	131.3	2.4	133.8	2.4	132.9	2.4
Insurance Premium Taxes	218.5	3.9	268.6	4.7	274.5	4.9
All Other Receipts	468.4	8.5	624.2	11.0	608.1	10.8

(1) 2017 General Fund Receipts are through the end of June 2017 and do not include lapse funds.

Source: Department of Finance and Administration.

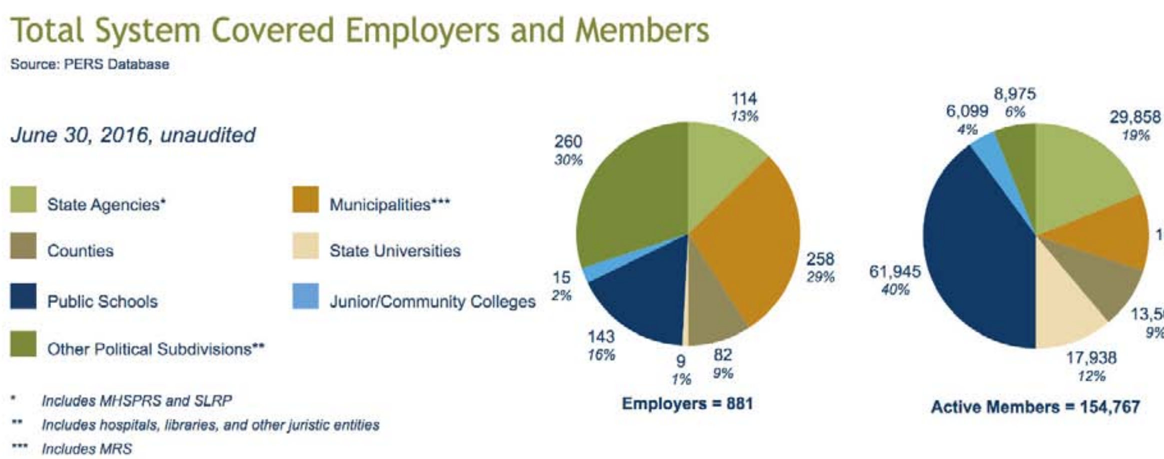
RETIREMENT SYSTEM

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 in accordance with Section 401(a) of the IRS Code as an alternative for membership in PERS for certain 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 1973 in accordance with Section 457 of the IRS Code. The System has no liability for losses under the ORP or the MDCPT but does have fiduciary responsibilities for both plans related to the administration and selection of investment vehicles.

Any political subdivision or judicial entity within the State may elect to have its employees covered by PERS or participate in the MDCPT. As of June 30, 2016, the System covered 8,817 public entities within the State.

Total System Covered Employers and Members as of June 30, 2016



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 from 1975 through 1987 and the administration transferred to PERS in 1987.

On July 1, 1989, the Legislature 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 certain teaching or administrative faculty positions and who are appointed or employed after July 1, 1990. These participants have rejected membership into 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 who 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 are established by Section 25-11-1 *et seq.*, Mississippi Code of 1972, as amended, and may be amended and supplemented from time to time only by the State Legislature.

The System incurs no expense for post-retirement health benefits. See Note 16 in the Excerpts from 2016 Audited Financial Statements of the State included in APPENDIX B hereto for a complete discussion of the State's other post-employment 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 amended 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, 2016 were:

(a) Rate of return on investment of 7.75%;

(b) Projected Wage inflation rates 3.75%;

(c) Projected salary increases of 3.75% to 19.0% per year for PERS, 4.25% to 9.31% for MHSPRS and 3.75% 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 and SLRP are set by the PERS Board of Trustees in accordance with the adopted Funding Policy following the annual actuarial valuation and projection reports. The employer contribution rate for MHSPRS is set by the MHSPRS Advisory Board in accordance with the adopted Funding Policy following the annual actuarial valuation and projection reports. The PERS Board of Trustees revised the Funding Policy for PERS and SLRP in 2012 with the focus on contribution stability with an objective of producing a projected funded ratio of at least 80% in 2042. Unfunded actuarial accrued liabilities are amortized as a level percent of the active member payroll, at a rate designed to produce a projected funded ratio of at least 80% in 2042. The MHSPRS Funding Policy provides that unfunded actuarial accrued liabilities are amortized as a level percent of active member payroll at a rate designed to produce a projected funded ratio of at least 80% in 2042. These benchmarks are reviewed annually and should the projected funded ratio be less than 60% in 2042 or projected to be less than 75% in 2042 following two consecutive annual actuarial valuations (70% following three consecutive annual actuarial valuations for MHSPRS), a contribution rate increase will be determined that is sufficient to generate a funded ratio of 85% in 2042. 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, as closed plans, with declining active and retired memberships, the contribution is determined as a percentage of each municipality's assessed property valuation that generates an ultimate asset reserve level equal to a reasonable percentage (100 to 150 percent) of the next year's projected benefit payments, with the objective of developing a pattern of contribution rates that will develop the required funds needed to meet the objective of paying all benefits when due with little, if any, residual asset value.

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%.

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PERS Contribution Rate Change History

Source: PERS Actuarial Valuation Report

Effective Date	1/1/90	7/1/91	7/1/05	7/1/06	7/1/07	7/1/09	7/1/10	1/1/12	7/1/12	7/1/13
Employer Rate	9.75%	9.75%	10.75%	11.30%	11.85%	12.00%	12.00%	12.93%	14.26%	15.75%
Member Rate	6.50%	7.25%	7.25%	7.25%	7.25%	7.25%	9.00%	9.00%	9.00%	9.00%

The defined benefit plans administered by the System were actuarially funded at an average of 60.0% as of June 30, 2016, a decrease from the comparative average of 60.4% as of June 30, 2015.

Investment Performance

Source: PERS Investments

Investment Annualized Rates of Return

Source: Callan Investment Measurement Service Quarterly Review for June 30, 2016

The market value of assets, smoothed over a five-year period, 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 2016, the combined net assets of all the defined benefit plans administered by PERS decreased by $799.2 million, or (3.1)%.

At June 30, 2016, the plans' net pension benefit liabilities were as follows (*in thousands).

	PERS*	MHSPRS*	SLRP
Total actuarial accrued liability	$41,997,513	$494,101	$21,259
Market value of Assets	24,135,016	311,612	15,768
Net Pension Liability	$17,862,497	$182,489	$ 5,491

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, 2016, the most recent valuation date, indicate that the unfunded (overfunded) accrued liability amortization periods of PERS, MHSPRS and SLRP are 36.6, 42.9 and 22.6 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 PERS to be 80.0% funded by 2042. Under the revised funding policy, the volatility of the employer contribution rate will be reduced providing a predictable contribution rate for employers. The actuarial value of assets includes smoothing actuarial gains and losses over five years. The System incorporated the requirements of GASB Statement 67, *Financial Reporting for Pension Plans* beginning in its fiscal year-end 2014 financial reports which no longer requires a 30-year amortization period for the unfunded accrued liability.

PERS Actuarial Accrued Liability and Funded Ratio

PERS Funded Ratio

Source: PERS Actuarial Valuation Report

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 2001 and the projected funded ratio with the 2012 revision of the PERS Funding Policy by the Board of Trustees, which set a goal of being 80 percent funded by 2042. This projection assumes PERS will earn at an 7.75 percent rate of return on investments. Over the past 30 years, PERS has earned, on average, a 8.19 percent rate of return.

PERS Average Annual Benefit: $22,607

* Actuarial Assumed ROR effective July, 2015, 7.75%

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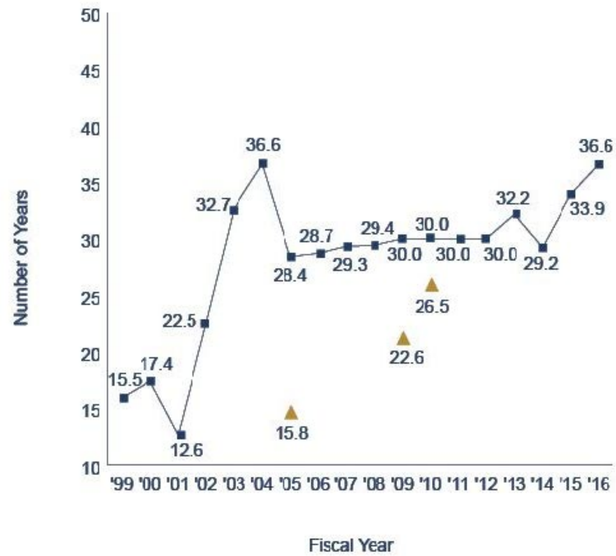
PERS Amortization Period of Unfunded Accrued Liability

Source: PERS Actuarial Valuation Report

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.



▲ *Actuary estimate of UAL period without benefit improvements implemented 1999 - 2002 with the employer contribution rate at 9.75% and the member rate at 7.25%*

Source: PERS Facts & Figures · All data as of June 30, 2016, unless otherwise noted.

MS Highway Safety Patrol Retirement System (MHSPRS)

MS Highway Safety Patrol Retirement Plan Funded Ratio and Projection

Source: MHSPRS Actuarial Valuation Report

Actuarial Accrued Liability and Funded Ratio

* *Actuarial Assumed ROR effective July, 2015, 7.75%*

MS Highway Safety Patrol Retirement System (MHSPRS)

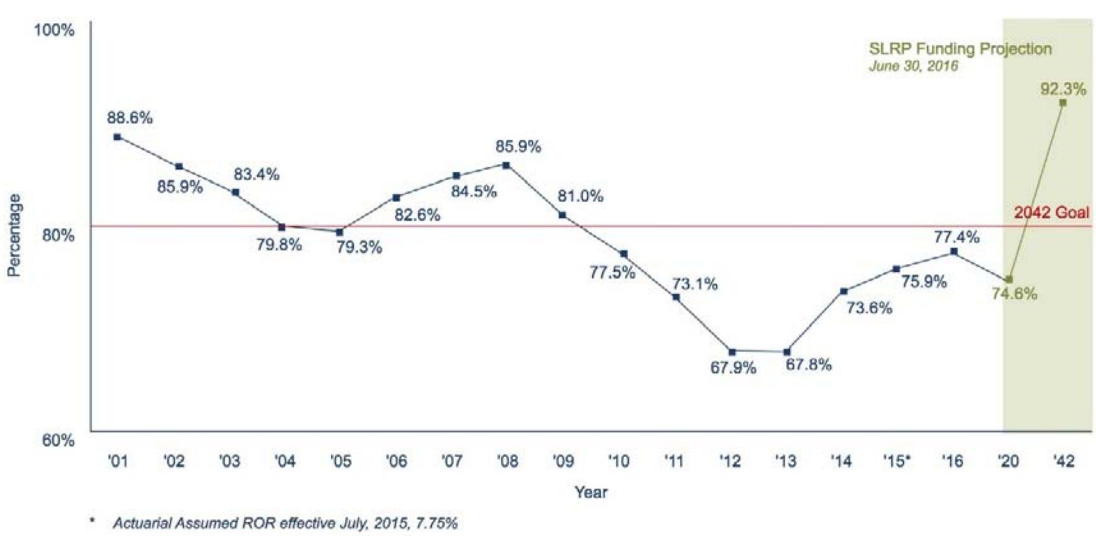
Source: MHSPRS Actuarial Valuation Report

Supplemental Legislative Retirement Plan (SLRP)

Actuarial Accrued Liability and Funded Ratio

Supplemental Legislative Retirement Plan Funded Ratio and Projection

Source: SLRP Actuarial Valuation Report



Supplemental Legislative Retirement Plan (SLRP)

Source: SLRP Actuarial Valuation Report

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For Fiscal Year Ended June 30 (In Thousands)

	2013	**2014**	**2015**	**2016**
Additions:				
Member Contribution	$ 626,361	$ 625,867	$ 560,099	$ 574,963
Employer Contributions	915,096	1,005,219	1,030,028	1,055,072
Total Contributions	1,541,457	1,631,086	1,590,127	1,630,035
Net Investment Income:				
Net Appreciation (Depreciation) in Fair Value Assets	2,244,621	3,654,142	362,760	(335,671)
Interest and Dividends	550,856	589,945	557,068	538,894
Securities Lending				
Net Appreciation in Fair Value			(2,128)	1,740
Interest Income on Securities Lending	17,371	19,133	18,525	23,152
Manager's Fees & Trading Costs	(50,210)	(83,449)	(88,884)	(89,116)
Interest Expense				(2,366)
Program Fees	(2,726)	(2,680)	(2,619)	(3,097)
Net Investment Income (Loss)	2,759,912	4,177,091	844,722	133,536
Other Revenues	3,462	268	75	633
Total Additions (Reductions)	$4,304,831	$5,808,445	$2,434,924	$1,764,204
Deductions:				
Retirement Annuities	2,108,559	2,263,161	2,284,168	2,433,505
Refunds to Terminated Employees	108,536	121,599	119,557	113,010
Administrative Expenses	14,106	13,454	14,119	16,362
Loss on Disposal of Equipment	0	0	0	0
Depreciation	772	778	571	509
Total Deductions	$ 2,231,973	$ 2,398,992	$ 2,418,415	$ 2,563,386
Net Increase (Decrease) in Plan Net Assets	2,072,858	3,409,453	16,509	(799,182)
Net Assets held in Trust for Pension Benefits Beginning of Year	21,510,287	23,583,145	25,399,696	25,416,205
End of Year	$23,583,145	$26,992,598	$25,416,205	$24,617,023

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 2016. 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, Child Protective Services 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, Child Protective Services and Social Services Programs. The Office of Child Protective Services investigates reports of child abuse and administers the State's foster care system. 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 2015-2016 school year, public elementary schools (K-6) enrolled 271,315 students and public secondary schools enrolled 209,195 students. The enrollment for public elementary and secondary students was a combined total of 480,510 students. The State's public schools employed 32,100 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 2015-2016 school year was 95,575. 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 2015-2016 academic year enrollment in the State supported institutions of higher learning was approximately 95,449. 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 (as of June 2017)

The Mississippi economy continues to lack momentum. According to preliminary estimates by the Bureau of Economic Analysis, (BEA) the Mississippi economy grew 0.8% in 2016. This gain followed a 0.3% gain in 2015, based on revised data. The 2016 gain, though modest, marks the first time since the recession of 2008 that the State has experienced two consecutive years of growth. The State's annual GDP growth has exceeded 1% only once since 2008 (in 2012). Between 2009 and 2016, the Mississippi economy grew a total of 1.7%. During the same period, the national economy grew 15.6%. Annual job growth between 2009 and 2016 was 4.3% in the State and 9.9% in the nation. As of April 2017, the State remains almost 17 thousand jobs below the pre-recession peak of 2008.

The State added an average of 10,875 jobs in 2016 over 2015. The largest contributor to job gains was restaurants, followed by retail trade. These were followed by health services, professional services and manufacturing. The largest decline occurred in the construction sector.

Real incomes grew 2.0% in 2016, up from the 1.7% in 2015. This was the strongest gain since 2012 and only the second year that income growth reached 2.0% or better since the 2008 recession. Despite the improvement, income growth remains below the National average. While the State's unemployment rate has fallen, many of the job gains have been in low-wage sectors. Beyond the income data as reported, a substantial number of Mississippians have historically worked in other states in the oil and gas sector. The jobs and incomes associate with these individuals are not counted in any data within the State, but much of their income is spent in the State. When oil prices collapsed many lost their job and those who kept their jobs took pay cuts. This has contributed to the sluggish growth in retail sales, sales tax, and the State's economy in general.

Since the end of 2016, the Mississippi economy appears to be flat to slightly declining. Employment has dipped modestly since April 2017, but has been relatively flat since mid-2016. Manufacturing workweek length fell below 40 hours for the first time since 2011 in April 2017. This may prove to be a temporary dip as the National indicators continue to show the industry in an expansion phase. Mississippi building permits however, have improved in the second half of 2016 and have remained strong in 2017.

Mississippi's gaming sector is off to a slow start for 2017. In 2016 the coastal casinos saw a 2.6% growth in real revenue while the river casinos experienced a 3.4% decline. The net was a nearly flat growth for the State's gaming sector after adjusting for inflation. For the first four months of 2017 however, the real gaming revenue for the coastal counties has fallen 3.3%, the river casinos have seen a 8.5% decline, and the net impact is a 5.5% decline in State as a whole in real gaming revenue.

Short-Term Outlook

The national economy started the year out with a 1.2% gain in real GDP. This is expected to improve as the year progresses with 2017 coming in with a 2.2%-2.5% growth rate. Fueled by improved job growth and disposable income, consumer spending is expected to be an engine for growth. A growth rate in the 2.2%-2.5%

range would be an improvement over the 1.6% observed in 2016. Current projections show growth strengthening modestly in 2018 but remaining in the 2.2-2.5% range over the next few years.

Like the nation, the State's economy is expected to make gradual improvement. Current projections have the 2017 State economy growing around 1.5%. Growth is expected to improve slightly over the next few years but with projections for modest national growth, the State will likely remain below 2%.

State Economic Structure

About 83% of the State's roughly 1.1 million wage and salary workers are in service-producing industries and the remaining 17% are employed in goods-producing industries. Almost 78.6% of total nonfarm employment is in the private sector while government employs the remaining 21.4%. Nationally, the government represents slightly more than 15.5% of the workforce. Mississippi also depends relatively more on the manufacturing sector than the U.S. with 12.5% of employment concentrated in manufacturing compared to the national average of slightly less than 8.4%. Because of the strong linkages to the rest of the economy, the manufacturing sector is a driver of significant economic activity in other sectors in the State 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 79 financial institutions in the State, consisting of 2 FDIC supervised federal and State chartered thrifts, 10 national-chartered commercial banks, 3 State-chartered commercial savings banks, and 64 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 April 1, 2017, were $92,360,200,000.

The State's largest financial institution, Whitney Bank, has assets of over $25 billion. There are eleven financial institutions with assets over $1.0 billion and whose combined assets total $72,785,249,000. Of the total deposits in the State, these financial institutions control approximately 79%.

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 141,900 persons are employed in more than 2,400 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 approximately 6,400. 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 approximately 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 $580 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.

PACCAR, a global leader in the design and manufacture of premium light-, medium- and heavy-duty trucks, constructed its newest engine manufacturing and assembly plant on a 394-acre site in Lowndes County.

Yokohama selected West Point, Mississippi as the location for its new tire manufacturing facility opening the $300 million commercial truck tire facility October 5, 2015, just a little over 24 months after breaking ground on the site. The modern, one-million-square-foot facility located on more than 500 acres of land has hired more than 260 employees and plans to eventually reach 500. The company plans to produce up to one million tires annually when running at full capacity.

Continental Tire The Americas, LLC has announced its plans to locate a commercial vehicle tire manufacturing plant in Hinds County, Mississippi. Continental has committed to investing $1.45 billion and creating 2,500 jobs and expects to begin production in 2020.

Tourism and Gaming

Since 1992, the total capital investment in the State by the gaming industry has exceeded $4.5 billion. The gross gaming revenues for the 28 State-licensed casinos in fiscal year 2015 was $2,085,378,989.61 and for the 28 State-licensed casinos in fiscal year 2016 was $2,107,117,794.93. The State's gaming industry reported 20,928 State-licensed and casino hotel employees for the fourth quarter of fiscal year 2016. In addition, the Mississippi Band of Choctaw Indians employs an estimated 2,795 persons at its casino hotels.

According to the Mississippi Department of Revenue, gross gaming revenues for fiscal year 2017 were $2,088,634,797.88.

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. In 2014, construction contributed $5 billion (5.0%) of the State's GDP of $105 billion, making construction's contribution to the State's GDP more than the industry's 3.8% share of United States GDP. Private non-residential construction spending in the State totaled $2.5 billion in 2015 while nonresidential starts in the State totaled $2.4 billion in 2014. Construction employment in April 2017 totaled 41,100. Construction worker's pay in the State averaged $46,400, 27% more than all private sector employees in the State.

During the period 2011 through 2016, building permits issued for residential construction averaged 6,450 annually, with an average annual valuation of $968 million. The following chart presents annual data for residential building activity.

RESIDENTIAL CONSTRUCTION BUILDING ACTIVITY
(Valuation in Millions)

Calendar Year	Building Permits(In Thousands)	Privately-Owned Housing Units Valuation (In Millions)	Contract Construction Employment (In Thousands)
2003	12.1	1,254.5	51.3
2004	13.6	1,399.3	50.6
2005	13.0	1,535.2	52.1
2006	15.6	1,891.0	53.0
2007	16.3	1,773.0	58.2
2008	10.0	1,119.3	57.5
2009	6.7	807.2	47.8
2010	4.8	646.3	50.2
2011	5.3	724.1	49.6
2012	6.0	836.5	45.8
2013	6.8	956.1	49.6
2014	6.9	1,033.1	49.0
2015	6.8	1,078.1	47.4
2016	6.9	1,181.9	45.3

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.

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 which include the State controlled Port of Gulfport in Harrison County and 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 State's GDP 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 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)

Calendar Year	Mississippi Population	Percent Change	United States Population	Percent Change
1970	2,217	1.80%	203,302	13.40%
1980	2,521	13.70	226,546	11.40
1990	2,577	2.10	249,440	10.10
2000	2,844	10.36	282,224	14.30
2001	2,856	.25	285,318	1.10
2002	2,863	.25	288,369	1.10
2003	2,874	.40	290,810	1.00
2004	2,893	.66	293,655	1.00
2005	2,908	.52	296,410	.93
2006	2,911	.10	299,398	1.00
2007	2,919	.27	303,809	1.47
2008	2,939	.69	305,800	1.00
2009	2,951	.40	307,007	.40
2010	2,967	.54	308,746	.60
2011	2,979	.40	311,592	.92
2012	2,985	.20	313,914	.75
2013	2,991	.20	316,129	.71
2014	2,994	.10	318,857	.87
2015	2,993	.03	321,419	.80
2016	2,988	.17	323,128	.53

Source: U.S. Department of Commerce, Bureau of the Census, Economic Research Service.

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

Sector	1990	2000	2010	%Change 1970-1980	%Change 1980-1990	%Change 1990-2000	%Change 2000-2010
Urban	1,213.8	1,388.6	1,331.0	20.7%	1.6%	14.4%	(4.1)%
Rural Non-farm	1,307.2	1,409.7	1,591.1	28.4	5.0	7.8	12.9
Rural Farm	56.2	46.4	45.2	(67.6)	(33.7)	(17.4)	(2.6)
TOTAL/AVERAGE	2,577.2	2,844.7	2,967.3	13.6%	2.1%	10.4%	4.3%

Source: U.S. Department of Commerce, Bureau of the Census.

Employment

The service producing industries are the leading employers within the State employing 956,200 people or 83% of total non-agricultural employment as of June 2017. Other large employment sectors are government, trade and transportation, and manufacturing with each employing 242,400, 232,900, and 143,200, respectively, as of June 2017. Within the goods producing industry, the durable goods segment of the industry employed 95,300 and the nondurable goods segment employ 47,900. The leading manufacturers by product category are transportation equipment which includes ship building (48,800), food manufacturing (19,000) and furniture manufacturing (18,600). Although its importance has declined, agriculture continues to contribute significantly to the State's economy. The total employment in agriculture as of June 2017 was 35,100.

TEN LARGEST MISSISSIPPI MANUFACTURING EMPLOYERS[1]

Manufacturer	Major Product	2016 Employment
Huntington Ingalls Industries	Ship Building	11,300
Nissan North America	Automobile Assembly	6,300
Sanderson Farms, Inc.	Processed Poultry	4,850
Howard Industries	Electronics	3,500
Cal-Maine Foods, Inc.	Poultry Egg Producer	2,872
Koch Foods of Mississippi, LLC	Poultry Processing	2,500
Ashley Furniture Industries	Furniture Manufacturing	2,264
United Furniture Industries	Furniture Manufacturing	2,000
VT Halter Marine	Ship Building	1,700
Cooper Tire & Rubber Co.	Tire Manufacturing	1,625

(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 2017, Mississippi Business Journal.

RECENT MISSISSIPPI LABOR FORCE STATISTICS
(In Thousands of People)

Year/ Month	Civilian Labor Force	Total Employed	Unemployment Rate
2000	1,326.4	1,251.1	5.7
2001	1,305.3	1,233.9	5.5
2002	1,298.0	1,209.8	6.8
2003	1,312.1	1,229.0	6.3
2004	1,330.2	1,248.1	6.2
2005	1,343.2	1,237.2	7.9
2006	1,316.5	1,220.5	7.3
2007	1,317.9	1,234.1	6.4
2008	1,326.6	1,234.3	7.0
2009	1,300.3	1,176.8	9.5
2010	1,575.6	1,411.3	10.4
2011	1,344.6	1,203.6	10.5
2012	1,336.9	1,216.3	9.0
2013	1,299.1	1,194.2	8.7
2014	1,228.2	1,135.5	7.6
2015	1,163.6	1,187.3	6.5
2016	1,286.1	1,208.5	6.0
2017			
Jan	1,291.3	1,219.8	5.5
Feb	1,297.9	1,229.9	5.2
March	1,302.7	1,236.9	5.1
April	1,306.2[1]	1,241.5[1]	5.0[1]
May	1,393.2	1,239.0	4.9
June	1,296.1[1]	1,230.8[1]	5.0[1]

(1) Preliminary.

Source: U.S. Department of Labor Bureau of Labor Statistics, July 2017.

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MISSISSIPPI ANNUAL EMPLOYMENT STATISTICS
(In Thousands of People)

	2013	2014	2015	2016	June 2017
Civilian labor force	1,286.4	1,252.2	1,267.7	1,280.4	1,296.1
Total employment	1,175.7	1,156.6	1,188.1	1,205.8	1,230.8
Agricultural[(1)]	35.3	23.7	32.6	32.3	35.1
Non-agricultural	1,111.9	1,119.1	1,126.8	1,150.4	1,148.6
All Other	28.5	13.8	28.7	23.1	47.1
Unemployment Rates					
Mississippi	8.6	7.7	6.3	5.8	5.0
United States	7.4	5.9	5.1	4.9	4.4
By Place of Employment					
Non-Agricultural	1,111.9	1,119.1	1,126.8	1,150.4	1,148.6
Manufacturing	136.5	141.7	140.8	143.1	143.2
Durable goods	90.0	94.7	93.6	95.0	95.3
Wood Product	8.7	8.9	8.5	8.9	9.4
Furniture & Related Products	17.4	18.1	18.4	18.9	18.6
Metal Products	9.8	10.0	9.7	10.0	9.9
Machinery Manufacturing	12.2	11.9	12.3	11.8	11.9
Electrical Equipment & Appliance	10.7	6.2	6.4	6.4	6.5
Transportation Equip[(2)]	41.6	43.4	46.8	45.2	46.1
Nondurable goods	46.5	47.0	47.2	48.1	47.9
Food	22.0	21.8	22.0	23.0	23.0
Paper	3.8	3.6	3.6	3.9	3.9
Plastics & Rubber	5.8	6.1	6.1	6.8	7.0
Service Producing					
Industries	877.0	920.5	932.1	955.7	956.2
Mining[(3)]	9.2	9.6	8.6	6.8	6.9
Construction	51.5	49.6	45.3	44.8	42.0
Information	12.6	12.3	13.5	12.1	11.5
Trade & Transportation	217.0	218.1	221.7	228.5	232.9
F.I.R. [(4)]	44.7	43.9	44.4	44.0	44.6
Government	242.9	245.0	245.3	247.8	242.4
Education & Health Services[(5)]	131.3	136.6	135.5	141.0	139.5
Leisure & Hospitality	127.4	126.9	131.6	134.1	138.1
Professional & Business	106.1	99.7	102.5	108.0	106.1
Other Services	37.7	38.0	37.6	40.2	41.1

(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.

Source: Mississippi Department of Employment Security, State & Metro Trends, www.mdes.ms.gov July 2017.

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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

Year	Mississippi	United States	Mississippi as a Percentage of United States
2000	$20,920	$29,760	70.3%
2001	21,653	30,413	71.2
2002	22,417	30,899	72.6
2003	23,466	31,472	74.6
2004	24,650	32,937	74.8
2005	25,318	34,586	73.2
2006	26,535	36,276	73.1
2007	28,845	38,611	74.7
2008	29,922	39,928	74.9
2009	30,103	39,138	76.9
2010	31,186	40,584	76.8
2011	31,882	41,415	77.0
2012	33,657	43,735	77.0
2013	34,478	44,543	77.4
2014	34,333	46,129	74.4
2015	34,771	47,669	72.9
2016	35,936	49,571	72.5

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, last updated May 2017, http://www.bea.gov/regional/bearfacts.

MISSISSIPPI PERSONAL INCOME STATISTICS
(Rounded in Millions of Dollars)

	2012	2013	2014	2015	2016
Total Personal Income					
(by place of residence)	$98,722	$103,132	$102,795	$104,045	$107,403
Earnings by Industry					
Farm	1,794	1,939	1,343	1,128	1,389
Agricultural Services(1)	590	572	689	524	570
Mining	913	1,462	1,388	1,199	1,017
Utilities	840	822	800	832	868
Construction	4,254	4,907	4,391	4,054	4,101
Manufacturing	8,267	8,430	8,441	8,696	9,080
Wholesale Trade	2,283	2,433	2,403	2,514	2,544
Retail Trade	4,866	4,916	4,966	5,122	5,323
Transportation and Warehousing	2,522	2,748	2,731	2,532	2,614
Information	764	844	820	809	789
Finance and Insurance	2,353	2,606	2,713	2,522	2,631
Real Estate, Rental and Leasing	664	906	1,023	893	924
Professional, Scientific and Technical Services	2,864	2,843	2,805	2,981	3,105
Management of Companies and Enterprises	967	1,019	986	1,032	1,077
Administrative and Waste Services	1,996	2,352	2,325	2,423	2,525
Educational Services	717	756	738	722	750
Health Care & Social Assistance	7,033	7,301	7,186	7,453	7,829
Arts, Entertainment and Recreation	323	319	341	282	290
Accommodation and Food Service	2,548	2,692	2,663	2,718	2,841
Other Services except Public Administrative	2,504	2,600	2,685	2,757	2,846
Government and Government Enterprises	15,715	14,455	14,344	14,930	15,407

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

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. May 2017.

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

	2012	2013	2014	2015	2016[1]
Total Personal Income (by place of residence)	$13,401.9	$14,081.2	$14,708.6	$15,464.0	$16,017.8
Earnings by Industry					
Agricultural, Forestry, Fishing, and Hunting	99.7	112.6	135.1	33.6[1]	36.7[1]
Mining	119.2	176.3	179.5	166.3	143.7
Utilities	85.8	82.8	84.0	86.3	90.1
Construction	525.4	561.6	604.0	640.3	686.9
Manufacturing	987.2	988.3	1,017.5	1,056.0	1,085.0
Wholesale Trade	504.8	520.6	537.5	560.1	570.7
Retail Trade	601.4	600.3	635.7	656.6	680.6
Transportation and Warehousing	324.9	343.0	358.5	399.0	416.7
Information	322.5	326.8	350.2	372.2	396.4
Finance, Insurance, Real Estate, Rental and Leasing	864.5	712.4	976.9	1,006.6	1,054.5
Professional and Business Services	1,234.1	1,018.8	1,060.8	1,124.8	1,182.2
Educational Services, Health Care & Social Assistance	1,233.9	1,287.9	1,333.6	1,398.6	1,480.8
Arts, Entertainment, Recreation, Accommodation and Food Services	410.1	430.1	452.3	498.3	528.8
Other Services except Government	355.6	368.5	392.7	406.5	424.4
Government	1,674.6	1,715.7	1,750.3	1,834.3	1,889.7

(1) Data consists only of forestry, fishing and related activities.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, last revised on May 2017.

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

Industry Group	2009	2010	2011	2012	2013
Automotive	$5,023.8	$4,864.0	$5,443.9	$5,903.8	$6,282.4
Machinery	2,656.0	2,380.9	2,705.0	3,099.3	3,578.6
Food & Beverage	7,658.4	7,712.5	7,889.1	8,193.2	8,449.3
Furniture	859.0	874.4	864.5	865.4	853.7
Gen. Merchant	7,697.2	7,496.0	7,592.4	7,732.8	7,896.8
Lumber	2,870.9	2,510.4	2,587.4	2,574.4	2,672.8
Misc. Retail	3,567.7	3,339.7	3,453.4	3,591.9	3,715.8
Misc. Services	2,829.5	2,580.1	2,796.3	2,719.8	2,683.2
Utilities	4,383.7	4,299.6	4,174.7	4,126.4	4,369.8
Contracting	7,771.2	6,088.3	5,694.5	5,418.9	5,353.8
Wholesale	763.5	756.6	785.3	800.0	816.1
Recreation	136.4	144.9	145.5	152.7	153.1
Total Taxable Sales	$46,217.2	$43,047.4	$44,132.1	$45,178.7	$46,825.5

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

(1) As of October 2013, Mississippi Department of Revenue converted to new computing technology used for accounting of sales tax. See page 52 for post 2013 years' data.

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

Industry Group	2014	2015	2016
Agriculture, Forestry, Fishing and Hunting	$ 11.4	$ 11.8	$ 16.6
Mining, Quarrying, and Oil & Gas Extraction	412.7	398.3	170.3
Utilities	1,439.0	1,271.3	1,147.2
Construction	5,716.0	5,461.1	4,994.2
Manufacturing	896.0	783.1	797.1
Retail Trade	25,048.8	25,605.0	26,582.7
Wholesale Trade	3,658.2	3,624.3	3,577.7
Information	2,635.7	2,706.5	2,696.7
Professional, Scientific & Technical Services	147.0	162.6	191.1
Management of Companies & Enterprises	.3	.3	.2
Administrative, Support, Waste Management	335.2	361.7	391.2
Educational Services	4.6	.1	.1
Health Care & Social Asst.	2.5	2.9	2.9
Arts, Entertainment, Recreation	125.0	122.8	123.1
Accommodation & Food Serv	4,590.8	4,802.4	5,069.4
Other Services	1,335.8	1,389.6	1,489.7
Public Administration	66.4	62.6	57.8
Finance & Insurance	47.0	50.6	54.4
Transportation & Warehousing	51.1	49.0	44.1
Real Estate, Rental & Leasing	862.6	929.1	946.1
Total Taxable Sales	$47,386.1	$47,795.1	$48,352.5

(1) On October 7, 2013, accounting for sales tax converted to new computing technology. As part of that conversion, the Mississippi Department of Revenue's system for collecting sales tax data by industry type changed. Prior to Fiscal Year 2014, the Mississippi Department of Revenue used the Standard Industrial Classification (SIC) System to classify and organize industries. However, with the implementation of new technology, Mississippi Department of Revenue began using the North American Industry Classification System (NAICS) when classifying industry types for sales tax collections. NAICS was developed in 1997 by the federal government and replaced the Standard Industrial Classification (SIC) System throughout the United States as the primary system for collecting statistical data. As a result of the conversion, the previous Fiscal Year data included in prior year sales tax reports are not comparable to earlier reports.

Source: Mississippi Department of Revenue, Fiscal Years 2014-2016.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Financial Services LLC ("S&P"), have assigned ratings of "AA (stable outlook)," "Aa2 (negative outlook)," and "AA (negative outlook)," respectively, to the 2017B 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 2017B 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

Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule"), which was originally adopted by the SEC in 1989 under the Securities Exchange Act of 1934, sets forth certain disclosure requirements relating to a primary offering of municipal securities. The Rule requires 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 2017B Bonds within the meaning of the Rule.

The State will enter into a written undertaking for the benefit of the bondholders for the 2017B Bonds to deliver, or cause to be delivered, to (a) the Municipal Securities Rulemaking Board (the "MSRB") through MSRB's Electronic Municipal Market Assess 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 - FORM OF CONTINUING DISCLOSURE CERTIFICATE".

The State is current in all material respects 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. Due to the change in the State's accounting system (see ""FISCAL OPERATIONS OF THE STATE – Accounting Systems" herein), although the State's unaudited financial statement was filed timely along with its annual report, the State's CAFR for fiscal year 2015 was not filed on EMMA until May 31, 2016. In addition, although the State timely filed a notice of failure to timely file its CAFR for fiscal year 2016, the State's CAFR for fiscal year 2016 was not filed on EMMA until May 5, 2017. Likewise, 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 to assist with compliance with the terms of its undertakings.

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 2017B 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 2017B Bonds are initially being purchased for reoffering by Morgan Stanley & Co., LLC and Loop Capital Markets LLC (together, the "Underwriters"). The Underwriters have agreed to purchase the 2017B Bonds at a purchase price of $61,036,186.19, representing $61,260,000.00 par amount, less an underwriters' discount of $223,813.81. The bond purchase agreement pursuant to which the Underwriters expect to purchase the 2017B Bonds provides that the Underwriters will purchase all the 2017B Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the 2017B Bonds is subject to various conditions stated in such bond purchase agreement.

The Underwriters may offer and sell the 2017B 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. 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 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.

Morgan Stanley, parent company of Morgan Stanley & Co., LLC, one of the 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 2017B Bonds.

Loop Capital Markets LLC ("LCM"), one of the Underwriters, has entered into a distribution agreement with UBS Financial Services Inc. ("UBSFS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the distribution agreement, UBSFS will purchase the 2017B Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any the 2017B Bonds that the firm sells.

VALIDATION

Prior to issuance, the 2017B 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 and supplemented from time to time.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the 2017B Bonds are subject to the approving legal opinion of Butler Snow LLP, Ridgeland, Mississippi, Bond Counsel, whose approving legal opinion will be available at the time of delivery of the 2017B 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 for the 2017B Bonds by their counsel Balch & Bingham LLP, Jackson, Mississippi.

FINANCIAL ADVISOR

The State has retained FirstSouthwest, a division of Hilltop Securities, Dallas, Texas, as independent municipal advisor (the "Financial Advisor") in connection with the sale and issuance of the 2017B 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 2017B Bonds and of the time of the sale, tax-exempt and taxable bond market conditions and other factors related to the sale of the 2017B 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.

TAX MATTERS

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 2017B Bonds in order that interest on the 2017B Bonds not be includable in gross income for federal income tax purposes. The State's failure to meet these requirements may cause interest on the 2017B Bonds to be includable in gross income for federal income tax purposes retroactive to its date of issuance. The State has covenanted in the Resolution and certain certificates to comply with the requirements of the Code in order to maintain the excludability of interest on the 2017B 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 2017B Bonds is excludable from gross income for federal income tax purposes. Interest on the 2017B 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 2017B 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 2017B 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 2017B Bonds. Ownership of tax-exempt obligations such as the 2017B 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 2017B Bonds should consult their tax advisors as to the applicability and impact of any such collateral consequences.

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 2017B Bonds. Owners of the 2017B 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.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the 2017B Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the 2017B Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

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 2017B Bonds, the security for the payment of the 2017B Bonds and the rights and obligations of the Registered Owners thereof.

References herein to the Resolution, the State's 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. Jesse Graham or from the Department of Finance and Administration, 1301 Woolfolk Building, Suite A, 501 North West Street, Jackson, Mississippi 39201, (601) 359-3402, Attention: Mr. Steven McDevitt.

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	Department of Finance and Administration 1301 Woolfolk Building, Suite A 501 North West Street Jackson, Mississippi 39201 (601) 359-3402

APPENDIX A

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DEBT SERVICE ON THE 2017B BONDS

$61,260,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2017B (LIBOR TERM RATE)

Fiscal Year Ending June 30	Principal	Interest[1]	Total Principal & Interest[1]
2018	$ 0.00	$ 923,095.88	$ 923,095.88
2019	5,180,000.00	1,147,712.88	6,327,712.88
2020	5,400,000.00	1,042,680.86	6,442,680.86
2021	5,635,000.00	927,576.75	6,562,576.75
2022	5,885,000.00	812,866.86	6,697,866.86
2023	6,135,000.00	691,427.12	6,826,427.12
2024	6,400,000.00	565,739.60	6,965,739.60
2025	6,680,000.00	431,750.94	7,111,750.94
2026	6,970,000.00	294,636.47	7,264,636.47
2027	3,470,000.00	207,592.62	3,677,592.62
2028	9,505,000.00	47,915.62	9,552,915.62
TOTAL	$61,260,000.00	$7,092,995.60	$68,352,995.60

[1] Interest calculated using an assumed rate of 2.00%.

GENERAL FUND CASH FLOW BY MONTHS

January 2006 Through June 2017
(In Millions of Dollars)

	Beginning Balance	Receipts	Disbursements	Ending Balance	Borrowing from Special Funds	Borrowing from Working Cash Balance Revolving
2006						
January	$ 207.4	$ 350.6	$ 315.0	$ 218.0	$ (25.0)	$ .0
February	218.0	289.5	368.1	176.4	37.0	.0
March	176.4	410.9	371.9	293.2	67.8	.0
April	283.2	469.3	269.9	254.5	(200.0)	(1.1)
May	254.5	532.2	362.9	258.6	.0	(165.2)
June	258.6	582.1	462.8	331.8	(50.0)	3.9
July	331.8	255.7	398.1	263.3	70.0	3.9
August	263.3	325.8	368.5	340.6	120.0	.0
September	313.9	432.1	596.6	373.4	224.0	.0
October	373.4	418.1	443.6	294.3	.0	(53.6)
November	294.3	333.4	360.3	267.4	.0	.0
December	267.4	353.1	293.7	286.5	(40.3)	.0
2007						
January	286.5	275.4	338.9	223.0	.0	.0
February	223.0	287.8	341.5	169.3	.0	.0
March	169.3	415.9	450.9	54.3	(80.0)	.0
April	54.3	509.1	286.5	126.9	(150.0)	.0
May	126.9	398.7	309.2	96.4	(90.0)	(30.0)
June	96.4	639.2	292.7	415.3	.0	(27.6)
July	415.3	255.3	545.8	124.8	.0	.0
August	124.8	336.3	442.1	93.4	16.0	58.4
September	93.4	477.4	453.3	117.5	.0	.0
October	117.5	416.3	649.3	54.5	170.0	.0
November	54.5	338.1	381.2	66.2	(136.0)	190.8
December	66.2	384.4	332.7	117.9	.0	.0
2008						
January	117.9	393.7	436.6	75.0	.0	.0
February	75.0	280.6	446.8	109.6	200.0	.8
March	109.6	445.7	432.5	72.8	(50.0)	.0
April	72.8	539.9	413.7	199.5	.0	.5
May	199.5	412.4	456.7	55.2	(100.0)	.0
June	55.2	646.8	336.0	87.8	(100.0)	(249.5)
July	87.8	263.2	509.0	92.0	.0	250.0
August	92.0	368.9	531.4	150.1	125.0	95.6
September	150.1	453.6	389.4	214.3	.0	.0
October	214.3	421.8	542.0	94.1	.0	.0
November	94.1	357.7	378.5	73.3	.0	.0
December	73.3	366.7	358.2	111.1	25.0	4.3
2009						
January	111.1	369.8	431.0	124.9	75.0	.0
February	124.9	268.3	423.6	154.7	185.0	.0
March	154.7	447.6	444.6	157.7	.0	.0
April	157.7	475.6	354.7	178.7	(100.0)	.0
May	178.7	366.7	331.2	114.2	(100.0)	.0
June	114.2	769.8	307.6	16.5	(300.0)	(259.9)
July	16.5	277.2	483.6	161.1	105.0	246.0
August	161.1	338.7	454.3	180.6	150.0	(15.0)
September	180.6	411.0	436.4	155.2	0.0	0.0
October	155.2	395.2	486.5	63.9	0.0	0.0
November	63.9	335.8	335.5	64.2	0.0	0.0
December	64.2	350.5	313.5	131.3	160.0	(130.0)
2010						
January	131.3	323.1	333.7	120.4	0.0	(0.175)
February	120.4	270.4	360.9	155.0	125.0	0.0
March	155.0	464.6	451.9	117.7	(50.0)	0.0
April	117.7	486.8	323.1	120.9	(160.5)	0.0

May	120.9	356.3	261.6	95.6	(120.0)	0.0
June	95.6	578.1	264.7	98.8	(79.5)	(230.8)
July	98.8	251.9	375.2	125.5	0.0	150.0
August	125.5	337.3	390.5	152.8	0.0	80.5
September	152.8	410.6	419.8	143.6	0.0	0.0
October	143.6	402.3	493.0	52.8	0.0	0.0
November	52.8	326.0	403.1	180.6	178.4	26.5
December	180.6	350.9	296.2	180.9	(54.4)	0.0
2011						
January	180.9	333.1	349.6	164.5	0.0	0.0
February	164.5	234.1	333.4	160.1	95.0	0.0
March	160.1	472.3	403.4	229.1	0.0	0.0
April	229.1	529.2	360.9	177.9	(219.0)	(0.5)
May	177.9	357.3	358.5	176.6	0.0	0.0
June	176.6	597.2	366.9	150.5	(91.0)	(165.5)
July	150.5	245.3	387.2	128.6	0.0	120.0
August	128.6	340.3	416.0	109.4	0.0	56.5
September	109.4	451.7	429.2	131.9	0.0	0.0
October	131.9	423.0	579.9	-25.1	0.0	0.0
November	-25.1	335.2	313.9	256.3	260.0	0.0
December	256.3	363.5	304.1	315.6	0.0	0.0
2012						
January	315.6	349.1	384.1	124.7	(156.0)	0.0
February	124.7	261.8	422.6	128.9	165.0	0.0
March	128.9	517.6	361.1	135.4	(150.0)	0.0
April	135.4	545.3	359.4	121.3	(200.0)	0.0
May	121.3	389.9	357.3	103.9	(7.0)	(43.0)
June	103.9	648.9	512.5	194.9	0.0	(45.5)
July	194.9	268.8	410.4	193.9	40.0	100.6
August	193.9	330.8	420.4	104.4	0.0	0.0
September	104.4	429.8	411.1	123.1	(100.6)	100.6
October	123.1	465.5	498.2	90.4	0.0	0.0
November	90.4	337.2	417.4	260.2	0.0	250.0
December	260.2	384.9	328.7	316.5	0.0	0.0
2013						
January	316.5	365.3	395.4	136.4	(150.0)	0.0
February	136.4	292.2	344.3	84.3	0.0	0.0
March	84.3	506.4	432.8	157.9	0.0	0.0
April	157.9	516.2	435.2	238.3	0.0	(0.5)
May	238.4	554.7	370.9	422.2	0.0	0.0
June	422.2	666.8	362.0	487.0	0.0	(240.1)
July	487.0	275.1	477.3	284.8	0.0	0.0
August	284.8	383.6	464.5	203.9	0.0	0.0
September	203.9	494.9	885.4	94.9	0.0	281.5
October	94.9	454.0	424.9	123.5	0.0	(0.5)
November	123.5	349.3	428.8	44.0	0.0	0.0
December	44.0	455.0	315.0	344.0	160.0	0.0
2014						
January	344.0	347.4	397.4	134.0	(160.0)	0.0
February	134.0	371.6	360.3	145.3	0.0	0.0
March	145.3	539.1	471.2	213.3	0.0	0.0
April	213.3	584.3	432.2	364.9	0.0	(0.5)
May	364.9	468.37	407.2	255.8	(0.5)	(170.0)
June	255.8	680.4	426.1	481.0	80.0	(110.0)
July	481.0	298.4	442.8	336.6	0.0	0.0
August	336.6	361.2	440.1	257.8	0.0	0.0
September	257.8	501.4	568.6	190.5	0.0	0.0
October	190.5	459.5	593.5	166.5	110.0	0.0
November	166.5	388.1	628.3	380.1	453.9	0.0
December	380.1	502.0	674.1	208.0	0.0	0.0

	Beginning Balance	Receipts	Disbursements	Ending Balance	Borrowing from Special Funds	Borrowing from Working Cash Balance Revolving
2015						
January	208.0	368.3	399.0	177.4	0.0	0.0
February	177.4	336.3	390.7	123.0	0.0	0.0
March	123.0	590.2	516.1	197.1	0.0	0.0
April	197.1	627.9	444.2	380.8	0.0	0.0
May	380.8	338.9	405.1	364.6	0.0	0.0
June	364.6	712.5	329.2	184.0	(397.0)	(166.9)
July	184.0	294.2	515.3	359.9	397.0	0.0
August	359.9	396.2	533.7	222.4	0.0	0.0
September	222.4	485.8	572.5	135.7	0.0	0.0
October	135.7	470.0	546.5	159.2	100.0	0.0
November	159.2	383.3	516.6	425.8	400.0	0.0
December	425.8	459.1	452.1	432.9	0.0	0.0
2016						
January	432.9	384.3	465.5	339.5	(14.8)	2.6
February	339.5	372.2	394.4	321.8	0.0	4.5
March	321.8	576.8	522.0	326.6	0.0	(50.0)
April	326.6	550.0	442.5	434.6	0.0	0.4
May	434.6	471.0	406.3	287.6	(111.8)	(100.0)
June	287.6	688.1	341.9	48.5	(385.2)	(200.0)
July	48.5	302.4	463.1	287.8	0.0	400.0
August	287.8	415.9	514.1	189.6	0.0	0.0
September	188.9	576.7	590.9	174.6	0.0	0.0
October	174.6	527.8	623.3	79.1	0.0	0.0
November	79.1	363.3	537.9	149.0	245.3	(0.9)
December	149.0	466.3	427.3	388.0	200.0	0.0
2017						
January	388.0	399.3	482.2	101.0	(205.5)	1.5
February	101.0	317.1	443.2	164.4	190.0	0.5
March	164.4	532.4	447.1	242.7	0.0	(7.0)
April	242.7	778.8	458.2	463.2	(100.0)	0.0
May	463.2	407.0	348.5	196.7	(300.0)	(25.0)
June	196.7	685.0	362.5	121.3	(142.1)	(225.8)

Source: Department of Finance and Administration.

APPENDIX B

EXCERPTS FROM 2016 AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- Government-wide Financial Statements

  - Governmental Activities

    – the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the Mississippi Authority for Educational Television, the State Agencies Self-Insured Workers' Compensation Trust Fund, the Department of Marine Resources and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Public Safety, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks, the Mississippi Department of Health, the Mississippi Department of Education, the Mississippi Department of Human Services which, in the aggregate, represent 7% and 17%, respectively, of the assets and revenues of the governmental activities;

- Business-type Activities

  – AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, the Mississippi Department of Corrections Canteen Fund and the Unemployment Compensation Fund which, in the aggregate, represent 96% and 47%, respectively, of the assets and revenues of the business-type activities;

- Component Units

  – the Universities and the nonmajor component units.

- Fund Financial Statements

  - Governmental Funds

    – the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the Mississippi Authority for Educational Television, the Department of Marine Resources, and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Public Safety, the Department of Rehabilitation Services, and the Department of Wildlife, Fisheries and Parks, the Mississippi Department of Health, the Mississippi Department of Education, the Mississippi Department of Human Services which, in the aggregate, represent 18% and 13%, respectively, of the assets and revenues of the General Fund;

  - Proprietary Funds

    – the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program and the Unemployment Compensation Fund which are considered major enterprise funds;

  - Aggregate Remaining Funds

  – the State Agencies Self-Insured Workers' Compensation Trust Fund and selected funds at the Department of Information Technology Services and the Department of Finance and Administration – Office of Insurance within the Internal Service Fund;

  – nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services and the Veterans' Home Purchase Board;

  – the Pension Trust Funds;

  – the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

  all of which represent 99% and 99%, respectively, of the assets and revenues of the aggregate remaining funds.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi

Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedules of Employer Contributions and corresponding notes, the Schedules of Changes in the Net Pension Liability, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Funding Progress – Other Postemployment Benefits listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2017, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Stephanie C. Palmertree

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

Jackson, Mississippi
April 21, 2017

Management's Discussion and Analysis

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

Financial Highlights

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

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

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

> **Governmental Activities** - The State's basic services are reported here, including general government; education; health and social services; law, justice and public safety; recreation and resource development; regulation of business and professions; and transportation. Taxes and federal grants finance most of these activities.
>
> **Business-type Activities** - The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. State fair and coliseum operations; home mortgage loans to veterans; port facilities; and unemployment compensation services are examples of these activities.

Fund Financial Statements

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

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

> Capital assets used in governmental activities are not reported on governmental funds financial statements. Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.
>
> Bond and note proceeds result in liabilities on the government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements. Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the Financial Statements

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

Other Information

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

Request for Information

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

Government-wide Financial Analysis

Net Position

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

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

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

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

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

Net Position
(amounts expressed in thousands)

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

Mississippi

Changes in Net Position

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

Changes in Net Position

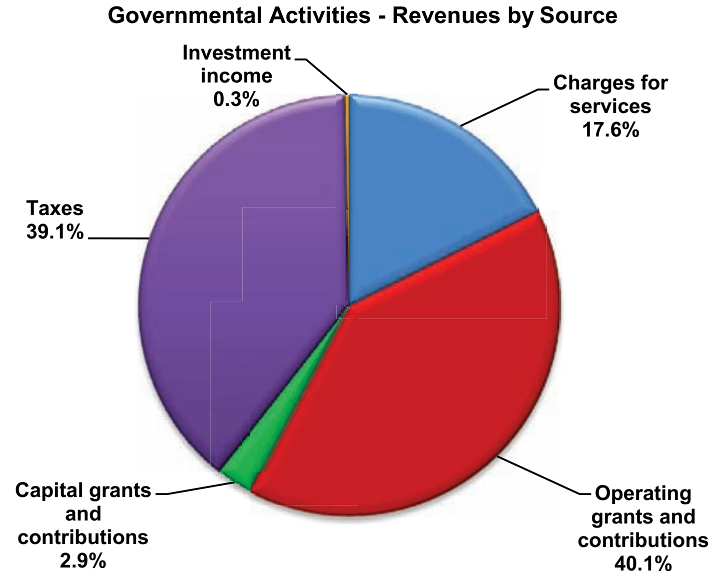
(amounts expressed in thousands)

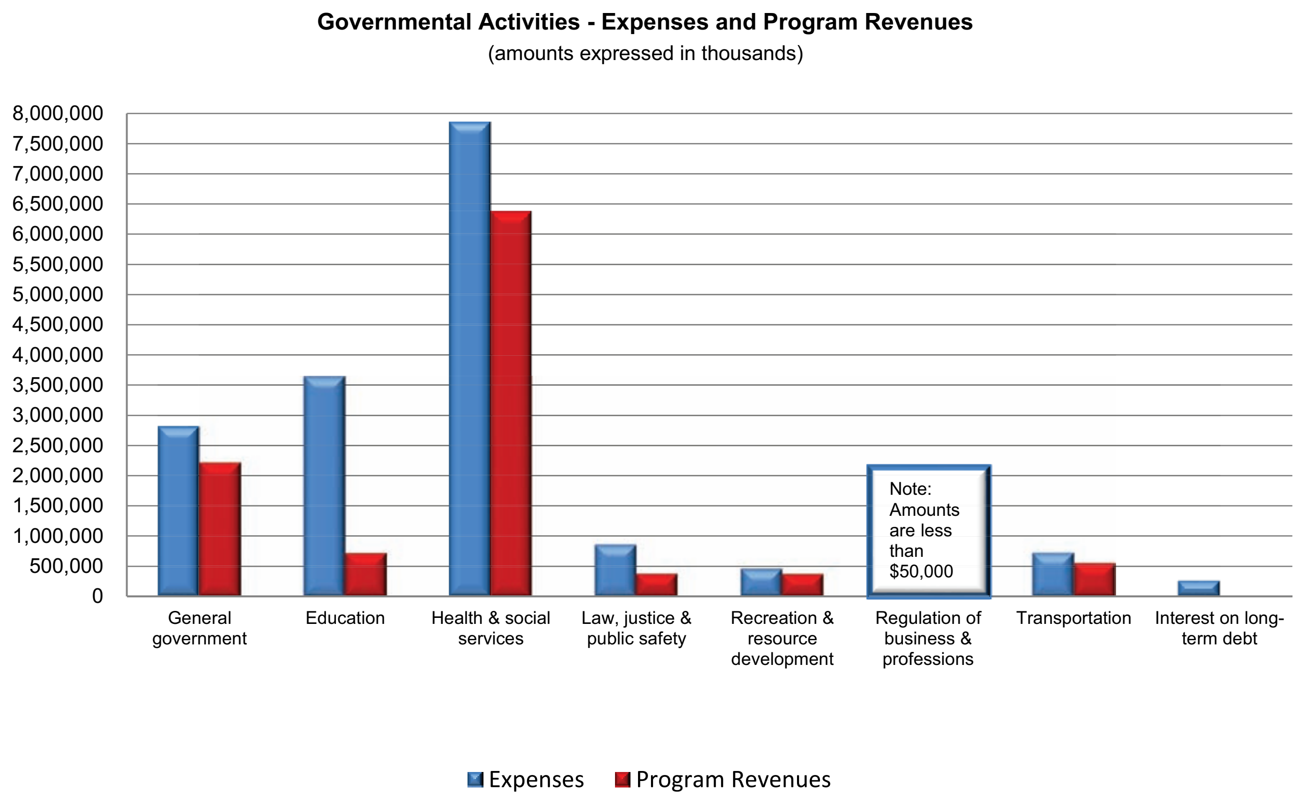
	Governmental Activities		Business-type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues:						
Program Revenues:						
Charges for services	$ 3,107,275	$ 2,325,299	$ 163,138	$ 192,836	$ 3,270,413	$ 2,518,135
Operating grants and contributions	7,064,684	7,059,002	1,620	3,065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

Mississippi

Governmental Activities

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

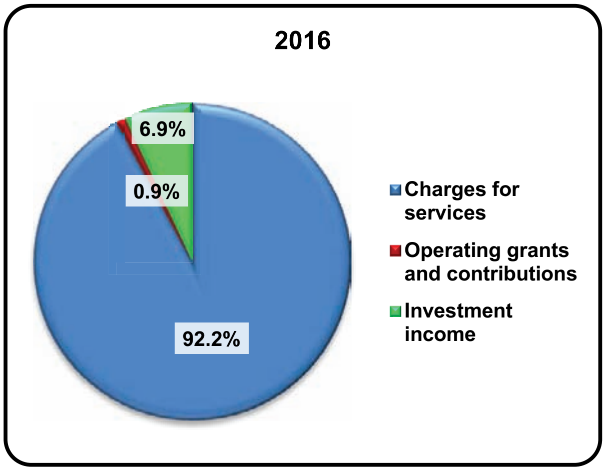


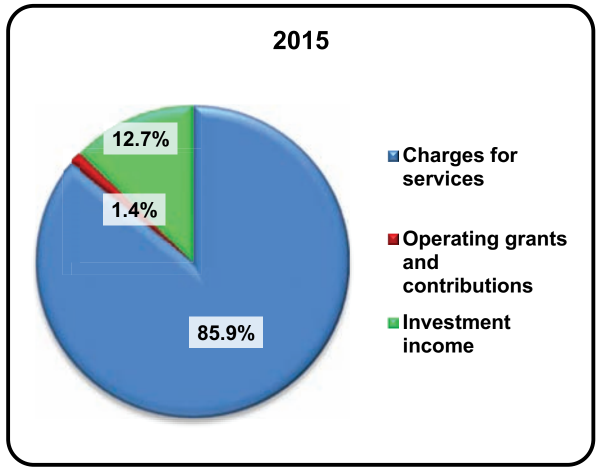


Business-type Activities

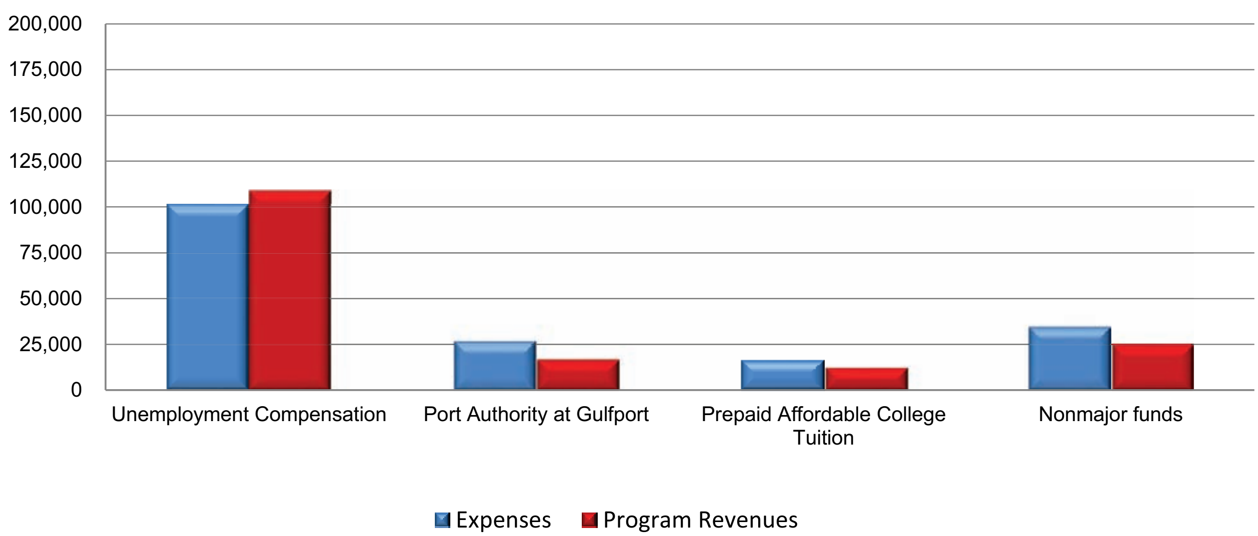
Business-type activities increased the State's net position by $127,082,000. The percentage of revenues from charges for services continued to decrease as federal revenue for the Emergency Unemployment Compensation program diminished. The amount of investment income decreased from the prior year, as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

Business-type Activities - Revenues by Source





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



Financial Analysis of the State's Individual Funds

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

General Fund Budgetary Highlights

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

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

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

Mississippi

Capital Assets and Debt Administration

Capital Assets

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

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

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

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

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

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

Capital Assets, Net of Depreciation
(amounts expressed in thousands)

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

Debt Administration

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

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

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

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

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

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

Economic Factors and Next Year's Budget

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

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

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

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

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Basic Financial Statements

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

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Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

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

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

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

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

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Statement of Activities

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

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

General revenues:
- Taxes:
  - Sales and use
  - Gasoline and other motor fuel
  - Individual income
  - Corporate income and franchise
  - Insurance
  - Other
- Investment income
- Other
- Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Mississippi

Governmental Funds

Balance Sheet

June 30, 2016 (Expressed in Thousands)

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

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

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

June 30, 2016 (Expressed in Thousands)

Total fund balances for governmental funds		$ 4,361,868
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Land	$ 2,328,614	
Construction in progress	4,456,877	
Software	155,628	
Buildings	2,137,275	
Land improvements	272,761	
Machinery and equipment	714,920	
Infrastructure	10,571,501	
Accumulated depreciation	(4,918,600)	15,718,976
Deferred outflows of resources reported in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Refunding of debt	128,382	
Pensions	510,326	638,708
Deferred inflows of resources reported in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Interest rate swaps	(782)	
Pensions	(138,587)	(139,369)
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds as deferred inflows of resources.		746,556
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds:		
General obligation bonds and notes	(4,178,374)	
Limited obligation bonds	(200,000)	
Notes payable	(980,491)	
Unamortized premiums	(313,180)	
Derivative instruments	(50,201)	
Capital lease obligations	(13,565)	
Accrued compensated absences	(109,911)	
Pollution remediation obligation	(42,946)	
Net pension liability	(2,917,065)	
Other postemployment benefits payable	(174,154)	
Claims payable	(3,225)	
Accrued interest payable	(58,367)	(9,041,479)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		318,040
Net position of governmental activities		$ 12,603,300

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

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

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

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

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

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

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

Net change in fund balances - total governmental funds		$ 158,039
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 853,664	
Depreciation expense	(468,192)	385,472
Various capital asset related transactions affect the statement of activities but have no impact on governmental funds. These transactions include disposition of capital assets by sale, trade, or scrap.		(9,629)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net loss of the internal service funds is reported with governmental activities.		(13,912)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
Premiums on notes and refunding bonds and notes issued	(56,328)	
Bonds and notes issued	(498,895)	
Refunding notes issued	(71,125)	
Capital leases issued	(3,420)	
Payments of debt principal	358,206	
Payments to bond escrow agent	76,405	
Accrued interest payable	1,044	
Interest at refunding	(1,119)	(195,232)
Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Donations of equipment	1,028	
Change in claims payable	444	
Change in compensated absences	7,325	
Change in deferred revenues	589,712	
Change in other postemployment benefits payable	(16,680)	
Change in pollution remediation obligation	143	
Change in fair value of investment derivative	(17,827)	
Change in fair value of borrowing derivative	6,610	
Change in pension costs, net	(59,610)	
Amortization of premiums	28,449	
Amortization of deferred amount on refunding	(25,182)	514,412
Change in net position of governmental activities		$ 839,150

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

Proprietary Funds

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

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

(Continued on Next Page)

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

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

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals	
$ 976	$ 1,144	$ 1,572
4,120	45,575	7,343
	7,574	
180	9,425	381
4,564	6,543	15,974
		45
	40,970	88,578
1,774	1,774	
	3,022	
65	492	10,324
77	77	462
11,756	116,596	124,679
12,616	12,616	
	410,228	34,776
	6,674	
121	121	1,235
	150	
16,186	22,740	31,225
275	580	1,170
29,198	453,109	68,406
40,954	569,705	193,085
1,684	1,875	738
28,002	548,732	34,006
	667,769	
443	893	
239,419	131,592	284,034
$ 267,864	$ 1,348,986	$ 318,040

Proprietary Funds

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

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

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

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

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

Proprietary Funds

Statement of Cash Flows

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

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

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

(Continued on Next Page)

Statement of Cash Flows

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

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	$ 7,825	$ (10,823)	$ (3,529)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		7,120	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	13,095	(4)	
Due from other governments	(147)	(13)	
Due from other funds	163	1	
Due from component units			
Inventories			
Prepaid items		53	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			(172)
Accounts payable and other liabilities	9	1,655	323
Due to other governments	(1,952)		
Due to other funds	12		2
Due to component units			
Claims and benefits payable	334		(12,182)
Unearned revenues	(39)	150	
Pension cost		254	135
Total adjustments	11,475	9,216	(11,894)
Net Cash Provided by (Used for) Operating Activities	$ 19,300	$ (1,607)	$ (15,423)
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Loss on disposal of capital assets		110	
Change in market value of investments		2	(23,670)

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals	
$ (3,286)	$ (9,813)	$ (20,139)
1,502	8,622	2,758
429	13,520	(120)
82	(78)	(33)
(2,611)	(2,447)	(9,766)
		(494)
244	244	
(25)	28	
2,730	2,730	
(373)	(545)	(484)
(641)	1,346	1,130
1	(1,951)	14
(174)	(160)	12,859
		22
	(11,848)	(6,492)
4	115	(365)
562	951	1,527
1,730	10,527	556
$ (1,556)	$ 714	$ (19,583)
		2,718
18	128	
	(23,668)	(1,161)

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2016 (Expressed in Thousands)

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

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

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

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

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

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

Component Units

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

(Continued on Next Page)

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

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

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

Component Units

Statement of Activities

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/ Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Universities	Nonmajor	Total
Universities	$ 3,564,795	$ 2,127,828	$ 503,562	$ 43,588	$ (889,817)	$	$ (889,817)
Nonmajor	39,109	30,199	2,449	170		(6,291)	(6,291)
Total	$ 3,603,904	$ 2,158,027	$ 506,011	$ 43,758	(889,817)	(6,291)	(896,108)

	Universities	Nonmajor	Total
General revenues:			
Investment income	13,603	1,051	14,654
Other	201,150	3,650	204,800
Payment from State of Mississippi	835,471		835,471
Contributions to permanent endowments	37,615		37,615
Total General Revenues and Contributions	1,087,839	4,701	1,092,540
Change in Net Position	198,022	(1,590)	196,432
Net Position - Beginning	2,979,530	214,257	3,193,787
Net Position - Ending	$ 3,177,552	$ 212,667	$ 3,390,219

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

June 30, 2016

Note 1 - Significant Accounting Policies

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

A. Basis of Presentation - The accompanying financial statements of the State have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

B. Financial Reporting Entity - For GAAP financial reporting purposes, the State's reporting entity includes all funds of the State's various commissions, departments, boards, elected officials, universities, and other organizational units (hereinafter referred to collectively as "agencies"). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

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

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

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

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

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

The State reports the following nonmajor discretely presented component units:

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

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

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

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

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

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

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

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I. **Interfund Activity** - In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P. Unearned Revenues and Deferred Inflows of Resources - Unearned revenues are recognized when assets are received prior to being earned in an exchange transaction. Deferred revenues are reported in the governmental fund financial statements as deferred inflows of resources until such time as the revenues become available.

Q. Pensions – Net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense have been measured using the same basis as the PERS fiduciary net positon. For the purpose of determining the PERS fiduciary net position, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

R. Net Position/Fund Balance - Net Position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources on government-wide, proprietary and fiduciary funds financial statements and Fund Balance on governmental funds financial statements. Fund Balances of governmental funds are classified as:

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

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

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

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

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

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

S. Federal Grants - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

T. Bonds and Notes - Bond and note proceeds, premiums and discounts are reported as other financing sources or uses in the governmental fund financial statements. In the government-wide and proprietary fund financial statements, bond and note premiums and discounts, as well as refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds and notes using the straight-line method. Bonds and notes payable are reported net of the applicable unamortized bond and note premium and discount while refunding charges are reported as deferred outflows or deferred inflows of resources. Issuance costs are recognized as debt service expenditures/expenses in the period incurred.

U. Changes in Accounting Standards - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 72, *Fair Value Measurement and Application,* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* The State early implemented GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* in the current fiscal year. The provisions of these standards have been incorporated into the financial statements and the notes. The implementations of GASB Statements No. 76, No. 79, and No. 82 did not have a material impact on the State's financial statements and the notes.

Note 2 - Other Accounting Disclosures

A. Net Position Restricted by Enabling Legislation - The State's net position restricted by enabling legislation represent resources which a party external to government , such as citizens, public interest groups, or the judiciary, can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net position reports $4,431,757,000 of restricted net position, of which $255,612,000 is restricted by enabling legislation.

B. Deficit Net Position - At June 30, 2016, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net position of $148,458,000. The deficit is a result of actual investment earnings being less than actuarial assumptions. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) and Personnel Board (an internal service fund) have deficit net positions of $695,000 and $5,379,000, respectively. These deficits are results of the actuarially determined pension liability reported in the funds' financial statements.

C. Working Cash Stabilization Reserve Account - The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches $40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. For fiscal year 2016, the Account balance in excess of $40,000,000 may be permanently transferred to the General Fund to cover deficits. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5% maximum is again attained. At June 30, 2016, the Account, as reported in the General Fund, has an unassigned fund balance of $292,945,000.

D. Fund Balances – In previous years, the restricted fund balance as reported in the General Fund included an amount that had not been assigned to other funds. During fiscal year 2016, $295,295,000 of the General Fund's fund balance in general government was reclassified from restricted to unassigned. At June 30, 2016, the State's restricted, committed and assigned fund balances are summarized by purpose as follows (amounts expressed in thousands):

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

Note 3 - Interfund Transactions

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

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

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

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

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

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

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

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

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

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

Note 4 - Deposits and Investments

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

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

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

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

Primary Government Deposits (except for the System)

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

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

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

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

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

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

Mississippi

Primary Government Investment Policies (except for the System)

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

> Certificates of deposit or term repurchase agreements with approved financial institutions, banks and savings associations domiciled in Mississippi;
>
> Repurchase agreements and securities lending transactions (with at least 80 percent of the total dollar amount with qualified state depositories);
>
> Direct U.S. Treasury obligations fully guaranteed by the U.S Government;
>
> U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by U.S. Government, U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise; and
>
> Any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1 et seq., provided that the portfolio is limited to direct obligations issued by the U.S. (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalities or sponsored enterprises). The total dollar amount of funds invested in all open-end and closed-end management type companies and investment trust cannot exceed 20 percent of total investments. Not more than $500,000 may be invested with foreign financial institutions.

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

> Bonds, notes, certificates and other valid general obligations of the State, or of any county, city, or supervisor's district of any county of the State;
>
> School district bonds of the State;
>
> Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board, not to exceed five percent of total investments;
>
> Highway bonds of the State;
>
> Corporate bonds of Grade A or better as rated by Standard & Poor’s Corporation (S&P) or by Moody’s Investors Service. The Board may invest up to 5 percent of the book value of the total fixed income investment in corporate bonds of Grade BBB/Baa or better as rated by S&P or by Moody’s Investors Service;
>
> Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by S&P or rated P-3 or better by Moody's Investors Service;
>
> Bonds of the Tennessee Valley Authority;
>
> Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the U.S. Securities and Exchange Commission (SEC);
>
> Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.; and
>
> Interest-bearing bonds or notes which are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment.

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

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

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

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

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

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

Primary Government Investments (except for the System)

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

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

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

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

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

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

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

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

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

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

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

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. As of June 30, 2016, the primary government has the following recurring fair value measurements (amounts expressed in thousands):

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

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

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

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

Open-ended comingled funds include two investments that take both long and short positions, primarily in foreign common stocks. Real estate funds include three real estate funds that invest primarily in U.S. commercial real estate and timberland. The investment in the timberland fund can be redeemed upon maturity of the fund. Distributions from the timberland fund will be made as the underlying investments of the funds are liquidated. The U.S. commercial real estate funds have quarterly liquidity availability.

System Deposits

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

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

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State;

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

Highway bonds of the State;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

System Investments

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

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

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

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

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

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

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

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

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

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

CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly more sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held $621,500,000 in CMOs at June 30, 2016. Of this amount, $173,800,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

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

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

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

Mississippi

Currency	Cash and Equivalents	Equities and REITs	Debt Securities	Total Fair Value
Australian dollar	$ (144,885)	$ 256,135	$ 19,106	$ 130,356
Brazilian real	(21,443)	98,038	25,196	101,791
British pound sterling	(396,828)	755,319	56,949	415.440
Canadian dollar	(74,730)	105,251	53,650	84,171
Chilean peso	(114)	2,636		2,522
Chinese Yuan Renminbi	(12,000)			(12,000)
Columbian Peso	(1,259)	248	4,125	3,114
Czech Koruna		176		176
Danish krone	(33,438)	94,707		61,269
Euro	(830,961)	1,045,131	314,074	528,244
Hong Kong dollar	(52,068)	330,147		278,079
Hungarian forint	22	12,566		12,588
Indian Rupee	4,515	93,086		97,601
Indonesian rupiah	125	68,094		68,219
Israeli shekel	(10,571)	14,397		3,826
Japanese yen	(543,604)	893,933	135,893	486,222
Malaysian ringgit	(612)	28,512		27,900
Mexican peso	(57,592)	60,307	78,713	81,428
New Taiwan dollar	(8,946)	134,346		125,400
New Zealand dollar	(13,335)	27,419	1,485	15,569
Norwegian krone	(11,008)	22,424		11,416
Pakistani rupee	113	16,337		16,450
Peruvian nuevo sol	(2,021)		2,393	372
Philippines peso	307	16,955	5,019	22,281
Polish zloty	(1,111)	6,956	1,240	7,085
Qatari riyal	87	2,061		2,148
Russian ruble	4,613			4,613
Singapore dollar	(40,612)	76,236		35,624
South African rand	3,531	104,169		107,700
South Korean won	(9,037)	254,658	2,179	247,800
Swedish krona	(44,376)	139,449	1,998	97,071
Swiss franc	(160,024)	290,707		130,683
Thailand baht		32,829		32,829
Turkish lira	316	52,640	1,561	54,517
UAE dirham	28	1,851		1,879
Total	$ (2,456,918)	$ 5,037,720	$ 703,581	$ 3,284,383

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

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

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

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

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

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

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

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

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. As of June 30, 2016, the System has the following recurring fair value measurements (amounts expressed in thousands):

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

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

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

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

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

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

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

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

**Based on partnership agreement terms*

Note 5 - Receivables

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

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

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

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

Note 6 - Due From Other Governments

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

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

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

Note 7 - Loans and Notes Receivable

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

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

Note 8 - Capital Assets

Primary Government

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

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

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

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

Governmental Activities:		
General government	$	43,107
Education		3,579
Health and social services		16,495
Law, justice and public safety		27,402
Recreation and resources development		10,393
Regulation of business and profession		135
Transportation		367,081
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		2,758
Total depreciation expense - governmental activities	$	470,950
Business-type Activities:		
Port Authority at Gulfport	$	7,120
Other business-type		1,502
Total depreciation expense - business-type activities	$	8,622

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

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

Component Units

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

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

Note 9 - Long-term General and Limited Obligation Bonds

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

A. General Obligation Bonds

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

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

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

Defeased Bonds

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

Mississippi

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

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

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

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

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

Derivative Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Limited Obligation Bonds

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

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

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

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

Note 10 - Bonds Authorized But Unissued

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

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

Note 11 - Revenue Bonds and Notes

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

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

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

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

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

Note 12 - Other Long-term Liabilities

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

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

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

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

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

Refunding and Defeased Notes

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

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

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

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

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

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

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

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

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

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

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

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

Internal service future minimum lease payments of $1,828,000 less interest of $131,000 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, 2016 are summarized below (amounts expressed in thousands):

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

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

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

Note 14 – Short-term Financing

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

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

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

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

Note 15 - Retirement Plans

Plan Description

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

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

Membership and Benefit Provisions

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

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2016, the total annual COLA payments for PERS were $559,888,000.

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

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

Mississippi

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

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

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

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

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

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

Contribution Requirements

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

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

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

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

** In addition to 9% required by PERS.

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

**** Based on assessed property values.

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

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

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

Changes in the Net Pension Liability

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

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

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

Mississippi

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

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

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

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

Actuarial Assumptions

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

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

* net of pension plan investment expense, including inflation

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

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

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

The long-term expected rate of return on pension plan investments for PERS, MHSPRS and SLRP was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

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

Changes of Assumptions

For PERS, MHSPRS and SLRP in 2015 and later, the expectation of retired life mortality was changed to RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Pre-retirement mortality rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3% and 8% to 7.75%, respectively.

Single-Employer Benefit Plan Employees

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

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

Discount Rate

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

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

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

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

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

Note 16 - Other Postemployment Benefits

Plan Description

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

Funding Policy

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

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

Actuarial Valuation

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

Note 17 - Commitments

A. Operating Leases

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

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

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

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

B. Contracts

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

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

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

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

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

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

C. Encumbrances

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

Note 18 - Risk Management

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

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

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

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

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

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

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

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

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

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

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

Note 19 - Contingencies

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

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

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

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

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

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

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

Note 20 - Subsequent Events

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

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

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

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

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

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

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

Required Supplementary Information

Mississippi

Required Supplementary Information

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

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

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

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

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

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

For the Year Ended June 30, 2016

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

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

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

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

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

Required Supplementary Information

Schedule of Employer Contributions
Mississippi Highway Safety Patrol Retirement System
Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

Notes to Schedule of Employer Contributions:

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

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

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

Required Supplementary Information

Schedule of Employer Contributions
Supplemental Legislative Retirement Plan
Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

Notes to Schedule of Employer Contributions:

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

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

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

Required Supplementary Information

Schedule of Employer Contributions
Public Employees' Retirement System
Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

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

Required Supplementary Information

Schedule of Changes in the Net Pension Liability
Mississippi Highway Safety Patrol Retirement System
Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

**** Only two fiscal years are presented because 10-year data is not yet available.***
***** Based on the measurement date of June 30, 2015***

Required Supplementary Information

Schedule of Changes in the Net Pension Liability
Supplemental Legislative Retirement Plan
Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

**** Only two fiscal years are presented because 10-year data is not yet available.***
***** Based on the measurement date of June 30, 2015***

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability
Public Employees' Retirement Plan
Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

***** Only two fiscal years are presented because 10-year data is not yet available.***
***** Based on the measurement date of June 30, 2015***

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2016 (Expressed in Thousands)

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

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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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 $61,260,000 State of Mississippi General Obligation Bonds, Series 2017B (LIBOR Term Rate) (the "2017B Bonds"). The 2017B Bonds are being issued pursuant to a resolution of the State Bond Commission of the State dated August 3, 2017 (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 2017B Bonds and the beneficial owners of the 2017B 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 2017B 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 and supplemented.

"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 unaudited financial statements and such audited financial statements if and when 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bonds, and beneficial owners of the 2017B 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. Due to a change in the Issuer's accounting system, although the Issuer’s unaudited financial statement was filed timely along with its annual report, the Issuer's CAFR for fiscal year 2015 was not filed on EMMA until May 31, 2016. In addition, although the State timely filed a notice of failure to timely file its CAFR for fiscal year 2016, the State's CAFR for fiscal year 2016 was not filed on EMMA until May 5, 2017. Likewise, 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 compliance with the terms of this Disclosure Certificate.

Date: August 30, 2017

STATE OF MISSISSIPPI

By: ____

Governor and Ex officio Chairman of the
State Bond Commission

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APPENDIX D

FORM OF OPINION OF ATTORNEY GENERAL

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STATE OF MISSISSIPPI

OFFICE OF THE ATTORNEY GENERAL
OFFICIAL ATTORNEY GENERAL'S OPINION

[FORM OF OPINION OF ATTORNEY GENERAL]

August 30, 2017

JIM HOOD
ATTORNEY GENERAL

State Bond Commission
State of Mississippi
Jackson, Mississippi

Re: $61,260,000 State of Mississippi General Obligation Bonds, Series 2017B (LIBOR Term Rate), dated as of the date of their delivery (the "2017B Bonds")

Commission Members:

The opinion as hereinafter set forth is submitted regarding several matters pertaining to the sale and issuance of the above referenced 2017B 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 2017B Bonds under the provisions of Sections 31-18-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented (the "Act") and a resolution adopted by the members of the Commission on August 3, 2017 (the "Resolution").

The existing State Constitution is the Mississippi Constitution of 1890. Protection for the contractual obligations owed holders of the 2017B Bonds arising from the issuance of the 2017B 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 2017B Bonds are validated, issued and delivered, such 2017B Bonds shall constitute a contract as contemplated by Section 16, supra, and shall enjoy the full protection thereof.

The 2017B Bonds have been subjected to validation by a competent State court. Validation procedure is prescribed by statue 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 and supplemented, 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 2017B Bonds.

As to general obligations, the Act and the Resolution 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 2017B Bonds have been duly and validly authorized, issued, executed and delivered by and on behalf of the State, that the 2017B 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 2017B Bonds, the State will deliver its Continuing Disclosure Certificate dated as of the date of the issuance and delivery of the 2017B Bonds. The Continuing Disclosure Certificate will be delivered by the State for the benefit of the holders of the 2017B Bonds and in order to assist the participating underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

It is my opinion that the Continuing Disclosure Certificate has been duly and validly authorized, executed and delivered by and on behalf of the State and constitutes a valid and binding obligation 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 and supplemented, 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 five hundred thousand dollars ($500,000.00) per occurrence.

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 2017B Bonds and in anticipation that it will be relied upon by Bond Counsel, in rendering its opinion with respect to the 2017B Bonds, and such reliance is hereby specifically authorized.

Very truly yours,

JIM HOOD, Attorney General

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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FORM OF OPINION OF BOND COUNSEL

August 30, 2017

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 31-18-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented (the "Act"), and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution August 3, 2017 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$61,260,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2017B (LIBOR TERM RATE)

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 "2017B Bonds"). The 2017B Bonds are being issued (a) to provide a portion of the funds necessary to restructure the $78,625,000 (original principal amount) State of Mississippi General Obligation Refunding Bonds (Capital Improvements Projects), Series 2012D (SIFMA Index) (the "Series 2012 Bonds"), and (b) to pay the costs incident to the sale, issuance and delivery of the 2017B 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, including, without limitation, representations and covenants as to the use and investment of the proceeds of the Series 2012 Bonds (as defined in the Resolution), without undertaking to verify the same by independent investigation. We have also examined s specimen of one of the 2017B Bonds.

Based on the foregoing and subject to the qualifications that follow, we are of the opinion on the date hereof that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the 2017B Bonds by the State pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The 2017B 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 2017B Bonds are legal, valid and binding general obligations of the State and, as authorized by the Act, the full faith and credit of the State has been pledged for the payment thereof.

4. Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated below, interest on the 2017B Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the 2017B 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 2017B 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 2017B 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 2017B Bonds in order that interest on the 2017B Bonds not be includable in gross income for

federal income tax purposes. The failure to meet such requirements may cause interest on the 2017B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2017B Bonds. The State has covenanted to comply with or to require compliance with the requirements of the Code in order to maintain the excludability of interest on the 2017B Bonds from gross income for federal income tax purposes. Owners of the 2017B 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 2017B 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 2017B 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.

In this opinion letter issued in our capacity as Bond Counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the State's Official Statement or other statements made in connection with any offer or sale of the 2017B Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the 2017B Bonds, except those specifically addressed herein or upon any federal or state law with respect to the sale or distribution of the 2017B Bonds.

In rendering this opinion letter, we have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the 2017B Bonds under the laws of the State and with respect to the excludability of the interest on the 2017B Bonds from federal and State income taxation.

This opinion letter is an expression of professional judgment regarding the matters expressly addressed herein. It is neither a guarantee of result nor an insurance policy with respect to the transaction or the future actions or performance of any party or entity. Our services have not included any financial or other non-legal advice. We express no opinion other than as herein expressly stated in this letter, and no expansion of our opinion may be made by implication or otherwise. The opinions herein are given as of the date hereof and are based upon statutes, regulations, rulings and court decisions in effect on the date hereof and not as of any future date. It should be noted that material changes regarding matters of fact and applicable law may hereafter occur. We expressly disclaim any undertaking or responsibility to review, revise, update or supplement this opinion letter subsequent to its date for any reason or to advise you of any change in the law, whether by reason of legislative or regulatory action, by judicial decision or otherwise, or of any change of facts or circumstances or of any facts or circumstances that may hereafter come to our attention or for any other reason.

Respectfully submitted,

BUTLER SNOW LLP

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

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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" and together with Direct Participants, the "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 $61,260,000 State of Mississippi General Obligation Bonds, Series 2017B (LIBOR Term Rate) (the "2017B Bonds") under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2017B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017B 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 2017B 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 2017B Bonds, except in the event that use of the book-entry system for the 2017B Bonds is discontinued.

To facilitate subsequent transfers, all 2017B 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 2017B 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 2017B Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the 2017B 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 2017B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017B Bond documents. For example, Beneficial Owners of 2017B Bonds may wish to ascertain that the nominee holding the 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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, 2017B 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, 2017B Bonds in definitive form will be printed and delivered. See the caption "DESCRIPTION OF THE 2017B 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 2017B BONDS (A) PAYMENTS OF PRINCIPAL OR INTEREST ON THE 2017B BONDS; (B) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2017B BONDS; OR (C) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 2017B 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 2017B 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 2017B 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 RESOLUTION TO BE GIVEN TO HOLDERS OF THE 2017B BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE 2017B BONDS.

APPENDIX G

SUMMARY OF THE RESOLUTION

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SUMMARY OF THE RESOLUTION

Certain provisions of the Resolution are described in the body of this Official Statement under the caption "DESCRIPTION OF THE 2017B BONDS" and are not summarized in this APPENDIX G. The summary of the Resolution set forth below should be read in conjunction with the material in the body of this Official Statement.

This summary and the descriptions in the body of this Official Statement under the caption "DESCRIPTION OF THE 2017B BONDS" are qualified in all respects by reference to the Resolution which contain complete descriptions of the terms of the contract between the State and the Registered Owners and which may vary in certain respects from this summary. A copy of the Resolution is available from the State.

Definitions

The following are definitions of certain terms used in the Resolution and this Official Statement.

"Act" shall mean Sections 31-18-1 *et seq.*, Mississippi Code of 1972 as amended and supplemented from time to time.

"Available Commitment" shall mean the amount available under a Liquidity Facility for the purchase of 2017B Bonds to which such Liquidity Facility relates.

"Available Moneys" shall mean (a) moneys which have been on deposit with the Paying and Transfer Agent for a period of at least 91 days (or one year in all cases if any moneys are paid either directly or indirectly by any Person who is an "insider," as defined in the United States Bankruptcy Code) during which no petition in bankruptcy is pending or has been filed by or against the State (or other Persons who have made payment), under the United States Bankruptcy Code; (b) amounts drawn on any Liquidity Facility; (c) proceeds of the issuance of Bonds if, in the written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the State, the use of such proceeds will not constitute a voidable preference under Section 547 of the United States Bankruptcy Code and such moneys will not be recoverable from the payee thereof under the provisions of Section 550 of the United States Bankruptcy Code on account of the bankruptcy of the State; and (d) any other moneys if, in the written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the State, the use of such moneys will not constitute a voidable preference under Section 547 of the United States Bankruptcy Code and such moneys will not be recoverable from the payee thereof under the provisions of Section 550 of the United States Bankruptcy Code on account of the bankruptcy of the State; provided that such proceeds or moneys shall not be deemed to be Available Moneys if an injunction, restraining order or stay is in effect preventing such proceeds or moneys from being applied to make such payment.

"Authorized Denomination" shall mean: (a) with respect to 2017B Bonds bearing interest at a Daily Rate or a Weekly Rate; $100,000 in principal amount and any integral multiple of $5,000 in principal amount in excess thereof, and (b) with respect to 2017B Bonds bearing a Term Rate or 2017B Bonds bearing interest at a Fixed Rate, $5,000 in principal amount or any integral multiple thereof.

"Authorized Officer" shall mean each member of the Commission.

"Bloomberg Page BBAM1" shall mean the display designated on page "BBAM1" on the Bloomberg Service (or such other page as may replace the BBAM1 page on that service, any successor service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London Interbank offered rates for U.S. dollar deposits).

"Bond Purchase Agreement" shall mean that certain Bond Purchase Agreement, dated the date of the sale of the 2017B Bonds, between the Underwriters and the State in connection with the issuance and sale of the 2017B Bonds.

"Bond Register" shall mean the registration records of the State in connection with the 2017B Bonds maintained by the Paying and Transfer Agent.

"Bonds" shall mean the 2017B Bonds and any Refunding Bonds.

"Business Day" shall mean any day, other than a Saturday or Sunday, that is (a) neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in the City of New York, New York or the State, and (b) a London Business Day, which is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market, and (c) shall not include, with respect to any 2017B Bonds for which a Liquidity Facility is in effect, a day which is not defined as a "Business Day" pursuant to such Liquidity Facility.

"Calculation Agent" shall mean the entity appointed by the State from time to time to perform the duties described in the Paying and Transfer Agent/Calculation Agent Agreement relating to the calculation of the interest rates on the 2017B Bonds. The initial Calculation Agent shall be the Paying and Transfer Agent.

"Closing" shall mean the date the 2017B Bonds are delivered to the Underwriters against payment therefor pursuant to the Bond Purchase Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code herein shall be deemed to include the final, proposed and temporary United States Treasury Regulations thereunder, as the same may be in effect from time to time, to the extent the same are applicable, unless the context clearly requires otherwise.

"Commission" shall mean the State Bond Commission of the State.

"Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate provided by the State in connection with the sale and issuance of the 2017B Bonds.

"Conversion" shall mean a change in the Rate Mode applicable to 2017B Bonds or a change from one Term Rate Period to another Term Rate Period.

"Convert" shall mean to change from one Rate Mode to another Rate Mode or from one Term Rate Period to another Term Rate Period pursuant to a Conversion.

"Converted" shall mean the Rate Mode has changed from one Rate Mode to another Rate Mode or from one Term Rate Period to another Term Rate Period pursuant to a Conversion.

"Conversion Date" shall mean the effective date of a Conversion.

"Daily Rate" shall mean the interest rate that may be determined for 2017B Bonds on a daily basis pursuant to the applicable provisions of the Resolution

"Daily Rate Mode" shall mean a time period during which a Series of 2017B Bonds bear interest at one or more Daily Rates. A Daily Rate Mode may include more than one Daily Rate Period.

"Daily Rate Period" shall mean a time period during which 2017B Bonds bear interest at a particular Daily Rate determined pursuant to Section 5.02 of the Resolution.

"DFA" shall mean the Department of Finance and Administration of the State.

"DTC" shall mean The Depository Trust Company, New York, New York.

"Event of Default" shall mean any event of default as defined in Section 11.01 of the Resolution.

"Executive Director" shall mean the Executive Director of DFA.

"Failed Remarketing" has the meaning assigned to it in Section 5.04(c) of the Resolution.

"Failed Conversion From Term Rate Period Without Liquidity" has the meaning assigned to it in Section 7.04(f) of the Resolution.

"Financial Advisor" shall mean FirstSouthwest, a division of Hilltop Securities, Inc., Dallas, Texas.

"Fixed Rate" shall mean the rate at which 2017B Bonds shall bear interest from and including the Fixed Rate Conversion Date therefor to the maturity or earlier redemption thereof.

"Fixed Rate Conversion Date" shall mean the effective date of a Conversion of 2017B Bonds to the Fixed Rate.

"Fixed Rate Mode" or "Fixed Rate Period" shall mean the time period during which 2017B Bonds bear interest at a Fixed Rate.

"Governmental Obligations" shall have the meaning associated to such term in Section 12.08 of the Resolution.

"Initial Interest Period" shall mean the period from and including the Closing to, but excluding, the first Interest Reset Date as set forth in this Official Statement.

"Initial Term Rate" shall mean the Term Rate borne by the 2017B Bonds during the Initial Term Rate Period as set forth in this Official Statement.

"Initial Term Rate Period" shall mean the period set forth in this Official Statement.

"Interest Determination Date" will be the second London Business Day immediately preceding the date of issuance and delivery of the 2017B Bonds and each applicable Interest Reset Date.

"Interest Payment Date" shall mean (a) the first Business Day of each month, in the case of interest payable at a Daily Rate, a Weekly Rate or a Term Rate that is not fixed for the duration of the applicable Term Rate Period; (b) the first day of September or the month or months established by the State at the time of a remarketing of the 2017B Bonds and the day immediately following the last day of each Term Rate Period, in the case of interest payable at a Term Rate that is fixed for the duration of the applicable Term Rate Period; (c) the first day of the month or months established by the State at the time of the remarketing of the 2017B Bonds in the case of interest payable at a Fixed Rate on 2017B Bonds or in any case not otherwise specified in the Resolution; (d) the date of any mandatory redemption of the 2017B Bonds; (e) with respect to Liquidity Provider Bonds, the dates set forth in the related Liquidity Facility; and (f) the date or dates of maturity of the 2017B Bonds.

"Interest Reset Date" shall mean the date on which the interest rate on the 2017B Bonds will be reset which shall be the first Business Day of each month, commencing October 1, 2017.

"Interest Reset Period" shall mean the period from and including an Interest Reset Date to, but excluding, the immediately succeeding Interest Reset Date; provided that the final Interest Reset Period for the 2017B Bonds will be the period from and including the Interest Reset Date immediately preceding the maturity date of the 2017B Bonds to, but excluding, the maturity date.

"LIBOR" shall mean, on any date of determination, the rate for deposits in U.S. dollars for the one-month period or as established by the State at the time of a remarketing of the 2017B Bonds which appears on Bloomberg Page BBAM1 at approximately 11:00 a.m., London time, on the applicable Interest Determination Date. If at any time such rate is no longer available, there shall be used in its place such rate as the State Treasurer and the Executive Director, following consultation with the Calculation Agent and any Remarketing Agent, from time to time determines most closely approximates the LIBOR period set forth in the Bond Purchase Agreement or a Supplemental Resolution of the Commission.

"Liquidity Facility" shall mean any letter of credit, committed line of credit, standby bond purchase agreement or any other similar instrument which requires the Liquidity Provider to purchase the Bonds to which such Liquidity Facility applies upon any optional or mandatory tender of such Bonds made in accordance with the terms of the related Supplemental Resolution(s), but which does not guarantee the payment of the principal of or interest on such Bonds.

The 2017B Bonds are being initially issued in a Term Rate Mode for a Term Rate Period Without Liquidity. There is no Liquidity Facility for the 2017B Bonds during such Term Rate Period.

"Liquidity Provider" means the provider of any Liquidity Facility, and any successor thereto.

"Liquidity Provider Bond" shall mean any 2017B Bond during the period from and including the date it is purchased by a Liquidity Provider under a Liquidity Facility to, but excluding, the earliest of (a) the date of its payment in full or (b) the date such Bond is no longer deemed to be a Liquidity Provider Bond pursuant to the applicable Liquidity Facility.

"London Business Day" shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"Maximum Rate" shall mean 11% per annum or as otherwise allowed by the laws of the State.

"Outstanding" shall mean when used with respect to the 2017B Bonds, as of the date of determination, all 2017B Bonds theretofore authenticated and delivered under the Resolution, except:

(a) 2017B Bonds theretofore canceled and delivered to the Paying and Transfer Agent for cancellation;

(b) 2017B Bonds deemed paid pursuant to the provisions of Section 12.08 of the Resolution; and

(c) 2017B Bonds in exchange for or in lieu of which other 2017B Bonds have been authenticated and delivered pursuant to the Resolution.

"Paying and Transfer Agent" shall mean the paying agent, transfer agent and registrar for 2017B Bonds designated by the Commission. The initial Paying and Transfer Agent for the 2017B Bonds shall be U.S. Bank National Association, Olive Branch, Mississippi.

"Paying and Transfer Agent/Calculation Agent Agreement" shall mean the Paying and Transfer Agent/Calculation Agent Agreement between the State and the Paying and Transfer Agent.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, limited liability company, unincorporated organization, or government or any agency or political subdivision of a government.

"Principal Office" shall mean the address provided by the Paying and Transfer Agent and designated as their Principal Office for the purposes of the Resolution.

"Prior Paying Agent" shall mean U. S. Bank National Association.

"Prior Resolution" shall mean the resolution of the Commission adopted on July 3, 2012 in connection with the Series 2012 Bonds.

"Purchase Date" shall mean the date of an optional or mandatory tender with respect to a Series of Bonds, as appropriate.

"Purchase Price" shall mean an amount equal to 100% of the principal amount of the Bonds to be purchased, plus all accrued and unpaid interest thereon to the Purchase Date.

"Rate Determination Date" shall mean the Business Day on which a rate of interest shall be determined.

"Rate Following Failed Conversion From Term Rate Period Without Liquidity" has the meaning assigned to it in Section 5.06(f) of the Resolution.

"Rate Mode" shall mean a Daily Rate Mode, a Weekly Rate Mode, a Term Rate Mode or a Fixed Rate Mode.

"Rate Period" shall mean a Daily Rate Period, a Weekly Rate Period, a Term Rate Period or a Fixed Rate Period.

"Rating Confirmation" shall mean evidence from each Rating Agency that its applicable rating will not be reduced or withdrawn solely as a result of an action to be taken under the Resolution.

"Record Date" shall mean with respect to each Interest Payment Date (a) during a Daily Rate Mode or a Weekly Rate Mode, the last Business Day of the calendar month next preceding such Interest Payment Date; and (b) during a Term Rate Mode or a Fixed Rate Mode, the fifteenth day of the calendar month preceding such Interest Payment Date.

"Redemption Price" shall mean with respect to any Bond, the amount, including any applicable premium, payable upon the mandatory or optional redemption thereof, as provided in any Supplemental Resolution.

"Refunding Bonds" shall mean Bonds issued under the provisions of Section 2.05 of the Resolution.

"Registered Bond Act" shall mean Sections 31-21-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time.

"Registered Owner," "Registered Owners," "Holder" or "Owner," when used with respect to any Bond, shall mean the Person or Persons in whose name such Bond is registered in the Bond Register.

"Remarketing Agent" shall mean Morgan Stanley & Co., LLC, or any successor appointed pursuant to the Resolution.

"Remarketing Agreement" shall mean any remarketing agreement between the State and one or more Remarketing Agents, as it may be amended and supplemented pursuant thereto, and each successor remarketing agreement.

"Representatives" shall mean the State Treasurer, the Executive Director, and a representative of the office of the Attorney General of the State.

"Series" shall mean Bonds identified as a separate series which are authenticated and delivered on original issuance or in connection with a remarketing, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to any Supplemental Resolution.

"Series 2012 Bonds" shall mean all of the State's outstanding $78,625,000 General Obligation Refunding Bonds (Capital Improvements Projects), Series 2012D (SIFMA Index) being restructured with a portion of the proceeds of the 2017B Bonds.

"Securities Depository" shall mean DTC and its successors and assigns or if, (a) the then Securities Depository resigns from its functions as depository of the 2017B Bonds or (b) the Commission discontinues use of the Securities Depository pursuant to Section 2.06 of the Resolution, any other securities depository that agrees to follow the procedures required to be followed by a securities depository in connection with the 2017B Bonds and is selected by the Commission.

"Securities Depository Nominee" shall mean, with respect to the 2017B Bonds and as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name the 2017B Bonds shall be registered on the Bond Register during the time such 2017B Bonds are held under a book-entry system through such Securities Depository.

"Special Counsel" shall mean Butler Snow LLP, Ridgeland, Mississippi, or any other law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, acceptable to the Commission.

"Special Record Date" shall have the meaning set forth in Section 2.02 of the Resolution.

"State" shall mean the State of Mississippi.

"State Treasurer" shall mean the Treasurer of the State.

"Supplemental Resolution" shall mean a resolution adopted by the Commission in accordance with Section 2.05 of the Resolution as a supplement to the Resolution.

"Swap Agreements" shall mean collectively, the 2005 Swap Agreement and the 2007 Swap Agreement.

"Tax Compliance Certificate" shall mean the Tax Compliance Certificate and No Arbitrage delivered by the State in connection with the issuance of the 2017B Bonds.

"Tender Agent" shall mean U.S. Bank National Association and its permitted successors and assigns under the Resolution. The Tender Agent's designated office is 6810 Crumpler Boulevard, Suite 200, Olive Branch, Mississippi 38654, Attention: Corporate Trust Services.

"Tender Agent Agreement" shall mean any agreement between the State and one or more Tender Agents, as it may be amended and supplemented pursuant thereto, and each successor tender agent agreement.

"Tendered Bonds" shall mean all Bonds including 2017B Bonds tendered or deemed tendered for optional or mandatory purchase pursuant to the provisions of the Resolution. 2017B Bonds which constitute Liquidity Provider Bonds are not subject to tender for purchase and do not become Tendered Bonds.

"Tender Fund" has the meaning assigned to such term in Section 6.06(b) of the Resolution.

"Term Rate" shall mean the interest rate that may be determined pursuant to the applicable provisions of the Resolution for the 2017B Bonds for a period of time that is equal or approximately equal to (a) one year; (b) any whole multiple of one year; or (c) one year or any whole multiple of one year plus (i) one or more weeks, (ii) one or more months or (iii) any number of days.

"Term Rate Mode" shall mean a time period during which the 2017B Bonds bear interest at one or more Term Rates. A Term Rate Mode may include one or more Term Rate Periods.

"Term Rate Period" shall mean a period of time during which the 2017B Bonds bear interest at a particular Term Rate. Each period during which the 2017B Bonds bears interest at a particular Term Rate determined pursuant to Section 5.04 of the Resolution is a separate Term Rate Period.

"Term Rate Period With Liquidity" shall mean a Term Rate Period for the 2017B Bonds during which a Liquidity Facility is required to be in effect pursuant to Article VIII of the Resolution.

"Term Rate Period Without Liquidity" shall mean a Term Rate Period for the 2017B Bonds during which no Liquidity Facility is required to be in effect pursuant to Article VIII of the Resolution.

The 2017B Bonds are being initially issued in a Term Rate Mode for a Term Rate Period Without Liquidity. There is no Liquidity Facility for the 2017B Bonds during such Term Rate Period.

"Termination Date" shall mean the date on which a Liquidity Provider's commitment to purchase Bonds pursuant to the related Liquidity Facility terminates pursuant to the terms thereof.

"2005 Swap Agreement" shall mean that certain interest rate swap agreement between the State and Morgan Stanley & Co., LLC, evidenced by an ISDA Master Agreement, dated as of October 29, 2004, between the State and Morgan Stanley & Co., LLC, the Schedule thereto and the Confirmation thereto dated September 1, 2005 and effective September 1, 2005 (as amended and restated August 1, 2012).

"2007 Swap Agreement" shall mean that certain interest rate swap agreement between the State and Morgan Stanley & Co. LLC, evidenced by an ISDA Master Agreement, dated as of May 31, 2005, between the State and Morgan Stanley & Co. LLC, the Schedule thereto and the Confirmation thereto dated May 31, 2005 and effective September 4, 2007 (as amended and restated August 1, 2012).

"2017B Bond" or "2017B Bonds" shall mean the $61,260,000 State of Mississippi General Obligation Bonds, Series 2017B (LIBOR Term Rate) or any other bond of the State authorized to be issued by the Resolution, whether initially delivered or issued in exchange for, upon transfer of, or in lieu of any 2017B Bond previously issued.

"Weekly Rate" shall mean the interest rate that may be determined for the 2017B Bonds on a weekly basis pursuant to the applicable provisions of the Resolution.

"Weekly Rate Mode" shall mean a time period during which the 2017B Bonds bear interest at one or more Weekly Rates. A Weekly Rate Mode may include more than one Weekly Rate Period.

"Weekly Rate Period" shall mean a time period during which the 2017B Bonds bear interest at a particular Weekly Rate determined pursuant to Section 5.03 of the Resolution.

"Written Notice" shall mean notice in writing which may be delivered by hand or first class mail and shall also mean facsimile transmission (such as telecopy) as well as telegram and telex.

"Underwriters" shall mean Morgan Stanley & Co., LLC and Loop Capital Markets LLC as the Underwriters for the sale and issuance of 2017B Bonds.

Provisions for Issuance of Refunding Bonds

(a) All or any part of one or more series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any part of the 2017B Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act or other applicable laws of the State, the Resolution and by the Supplemental Resolution authorizing said Refunding Bonds.

(b) Refunding Bonds may be authenticated and delivered only upon delivery (in addition to the delivery of the documents required by Section 2.04 of the Resolution) of:

(i) Irrevocable instructions to the applicable Paying and Transfer Agent, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date specified in such instructions;

(ii) Irrevocable instructions to the Paying and Transfer Agent, satisfactory to it, to give notice provided for in Section 3.01 of the Resolution to the owners of the Bonds being refunded; and

(iii) Either (A) monies in an amount sufficient to effect payment at the applicable Redemption Price or principal payment amount of the Bonds to be refunded or paid, respectively, together with accrued interest on such Bonds to the redemption or maturity date, which monies shall be held by an escrow agent in a separate account irrevocably in trust for and assigned to the respective owners of the Bonds to be refunded or paid, or (B) Governmental Obligations in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of Section 12.08 of the Resolution which Governmental Obligations shall be held in trust and used only as provided in said Section.

Interest Rate on the 2017B Bonds

The 2017B Bonds are subject to Conversion to (but not from) a Fixed Rate, to or from a Daily Rate, to or from a Weekly Rate, and to or from a Term Rate (including a change from one Term Rate Period to another Term Rate Period). The rate of interest for any Rate Period shall be determined in a Supplemental Resolution, and each determination of rate or period shall be conclusive and binding upon the Remarketing Agent, the State, any Liquidity Providers, the Paying and Transfer Agent, the Tender Agent and the Registered Owners.

Daily, Weekly, Term and Fixed Rate Provisions

Interest for any Rate Period shall accrue from and including the commencement date of such Rate Period through and including the last day thereof. Interest on the Bonds shall accrue to, but excluding, the Interest Payment Date. Interest on the Bonds shall be payable on each Interest Payment Date pursuant to the terms and provisions of any Supplemental Resolution.

Computations of interest on the Bonds (including Liquidity Provider Bonds) shall: (i) while bearing interest at a Daily Rate, a Weekly Rate, a Term Rate for a Term Rate Period of less than one year in duration or at the Rate Following Failed Conversion From Term Rate Period Without Liquidity, be calculated on the basis of a 365 day or 366 day year, as appropriate, for the actual number of days elapsed; (ii) while bearing interest at a Term Rate for a Term Rate Period that is one year or more in duration (other than Bonds bearing interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity), be calculated on the basis of a 360-day year, for the actual number of days elapsed; and (iii) following any Conversion to a Fixed Rate, be calculated on the basis of a 360-day year composed of twelve 30-day months.

(d) No Bond shall at any time bear interest at a rate exceeding the Maximum Rate.

Daily Rate

(a) Each Daily Rate shall be determined not later than 9:30 a.m., New York City time, on each Business Day.

(b) Each Daily Rate Period shall commence on the Business Day on which the Daily Rate shall be determined pursuant to subsection (a) of Section 5.02 of the Resolution and shall extend to, but not include, the following Business Day. The Daily Rate for any day which is not a Business Day shall be the Daily Rate established for the immediately preceding Business Day.

(c) The Daily Rate shall be determined by the Remarketing Agent and shall represent the rate which, in the judgment of the Remarketing Agent, is the lowest rate of interest that would cause the Bonds bearing interest at a Daily Rate to have a market value equal to the principal amount thereof, plus accrued interest (if any), under prevailing market conditions on the Business Day on which the Daily Rate is determined. In the event that the Remarketing Agent no longer determines, or fails to determine when required, the Daily Rate for any Bonds bearing interest at a Daily Rate shall be determined at the time of Conversion.

(d) Notice of each Daily Rate shall be given by the Remarketing Agent by telephone, electronic transmission or other readily accessible electronic means to the State, the related Liquidity Provider, the Tender Agent and the Paying and Transfer Agent not later than 12:00 p.m., New York City time, on each Friday, and the Tender Agent shall make such rate or rates available from the time of notification to the Registered Owners of the Bonds bearing interest at a Daily Rate. Notice of interest rates shall be given by the Paying and Transfer Agent to the Registered Owners of Bonds bearing interest at a Daily Rate on each Interest Payment Date with the distribution of interest on such Bonds.

Weekly Rate

(a) Each Weekly Rate shall be determined not later than 9:00 a.m., New York City time, on the commencement date of each Weekly Rate Period (or, if such date is not a Business Day, on the immediately succeeding Business Day) (the "Rate Determination Date" for the Bonds bearing interest at a Weekly Rate).

(b) Each Weekly Rate Period shall commence on Wednesday of each week or, upon a Conversion of a Series of Bonds to a Weekly Rate, on the Conversion Date. Each such Weekly Rate Period shall end on the last day preceding the earliest of: (i) the commencement date of the next Weekly Rate Period within the same Weekly Rate Mode; (ii) the Conversion Date on which the Series of Bonds is Converted from the Weekly Rate Mode to another Rate Mode; (iii) the date of maturity; and (iv) the date of any mandatory tender.

(c) The Weekly Rate shall be determined by the Remarketing Agent and shall represent the rate which, in the judgment of the Remarketing Agent, is the lowest rate of interest that would cause the Bonds bearing interest at the Weekly Rate to have a market value equal to the principal amount thereof, plus accrued interest (if any), under prevailing market conditions on the commencement date of the Weekly Rate Period. In the event that the Remarketing Agent no longer determines, or fails to determine when required, the Weekly Rate for the Bonds, the Weekly Rate for the Bonds bearing interest at a Weekly Rate shall be determined at the time of Conversion.

(d) Notice of each Weekly Rate shall be given by the Remarketing Agent in writing (which may be by facsimile) to the State, the related Liquidity Provider, the Tender Agent and the Paying and Transfer Agent not later than 4:00 p.m., New York City time, on the Rate Determination Date, and the Tender Agent shall make such rate or rates available from the time of notification to the Registered Owners of the Bonds bearing interest at a Weekly Rate upon request for such information. Notice of interest rates shall be given by the Paying and Transfer Agent to the Registered Owners of Bonds bearing interest at the Weekly Rate on each Interest Payment Date with the distribution of interest on such Bond.

Term Rate

(a) Except as provided for the initial Term Rate, each Term Rate shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of each Term Rate Period (the "Rate Determination Date" for the Bonds bearing interest at a Term Rate).

(b) Upon the Conversion of a Series of Bonds to a Term Rate or from one Term Rate Period to another Term Rate Period, the Term Rate Period shall commence on the Conversion Date. Each such Term Rate Period shall end on the last day preceding the earliest of: (i) the Conversion Date on which the Series of Bonds is Converted to another Rate Mode or another Term Rate Period; (ii) the date of maturity; and (iii) the date of any mandatory tender.

(c) Other than the Initial Term Rate, the Term Rate for any later Term Rate Period shall be determined by the Remarketing Agent and shall, except as otherwise provided in Section 5.08 of the Resolution, represent the rate which, in the judgment of the Remarketing Agent, is the lowest rate of interest that would cause the Bonds bearing interest at a Term Rate to have a market value equal to the principal amount thereof, plus accrued interest (if any), under prevailing market conditions on the commencement date of the Term Rate Period. In the event that the Remarketing Agent no longer determines, or fails to determine when required, the Term Rate for the Bonds bearing interest at a Term Rate, the Bonds bearing interest at a Term Rate shall Convert to a Weekly Rate Mode and the Weekly Rates and Weekly Rate Periods shall be determined as provided under the caption "Weekly Rate" above.

(d) Notice of each Term Rate shall be given by the Remarketing Agent in writing (which may be by facsimile) to the State, the related Liquidity Provider, the Tender Agent and the Paying and Transfer Agent not later than 4:00 p.m., New York City time, on the Rate Determination Date, and the Tender Agent shall make such rate or rates available from the time of notification to the Registered Owners of the Bonds bearing interest at a Term Rate upon request for such information. Notice of interest rate shall be given by the Paying and Transfer Agent to the Registered Owners of Bonds bearing interest at a Term Rate on each Interest Payment Date with the distribution of interest on such Bond.

Fixed Rate

(a) The Fixed Rate to be effective to maturity upon Conversion of a Series of Bonds to a Fixed Rate shall be determined by the Remarketing Agent on the date specified in the notice of mandatory tender related to such Conversion (the "Rate Determination Date" for the Bonds bearing interest at a Fixed Rate) and shall, except as otherwise described below under "Floating Rates and Stepped Coupons; Remarketing at a Discount or Premium," represent the rate which, in the judgment of the Remarketing Agent, would cause such Bonds to have a market value equal to the principal amount thereof, plus accrued interest (if any), under prevailing market conditions on the commencement date of the Fixed Rate Period.

(b) Any Bonds being Converted to a Fixed Rate as described under the heading "Conversions" may, when initially issued at or Converted to a Fixed Rate, also be serialized at the option of the State upon receipt of an opinion of Bond Counsel to the effect that such serialization of such Series of Bonds does not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

Conversions

(a) Upon the direction of the State, which may be in the form of a certificate from the State Treasurer and the Executive Director, a Series of Bonds may be Converted from a Daily Rate to a Weekly Rate, Term Rate or Fixed Rate; from a Weekly Rate to a Daily Rate, Term Rate or Fixed Rate; from a Term Rate (including Bonds bearing interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity) to a Daily Rate, Weekly Rate or Fixed Rate or another Term Rate for another Term Rate Period. A Series of Bonds that is Converted to a Fixed Rate may also be serialized in accordance with the provisions of paragraph (b) under the heading captioned "Weekly Rate."

(b) The Conversion Date for a Conversion from a Daily Rate or a Weekly Rate shall occur on a regularly scheduled Interest Payment Date for the Rate Period in effect immediately prior to the Conversion. The Conversion Date for a Conversion from a Term Rate (or from one Term Rate Period to another Term Rate Period) shall occur on the day immediately following the last day of the Term Rate Period in effect immediately prior to the Conversion; provided that the Conversion Date for a Conversion of Bonds bearing interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity shall be any Business Day designated by the State by written notice to the Tender Agent, the Paying and Transfer Agent and the Remarketing Agent.

(c) Not later than the third day prior to the proposed Conversion Date (or the immediately preceding Business Day, if such third day is not a Business Day) for a Conversion from a Daily Rate, a Weekly

Rate or a Term Rate, the State may irrevocably withdraw its election to Convert the Series of Bonds proposed to be Converted and its notice of mandatory tender by giving written notice of such withdrawal to the Tender Agent, the Paying and Transfer Agent, the Remarketing Agent, and any related Liquidity Provider; provided that the State may irrevocably withdraw its election to Convert a Series of Bonds bearing interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity and its notice of mandatory tender with respect to such Bonds by giving notice to the same Persons not later than the Business Day prior to the proposed Conversion Date for a proposed Conversion from such rate. In the event the State gives such notice of withdrawal, (i) the Tender Agent shall promptly give Written Notice to the Registered Owners of all Bonds of the Series of Bonds that was to be Converted; (ii) any such Bonds that were bearing interest at the Daily Rate or Weekly Rate shall continue to bear interest at the Daily Rate or Weekly Rate, as applicable; (iii) any such Bonds that were bearing interest at a Term Rate for a Term Rate Period With Liquidity shall, on the proposed Conversion Date, automatically Convert to the Weekly Rate; (iv) any such Bonds that were bearing interest at Term Rate for a Term Rate Period Without Liquidity (except as provided in clause (v) of this subsection) shall, on the proposed Conversion Date, begin to bear interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity and the Interest Payment Dates and the next Conversion Date for such 2017B Bonds shall be as described in clause (iv) of paragraph (f) under this heading; and (v) any such Bonds that were bearing interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity shall continue to bear interest at such rate and the Interest Payment Dates and the next Conversion Date for such 2017B Bonds shall continue to be as described in clause (iv) of paragraph (f) under this heading. Failure by the Tender Agent to provide such notice to the Registered Owners of the Bonds of such Series shall not affect the validity of the notice of withdrawal given by the State.

(d) Subject to meeting the conditions to such Conversion, the State shall Convert the Bonds bearing interest at a Daily Rate or a Weekly Rate or a Term Rate for a Term Rate Period With Liquidity (but not for a Term Rate Period Without Liquidity) to a Term Rate for a Term Rate Period Without Liquidity or to a Fixed Rate prior to the mandatory tender that would occur upon expiration of the Liquidity Facility then in effect if such Liquidity Facility is not extended or replaced.

(e) Each Conversion is conditioned upon determination of the new rate or rates of interest (not later than 10:00 a.m. New York City time, on the Conversion Date) of (i) an opinion of Bond Counsel to the effect that such Conversion does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and (ii) in the case of a Conversion to a Daily Rate, a Weekly Rate or a Term Rate for a Term Rate Period With Liquidity (but not for a Term Rate Period Without Liquidity), evidence that the related Liquidity Facility provides for coverage of interest for a period at least five days longer than the period that will extend between Interest Payment Dates after such Conversion.

(f) If a proposed Conversion does not occur:

(i) 2017B Bonds bearing interest at the Daily Rate shall continue to bear interest at the Daily Rate;

(ii) 2017B Bonds bearing interest at the Weekly Rate shall continue to bear interest at the Weekly Rate;

(iii) 2017B Bonds bearing interest at the Term Rate for a Term Rate Period With Liquidity shall begin to bear interest at the Weekly Rate; and

(iv) 2017B Bonds bearing interest at the Term Rate for a Term Rate Period Without Liquidity:

(A) shall, until they are successfully Converted to another Rate Mode:

(1) during the first 90 days following such failed Conversion, bear interest at a rate equal to the greater of (x) the LIBOR rate plus the number of basis points set forth in the Bond Purchase Agreement or a Supplemental Resolution for the applicable sale or reoffering of such Bonds for such Term Rate Period, or (y) the interest rate set forth as such for the applicable sale or reoffering of such Bonds for such Term Rate Period (provided that no such rate shall ever exceed the Maximum Rate);

(2) from and after the 91st day following such failed Conversion, bear interest at the Maximum Rate;

(B) shall have the same Interest Payment Dates as for Bonds bearing interest at a Weekly Rate; and

(C) shall be subject to Conversion to another Rate Mode on any Business Day designated by the State by written notice to the Tender Agent, the Paying and Transfer Agent and the Remarketing Agent.

(g) The terms and provisions of a Conversion may be as set forth in the terms and provisions of a Supplemental Resolution or in a certificate of the State Treasurer and the Executive Director.

A proposed Conversion with respect to 2017B Bonds bearing interest at the Term Rate for a Term Rate Period Without Liquidity that does not occur is referred to as a "Failed Conversion From Term Rate Period Without Liquidity." The interest rate to be borne by 2017B Bonds following a Failed Conversion From Term Rate Period Without Liquidity is referred to as the "Rate Following Failed Conversion From Term Rate Period Without Liquidity."

Divisions of Series into Subseries; Serialization; Grouping into Term Bonds

(a) At the option of the State and subject to the provisions of this Section, all or any portion of any Series of Bonds being Converted to a Daily Rate, Weekly Rate, Term Rate or Fixed Rate may be divided into Subseries, any Subseries into which a Series of Bonds has been divided may be subdivided into additional Subseries, any two or more of such Subseries may be combined into a single Series and any Series of Bonds or any Subseries of any Series of Bonds may be serialized or grouped into term bonds in accordance with this Section. The State shall exercise its option under this Section by delivering written notice to the Remarketing Agent for such Series of Bonds describing the Subseries or Series to be created and the Bonds to be serialized and/or grouped into term bonds, but no such notice shall be effective until an opinion of Bond Counsel has been delivered to the effect that such division, serialization and/or grouping into term will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

(b) Each Subseries shall be designated by the letter of the Series of which it is a part, followed by a dash (-) and a number that has not previously been used to designate a Subseries of such Series.

(c) The Bonds of any Series that are subject to mandatory sinking fund redemption may be serialized to mature in principal amounts and on dates that coincide with the principal amounts and dates in which and on which Bonds of such Series are subject to mandatory sinking fund redemption pursuant to Section 3.01 of the Resolution or Section 5.05(b) of the Resolution (or, in the case of Bonds that are not subject to mandatory sinking fund redemption prior to maturity, in the principal amounts and on the dates such Bonds mature). Bonds that have been serialized pursuant to this subsection may be allocated to any Subseries so long as all Subseries of such Series, considered together, comply with this subsection.

(d) The Bonds of any Series or Subseries that mature serially or that could be serialized pursuant to subsection (c) above may be grouped into term bonds that mature and are subject to mandatory sinking fund redemption pursuant to Section 3.01 of the Resolution in principal amounts and on dates that coincide with the principal amounts and dates in which and on which such Bonds would mature (or would mature if serialized pursuant to subsection (c) above) but for being grouped into term bonds. Bonds that have been grouped into term bonds pursuant to this subsection may be allocated to any Subseries so long as all Subseries of such Series, considered together, comply with this subsection.

(e) This Section shall be applied after giving effect to Section 5.05(b) of the Resolution but this subsection may be applied on the same Conversion Date as such Section 5.05(b) of the Resolution is applied.

(f) On and after the Conversion Date on which 2017B Bonds is divided into Subseries or any such Subseries is subdivided into additional Subseries, all references in all other provisions of the Resolution (other than this Section) to Series shall be read to include any Subseries into which 2017B Bonds has been divided or any Subseries into which a Subseries of 2017B Bonds has been subdivided.

(g) Any Term Rate or Fixed Rate may be a floating interest rate based on an index or an index plus or minus any number of basis points.

Floating Rates and Stepped Coupons; Remarketing at a Discount or Premium

(a) Notwithstanding any other provision of the Resolution (all of which are hereby amended to the extent of any inconsistency with this Section), at the option of the State and subject to the provisions of this Section:

(i) any Term Rate or Fixed Rate may be a floating interest rate based on an index or an index plus or minus any number of basis points;

(ii) the State may authorize the Remarketing Agent for a Series of Bonds to be Converted to a Term Rate or Fixed Rate to remarket such Bonds at a rate that includes any, all or any combination of the following special provisions: (A) a floating rate based on an index or an index plus or minus any number of basis points, (B) more than one specified interest rates that change on specified dates and/or (C) an interest rate that changes upon the occurrence or nonoccurrence of one or any number of events; and/or

(iii) any Series of Bonds that is to be Converted to a Term Rate or to a Fixed Rate may be remarketed at a premium or discount.

(b) The State shall exercise its option under this Section by delivering written notice to the Remarketing Agent for such Series of Bonds containing the material described in subsection (c), (d) or (e) of this Section, as appropriate, but no such notice shall be effective until the applicable conditions set forth in subsection (f) of this Section have been satisfied.

(c) If the State desires to exercise its option to cause the Term Rate or Fixed Rate be a floating rate based on an index or an index plus or minus any number of basis points, the notice from the State shall specify the index to be used; and the Term Rate or Fixed Rate shall be the rate determined based on such index, plus or minus the number of basis points which, in the judgment of the Remarketing Agent, would cause the Bonds bearing interest at such rate to have a market value equal to the principal amount thereof plus accrued interest (if any), under prevailing market conditions on the commencement date of the Term Rate Period or Fixed Rate Period.

(d) If the State desires to exercise its option to authorize the Remarketing Agent for 2017B Bonds to be Converted to a Term Rate or Fixed Rate to remarket such Bonds at a rate that includes any, all or any combination of the special provisions described in paragraph (ii) of subsection (a) of this Section, the notice from the State shall specify which of such elements may be included and the parameters under which such special provisions may be included; and the Term Rate or Fixed Rate shall be the rate or rates with the elements described in, and subject to the parameters described in, the notice from the State which, in the judgment of the Remarketing Agent, would cause the Bonds bearing interest at such rate with such special provisions to have a market value equal to the principal amount thereof plus accrued interest (if any), under prevailing market conditions on the commencement date of the Term Rate Period or Fixed Rate Period.

(e) If the State desires to exercise its option to cause 2017B Bonds to be remarketed at a discount or premium, the notice from the State shall specify the discount or premium, the source from which any net discount will be funded and the manner in which any net premium will be distributed; and the Term Rate or Fixed Rate shall be the rate which, in the judgment of the Remarketing Agent, would cause the Bonds bearing interest at such rate to have a market value equal to the principal amount thereof, plus or minus such premium or discount and plus accrued interest (if any), under prevailing market conditions on the commencement date of the Term Rate Period or Fixed Rate Period.

(f) No notice from the State exercising any option under this Section shall be effective until:

(i) the Remarketing Agent has received an opinion of Bond Counsel to the effect that the action resulting from the State's exercise of its option (including but not limited to the funding of any net discount and the use of any net premium) is authorized by the applicable Supplemental Resolution and does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; and

(ii) if the State exercises its option to cause 2017B Bonds to be remarketed at a net discount, the State agrees to deliver and submits evidence satisfactory to the Tender Agent that it will be able to deliver Available Moneys to the Tender Agent in an amount equal to the difference between the proceeds from the remarketing of such Bonds and the Purchase Price of such Bonds before the Purchase Price of such Bonds is due to the Persons from whom such Bonds are to be purchased.

(g) If 2017B Bonds is remarketed at a net discount, the State shall deliver Available Moneys to the Tender Agent in an amount equal to the difference between the proceeds from the remarketing of such Bonds and the Purchase Price of such Bonds before the Purchase Price of such Bonds is due to the Persons from whom such Bonds are to be purchased, the Tender Agent shall deposit such moneys into the Remarketing Account of the Tender Fund and such moneys shall be used to pay the Purchase Price of such Bonds.

(h) If 2017B Bonds is remarketed at a net premium, the Tender Agent shall distribute the difference between the proceeds from the remarketing of such Bonds and the Purchase Price of such Bonds in the manner described in the State's notice.

Optional Tender of Daily Rate and Weekly Rate Bonds

So long as the applicable Liquidity Provider's obligation to purchase Bonds of the related Series pursuant to the related Liquidity Facility has not been suspended or terminated, any Bonds bearing interest at a Daily Rate or a Weekly Rate (other than Liquidity Provider Bonds and Bonds held by or for the State) are subject to tender for purchase at the Purchase Price by the Tender Agent at the option of the Registered Owners thereof. Tenders for purchase at the option of the Registered Owners of Bonds bearing interest at a Daily Rate or a Weekly Rate shall be permitted on any Business Day which is not less than seven days subsequent to the date the Tender Agent receives notice of the optional tender of such Bond from the Registered Owner thereof. All Bonds or portions thereof tendered or retained shall be in Authorized Denominations.

The 2017B Bonds are initially being issued in the Term Rate Mode. While in the Term Rate Mode, the 2017B Bonds will not be subject to tender for purchase at the option of the Owners.

Notice of Optional Tender

Each notice of Optional Tender:

(a) shall be given in writing not later than 5:00 p.m., New York City time, on any Business Day not less than seven days prior to the Purchase Date;

(b) shall be delivered to the Tender Agent at its designated office and be substantially in the form attached as an exhibit to the Resolution; and

(c) shall state the substance of the information called for in such exhibit.

Bonds to be Remarketed Upon Optional Tender

Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of optional tender, the Tender Agent shall notify the State, the related Liquidity Provider and the Remarketing Agent (by telephone, telegram, telecopy, telex or other similar communication) of the principal amount of the Bonds to be purchased and the Purchase Date.

Remarketing of Tendered Bonds

. The Remarketing Agent shall, subject to the provisions of the Remarketing Agreement, offer for sale and use its best efforts to find purchasers (at par plus accrued interest, if any) for all Bonds or portions thereof properly tendered in an optional tender. Bonds shall not be remarketed to the State or any affiliate thereof unless an opinion of Bond Counsel is issued to the State to the effect that the purchase of such Bonds by the State does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. The Remarketing Agent shall cause the Purchase Price to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Purchase Date. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any Bond as to which a notice of redemption or mandatory tender has been given unless the Remarketing Agent has advised the Person to whom the Bond is offered for purchase of the notice of redemption or mandatory tender. If the "available commitment" under the Liquidity Facility then in effect is not automatically reinstated upon the remarketing of Liquidity Provider Bonds, the Remarketing Agent shall not remarket Liquidity Provider Bonds until the Remarketing Agent shall have received written confirmation from the related Liquidity Provider that the "available commitment" has been reinstated. The Remarketing Agent shall use its best efforts to solicit purchases of Liquidity Provider Bonds and shall remarket Liquidity Provider Bonds prior to the remarketing of other Bonds.

Purchase of Tendered Bonds

The following notices shall be given (by telephone (confirmed by Written Notice), telegram, telecopy, telex or other similar communication) with respect to the remarketing of Tendered Bonds: (i) the Remarketing Agent shall notify the Tender Agent of the amount of Tendered Bonds which were remarketed and the amount of Tendered Bonds which were not remarketed not later than 2:00 p.m., New York City time, on the Business Day immediately preceding the Purchase Date; and (ii) if any such notice indicates that any Tendered Bonds were not remarketed, the Remarketing Agent shall notify the applicable Liquidity Provider not later than 4:30 p.m., New York City time, on the Business Day immediately preceding the Purchase Date, of the amount of Tendered Bonds which were not remarketed and such notice to such Liquidity Provider shall constitute an informational statement only as to the then current expectation as to the anticipated amount of the advance of money which will be required pursuant to the related Liquidity Facility.

In the case of Tendered Bonds tendered in an optional tender: (i) the Remarketing Agent shall notify the Tender Agent, the applicable Liquidity Provider and the State of the amount of Tendered Bonds which were not remarketed not later than 10:30 a.m., New York City time, on the Purchase Date; and (ii) the Remarketing Agent shall provide the proceeds of the remarketed Tendered Bonds to the Tender Agent to pay the Purchase Price of such Bonds by 10:30 a.m., New York City time, on such date. The Tender Agent shall (and the State, for the benefit of the Registered Owners, irrevocably so instructs the Tender Agent to) promptly (but in no event later than 11:00 a.m., New York City time) notify such Liquidity Provider of the amount of Tendered Bonds for which it has not received remarketing proceeds, which notification shall be given in the form set forth in the related Liquidity Facility and shall constitute a demand, on behalf of the State and the Registered Owners, to such Liquidity Provider to provide immediately available funds to purchase such unremarketed Tendered Bonds by 2:00 p.m., New York City time. If the Remarketing Agent does not cause funds to be delivered to the Tender Agent to pay for remarketed Tendered Bonds not later than 10:30 a.m., New York City time, on the Purchase Date, the Tender Agent may deem all Tendered Bonds to have failed to be remarketed and may demand the purchase of all such Tendered Bonds by such Liquidity Provider.

At or before 1:00 p.m., New York City time, on the date fixed for purchase of Tendered Bonds, the Remarketing Agent shall give notice to the Tender Agent in writing (which may be by facsimile) or by telephone, confirmed by Written Notice, of the names, addresses and taxpayer identification numbers of the purchasers and the denominations of Bonds to be delivered to each purchaser.

By 3:00 p.m., New York City time, on the Purchase Date the Tender Agent shall pay the Purchase Price of Tendered Bonds to the Registered Owners thereof at its principal office or by bank wire transfer. Such payments of Purchase Price shall be made in immediately available funds. The Tender Agent shall apply in order (i) money paid to it by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such Bonds by the Remarketing Agent and (ii) money drawn against the related Liquidity Facility. If sufficient funds are not available for the purchase of all such Tendered Bonds, no purchase shall be consummated. If surplus funds are available following consummation of the purchase of all such Tendered Bonds, the Tender Agent shall send by bank wire transfer any such excess first, to the extent funds were provided pursuant to a drawing on the related Liquidity Facility for such purchase, to the related Liquidity Provider, and second, to the extent not required to reimburse such Liquidity Provider, to the State.

All Bonds to be purchased upon an optional tender on any date shall be required to be delivered to the designated office of the Tender Agent at or before 10:00 a.m., New York City time, on the Purchase Date. On the Purchase Date, the Tender Agent shall register and make available for delivery at its office (or hold) or cancel all purchased Bonds as follows: (i) Bonds remarketed by the Remarketing Agent shall be registered and delivered in accordance with the instructions of the Remarketing Agent and (ii) Bonds purchased with amounts drawn under the related Liquidity Facility shall be registered and delivered as directed by related Liquidity Provider or as otherwise provided in such Liquidity Facility.

The Purchase Price of Tendered Bonds is payable solely from the proceeds of the remarketing of such Tendered Bonds described under this caption and any proceeds of a drawing on any Liquidity Facility relating to the Tendered Bonds on deposit in the Liquidity Account of the Tender Fund. No Registered Owner of any Tendered Bond or any other Person has any right to payment of the Purchase Price from any other source.

The provisions of the section captioned "Purchase; Undelivered Bonds" shall apply to the purchase of Bonds tendered for purchase at the option of the Registered Owners.

Mandatory Tender upon Conversion

The Bonds of each Series (other than Liquidity Provider Bonds and Bonds held by or for the State) that bear interest at a Daily Rate, a Weekly Rate or a Term Rate shall be subject to mandatory tender for purchase by the Tender Agent on each Conversion Date for such Bonds at the applicable Purchase Price, except that Bonds of a Series that bear interest at a Daily Rate, a Weekly Rate or a Term Rate for a Term Rate Period With Liquidity shall be subject to mandatory tender only so long as the applicable Liquidity Provider's obligation to purchase the Bonds of the related Series pursuant to the related Liquidity Facility has not been suspended or terminated. The Bonds of a Series that bear interest at a Term Rate for a Term Rate Period Without Liquidity shall be subject to mandatory tender for purchase by the Tender Agent on each Conversion Date for such Bonds at the Purchase Price without reference to any Liquidity Facility.

Not less than eight days prior to the Conversion Date, the State shall give Written Notice, which notice may be given by the State Treasurer and the Executive Director, of the Conversion to the Tender Agent, the Remarketing Agent, and, for Bonds other than Bonds being Converted from a Term Rate for a Term Rate Period Without Liquidity, the related Liquidity Provider, setting forth the proposed Conversion Date and the proposed Rate Mode (and if such Rate Mode is the Term Rate Mode, the proposed Term Rate Period) following the Conversion; provided, however, that Written Notice of a Conversion from a Rate Following Failed Conversion From Term Rate Period Without Liquidity may be given by the State pursuant to this subsection on any Business Day.

Written Notice of mandatory tender shall be given to the Registered Owners of the Bonds subject to such mandatory tender substantially in the form attached to the Resolution at least six days prior to the Conversion Date. Upon withdrawal of the State's election to Convert Bonds or failure to meet the conditions thereto, the State or the Tender Agent, if requested by the State Treasurer and the Executive Director on behalf of the State, shall give Written Notice to the Registered Owners of such Bonds substantially in the form attached to the Resolution as soon as possible; provided, however, that Written Notice of a Conversion from a Rate Following Failed Conversion From Term Rate Period Without Liquidity shall be given to the Registered Owners of the Bonds subject to such mandatory tender no later than the Business Day prior to the Conversion Date.

The provisions applicable to remarketing and purchase of optionally Tendered Bonds contained in Sections 6.04 and 6.05 of the Resolution shall apply to Bonds tendered upon Conversion, recognizing the Conversion Date as the Purchase Date, except that the provisions of said Sections relating to Liquidity Facilities, Liquidity Providers and Liquidity Provider Bonds shall not apply to Bonds tendered upon Conversion that bear interest at a Term Rate for a Term Rate Period Without Liquidity.

Mandatory Tender upon Expiration or Early Termination of a Liquidity Facility

So long as the applicable Liquidity Provider's obligation to purchase Bonds pursuant to the related Liquidity Facility has not been suspended or terminated, Bonds (other than Liquidity Provider Bonds and Bonds held by or for the State) that bear interest at a Daily Rate, a Weekly Rate or a Term Rate for a Term Rate Period With Liquidity (but not those that bear interest at a Term Rate for a Term Rate Period Without Liquidity) shall be subject to mandatory tender for purchase by such Liquidity Provider pursuant to such Liquidity Facility, on the fifth Business Day prior to the date of expiration or early termination of such Liquidity Facility (the "Purchase Date"), unless on the twentieth day prior to any Termination Date of such Liquidity Facility, the State has given Written Notice (the "Extension Notice") to the Tender Agent of the extension or replacement of such Liquidity Facility as described under the caption "Maintenance of Liquidity Facility" in this APPENDIX G, together with the Rating Confirmation required thereunder upon a substitution. If the Tender Agent does not receive the Extension Notice from the State together with a Rating Confirmation required by Section 8.01 of the Resolution upon a substitution on such twentieth day, the Tender Agent shall (and the State, for the benefit of the Registered Owners, irrevocably so instructs the Tender Agent) notify the

Registered Owners of such Bonds, by certified mail, postage prepaid, return receipt requested, of such mandatory tender at least 15 days prior to the Purchase Date. Such notice to Registered Owners shall also state the Purchase Date; that such Bonds shall be required to be surrendered to the Tender Agent on the Purchase Date; that if any such Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon the deposit by the Tender Agent of sufficient money in a special account for the payment of the Purchase Price of such Bond, interest on such Bond shall cease to accrue to the former Registered Owner and such Bond shall be deemed purchased by such Liquidity Provider. Such Liquidity Provider shall purchase each Bond mandatorily tendered pursuant to this Section at the Purchase Price (whether or not actually tendered). The Purchase Price of all Bonds purchased pursuant to this Section shall be paid from funds furnished under such Liquidity Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Registered Owner thereof, at the office of the Tender Agent. The Tender Agent shall demand, on behalf of the State and the Registered Owners, in the form set forth in such Liquidity Facility, that such Liquidity Provider provide immediately available funds to purchase such Bonds by 2:00 p.m., New York City time, on the Purchase Date. Notwithstanding the foregoing, if the Bonds are to be remarketed upon a substitution of a Liquidity Facility for which the State could not provide the required Rating Confirmation upon such substitution, the provisions applicable to the remarketing and purchase of optionally Tendered Bonds contained in Sections 6.04 and 6.05 of the Resolution shall apply to Bonds tendered upon a replacement of the existing Liquidity Facility, recognizing the fifth Business Day prior to the date of expiration or early termination of such Liquidity Facility as the Purchase Date.

Purchase; Undelivered Bonds

On the Purchase Date designated for any Bond (including a Purchase Date in connection with an optional tender of a Bond), if sufficient money for the payment of the Purchase Price of such Bond is held in the Tender Fund, interest on such Bond shall cease to accrue to the former Registered Owner, such Bond shall be deemed to have been purchased pursuant to the Resolution, irrespective of whether or not such Bond shall have been presented to the Tender Agent, and the former Registered Owner of such Bond or interests therein shall have no claim thereunder or otherwise for any amount other than to receive the Purchase Price therefor. The State shall execute and the Tender Agent shall authenticate and deliver to or upon the order of the new Registered Owner (or, if such Bond has become a Liquidity Provider Bond, the applicable Liquidity Provider) on the Purchase Date or the next succeeding Business Day, without charge therefor, a new Bond or Bonds, of the same maturity and designation, of Authorized Denominations and in the principal amount equal to the Bonds so purchased but not tendered by the former Registered Owners thereof on the Purchase Date ("Undelivered Bonds"). All Bonds tendered to the Tender Agent for purchase shall be delivered (by credit at a depository or otherwise) to such new Registered Owner (or, if such Bond has become a Liquidity Provider Bond, the applicable Liquidity Provider). The Tender Agent shall register the transfer of the Bonds that have become Liquidity Provider Bonds (other than those transferred at a depository) to or upon the order of the applicable Liquidity Provider or as otherwise provided in the related Liquidity Facility.

The Tender Agent shall hold a fund designated as the Tender Fund in which there are established two special accounts known as the "Liquidity Facility Account" and the "Remarketing Account." No funds shall be accepted by the Tender Agent for deposit to the Liquidity Facility Account other than the proceeds of a drawing on a Liquidity Facility to pay the purchase price of Tendered Bonds; and no funds shall be accepted by the Tender Agent for deposit to the Remarketing Account other than the proceeds of the remarketing of the Bonds by the Remarketing Agent and, in the case of a remarketing at a discount pursuant to Section 5.08 of the Resolution, Available Moneys that the State delivers to the Tender Agent pursuant to said Section 5.08 Money held to the credit of the Tender Fund shall not be invested or commingled.

The Tender Agent shall hold in the Tender Fund money for the Purchase Price of Undelivered Bonds, uninvested and without liability for interest thereon, for the benefit of the former Registered Owners of such Bonds, who shall thereafter be restricted to such money for the satisfaction of any claim for the Purchase Price of such Bonds. The Tender Agent shall maintain a record of the Undelivered Bonds, together with the names and addresses of the former Registered Owners thereof. In case any Undelivered Bond is delivered to the Tender Agent subsequent to the Purchase Date, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Registered Owner thereof, on any Business Day, the Tender Agent shall pay the Purchase Price of such Undelivered Bond to the former Registered Owner on such Business Day.

The Tender Agent shall accept delivery of all Bonds surrendered to it in accordance with the Resolution, and hold such Bonds in trust for the benefit of the respective Registered Owners that shall have so surrendered such Bonds, until the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Registered Owners or otherwise held by the Tender Agent under this Section.

In purchasing Bonds under the Resolution, the Tender Agent shall be acting as a conduit and shall not be purchasing Bonds for the State's or its own account and in the absence of Written Notice from the applicable Liquidity Provider shall be entitled to assume that any Bond tendered to it, or deemed tendered to it, for purchase is entitled to be so purchased.

Limited Sources of Payment of Purchase Price; Failed Remarketing

(a) The Purchase Price of Tendered Bonds that bear interest at a Term Rate during a Term Rate Period Without Liquidity is payable solely from moneys on deposit in the Remarketing Account of the Tender Fund from the proceeds of the remarketing of such Tendered Bonds and, in the case of a remarketing at a discount pursuant to Section 5.08 of the Resolution, Available Moneys that the State delivers to the Tender Agent pursuant to said Section 5.08 No Registered Owner of any such Tendered Bond or any other Person has any right to payment of the Purchase Price from any other source.

(b) The Purchase Price of Tendered Bonds that bear interest at a Daily Rate, a Weekly Rate or a Term Rate for a Term Rate Period With Liquidity is payable solely from (i) moneys on deposit in the Remarketing Account of the Tender Fund from the proceeds of the remarketing of such Tendered Bonds and, in the case of a remarketing at a discount pursuant to said Section 5.08 Available Moneys that the State delivers to the Tender Agent pursuant to said Section 5.08; and (ii) moneys on deposit in the Liquidity Account of the Tender Fund from proceeds of drawings on any Liquidity Facility relating to the Tendered Bonds. No Registered Owner of any such Tendered Bond or any other Person has any right to payment of the Purchase Price from any other source.

(c) If the money held in the Remarketing Account of the Tender Fund and, in the case of Bonds bearing interest at a Daily Rate, a Weekly Rate or a Term Rate for a Term Rate Period With Liquidity, the Liquidity Facility Account of the Tender Fund following a mandatory tender of 2017B Bonds pursuant to this Section are not sufficient to pay the Purchase Price of all Tendered Bonds of a Series (a "Failed Remarketing"), no Bonds of such Series shall be purchased, such Series of Bonds shall bear interest from the proposed Conversion Date as described below:

(i) if such Bonds were bearing interest at the Daily Rate, the Weekly Rate or a Term Rate for a Term Rate Period With Liquidity, they shall bear interest at the same rate as 2017B Bonds bearing interest at the Daily Rate, the Weekly Rate or a Term Rate for a Term Rate Period With Liquidity for which a proposed Conversion Date does not occur as described in the last paragraph under the caption "Conversions" above; and

(ii) if such Bonds were bearing interest at a Term Rate for a Term Rate Period Without Liquidity, they shall bear interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity for the same period and the Interest Payment Dates and the next Conversion Date for such Series of Bonds shall be as described in the clause (iv) of the last paragraph under the caption "Conversions" above.

(d) The Remarketing Agent shall use its best efforts to remarket Bonds that bear interest at a Daily Rate or Weekly Rate pursuant to paragraph (i) of subsection (c) of this Section after the initial Rate Periods described in such paragraph in the same manner as it remarkets other Bonds that bear interest at a Daily Rate or Weekly Rate, as applicable, and pursuant to the Remarketing Agreement. The Remarketing Agent shall use its best efforts to remarket Bonds that bear interest at the Rate Following Failed Conversion From Term Rate Period Without Liquidity in accordance with paragraph (ii) of subsection (c) of this Section on the proposed Conversion Date for the Conversion of such Bonds to another Rate Mode pursuant to the Remarketing Agreement.

Maintenance of Liquidity Facility

So long as the Bonds of a Series bear interest at a Daily Rate, a Weekly Rate or a Term Rate for a Term Rate Period With Liquidity, the State shall keep in effect one or more Liquidity Facilities acceptable for the benefit of the Registered Owners of such Bonds which is issued by a financial institution which qualifies for one of the two highest short term rating categories from S&P and Moody's or Fitch. The Liquidity Provider with respect to such Liquidity Facility shall be the party who shall have, pursuant to such Liquidity Facility, the obligation to purchase all or any portion of any Tendered Bonds which cannot be remarketed.

The State may, and in the case of a default by the Liquidity Provider, substitute a new Liquidity Facility for any existing Liquidity Facility. On or before the date of substitution of a new Liquidity Facility for an existing Liquidity Facility, the State shall obtain a Rating Confirmation from each rating agency and shall secure an opinion of Bond Counsel to the effect that the furnishing of such substitute Liquidity Facility complies with the terms of the Resolution and will not cause the interest on the Bonds to be includable in gross income for federal income tax purposes. The State shall give Written Notice to Remarketing Agent at least 45 days prior to any substitution. The Paying and Transfer Agent shall provide Written Notice of such substitution to each affected Registered Owner at least 15 days prior to any substitution.

The 2017B Bonds are being initially issued in the Term Rate Mode for a Term Rate Period Without Liquidity. There is no Liquidity Facility for the 2017B Bonds during such Term Rate Period.

No Extinguishment

Bonds held by or on behalf of a Liquidity Provider following payment of the Purchase Price of such Bonds pursuant to a drawing against the related Liquidity Facility shall not be deemed to be retired, extinguished or paid and shall for all purposes remain Outstanding.

Notice of Suspension or Termination of Liquidity Facility

The Paying and Transfer Agent shall give Written Notice to the Registered Owners of the suspension or termination of any Liquidity Provider's obligation to purchase Bonds pursuant to the related Liquidity Facility within three Business Days of the Paying and Transfer Agent's receipt of Written Notice from the State or such Liquidity Provider that such Liquidity Provider's obligation to purchase Bonds pursuant to such Liquidity Facility has been suspended or terminated.

No Liquidity Facility Required for Fixed Rate or Term Rate for a Term Rate Period Without Liquidity

Notwithstanding any other provision of the Resolution, no Liquidity Facility shall be required with respect to 2017B Bonds that bears interest at a Fixed Rate or at a Term Rate for a Term Rate Period Without Liquidity.

Liquidity Provider References Ineffective When No Liquidity Facility in Effect

(a) Prior to the effectiveness of any Liquidity Facility, and from and after the expiration or termination of any Liquidity Facility previously in effect upon receipt by the State of Written Notice from the related Liquidity Provider stating that all amounts payable to such Liquidity Provider under such Liquidity Facility have been paid in full, all references to such Liquidity Provider and such Liquidity Facility (and related documents, if any) in the Resolution and in the Bonds shall be ineffective.

(b) The State shall give prompt Written Notice to each Rating Agency of any amendment, expiration, termination, substitution or extension of any Liquidity Facility, any redemption, defeasance, mandatory tender or Conversion of any Bonds, any change in the Tender Agent or Remarketing Agent and any material change in the terms of and Liquidity Facility, the Bonds or the Resolution.

Liquidity Provider Bonds

(a) Any Liquidity Provider Bond shall bear interest at the rates and be payable as provided in the applicable Liquidity Facility. Liquidity Provider Bonds may be sold when and as provided in such Liquidity Facility, and, when sold (or if the holder elects to retain the Liquidity Provider Bond rather than sell such Liquidity Provider Bond, when deemed sold) will no longer bear interest at the interest rates established under such Liquidity Facility. The Remarketing Agent shall use its best efforts to solicit purchases of Liquidity Provider Bonds and shall remarket Liquidity Provider Bonds prior to the remarketing of other Bonds.

(b) Nothing contained in any Liquidity Facility shall require the State to pay interest at a rate exceeding the Maximum Rate and, if the amount of interest payable on any payment date with respect to a Liquidity Provider Bond, would exceed the Maximum Rate, the amount of interest payable on such payment date with respect to such Liquidity Provider Bond shall be automatically reduced to such Maximum Rate.

Appointment and Acceptance of Tender Agent and Successors Thereto

(a) The State has appointed U. S. Bank National Association as Tender Agent pursuant to the Resolution. One or more additional or successor Tender Agents may be appointed by the State as described in subsection (c) under this caption to the extent necessary to effectuate the rights of the Registered Owners to tender Bonds for purchase.

(b) The Tender Agent may at any time resign and be discharged of its duties by giving at least 60 days' Written Notice to the State, any Liquidity Provider(s), and the Remarketing Agent. The Tender Agent may be removed at any time by the State by a written instrument filed with any Liquidity Provider(s) and the Remarketing Agent. No resignation or removal shall take effect until the appointment of a successor Tender Agent. Upon the resignation or removal of the Tender Agent, the Tender Agent shall pay over, deliver and assign any Liquidity Facilities then in effect and any money and Bonds held by it in such capacity to its successor.

(c) If the position of Tender Agent shall become vacant for any reason, or if any bankruptcy, insolvency or similar proceeding shall be commenced by or against the Tender Agent, the State shall appoint a successor Tender Agent to fill the vacancy. The State shall give Written Notice of the appointment of a successor Tender Agent or an additional Tender Agent to the Remarketing Agent and any Liquidity Providers. Any successor or additional Tender Agent shall be a corporation duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least $50,000,000, authorized by law to perform all of the duties of the Tender Agent.

General Responsibilities of Tender Agent

(a) The Tender Agent shall perform the duties and obligations set forth in the Resolution and in the Bonds, and in particular shall:

(i) hold all Bonds delivered to it for purchase under the Resolution in trust as agent and bailee of, and in escrow for the benefit of, the respective Registered Owners which have so delivered such Bonds, until money representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Registered Owners;

(ii) hold all money delivered to it under the Resolution for the purchase of Bonds as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such money, until the Bonds purchased with such money shall have been delivered to or for the account of such person or entity;

(iii) hold all Tendered or deemed Tendered Bonds purchased with the proceeds of draws under a Liquidity Facility as agent and bailee of the related Liquidity Provider and deliver such Bonds as directed by such Liquidity Provider or as otherwise provided in such Liquidity Facility; and

(iv) keep such books and records as shall be consistent with prudent industry practice, and make such books and records available for inspection by the State, any Liquidity Providers and the Remarketing Agents at all reasonable times.

(b) To the extent permitted by law, the Tender Agent shall not be liable in connection with the performance of its duties under the Resolution except for its own willful misconduct, negligence or bad faith.

(c) The Tender Agent and the Remarketing Agent, where applicable, shall cooperate to the extent necessary to permit the preparation, execution, issuance, authentication and delivery by the Tender Agent of replacement Bonds in connection with the tender and remarketing of Bonds under the Resolution, the payment of the Purchase Price, and the payment of amounts due and payable on Liquidity Provider Bonds as provided in the applicable Liquidity Facility.

(d) The Tender Agent shall have no right to set off, or other rights to, or liens on, any funds or obligations held by or owing to it, from the State, the Remarketing Agent and any Liquidity Providers pursuant to the Resolution.

(e) The Tender Agent shall be entitled to assume that any Bond tendered to it, or deemed tendered to it, for purchase is entitled to be so purchased.

(f) If sufficient funds to purchase all Bonds optionally or mandatorily tendered for purchase on a date are not held by the Tender Agent, the tender for purchase of all such Bonds on such date shall be cancelled, and the Tender Agent shall return each Bond surrendered to it to the tendering Registered Owner.

(g) The Tender Agent shall not seek indemnification prior to drawing upon a Liquidity Facility.

Procedures for Tendering Bonds

(a) Upon receipt by the Tender Agent of (i) any notice of tender and (ii) any Bonds delivered to it for purchase, the Tender Agent shall deliver to the Person delivering such tender notice and such Bonds written evidence of the Tender Agent's receipt of such documents and instruments.

(b) The Tender Agent shall promptly return any tender notice (together with Bonds submitted in connection therewith) that is incomplete or improperly completed or not delivered in a timely fashion to the person submitting such notice upon surrender of the receipt, if any, issued therefor.

(c) The Tender Agent's determination of whether a tender notice is properly completed or delivered on a timely basis shall be binding on the Registered Owner of the Bonds submitted therewith.

Sources of Funds for the Purchase of Tendered Bonds

(a) The Tender Agent shall be obligated to purchase, but only from the funds listed in the Resolution and in no event from its own funds, Bonds delivered to it for purchase in accordance with the Resolution at the Purchase Price thereof.

(b) Any money received by the Tender Agent from the Remarketing Agent pursuant to a Remarketing Agreement shall be (i) held in trust for the depositor thereof, (ii) deposited to the credit of the Remarketing Account and (iii) disbursed in accordance with the Resolution.

(c) Any money received by the Tender Agent from a Liquidity Provider for the payment of the purchase of Tendered Bonds shall be (i) held in trust for the depositor thereof, (ii) deposited to the credit of the Liquidity Facility Account and (iii) disbursed in accordance with the Resolution.

(d) The Tender Agent, in carrying out its responsibilities under the Resolution, shall be acting solely as the agent of the Registered Owners from time to time of the Bonds and as the agent for the persons delivering money to it, as the case may be, and shall not be deemed to be purchasing Bonds for the State (except as specifically provided in the Resolution) or its own account. No delivery of Bonds to the Tender Agent shall constitute a redemption of the Bonds or an extinguishment of the debt they represent.

Preparation and Delivery of Replacement Bonds

(a) Bonds sold by the Remarketing Agent pursuant to the Resolution shall be available for delivery to the purchaser thereof at the office of the Tender Agent. The Tender Agent shall make available for delivery at its office replacement Bonds to the purchaser thereof, registered in the name or otherwise at the direction of the purchaser, upon receipt of the proceeds of the sale of such Bonds.

(b) If less than all of the principal amount of any Bonds held by a Registered Owner shall have been delivered to the Tender Agent for purchase, the Tender Agent shall make available for delivery or cause to be made available for delivery to the Registered Owner of such Bonds, upon surrender thereof, replacement Bonds prepared by the State for the balance not delivered for purchase.

(c) The Tender Agent and the State shall take all steps necessary in accordance with the Resolution to facilitate the timely preparation, execution, authentication and registration of replacement Bonds so as to be available for delivery by the Tender Agent to the purchasers thereof or the Registered Owners of Bonds tendered in part.

Tender Agent May Deal in Bonds

The Tender Agent may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Registered Owners may be entitled to take with like effect. The Tender Agent may also engage in or be interested in financial or other transactions with the State, provided that such transactions are not in conflict with its duties under the Resolution.

Remarketing Agent

(a) The State has entered into a Remarketing Agreement with Morgan Stanley & Co. LLC as Remarketing Agent.

(b) The Remarketing Agent shall be authorized by law to perform all of the duties imposed upon it hereby and by its Remarketing Agreement. The Remarketing Agent shall:

(i) determine the Daily Rates, the Weekly Rates, the Term Rates and the Fixed Rates and give notice of such rates as set forth in the Resolution and in the Bonds;

(ii) use its best efforts to remarket Bonds (including any Liquidity Provider Bonds and any Tendered Bonds for which a Failed Remarketing has occurred) in accordance with the Remarketing Agreement; and

(iii) keep such books and records as shall be consistent with prudent industry practice, and make such books and records available for inspection by the State, any Liquidity Providers and the Tender Agent at all reasonable times.

(c) In performing its duties and obligations under the Resolution, the Remarketing Agent shall use the same degree of care and skill as a prudent person would exercise under the same circumstances in the conduct of his own affairs. To the extent permitted by law, the Remarketing Agent shall not be liable in connection with the performance of its duties under the Resolution except for its own willful misconduct, negligence or bad faith.

Removal or Resignation of Remarketing Agent

The State may remove the Remarketing Agent at any time, upon such notice as may be required by the Remarketing Agreement. The State shall also promptly designate a successor if the Remarketing Agent resigns or becomes ineligible. Each successor Remarketing Agent shall at all times be registered as a dealer of municipal securities under the Securities Exchange Act of 1934, as amended, with net capital of at least $50,000,000. As set forth in the Remarketing Agreement, the Remarketing Agent may at any time resign and (upon the appointment of a successor Remarketing Agent) be discharged of its duties and obligations by giving Written Notice to the State, any Liquidity Providers and the Tender Agent as required by the Remarketing Agreement. The Tender Agent shall give Written Notice to the Registered Owners of any removal or appointment of the Remarketing Agent.

Successor Remarketing Agents

Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Remarketing Agent. In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the State shall not have appointed its successor, the Tender Agent may apply to a court of competent jurisdiction for such appointment.

Remarketing Agent May Deal in Bonds

The Remarketing Agent may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Registered Owners may be entitled to take with like effect. The Tender Agent may also engage in or be interested in financial or other transactions with the State, provided that such transactions are not in conflict with its duties under the Resolution.

Events of Default

Each of the following occurrences or events for the purpose of the Resolution, specifically to exclude the events to occur upon a failed Conversion, is hereby declared to be an Event of Default:

(a) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Bonds when the same becomes due and payable; or

(b) default in the performance or observance of any other covenant, agreement, or obligation of the State, which default materially and adversely affects the rights of the Registered Owners, including but not limited to their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the State.

Remedies for Default

(a) Upon the happening of any Event of Default, any Registered Owner or an authorized representative thereof, including but not limited to a trustee or trustees therefor, may proceed against the State for the purpose of protecting and enforcing the rights of the Registered Owners under the Resolution by mandamus or other suit, action, or special proceeding in equity or at law in any court in Hinds County, Mississippi for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Resolution, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners under the Resolution or any combination of such remedies.

(b) All such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

Remedies Not Exclusive

(a) No remedy in the Resolution conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or under the Bonds or now or hereafter existing at law or in equity; provided, however, that the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Resolution.

(b) The exercise of any remedy conferred or reserved in the Resolution shall not be deemed a waiver of any other available remedy.

Discharge of Resolution

If (a) the State shall pay or cause to be paid to the owners of the 2017B Bonds the principal and interest to become due thereon at the times and in the manner stipulated therein and in the Resolution, (b) all fees and expenses of the Paying and Transfer Agent, if any, shall have been paid and (c) the State shall have kept, performed and observed all and singular the covenants and promises in the 2017B Bonds and in the Resolution expressed as to be kept, performed and observed by it or on its part, then the 2017B Bonds shall cease to be entitled to any lien, benefit or security under the Resolution and shall no longer be deemed to be outstanding under the Resolution. If the State shall pay or cause to be paid to the owners of outstanding 2017B Bonds of a particular maturity, the principal of and interest to become due thereon at the times and in the manner stipulated therein and in the Resolution, such 2017B Bonds shall cease to be entitled to any lien, benefit or security under the Resolution and shall no longer be deemed to be outstanding under the Resolution.

Amendments and Supplements to Resolution

The State may enter into a resolution amending and/or supplementing the Resolution, which shall not be inconsistent with the terms and provisions thereof, without the consent of or notice to any of the Registered Owners, for any one or more of the following purposes but only if such Supplemental Resolution does not materially, adversely affect the interests of such Registered Owners:

(a) To cure any ambiguity, omission or formal defect or omission in the Resolution;

(b) To grant to or confer upon the Registered Owners any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Registered Owners and that are not contrary or inconsistent with the Resolution as theretofore in effect;

(c) To modify, amend or supplement the Resolution or any resolution supplemental thereto in such manner as to permit the qualification of the Resolution and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the 2017B Bonds for sale under the securities laws of any of the states of the United States of America, and, if they so determine, to add to the Resolution or to any indenture supplemental to the Resolution such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(d) To evidence the appointment of a separate Paying and Transfer Agent or Calculation Agent or the succession of a new Paying and Transfer Agent or Calculation Agent under the Resolution;

(e) To specify and determine any matters and things relative to the 2017B Bonds that are not contrary to or inconsistent with the Resolution;

(f) To add to the covenants and agreements of the State in the Resolution, other covenants and agreements to be observed by the State that are not contrary to or inconsistent with the Resolution as theretofore in effect;

(g) To add to the limitations and restrictions in the Resolution, limitations and restrictions to be observed by the State that are not contrary to or inconsistent with the Resolution as theretofore in effect; or

(h) To provide for uncertificated or certificated securities or a modified book-entry system.

(i) To provide for a Conversion in accordance with Section 5.06 of the Resolution.

Exclusive of Supplemental Resolutions covered by this Section and subject to the terms and provisions contained in this Section, and not otherwise, the Owners of not less than two-thirds (2/3) in principal amount of the 2017B Bonds then Outstanding that are affected by such Supplemental Resolutions shall have the right, from time to time, anything contained in the Resolution to the contrary notwithstanding, to consent to and approve the execution by the State of such other resolutions supplemental to the Resolution as shall be deemed necessary and desirable by the State for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Resolution; provided, however, that nothing contained in this Section shall permit, or be construed as permitting, (a) an extension of the maturity date on which the principal of or the interest on any 2017B Bond is, or is to become, due and payable, (b) a reduction in the principal amount of any 2017B Bond, the rate of interest thereon or any redemption premium, (c) a privilege or priority of any 2017B Bond or 2017B Bonds over any other 2017B Bond or 2017B Bonds, or (d) a reduction in the principal amount of the 2017B Bonds required for consents under the Resolution.

If the State shall so request, the Paying and Transfer Agent shall, upon being satisfactorily secured and/or indemnified with respect to such expense, cause written notice of the proposed execution of such Supplemental Resolution to be given by first class mail, postage prepaid, to the Owners of the 2017B Bonds at their addresses shown on the Bond Register. If, within sixty (60) days or such longer period as shall be prescribed by the State following the mailing of such notice, the Owners of not less than two-thirds (2/3) in principal amount of the 2017B Bonds then Outstanding and affected by such amendment shall have consented to and approved the consent to such Supplemental Resolution as provided in the Resolution, no Owner of any 2017B Bond shall have any right to object to any of the terms and provisions contained therein, or the operations thereof, or in any manner to question the propriety of the execution thereof. Upon the consent to any such Supplemental Resolution as in this Section permitted and provided, the Resolution shall be modified and amended in accordance therewith.

The Resolution may not be amended, changed or modified except by the execution and delivery of a Supplemental Resolution entered into in accordance with the provisions of set out above.

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STATE OF MISSISSIPPI • GENERAL OBLIGATION BONDS, SERIES 2017B (LIBOR TERM RATE)

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