OFFICIAL STATEMENT

TWO (2) NEW ISSUES
BOOK-ENTRY ONLY

See "RATINGS" herein

In the opinion of Butler Snow LLP, Ridgeland, Mississippi ("Bond Counsel"), under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the Series 2018A Bonds (as defined herein) is excludable from gross income for federal tax purposes pursuant to Section 103 of the Code (as defined herein), and such interest is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2018B Bonds (as defined herein) should be treated as included in gross income of the holders thereof for federal income tax purposes. Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2018 Bonds (as defined herein) is exempt from income taxation in the State (as defined herein). For a more complete description, see "TAX MATTERS" herein and APPENDIX E - FORMS OF OPINIONS OF BOND COUNSEL attached hereto.

$188,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2018A (Tax-Exempt)

$152,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2018B

Dated: Date of Delivery

Due: November 1, as shown on the inside front cover

Interest on the $188,860,000 State of Mississippi General Obligation Bonds, Series 2018A (Tax-Exempt) (the "Series 2018A Bonds") will be payable on May 1 and November 1 of each year, commencing November 1, 2019. Interest on the $152,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2018B (the "Series 2018B Bonds" and together with the Series 2018A Bonds, the "Series 2018 Bonds") will be payable on May 1 and November 1 of each year, commencing November 1, 2019. The State Bond Commission of the State of Mississippi (the "State") has designated the Office of the State Treasurer to serve as paying agent, transfer agent and registrar of the Series 2018 Bonds (in such capacity, the "Paying and Transfer Agent"). The Series 2018 Bonds will be issued as fully registered bonds in the denomination of $5,000, or any integral multiple thereof, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2018 Bonds. See "DESCRIPTION OF THE SERIES 2018 BONDS - Book-Entry-Only System" and APPENDIX F.

The Series 2018 Bonds are general obligations of the State and are secured by a pledge of the full faith and credit of the State.

The Series 2018 Bonds may be subject to optional, make whole and/or mandatory sinking fund redemption, as applicable, prior to their respective maturities. See "DESCRIPTION OF THE SERIES 2018 BONDS – "Redemption Provisions of the Series 2018A Bonds" and "Redemption Provisions of the Series 2018B Bonds."

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

The Series 2018 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) for the Series 2018 Bonds by their counsel, Balch & Bingham, Jackson, Mississippi. Certain legal matters with respect to the State will be passed upon by the State Attorney General, Jim Hood, Esq. Hilltop Securities, Inc., Dallas, Texas, is serving as Financial Advisor to the State in connection with the sale and issuance of the Series 2018 Bonds. It is expected that delivery of the Series 2018 Bonds in definitive form will be made on or about November 7, 2018.

Piper Jaffray **Stephens**

(Series 2018A Bonds)

Raymond James **Duncan-Williams**

(Series 2018B Bonds)

Dated: October 17, 2018

STATE OF MISSISSIPPI

$188,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2018A
(Tax-Exempt)

MATURITY SCHEDULE

Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP[1]
2030*	$10,570,000	5.000%	3.120%	605581KW6
2031*	18,680,000	5.000	3.190	605581KX4
2032*	19,635,000	5.000	3.240	605581KY2
2033*	20,645,000	5.000	3.300	605581KZ9
2034*	21,700,000	5.000	3.360	605581LA3
2035*	22,815,000	5.000	3.420	605581LB1
2036*	13,915,000	4.000	3.900	605581LC9
2036*	10,000,000	5.000	3.480	605581LD7

$50,900,000 4.000% Term Bond, due November 1, 2038, Priced at 100% to Yield 4.000%, CUSIP[1] 605581LE5

*Priced to the par call date of November 1, 2026.

$152,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2018B

MATURITY SCHEDULE

Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP[1]
2020	$12,305,000	3.875%	3.075%	605581LF2
2021	12,795,000	3.875	3.225	605581LG0
2022	13,270,000	3.308	3.308	605581LH8
2023	13,720,000	3.408	3.408	605581LJ4
2024	14,205,000	3.546	3.546	605581LK1
2025	14,715,000	3.646	3.646	605581LL9
2026	15,265,000	3.751	3.751	605581LM7
2027	15,845,000	3.851	3.851	605581LN5
2028	16,460,000	3.901	3.901	605581LP0
2029	17,110,000	3.971	3.971	605581LQ8
2030	7,285,000	4.001	4.001	605581LR6

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 — S*tate 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

HILLTOP SECURITIES, INC.
Dallas, Texas

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 SERIES 2018 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 SERIES 2018 BONDS NOR SHALL THERE BE ANY SALE OF THE SERIES 2018 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN MARKET PRICES OF THE SERIES 2018 BONDS AT LEVELS ABOVE THOSE 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 SERIES 2018 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 SERIES 2018 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 SERIES 2018 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.

[The remainder of this page left blank intentionally.]

TABLE OF CONTENTS

Page

OFFICIAL STATEMENT SUMMARY

THE OFFERING

$188,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2018A
(Tax-Exempt)

The Issuer	State of Mississippi (the "State").
Issue and Date	$188,860,000 State of Mississippi General Obligation Bonds, Series 2018A (Tax-Exempt) (the "Series 2018A Bonds"), dated their date of delivery.
Authority	The Series 2018A Bonds will be issued pursuant to the provisions of the Series 2018A Act (as defined herein) and the Series 2018A Resolution (as defined herein).
Purpose	The Series 2018A Bonds are being issued for the purpose of providing funds to finance the costs of certain capital improvements within the State as more particularly described herein, and to pay the costs incident to the sale, issuance and delivery of the Series 2018A Bonds.
Amounts and Maturities..........	The Series 2018A Bonds will mature on November 1 in the years and amounts as shown on the inside front cover.
Interest Payment Dates...........	Interest on the Series 2018A Bonds will be payable on May 1 and November 1 of each year, commencing November 1, 2019.
Redemption Provisions	The Series 2018A Bonds may be subject to optional and mandatory sinking fund redemption prior to their respective maturities (see "DESCRIPTION OF THE SERIES 2018 BONDS - Redemption Provisions of the Series 2018A Bonds," herein).
Security for Payment...............	Pursuant to the Series 2018A Act, the Series 2018A Bonds shall be general obligations of the State and are secured by a pledge of the full faith and credit of the State (see "DESCRIPTION OF THE SERIES 2018 BONDS - Security," herein).
Tax Matters	In the opinion of Bond Counsel (as defined herein), assuming continuing compliance with certain covenants by the State, under existing laws, regulations, rulings, and judicial decisions, interest on the Series 2018A Bonds is excludable from gross income for federal tax purposes. Interest on the Series 2018A Bonds is not a specific preference item for purposes of the federal alternative minimum taxes. Under existing laws, regulations, rulings, and judicial decisions, interest on the Series 2018A Bonds is exempt from all income taxation in the State. For a more complete description of such opinion and certain other tax consequences incident to the ownership of the Series 2018A Bonds, see "TAX MATTERS" herein and APPENDIX E - FORMS OF OPINIONS OF BOND COUNSEL attached hereto.

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

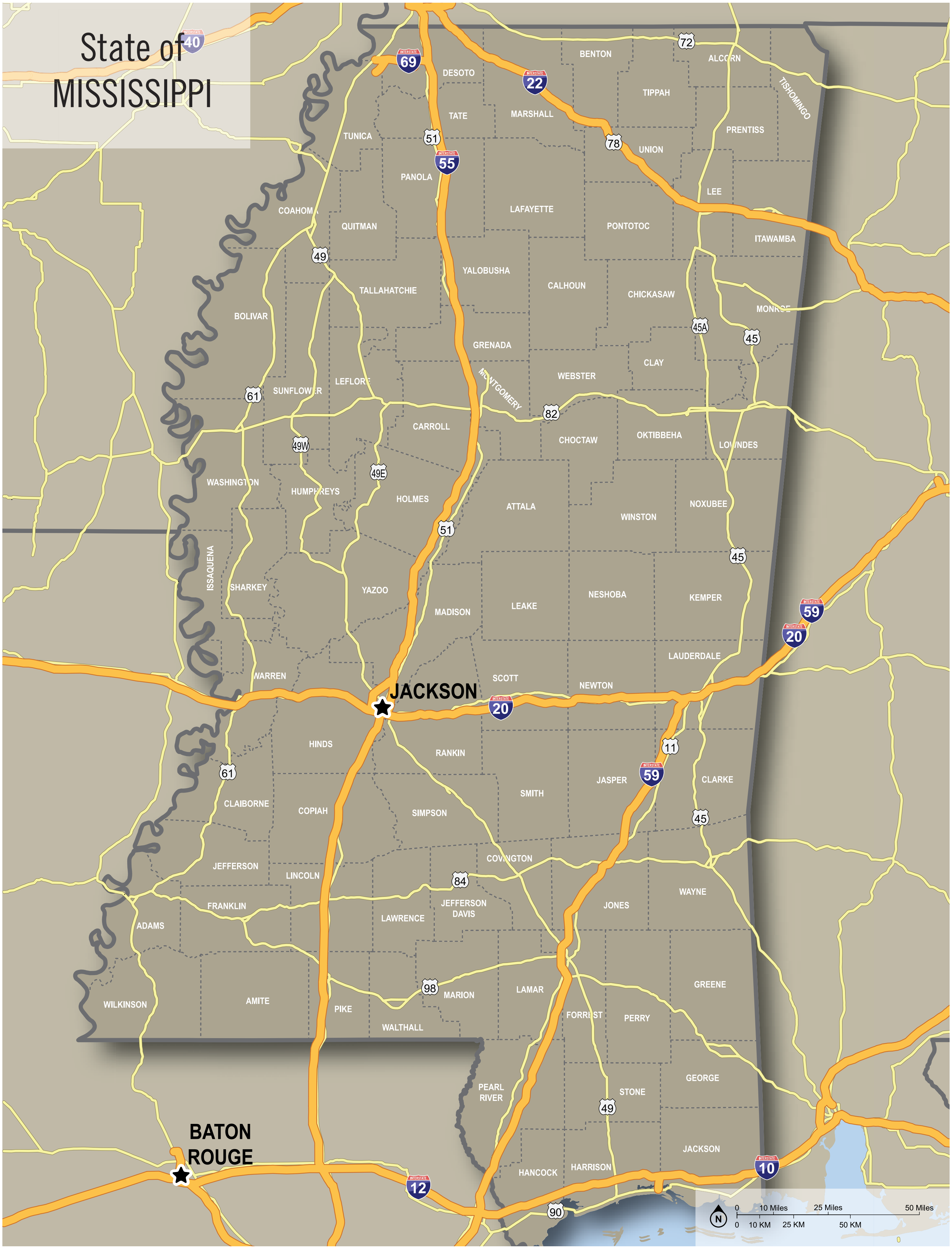
OFFICIAL STATEMENT SUMMARY

THE OFFERING

$152,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2018B

The Issuer	State of Mississippi (the "State").
Issue and Date	$152,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2018B (the "Series 2018B Bonds"), dated their date of delivery.
Authority	The Series 2018B Bonds will be issued pursuant to the provisions of the Series 2018B Act (as defined herein) and the Series 2018B Resolution (as defined herein).
Purpose..	The Series 2018B Bonds are being issued for the purpose of providing funds to finance various economic development loans, grants and programs and certain capital improvement in the State, as more particularly described herein, and to pay the costs incident to the sale, issuance and delivery of the Series 2018B Bonds.
Amounts and Maturities	The Series 2018B Bonds will mature on November 1 in the years and amounts as shown on the inside front cover.
Interest Payment Dates	Interest on the Series 2018B Bonds will be payable on May 1 and November 1 of each year, commencing November 1, 2019.
Redemption Provisions............	The Series 2018B Bonds may be subject to make whole redemption prior to their respective maturities. See "DESCRIPTION OF THE SERIES 2018 BONDS - Redemption Provisions of the Series 2018B Bonds," herein.
Security for Payment	Pursuant to the Series 2018B Act, the Series 2018B Bonds shall be general obligations of the State and are secured by a pledge of the full faith and credit of the State (see "DESCRIPTION OF THE SERIES 2018 BONDS - Security," herein).
Tax Matters.................................	**INTEREST ON THE SERIES 2018B BONDS SHOULD BE TREATED AS INCLUDED IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.** In the opinion of Bond Counsel, interest on the Series 2018B Bonds is exempt from all income taxation in the State. See "TAX MATTERS" herein and APPENDIX E - FORMS OF OPINIONS OF BOND COUNSEL attached hereto.

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


State of
MISSISSIPPI
JACKSON
BATON
ROUGE
DESOTO
BENTON
ALCORN
TIPPAH
TISHOMINGO
TATE
MARSHALL
TUNICA
PRENTISS
UNION
PANOLA
LEE
COAHOMA
LAFAYETTE
QUITMAN
PONTOTOC
ITAWAMBA
YALOBUSHA
TALLAHATCHIE
CALHOUN
CHICKASAW
BOLIVAR
MONROE
GRENADA
CLAY
LEFLORE
MONTGOMERY
WEBSTER
SUNFLOWER
CARROLL
CHOCTAW
OKTIBBEHA
LOWNDES
WASHINGTON
HUMPHREYS
HOLMES
ATTALA
WINSTON
NOXUBEE
ISSAQUENA
SHARKEY
YAZOO
MADISON
LEAKE
NESHOBA
KEMPER
LAUDERDALE
WARREN
SCOTT
NEWTON
HINDS
RANKIN
JASPER
CLARKE
CLAIBORNE
COPIAH
SIMPSON
SMITH
JEFFERSON
LINCOLN
COVINGTON
FRANKLIN
JEFFERSON
DAVIS
LAWRENCE
JONES
WAYNE
ADAMS
WILKINSON
AMITE
PIKE
WALTHALL
MARION
LAMAR
FORREST
PERRY
GREENE
PEARL
RIVER
STONE
GEORGE
HANCOCK
HARRISON
JACKSON
40
69
22
72
78
51
55
49
61
49W
49E
82
45A
45
51
59
20
11
84
98
49
12
10
90
N
0
10 Miles
25 Miles
50 Miles
0
10 KM
25 KM
50 KM

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

$188,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2018A
(Tax-Exempt)

$152,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2018B

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 $188,860,000 General Obligation Bonds, Series 2018A (Tax-Exempt) (the "Series 2018A Bonds"), and $152,975,000 Taxable General Obligation Bonds, Series 2018B (the "Series 2018B Bonds" and together with the Series 2018A Bonds, the "Series 2018 Bonds").

DESCRIPTION OF THE SERIES 2018 BONDS

General

The Series 2018 Bonds will be dated the date of delivery, and will be issued as fully registered bonds in the denominations of $5,000 or any integral multiples thereof, bearing interest at the rates per annum set forth on the inside front cover, payable May 1 and November 1 of each year, commencing November 1, 2019, and computed on the basis of a 360-day year consisting of twelve, 30-day months. The State Treasurer of the State has been designated by the State Bond Commission of the State (the "Commission") to serve as paying agent, transfer agent and registrar of the Series 2018 Bonds (in such capacity, the "Paying and Transfer Agent"). The Series 2018 Bonds will be general obligations of the State and the full faith and credit of the State shall be pledged as security for the payment of the principal of and the interest on the Series 2018 Bonds.

The Series 2018 Bonds initially will be held in a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"). Principal of and interest on the Series 2018 Bonds held in book-entry form shall be payable as described herein under the heading "DESCRIPTION OF THE SERIES 2018 BONDS - Book-Entry-Only System."

The principal of and interest on the Series 2018 Bonds will be payable by the Paying and Transfer Agent to DTC, which will in turn remit such principal and interest to its Direct Participants (as hereinafter defined) and Indirect Participants (as hereinafter defined), which will in turn remit such principal and interest to the Beneficial Owners (as hereinafter defined) of the Series 2018 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 record date for the payment of interest on the Series 2018 Bonds is the close of business on the date which shall be the 15th day (whether or not a business day) of the calendar month next preceding each interest payment date.

The Series 2018 Bonds will mature November 1 in the years and in the amounts set forth on the inside cover page hereto.

Series 2018A Bonds

The Series 2018A Bonds will be issued pursuant to the provisions of Section 35 of Senate Bill 2906, 2015 Regular Session of the Legislature of the State of Mississippi, Section 2 of Senate Bill 2906, 2015 Regular Session of the State Legislature, Section 24 of Senate Bill 2906, 2015 Regular Session of the State Legislature, Section 28 of Senate Bill 2906, 2015 Regular Session of the State, Section 1 of House Bill 1729, 2016 Regular

Session of the State Legislature, as amended by Section 11 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 4 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 29 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 28 of House Bill 1729, 2016 Regular Session of the State Legislature, as amended by Section 12 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 1 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2(2) and 2(4) of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2(3) and 2(4) of House Bill 1649, 2018 Regular Session of the State Legislature, Section 3 of House Bill 1649, 2018 Regular Session of the State Legislature, Sections 65-37-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Section 7 of House Bill 1649, 2018 Regular Legislative Session of the State Legislature, and Section 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented (collectively, the "Series 2018A Act") and a resolution adopted by the Commission on September 27, 2018 (the "Series 2018A Resolution") for the purpose of providing funds to finance the costs of certain capital improvements within the State and to pay the costs incident to the sale, issuance and delivery of the Series 2018A Bonds, all as authorized under the Series 2018A Act and the Series 2018A Resolution. See "DESCRIPTION OF THE PROJECTS – Series 2018A Projects," herein.

Series 2018B Bonds

The Series 2018B Bonds will be issued pursuant to the provisions of Section 57-1-16, Mississippi Code of 1972, as amended and supplemented by Section 22 of Senate Bill 2906, 2015 Regular Session of the Legislature of the State of Mississippi, Sections 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Sections 57-75-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Sections 57-61-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Section 11 of House Bill 787, 2014 Regular Session of the State Legislature and Section 17 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 3 of Senate Bill 3033, 2017 Regular Session of the State Legislature, Section 4 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 57-1-18, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Sections 5 and 6 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 57-1-701, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Sections 5 and 6 of House Bill 1488, 2018 Regular Session of the State Legislature, Sections 6 through 20, Chapter 521, Laws of 1995, as amended by Section 17, Chapter 503, Laws of 2003, as amended by Section 2, Chapter 477, Laws of 2004, as amended by Section 2, Chapter 456, Laws of 2006, as amended by Section 3, Chapter 492, Laws of 2008, as amended by Section 47, Chapter 533, Laws of 2010, as amended by Section 13, Chapter 480, Laws of 2011, as amended by Section 35, Chapter 569, Laws of 2013, as amended by Section 8 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 41-3-16, Mississippi Code of 1972, as amended and supplemented, Sections 9 and 10 of House Bill 1649, 2018 Regular Session of the State Legislature and Section 49-17-85, Mississippi Code of 1972, as amended and supplemented (collectively, the "Series 2018B Act") and a resolution adopted by the Commission on September 27, 2018 (the "Series 2018B Resolution" and together with the Series 2018A Resolution, the "Resolutions") for the purpose of providing funds to finance various economic development loans, grants and programs in the State, to pay the costs of certain capital improvements in the State and to pay the costs incident to the sale, issuance and delivery of the Series 2018B Bonds, all as authorized under the Series 2018B Act and the Series 2018B Resolution. See "DESCRIPTION OF THE PROJECTS – Series 2018B Projects," herein

The Series 2018A Act and the Series 2018B Act are referred to herein together as the "Act."

Security

The Series 2018 Bonds will be general obligations of the State, and for the payment thereof, the full faith and credit of the State shall be irrevocably pledged. The Act provides that if the funds appropriated by the Legislature of the State shall be insufficient to pay the principal of and interest on the Series 2018 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 Series 2018 Bonds as they mature and become due nor does it affect the State's obligation to levy a tax sufficient to accomplish that purpose. However, even though it appears that the Amendment was not intended to affect bondholders' remedies in the event of a payment default, the Amendment potentially prevents bondholders from obtaining a writ of mandamus to compel the levying of taxes to pay the principal of and interest on the Series 2018 Bonds in a State court. It is not certain whether the Amendment would affect the right of a federal court to direct the levy of a tax to satisfy a contractual obligation. Other effective remedies are available to the bondholders in the event of a payment default with respect to the Series 2018 Bonds.

Redemption Provisions of the Series 2018A Bonds

Optional Redemption. The Series 2018A Bonds will be subject to optional redemption prior to their respective maturities on or after November 1, 2026, either in whole or in part on any date (as selected by the State among maturities and by lot within each maturity), at the principal amount thereof, together with the interest accrued thereon to the date fixed for redemption and without premium.

Mandatory Sinking Fund Redemption. The Series 2018A Bonds maturing on November 1, 2038 (the "Series 2018A Term Bonds") are term bonds and are subject to mandatory sinking fund redemption, pro rata among the holders of the Series 2018A Term Bonds, prior to maturity at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the redemption date, from moneys to be deposited in accordance with the Series 2018A Resolution, on November 1 of each of the years, and in the respective amounts specified below:

Year	Sinking Fund Installment
2037	$24,940,000
2038*	25,960,000

*Final Maturity

Redemption Provisions of the Series 2018B Bonds

Make-Whole Redemption. The Series 2018B Bonds will be subject to redemption prior to their respective maturities, at the option of the State, in whole or in part, in any authorized denomination on any date at a redemption price equal to the Make-Whole Redemption Price.

The "Make-Whole Redemption Price" of any Series 2018B Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such Series 2018B Bonds; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2018B Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2018B Bonds are to be redeemed, discounted to the date on which such Series 2018B Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 15 basis points, plus, in each case, accrued and unpaid interest on such Series 2018B Bonds on such redemption date.

The "Treasury Rate" is, as of any redemption date of any Series 2018B Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to such redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the maturity date of such Series 2018B Bonds; provided, however, that if the period from such redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Make-Whole Redemption Price will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State to calculate such redemption price (the "Calculation Agent"). The determination by the Calculation Agent of the redemption price will be conclusive and binding on the State and the holders of the Series 2018B Bonds.

Selection of Series 2018 Bonds to be Redeemed

Held in Book-Entry Only System. If less than all of the Series 2018 Bonds shall be called for redemption, the State shall notify DTC that the redemption shall be by lot in whole multiples of $5,000. While DTC is the registered owner of the Series 2018 Bonds, partial redemptions (including any sinking fund payments) of the Series 2018 Bonds of a particular maturity will be determined in accordance with DTC's procedures as in effect at the time of any such partial redemption.

Not Held in Book-Entry Only System. If less than all of the Series 2018 Bonds subject to redemption are called for redemption, the Paying and Transfer Agent shall select the Series 2018 Bonds to be redeemed from the outstanding Series 2018 Bonds subject to redemption and not previously called for redemption, by lot in any manner deemed reasonable by the Paying and Transfer Agent, provided that the unredeemed portion of the principal amount of any Series 2018 Bond shall be not less than $5,000.

Notice of Redemption

Notice of the call for any redemption (which may be a conditional notice), identifying the Series 2018 Bonds (or any portions thereof in authorized denominations) to be redeemed, will be given by the State at least 30 days but not more than 45 days prior to the date fixed for redemption by mailing a copy of the redemption notice by registered or certified mail to the Underwriters (as defined herein) and the registered owner of each Series 2018 Bond to be redeemed at the address shown on the records of the Paying and Transfer Agent. Failure to mail such notice to any particular owner of Series 2018 Bonds, or any defect in the notice mailed to any such owner of Series 2018 Bonds, will not affect the validity of any proceeding for the redemption of any other Series 2018 Bonds. So long as DTC or its nominee is the registered owner of the Series 2018 Bonds, notice of the call for any redemption will be given to DTC, and not directly to Beneficial Owners. See the caption, "DESCRIPTION OF THE SERIES 2018 BONDS -- Book-Entry-Only System" and APPENDIX F - BOOK-ENTRY-ONLY SYSTEM.

Defeasance

Under the Resolutions, all Series 2018 Bonds for the payment of which sufficient moneys or, to the extent permitted by the laws of the State, (a) direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America or any of its agencies ("Government Obligations"), or (b) certificates of deposit fully secured by Government Obligations, or (c) evidences of ownership of proportionate interests in future interest or principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the Government Obligations and which Government Obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated, or (d) municipal obligations, the payment of the principal of, interest and redemption premium, if any, on which are irrevocably secured by Government Obligations and which Government Obligations are not subject to redemption prior to the date on which the proceeds attributable to the principal of such obligations are to be used and have been deposited in an escrow account which is irrevocably pledged to the payment of the principal of and interest and redemption premium, if any, on such municipal obligations (all of which collectively, with Government Obligations, "Defeasance Securities"), shall have been deposited with an escrow agent appointed for such purpose, which may be the Paying and Transfer Agent, all to the extent provided in the Resolutions, shall be deemed to have been paid, shall cease to be entitled to any lien, benefit or security under the Resolutions and shall no longer be deemed to be outstanding thereunder, and the registered owners shall have no rights in respect thereof except to receive payment of the principal of, premium, if any, and interest on such Series 2018 Bonds from the funds held for that purpose. Defeasance Securities shall be considered sufficient under the Resolutions if said investments, with interest, mature and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay principal and premium, if any, when due on such Series 2018 Bonds.

Registration

Series 2018 Bonds Subject to the Book-Entry-Only System. For so long as DTC acts as securities depository for the Series 2018 Bonds, the registration and transfer of ownership interests in Series 2018 Bonds shall be accomplished by book entries made by DTC and the Direct Participants and, where appropriate, the

Indirect Participants, as described herein under the heading "DESCRIPTION OF THE SERIES 2018 BONDS-Book-Entry-Only System."

Series 2018 Bonds Not Subject to Book-Entry-Only System. Should the Series 2018 Bonds no longer be held in book-entry form, each Series 2018 Bond shall be thereafter evidenced by a bond certificate in fully registered form and transferable only upon the registration records of the State maintained by the Paying and Transfer Agent, by the registered owner thereof or by such registered owner's attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Paying and Transfer Agent, duly executed by the registered owner or such registered owner's duly authorized attorney. Upon the transfer of any Series 2018 Bond, the State shall issue, in the name of the transferee, a new Series 2018 Bond or Series 2018 Bonds of the same interest rate and maturity of like tenor and effect in any authorized denomination equal to the unpaid principal amount of the surrendered Series 2018 Bond.

Series 2018 Bonds, upon surrender thereof at the Office of the State Treasurer with a written instrument of transfer satisfactory to the Paying and Transfer Agent duly executed by the registered owner or such registered owner's duly authorized attorney, may be exchanged for a principal amount of Series 2018 Bonds of the same interest rate and maturity and of like tenor and effect in any authorized denomination equal to the unpaid principal amount of the surrendered Series 2018 Bonds. The Paying and Transfer Agent will not be required to register the transfer of or exchange any Series 2018 Bond after the mailing of notice calling such Series 2018 Bond for redemption has been given as provided in the Resolutions, nor during the period of 15 days next preceding the giving of such notice of redemption.

Book-Entry-Only System

The State has determined that it will be beneficial to have the Series 2018 Bonds held by a central depository system and to have transfers of the Series 2018 Bonds handled by a book-entry system on the records of DTC. Unless and until the book-entry-only system has been discontinued, the Series 2018 Bonds will be available only in book-entry form in principal amounts of $5,000 or any integral multiple thereof. DTC will initially act as securities depository for the Series 2018 Bonds. The Series 2018 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2018 Bond will be issued for each maturity of the Series 2018 Bonds, and will be deposited with DTC. See APPENDIX F - BOOK-ENTRY-ONLY SYSTEM, for a detailed discussion of the book-entry-only system and DTC.

In the event the book-entry-only system is discontinued, principal and interest on the Series 2018 Bonds will be payable by check or draft of the Paying and Transfer Agent as described under the heading "DESCRIPTION OF THE SERIES 2018 BONDS - Registration."

DESCRIPTION OF THE PROJECTS

Series 2018A Projects

The Series 2018A Bonds are being issued under and pursuant to the Series 2018A Act and the Series 2018A Resolution for the purpose of providing funds to finance or refinance various capital improvements including, but not limited to, capital projects for institutions of higher learning and community and junior colleges in the State, road and bridge projects in the State, capital improvements at the University of Mississippi Medical Center, capital projects for various State agencies and grants for capital projects throughout the State (collectively, the "Series 2018A Projects"), and to pay the costs incident to the sale and issuance of the Series 2018A Bonds.

Series 2018B Projects

The Series 2018B Bonds are being issued under and pursuant to the Series 2018B Act and the Series 2018B Resolution for the purpose of providing funds to finance or refinance various economic development loans, grants and programs and certain capital improvements in the State, including, but not limited to, funding for an economic development project for Continental Tire The Americas, LLC, funding for the State's development infrastructure grant program, funding for the State's grant program to qualified small municipalities and counties, funding for the State's grant program for industrial economic development sites, funding for capital improvements at the State shipyard in Jackson County, Mississippi, funding for the State's loan program for assisting local governments and rural water systems in making improvements to their water systems, funding for the State's loan program for assisting in water pollution control projects and funding for grants to local economic development entities (collectively, the "Series 2018B Projects" and with the Series 2018A Projects, the "Projects"), and to pay the costs incident to the sale and issuance of the Series 2018B Bonds.

SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of proceeds of the Series 2018 Bonds.

	Series 2018A Bonds	Series 2018B Bonds
Sources		
Par Amount	$ 188,860,000.00	$ 152,975,000.00
Plus Net Original Issue Premium	14,738,913.10	422,557.65
Total Sources	$ 203,598,913.10	$ 153,397,557.65
Uses		
For Costs of the Projects	$ 203,100,000.00	$ 153,000,000.00
For Costs of Issuance[1]	498,913.10	397,557.65
Total Uses	$ 203,598,913.10	$ 153,397,557.65

[1] Includes, among other expenses, underwriters' discount, rating agency fees, and financial advisor and legal fees. Payment of such fees is contingent upon the issuance of the Series 2018 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 (the "Continental Tire Project"). Draws totaling $65,000,000 were made on the Series 2016A Note, of which $31,000,000 was refunded with the proceeds of the $53,030,000 State of Mississippi General Obligation Bonds, Series 2017D (Tax-Exempt) and the proceeds of the $44,765,000 State of Mississippi Taxable General Obligation Bonds, Series 2017E.

On March 29, 2018, the State issued its $135,000,000 Taxable General Obligation Note, Series 2018A (the "Series 2018A Note") to provide temporary financing for a portion of the costs of the Continental Tire Project and to refinance the remaining $34,000,000 outstanding under the Series 2016A Note. Under the terms of the Series 2018A Note, the State may draw the principal as needed. There is currently approximately $50,000,000 outstanding under the Series 2018A Note. Of the amount outstanding under the Series 2018A Note, the State intends to refinance $34,000,000 with a portion of the proceeds of the Series 2018B Bonds to provide long term financing for the Continental Tire Project. The Series 2018A Note matures April 1, 2019, at which time the State anticipates refinancing any amounts drawn under the Series 2018A Note with additional short-term financing.

On May 22, 2018, the State issued its $25,000,000 General Obligation Note, Series 2018B (the "Series 2018B Note") to provide temporary financing for the replacement and rehabilitation of bridges located on local system roads in the State. Under the terms of the Series 2018B Note, the State may draw the principal as needed and there is currently $5,000,000 outstanding. The State intends to use a portion of the Series 2018A Bonds to refinance the Series 2018B Note with long term financing and pay off the Series 2018B Note.

Long-Term Indebtedness

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

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

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

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

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

STATE OF MISSISSIPPI
LONG TERM INDEBTEDNESS (1)
As of August 30, 2018

State of Mississippi Bonds	
General Obligation Bonds Payable from General Fund or General Fund Revenues	$3,959,655,000
Self-Supporting General Obligation Bonds	0
Revenue Bonds	191,400,000
GROSS DEBT	$4,151,055,000
DEDUCTIONS:	
Revenue Bonds	$ 191,400,000
Subtotal	191,400,000
GROSS DIRECT DEBT	$3,959,655,000
Self-Supporting General Obligation Bonds	0
Subtotal	3,959,655,000
NET DIRECT DEBT	$3,959,655,000

(1) Does not include the Series 2018 Bonds.

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

[The remainder of this page left blank intentionally.]

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
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
2018	4,160,050,000	191,400,000	3,968,650,000	0	3,968,650,000

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

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
2017	5,548,357,844	392,741,392	7.08
2018	5,659,632,355	385,241,392	6.81

(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.

[The remainder of this page left blank intentionally.]

Long Term Debt Ratios

The following table presents the State's long term debt ratios as of August 30, 2018.

As of August 30, 2018	Amount	Debt Per Capita[1]	Debt to Assessed Valuation[2]	Debt to Estimated Full Valuation[3]	Debt to Personal Income[4]
Gross Debt	$4,151,055,000	$1,391.06	24.43%	3.03%	3.77%
Direct Debt	3,959,655,000	1,326.92	23.30	2.89	3.60

(1) Based on 2017 estimated population of 2,984,100. Source: U.S. Department of Commerce, Bureau of the Census. https://www.census.gov/quickfacts/MS.

(2) Based on calendar year 2016 assessed valuation of $16,992,707,243 (Real Property tax roll). Source: Mississippi Department of Revenue, Annual Report FY Ending June 30, 2017.

(3) Based on 2016 full valuation of $136,843,376,252 (Real Property tax roll). Source: Mississippi Department of Revenue, Annual Report FY Ending June 30, 2017.

(4) Based on 2018 1st quarter estimated total personal income of $110,140,629,000 (not adjusted for inflation). Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/bearfacts.

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 2009[1]

As of July 1	Outstanding	Debt Per Capita	Debt to Assessed Valuation	Debt to Estimated Full Valuation	Debt to Personal Income
2018					
Gross Debt	$4,160,050,000	$1,394.07	24.48%	3.04%	3.78%
Net Direct Debt	3,968,650,000	1,329.93	23.36	2.90	3.60
2017					
Gross Debt	4,310,610,000	1,442.29	26.28	3.26	4.06
Net Direct Debt	4,114,015,000	1,376.51	25.09	3.11	3.88
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

(1) 2009-and 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 October 1, 2018 of $11,910,536.49.

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 October 1, 2018 of $7,260,168.77 and an outstanding balance under the Community College Leases at October 1, 2018, of $0.

Certificates of Participation

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 $17,650,000.

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 $15,920,000, (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 $19,490,000. 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 $22,650,000, (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 $25,110,000. 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 August 30, 2018, the State's Gross Debt was $4,151,055,000. The following table shows the State's constitutional debt limit for the previous eleven years and forecasts the State's constitutional debt limit for fiscal year 2019 and the next three fiscal years.

[The remainder of this page left blank intentionally.]

Fiscal Year Ending June 30	Revenues[1]	Constitutional Debt Limit	Outstanding Gross Debt
2007	$8,006,244,243	$10,930,261,350	$3,100,385,000
2008	8,300,739,453	12,009,366,365	3,374,135,000
2009	7,960,861,538	12,451,109,180	3,435,285,000
2010	7,698,390,482	12,451,109,180	3,472,137,000
2011	7,956,269,318	12,451,109,180	3,769,280,000
2012	8,336,735,857	12,451,109,180	4,139,025,000
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	8,607,236,231	13,312,193,788	4,319,915,000
2018	8,693,308,594[2]	13,312,193,788	4,169,840,000
2019	8,780,241,680[2]	13,059,510,381	--
2020	8,868,044,096[2]	13,170,362,519	--
2021	8,956,724,537[2]	13,302,066,145	--
2022[2]	9,046,291,783[2]	13,435,086,806	--

(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 August 30, 2018.

Fiscal Year Ending June 30	Principal[1][2]	Interest[1][2]	Total Annual Debt Service[1][2]
2019	$ 261,695,000	$ 168,664,480	$ 430,359,480
2020	249,700,000	159,226,791	408,926,791
2021	385,715,000	145,164,468	530,879,468
2022	226,435,000	133,259,284	359,694,284
2023	221,025,000	124,679,149	345,704,149
2024	210,105,000	116,338,984	326,443,984
2025	203,025,000	107,869,447	310,894,447
2026	211,235,000	98,926,992	310,161,992
2027	198,310,000	89,660,352	287,970,352
2028	197,515,000	80,187,845	277,702,845
2029	183,670,000	70,784,154	254,454,154
2030	185,225,000	61,692,957	246,917,957
2031	170,390,000	53,196,480	223,586,480
2032	219,335,000	44,314,556	263,649,556
2033	210,350,000	34,499,047	244,849,047
2034	206,990,000	24,459,579	231,449,579
2035	189,680,000	14,638,852	204,318,852
2036	150,820,000	6,585,126	157,405,126
2037	71,745,000	1,706,150	73,451,150
2038	6,690,000	100,350	6,790,350
	$3,959,655,000	$1,535,955,043	$5,495,610,043

(1) Does not include the effects of the Series 2018 Bonds.

(2) These amounts do not include any subsidy payments due to the State from the United States Treasury pursuant to and in accordance with Section 1531 of the Title 1 of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 115 (2009)) (the "Recovery and Reinvestment Act") and Sections 54AA(g) and 6431 of the Code (as defined herein). Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under Section 6431 of the 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 2019 will be 6.6%. 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 of 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, 2018, the Development Bank Bonds outstanding carrying a moral obligation pledge of the State totaled $318,475,000. 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 Series 2018 Bonds are set forth on pages A-1 and A-2 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 were less than expectations in an amount of $169.4 million or -3.07% through August 2017. For fiscal year 2018, tax collections exceeded expectations in an amount of $75.8 million or 1.4% through August 2018. For fiscal year 2019, tax collections have exceeded expectations in an amount of $10.8 million or 3.67% through July 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, 2017, 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 2017 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, sales taxes accounted for 36.6%, individual income taxes for 31.7% and corporation income and franchise taxes for 10.0% of the total receipts allocated to the General Fund. For the fiscal year ended June 30, 2018, sales taxes accounted for 37.9%, individual income taxes for 33.3% and corporation income and franchise taxes for 10.4% 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. 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. The 2018 State Legislature did not waive this rule for fiscal year 2019 and appropriated 98% of the revenue estimate, re-establishing the 2% set-aside rule pursuant to Mississippi Code Annotated Section 27-103-139. For the fiscal year ending June 30, 2019, appropriation for educational purposes accounts for 52.99% 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 2017 financial statements in APPENDIX B, is defined in Note 1 of the Notes to the Financial Statements on Significant Accounting Policies. The 2017 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 July 31, 2018, the Working Cash Stabilization Fund had a fund balance of $290,293,984.66.

[The remainder of this page left blank intentionally.]

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

	2013	2014	2015	2016	2017
Revenues:					
Sales	$1,911,112	$1,955,113	$2,034,319	$2,062,137	$2,055,230
Individual Income	1,650,091	1,666,791	1,743,427	1,769,431	1,781,661
Corporate Income and Franchise	524,077	677,046	714,086	596,260	563,983
Use and Wholesale Compensating	233,462	246,322	226,522	238,254	234,094
Tobacco, Beer and Wine	181,017	176,181	177,786	175,573	174,063
Insurance	198,103	250,984	240,413	292,774	297,117
Oil and Gas Severance	82,796	76,654	54,761	26,483	27,267
Alcohol Excise and Privilege	70,017	71,525	73,854	73,369	75,816
Other	12,157	10,869	15,256	12,845	12,655
Interest	13,151	13,511	13,336	10,206	11,286
Auto Privilege, Tax and Title Fees	8,716	9,759	9,443	9,389	14,177
Gaming Fees	139,630	127,777	131,270	133,847	132,948
Highway Safety Patrol Fees	21,297	22,855	23,595	20,429	19,043
Other Fees and Services	11,109	10,292	12,543	11,680	6,542
Miscellaneous	4,499	3,851	3,314	2,826	3,242
Court Assessments and Settlements	35,228	70,286	50,011	66,207	73,777
General Fund Revenues (SB2362 2016RLS)	0	0	0	0	129,281
Special Fund Revenues	0	0	0	0	0
TOTAL REVENUES	$5,096,461	$5,389,807	$5,523,927	$5,501,710	$5,612,182
Expenditures by Major Budgetary Function:					
Legislative	$ 26,364	$ 26,378	$ 26,454	$ 28,154	$ 26,137
Judiciary & Justice	62,664	64,453	71,260	74,070	99,784
Executive & Adm	3,044	3,217	3,171	3,128	16,670
Fiscal Affairs	56,320	56,792	63,396	66,876	146,717
Public Education[1]	2,029,370	2,077,657	2,162,141	2,252,624	2,241,689
Higher Education	721,016	761,596	789,825	807,597	761,407
Public Health	33,117	35,796	35,442	36,569	33,425
Hospitals and Hospital Schools	210,426	216,072	219,418	221,768	211,929
Agriculture, Commerce & Economic Dev.	103,303	110,034	116,204	118,615	108,387
Conservation and Recreation	45,388	48,135	51,867	52,357	44,449
Insurance and Banking	0	0	0	0	16,307
Corrections	311,739	334,580	345,280	326,337	314,503
Social Welfare	541,775	737,836	990,961	1,098,569	1,017,806
Public Protection and Veterans Assistance	87,988	88,001	104,006	108,103	100,721
Local Assistance	81,109	81,109	84,455	83,188	80,626
Motor Veh. & Other Regulatory Agencies	39	40	40	32	0
Miscellaneous	1,212	1,337	1,378	1,540	22,648
Public Works	0	0	32,000	0	0
Debt Service	375,804	375,455	380,532	392,099	392,193
TOTAL EXPENDITURES	4,690,667	5,018,488	5,477,830	5,671,626	5,635,398
Excess of Rev. over (under) expenditures	405,795	371,319	46,097	(169,916)	(23,216)
Other Financing Sources (Uses)					
Transfers In	22,092	13,213	12,184	190,961	41,855
Transfers Out	(426,992)	(397,492)	(50,761)	(62,416)	(18,369)
Other Sources (uses) of Cash	24	164	(343)	(515)	(2,493)
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	919	(12,796)	7,177	(41,886)	(2,223)
Budgetary Fund Balances, Beginning	$ 53,202	$ 54,121	$ 41,325	$ 48,502	$ 6,616

(1) Public Education reflects all educational activities.

Source: Department of Finance and Administration.

Education Enhancement Fund. Of the total sales tax revenue collected, 2.266% is to be deposited into the School Ad Valorem Tax Reduction Fund until such time that the total amount deposited into the fund during a fiscal year equals $42 million. Thereafter, the amounts diverted during the fiscal year in excess of $42 million are to be deposited into the Education Enhancement Fund for appropriation by the Legislature. Additionally, 9.073% of the total sales tax revenue collected is to be deposited into the Education Enhancement Fund.

Of the total use tax revenue collected, 2.266% is to be deposited into the School Ad Valorem Tax Reduction Fund until such time that the total amount deposited into the fund during a fiscal year equals $4 million. Thereafter, the amounts diverted during the fiscal year in excess of $4 million are to be deposited into the Education Enhancement Fund for appropriation by the Legislature. Additionally, 9.073% of the total use tax revenue collected is to be deposited into the Education Enhancement Fund.

Of the amount deposited into the Education Enhancement Fund during the fiscal year ended June 30, 2018, $232,493,377 was appropriated to the Mississippi Department of Education, $61,827,198 was appropriated to Institutions of Higher Learning, $39,672,999 was appropriated to Community and Junior Colleges and $32,358,198 was appropriated for the benefit of various other educational programs and institutions. After all of the appropriated funds for fiscal year 2018 were distributed, there was a remaining balance of $23,699,925 which remained in the Educational Enhancement Fund for use during fiscal year 2019.

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

	2013	**2014**	**2015**	**2016**	**2017**
RESOURCES:					
Surplus from Prior Year	$ 35,386.2	$ 24,539.0	$ 20,501.5	$ 8,128.0	$ 61.9
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	635.9	1,860.9	1,993.2
Transfer in from General Fund	0.0	0.0	0.0	0.0	0.0
Total Resources Available	$ 382,578.0	$ 376,825.0	$ 383,613.8	$ 379,469.6	$ 373,690.4
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	3,445.7
Total Disbursements	358,039.0	356,323.4	375,485.8	379,407.7	367,007.3
YEAR END SURPLUS	$ 24,539.0	$ 20,501.6	$ 8,128.0	$ 61.9	$ 6,683.1

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, 2017, Special Funds received approximately $6,088.2 million from the federal government which includes public education and highways. In addition, State tax receipts of $1,356.8 million were diverted into Special Funds for particular purposes as provided by State law.

Health Care Trust Fund. The Health Care Trust Fund (the "Health Care Trust Fund") is a special fund established pursuant to 43-13-401 et seq., Mississippi Code of 1972, as amended 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
2017	5,475
2018	0

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 July 31, 2018, the Health Care Expendable Fund had a balance of $4,387,816.91.

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, 2017, the MPACT Fund-Legacy Plan had $290.9 million in assets under management with a funded status of 69.4%. The value of expected liabilities of the trust exceeded the value of the assets, including the value of future payments by contract holders, by $135.5 million. As of June 30, 2017, the MPACT Fund-Horizon Plan had $25.7 million in assets under management with a funded status of 113.4%. The value of assets of the trust exceeded the value of the expected liabilities, including the value of future payments by contract holders, by $4.8 million. The liability amounts are based on actuarial assumptions approved by the Board.

Budget Contingency Fund. The Budget Contingency Fund is a special fund created by the Legislature to handle non-recurring budget shortfalls. During the 2016 legislative session, the Legislature directed the initial $150 million deposit of the British Petroleum Litigation Settlement (the "BP 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 July 31, 2018, the fund balance was $96,050,000.94.

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 July 31, 2018, the Education Improvement Trust Fund had a balance of $47,456,214.10.

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

	2013	2014	2015	2016	2017
TAXES:					
Department of Revenue	$ 752,613.2	$ 826,485.8	$ 786,111.4	$ 874,481.0	$ 1,356,847.0
Motor Vehicle Division	529,981.6	527,316.6	539,017.9	571,830.0	123,166.5
Other	29,505.9	29,726.9	15,969.1	20,277.9	16,013.2
Licenses, Fees, Permits & Penalties	809,560.6	778,155.9	505,127.0	508,141.6	444,789.7
Interest on Direct Investments	42,795.9	34,439.7	21,977.1	24,827.8	25,701.0
Sales and Services	775,814.0	806,157.4	656,960.2	932,302.9	767,914.3
Federal Grants-In-Aid					
Education	710,666.2	655,345.5	614,719.9	680,904.3	6,088,158.6
Highways	561,562.9	550,970.8	483,559.9	496,123.5	510,917.9
Public Health & Welfare[2]	4,320,283.7	4,277,499.9	0.0	0.0	0.0
Federal-State Local Programs	332,720.2	246,077.6	5,351,049.2	5,576,163.7	0.0
Agricultural & Economic Dev[2]	7,445.0	5,556.5	0.0	0.0	0.0
Employment Security[2]	82,708.5	61,212.1	0.0	0.0	0.0
Other	443,002.7	362,532.1	9,346.2	14.8	19,990.1
Political Subdivisions	146,564.7	189,757.2	180,694.0	115,633.6	132,239.6
Gross Sales of Alcoholic Bev	228,973.6	233,304.1	319,584.8	245.2	642.4
TOTAL REVENUE RECEIPT	$ 9,774,198.7	$ 9,584,538.2	$ 9,484,116.7	$ 9,800,946.3	$ 9,486,380.3
Bonds, Notes Issued	763,555.3	335,024.5	76.1	0.0	0.0
Trans, Refunds & Other Rec.	2,634,216.0	1,974,623.4	1,748,512.6	1,470,072.7	1,561,016.1
TOTAL RECEIPTS	$13,171,970.0	$11,894,186.1	$11,232,705.4	$11,271,019.0	$11,047,396.4

(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, Federal-State Local Programs, Agricultural & Economic Development, and Employment Security now included in the Education program.

Source: Department of Finance and Administration.

[The remainder of this page left blank intentionally.]

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

	2013	2014	2015	2016	2017
Legislative	$ 0.0	$ 6.0	$ 6.0	$ 0.0	$ 0.0
Judiciary & Justice	65,884.0	61,568.0	63,687.3	72,379.1	35,974.0
Executive & Administrative	20,576.0	22,871.0	39,500.0	18,638.0	8,183.0
Fiscal Affairs	115,895.0	129,467.0	158,908.0	115,726.0	76,696.0
Public Education	787,847.0	764,376.0	763,362.8	809,456.0	768,675.0
Higher Education	75,362.0	79,833.0	91,522.9	86,206.0	86,257.0
Public Health & Social Welfare	6,625,960.0	6,380,977.0	6,589,816.0	6,668,631.0	6,714,172.0
Hospitals & Hospital Schools	366,932.0	366,650.0	382,159.7	375,919.0	356,431.0
Agriculture & Economic Development	333,927.0	272,311.0	257,455.0	208,373.0	163,015.0
Conservation & Recreation	257,725.0	263,898.0	239,583.0	243,233.0	234,381.0
Insurance & Banking	56,912.0	60,519.0	70,252.5	57,907.0	27,576.0
Corrections	48,564.0	44,418.0	13,747.1	32,302.0	23,002.0
Interdepartmental Service	46,756.0	48,422.0	47,115.6	51,905.0	0.0
Public Protection & Assistance to Veterans	544,601.0	457,827.0	497,464.0	377,013.0	368,367.0
Local Assistance					
Motor Vehicle & Other Regulatory Agencies	30,190.0	27,759.0	28,345.8	29,119.0	18,652.0
Miscellaneous	996.0	720.0	767.0	1,213.0	1,462.0
Public Works	1,233,866.0	1,318,348.0	1,161,434.0	1,198,184.0	1,299,783.0
Debt Service	27,036.0	46,222.0	28,464.0	9,989.0	6,102.0
TOTAL DISBURSEMENTS	$10,639,029.0	$10,346,192.0	$10,433,592.0	$10,356,193.0	$10,188,728.0

(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.

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 $85,000,000. 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)

	2016		2017		2018[(1)]	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Total General Fund Receipts	$5,692.7	100.00%	$5,654.0	100.00%	$5,689.6	100.00%
Sales Taxes	2,062.1	36.20	2,055.2	37.04	2,082.9	36.61
Individual Income Taxes	1,769.4	31.10	1,781.7	32.11	1,826.6	32.10
Corporate Income & Franchise Taxes	596.3	10.50	564.0	10.16	572.3	10.06
Use Taxes	238.3	4.20	234.1	4.22	257.5	4.53
Gaming Taxes & Fees	133.8	2.40	133.0	2.40	129.9	2.28
Insurance Premium Taxes	268.6	4.70	274.5	4.95	312.9	5.50
All Other Receipts	624.2	11.00	611.5	9.12	507.5	8.92

(1) 2018 General Fund Receipts are through the end of June 2018.

Source: Department of Finance and Administration.

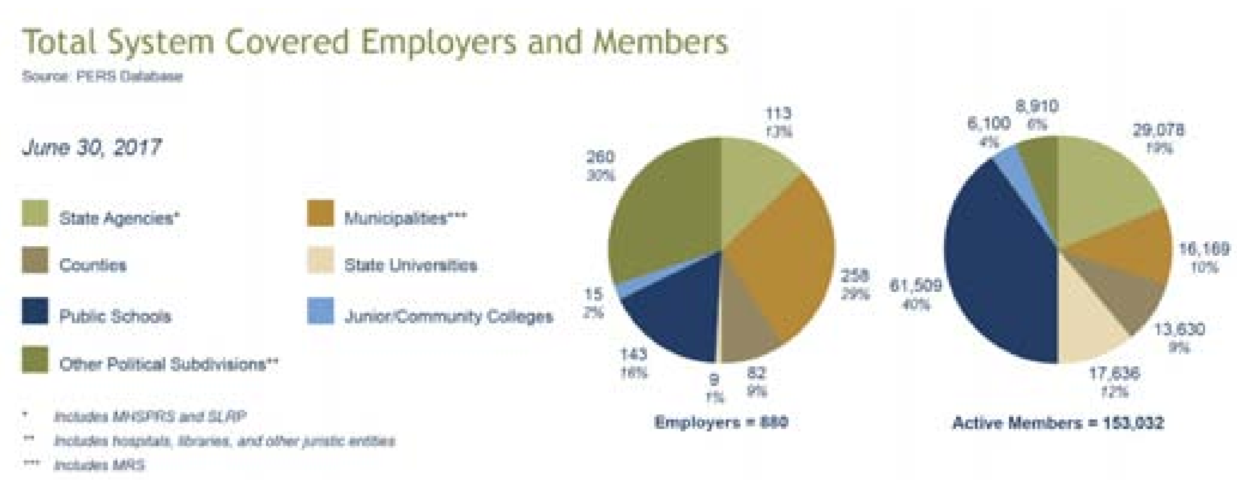
RETIREMENT SYSTEM

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, 2017, the System covered 880 public entities within the State.

Total System Covered Employers and Members as of June 30, 2017



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 in 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 2017 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 and supplemented 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.

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 annual covered payroll) 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, an 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, 2017 were:

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

(b) Projected Wage inflation rates 3.25%;

(c) Projected salary increases of 3.25% to 18.50% per year for PERS, 3.25% to 8.81% for MHSPRS and 3.25% for SLRP attributable to seniority/merit;

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

(e) Entry age for actuarial cost method; and

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

Employer contribution rates for PERS, 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. The PERS Board of Trustees once again revised the Funding Policy for PERS and SLRP in 2018 and implemented a "signal light" approach with three metrics, funded ratio, cash flow as a percent of assets, and actuarially determined contributions (ADC). Green – plan passes metric, yellow – plan passes metric but a warning is issued, and red – the plan fails metric. This time the policy established a path to approximate 100% funding in 30 years, based on current assumptions. The existing UAAL will be restricted to a 30-year closed amortization period and future experience will be limited to a closed 25 years from the date of the valuation. The cash flow projection is defined as the difference between total contributions less benefit payments, divided by the beginning of the year market value of assets. This calculation is provided for the entire projection period. The last metric reviews the plan to determine if the contributions meet or exceed the ADC.

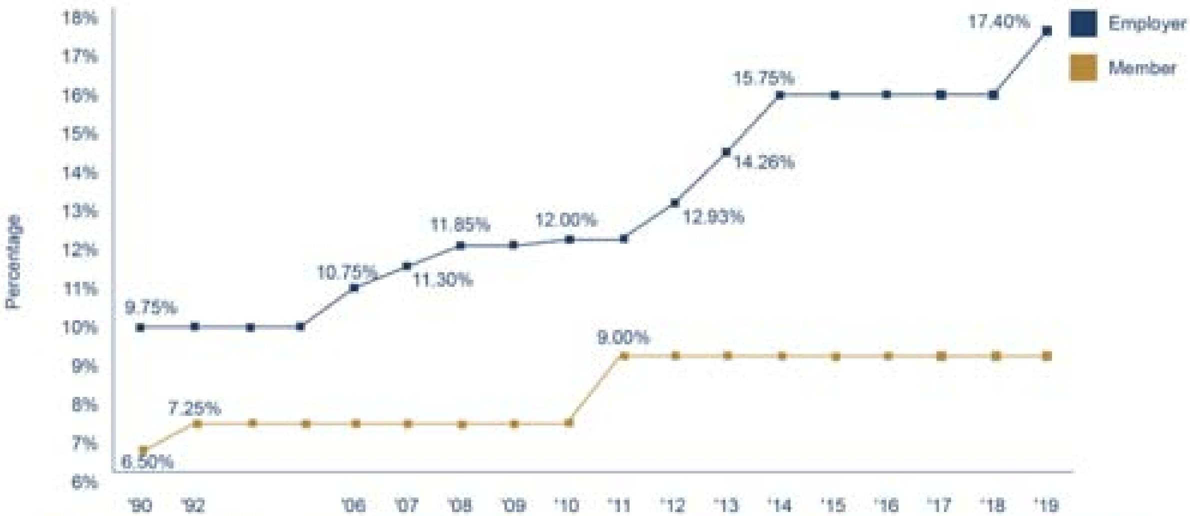
The MHSPRS Funding Policy provides that unfunded actuarial accrued liabilities are amortized as a level percent of active member payroll at a rate designed to produce a projected funded ratio of at least 80% in 2042. These benchmarks are reviewed annually and should the projected funded ratio be less 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 annual covered payroll) 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%. Beginning July 1, 2018, the MHSPRS employer contribution rate increased from 37.00% to 49.08% and on July 1, 2019 the employers of PERS will be required to contribute 17.40% an increase of 1.65% over the previous rate.

[The remainder of this page left blank intentionally.]

PERS Contribution Rate History

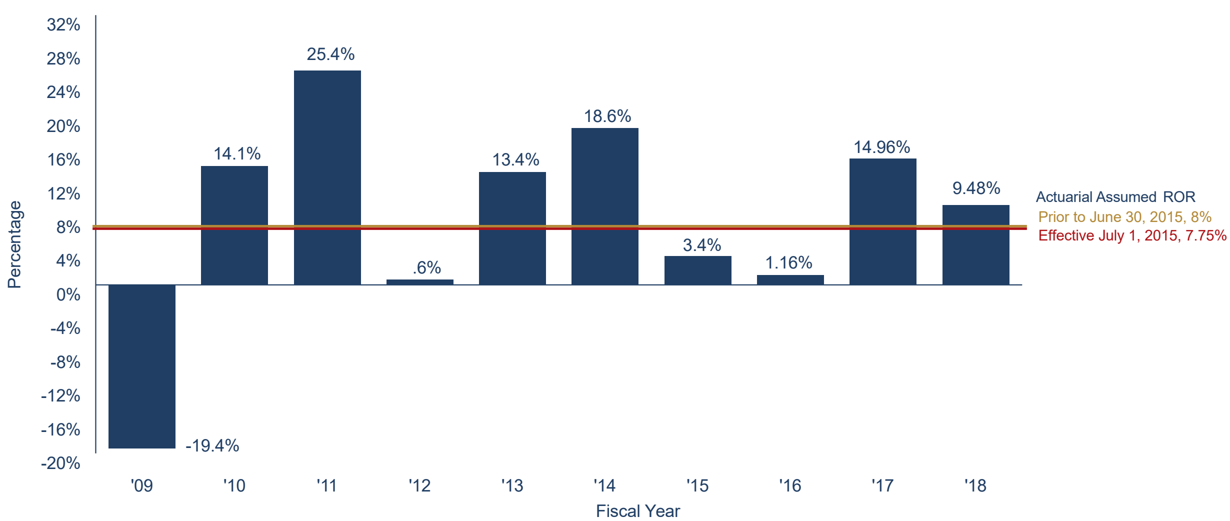


Effective Date	1/1/90 FY '90	7/1/91 FY '92	7/1/05 FY '06	7/1/06 FY '07	7/1/07 FY '08	7/1/09 FY '10	7/1/10 FY '11	1/1/12 FY '12	7/1/12 FY '13	7/1/13 FY '14	7/1/19 FY'20
Employer Rate	9.75%	9.75%	10.75%	11.30%	11.85%	12.00%	12.00%	12.93%	14.26%	15.75%	17.40%
Member Rate	6.50%	7.25%	7.25%	7.25%	7.25%	7.25%	9.00%	9.00%	9.00%	9.00%	9.00%

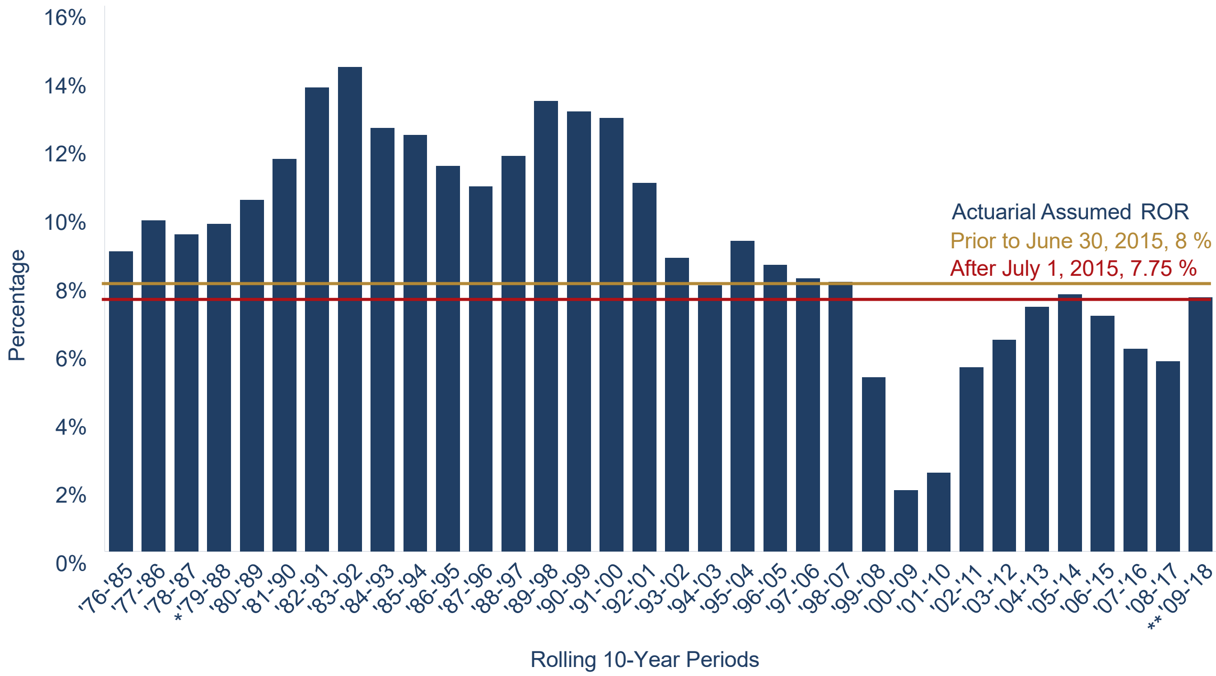
For fiscal year 2017, the combined net assets of all the defined benefit plans administered by PERS increased by $2,444 million, or 9.9%.

Investment Performance:

(2018 unaudited)



Investment Annualized Rates of Return:



**Calculated - Actual data not available **Unaudited*

Excluding the MS Municipal Retirement System, the defined benefit plans administered by the System, PERS, MHSPRS, and SLRP, were actuarially funded at 61.1%, 68.1%, and 78.8% respectively as of June 30, 2017.

At June 30, 2017, the plans' net pension benefit liabilities were as follows (*in thousands).

	PERS*	MHSPRS*	SLRP
Total Actuarial Accrued Liability	$43,166,491	$497,992	$21,849
Actuarial Value of Assets	26,364,446	339,114	17,208
Net Pension Liability	$16,802,045	$158,878	$ 4,641

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, 2017, the most recent valuation date, indicate that the unfunded accrued liability amortization periods of PERS, MHSPRS and SLRP are 38.4, 37.6 and 21.6 years, respectively, using an open amortization approach.

[The remainder of this page left blank intentionally.]

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.

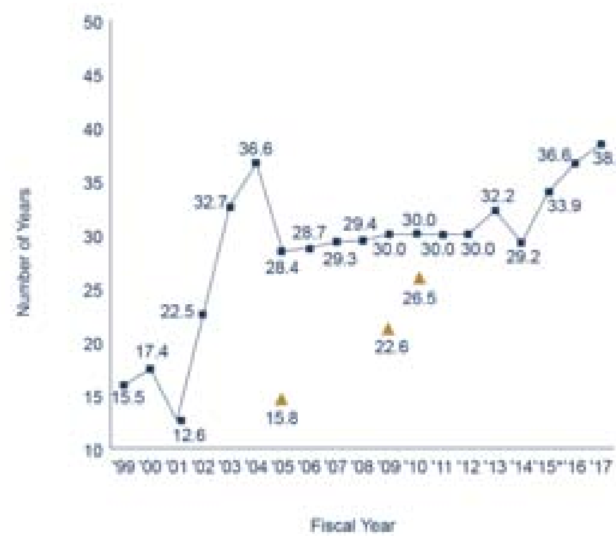
* *Actuarial Assumed ROR effective July, 2015, 7.75%*

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.

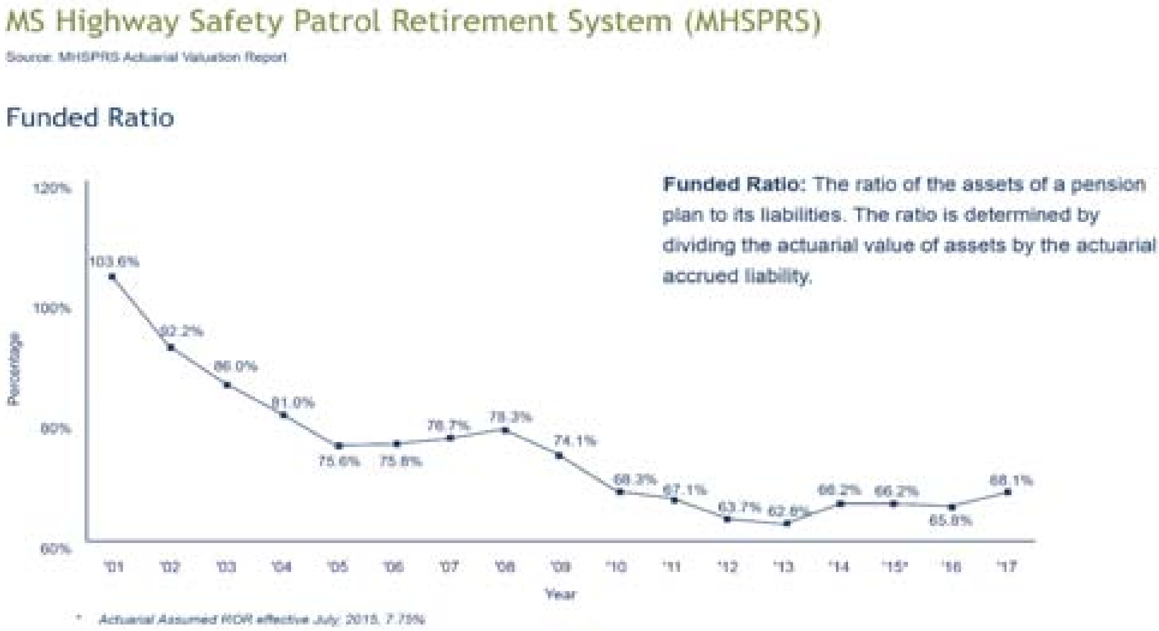
Unfunded Accrued Liability: The difference between the actuarial accrued liability and valuation of assets.



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

Source: PERS Facts & Figures · Data as of June 30, 2017, unless otherwise noted.

MS Highway Safety Patrol Retirement Plan Funded Ratio



Source: MHSPRS Actuarial Valuation Report

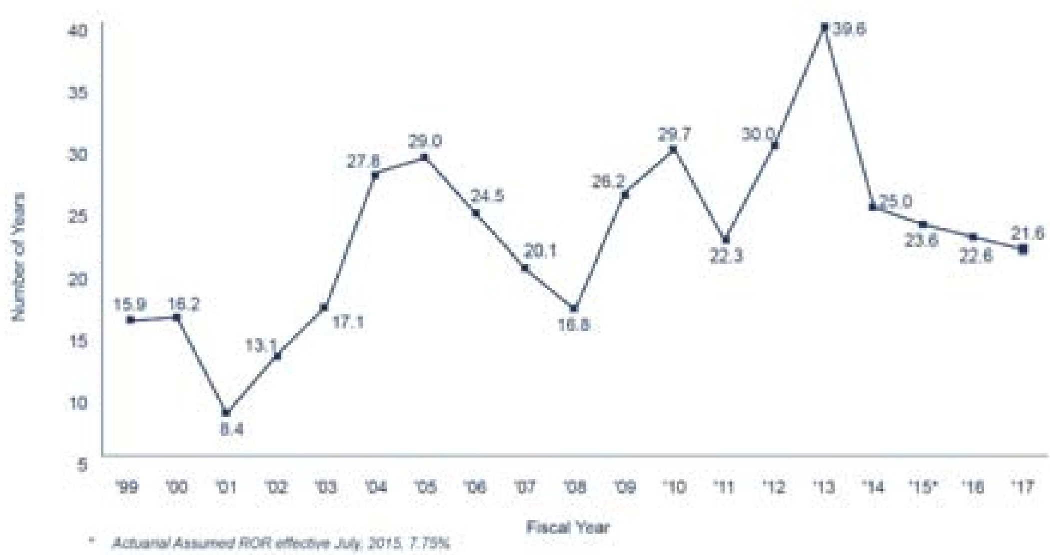
Supplemental Legislative Retirement Plan Funded Ratio

Supplemental Legislative Retirement Plan (SLRP)

Source: SLRP Actuarial Valuation Report

Funded Ratio

SLRP Amortization Period of Unfunded Accrued Liability



[The remainder of this page left blank intentionally.]

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

	2014	**2015**	**2016**	**2017**
Additions:				
Member Contribution	$ 625,867	$ 560,099	$ 574,963	$ 572,456
Employer Contributions	1,005,219	1,030,028	1,055,072	1,052,147
Total Contributions	1,631,086	1,590,127	1,630,035	1,624,603
Net Investment Income:				
Net Appreciation (Depreciation) in Fair Value Assets	3,654,142	362,760	(335,671)	3,037,548
Interest and Dividends	589,945	557,068	538,894	539,547
Securities Lending				
Net Appreciation in Fair Value		(2,128)	1,740	3,236
Interest Income on Securities Lending	19,133	18,525	23,152	37,318
Manager's Fees & Trading Costs	(83,449)	(88,884)	(89,116)	(95,916)
Interest Expense			(2,366)	(14,840)
Program Fees	(2,680)	(2,619)	(3,097)	(3,381)
Net Investment Income (Loss)	4,177,091	844,722	133,536	3,503,512
Other Revenues	268	75	35	36
Total Additions (Reductions)	$5,808,445	$2,434,924	$1,763,606	$5,128,151
Deductions:				
Retirement Annuities	2,263,161	2,284,168	2,433,505	2,544,382
Refunds to Terminated Employees	121,599	119,557	113,010	113,868
Administrative Expenses	13,454	14,119	15,764	17,624
Loss on Disposal of Equipment	0	0	0	0
Depreciation	778	571	509	8,572
Total Deductions	$ 2,398,992	$ 2,418,415	$ 2,562,788	$ 2,684,446
Net Increase (Decrease) in Plan Net Assets	3,409,453	16,509	(799,182)	2,443,705
Net Assets held in Trust for Pension Benefits Beginning of Year	23,583,145	25,399,696	25,416,205	24,617,023
End of Year	$26,992,598	$25,416,205	$24,617,023	$27,060,728

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 ("MDA") 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 2016-2017 school year, public elementary schools (K-6) enrolled 269,238 students and public secondary schools enrolled 213,208 students. The enrollment for public elementary and secondary students was a combined total of 482,446 students. The State's public schools employed 31,658 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 2016-2017 school year was 71,454. 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 are supported by the State (included in this number is the University of Mississippi Medical Center whose numbers are reflected within those for the University of Mississippi. These institutions offer courses and programs statewide. The 2016-2017 academic year enrollment in the State supported institutions of higher learning was approximately 82,654. 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 August 2018)

According to preliminary estimates by the Bureau of Economic Analysis (BEA), the Mississippi economy grew 0.3% in 2017. This estimate is based on limited data and simplified methodology. The data will be revised in July 2019. Revisions have been substantial in recent years. The 2017 gain followed a 2.0% gain in 2016, based on revised data. GDP growth in 2016 was the largest annual growth in the Mississippi economy since the 2.2 percent increase in 2012.

While the State experienced modest performance throughout much of 2017, a notable surge occurred toward the end of the year. This growth moderated somewhat in the first quarter of 2018 but has since shown signs of improvement. In the first seven months of 2018 employment is up 1.3% over the same period of 2017. This is a significant improvement over the 0.5% growth experienced in calendar year 2017 and slightly ahead of the growth in calendar years 2015 and 2016.

Through July, the State added an average of 14,686 jobs in 2018 over 2017. The largest contributor to job gains was professional and business services. These were primarily temporary jobs. The second largest contributor to jobs in 2018 was the education and health services sector. The bulk of those jobs were health services. The third largest contributor to jobs in was the leisure and hospitality sector with the bulk of those jobs coming from eating places. The next highest job gains were in construction. The gains in construction are particularly encouraging since the State has experienced declines in construction jobs in eight of the last ten years. Only three sectors have had declines thus far in 2018: government, mining and logging, and information. The information sector lost the most jobs while government lost the least.

Despite the job gains there is very little upward momentum in income growth. Real incomes grew 0.4% in 2017, slightly below the growth in 2016. According to BEA's first quarter estimates, income growth is only slightly stronger in 2018. Withholdings data, an alternative measure of income, shows flat growth in the first half of 2018 after adjusting for inflation. With a record low unemployment rate, upward wage pressure would seem to be expected. However, a relatively low workforce participation rate might be creating enough slack in the job market to dampen wage growth low. Initial unemployment claims remain at historically low levels. Initial claims have averaged around 5,500 for the last twelve months. Low claims imply few lay-offs are taking place in the State.

Transfers to the General Fund were $9.8 million or 3.2% above the estimate in the month of July. While one month does not make a trend, there is reason to be guardedly optimistic about transfers in fiscal year 2019. The estimate itself is relatively low, representing a decline of 0.7% from the actual fiscal year 2018 General Fund. Due to recent Supreme Court rulings, the State will collect use taxes and gaming taxes that were not anticipated when the estimate was adopted. Finally, increased inflation is expected to support improved transfers to the General Fund.

Short-Term Outlook

The nation began the year on solid footing with rising income and robust job growth. Growth strengthened in the second quarter to a remarkable 4.1% quarter relative to the first. This marked the strongest quarterly growth since the third quarter of 2014. The components of that growth are favorable for continued growth in the second half of the year as well. For example, we saw final sales at 5.1% in the second quarter. This was the highest in twelve years. Inventories experienced the largest decline in eight years. This bodes well for the remainder of 2018 and early 2019 as inventories are rebuilt. The short-term momentum is supportive of growth despite the current tariffs and the trade issues with China. If the threats on both sides proves to be more than saber-rattling, it would have a dampening impact on growth. The rising tensions promote uncertainty and that can also diminish growth.

The U.S. economy is projected to expand by 2.9% for the 2018 before moderating to 2.7% in 2019. Average growth for 2020-2022 is expected to be around 1.7%.

The State's economy is expected to grow 1.8% in 2018, a significant improvement over the 0.3% reported by BEA for 2017, but slightly below the 2.0% observed in 2016. Growth is expected to remain around 1.6-1.7% for the next few years.

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 12.4% of employment concentrated in manufacturing compared to the national average of slightly less than 8.5%. 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

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 73 financial institutions in the State, consisting of 7 national chartered commercial banks, 4 federal chartered thrifts, and 62 state chartered commercial banks. The total number of branch offices is 1,460. Combined assets for these institutions as of March 31, 2018 totaled $97,697,975,000.

There are 4 banks with assets exceeding $10 billion. Three of these four banks are state chartered. Hancock Whitney Bank is the largest financial institution in the state and has assets of over $27 billion.

There are 6 financial institutions with assets less than $10 billion, but greater than $1 billion. Total assets for the 10 largest institutions are $79,928,636,000. This represents approximately 82% of banking assets in the State. Average asset growth over the past three years is 7%.

Manufacturing

The manufacturing sector is a leading employer in the State. Approximately 169,500 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. and international markets and is at full production today. In April 2018, Toyota announced the company was investing $170 million and creating 400 new jobs to support production of the 12th generation Corolla using Toyota New Global Architecture.

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 600 employees. The company plans to produce up to one million tires annually when running at full capacity.

Continental Tire The Americas, LLC, has begun construction of its commercial vehicle tire manufacturing plant in Hinds County, Mississippi and 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 2017 was $2,090,634,797.88 and for the 28 State-licensed casinos in fiscal year 2018 was $2,075,817,271. The State's gaming industry reported 20,423 State-licensed and casino hotel employees for the fourth quarter of fiscal year 2018. 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 the first month of fiscal year 2019 were $186,558,295.57.

Agriculture and Forestry

Agriculture is one of the State's leading industries, employing approximately 29% of the State's workforce either directly or indirectly. Agriculture in the State is a $7.6 billion industry. There are approximately 36,200 farms in the State covering 10.7 million acres. The average size farm is composed of 296 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, milk, sweet potatoes, wheat and peanuts.

Forestry and forestry products contribute a total impact of $12.79 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 2016, construction contributed $4.5 billion (4.1%) of the State's GDP of $108 billion, making construction's contribution to the State's GDP more than the industry's 4% share of United States GDP. Private non-residential construction spending in the State totaled $2.4 billion in 2016 while nonresidential starts in the State totaled $2.4 billion in 2017 and $2.9 billion in 2016, according to ConstructConnect. Construction employment in March 2018 totaled 45,100, an increase of 3.4% from March 2017. Construction worker's pay in the State averaged $47,400, 28% more than all private sector employees in the State.

During the period 2012 through 2017, building permits issued for residential construction averaged 6,817 annually, with an average annual valuation of $1,056 billion. The following chart presents annual data for residential building activity for the past 10 years.

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)
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
2017	7.5	1,255.3	43.3

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, Mississippi Department of Employment Security.

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.

During the First Extraordinary Session of 2018, the Mississippi Legislature passed three bills, which are estimated to provide $220 million, or more annually for infrastructure projects throughout the State. The infrastructure funding will be generated by diverting a portion of State use tax collections to local roads and bridges, collecting revenue from wagers on sports betting, creating a State Lottery and appropriating the remaining BP Settlement funds. Additionally, the Mississippi Legislature authorized up to $300 million of revenue bonds for infrastructure projects administered by MDOT ($250 million) and the Mississippi Department of Finance and Administration ($50 million).

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
2017	2,984	.13	325,719	.80

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 970,100 people or 83% of total non-agricultural employment as of June 2018. Other large employment sectors are government, trade and transportation, and manufacturing with each employing 239,200, 233,300, and 145,200, respectively, as of June 2018. Within the goods producing industry, the durable goods segment of the industry employed 95,000 and the nondurable goods segment employ 50,600. The leading manufacturers by product category are transportation equipment which includes ship building (44,400), food manufacturing (24,100) and furniture manufacturing (18,800). Although its importance has declined, agriculture continues to contribute significantly to the State's economy. The total employment in agriculture as of June 2018 was 32,800.

TEN LARGEST MISSISSIPPI MANUFACTURING EMPLOYERS[(1)]

Manufacturer	Major Product	2017 Employment
Huntington Ingalls Industries	Ship Building	12,500
Nissan North America	Automobile Assembly	6,300
Ashley Furniture Industries	Furniture Manufacturing	4,100
Sanderson Farms, Inc.	Processed Poultry	4,026
Howard Industries	Electronics	3,440
Koch Foods of Mississippi, LLC	Poultry Processing	2,623
United Furniture Industries	Furniture Manufacturing	2,385
Chevron	Petroleum Refineries	1,700
Toyota	Automobile Manufacturer	1,500
Cooper Tire & Rubber Co.	Tire Manufacturing	1,400

(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 2018, Mississippi Business Journal.

[The remainder of this page left blank intentionally.]

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	1,289.7	1,225.1	5.0
2018			
Jan	1,274.8	1,216.5	4.6
Feb	1,274.1	1,216.5	4.5
March	1,273.8	1,216.5	4.5
April	1,275.3	1,217.1	4.6
May	1,278.3	1,218.8	4.7
June	1,281.6(1)	1,221.0(1)	4.7(1)

(1) Preliminary.
Source:U.S. Department of Labor Bureau of Labor Statistics, July 2018.

[The remainder of this page left blank intentionally.]

MISSISSIPPI ANNUAL EMPLOYMENT STATISTICS
(In Thousands of People)

	2014	2015	2016	2017	June 2018
Civilian labor force	1,252.2	1,267.7	1,280.4	1,280.0	1,281.6
Total employment	1,156.6	1,188.1	1,205.8	1,215.1	1,221.0
Agricultural(1)	23.7	32.6	32.3	32.4	32.0
Non-agricultural	1,119.1	1,126.8	1,150.4	1,152.2	1,167.5
All Other	13.8	28.7	23.1	30.5	21.5
Unemployment Rates					
Mississippi	7.7	6.3	5.8	5.1	4.7
United States	5.9	5.1	4.9	4.4	4.4
By Place of Employment					
Non-Agricultural	1,119.1	1,126.8	1,150.4	1,008.1	1,168.3
Manufacturing	141.7	140.8	143.1	144.0	145.2
Durable goods	94.7	93.6	95.0	94.9	95.0
Wood Product	8.9	8.5	8.9	9.0	9.1
Furniture & Related Products	18.1	18.4	18.9	18.9	18.8
Metal Products	10.0	9.7	10.0	9.9	9.9
Machinery Manufacturing	11.9	12.3	11.8	12.4	12.5
Electrical Equipment & Appliance	6.2	6.4	6.4	6.5	6.5
Transportation Equip(2)	43.4	46.8	45.2	45.6	44.4
Nondurable goods	47.0	47.2	48.1	48.2	50.6
Food	21.8	22.0	23.0	24.1	24.1
Paper	3.6	3.6	3.9	4.0	4.0
Plastics & Rubber	6.1	6.1	6.8	7.0	7.3
Service Producing					
Industries	920.5	932.1	955.7	950.5	970.1
Mining(3)	9.6	8.6	6.8	6.9	6.7
Construction	49.6	45.3	44.8	43.3	45.1
Information	12.3	13.5	12.1	11.6	11.3
Trade & Transportation	218.1	221.7	228.5	231.6	233.3
Financial Activities	43.9	44.4	44.0	44.1	45.6
Government	245.0	245.3	247.8	242.6	239.2
Education & Health Services(4)	136.6	135.5	141.0	144.2	145.3
Leisure & Hospitality	126.9	131.6	134.1	135.1	141.5
Professional & Business	99.7	102.5	108.0	108.2	112.8
Other Services	38.0	37.6	40.2	40.3	41.1

(1) Mississippi Agricultural Statistics.

(2) Motor Vehicle Parts, Ship and Boat Building.

(3) Natural Resources and Mining.

(4) Education, Health Care and Social Assistance.

Source: Mississippi Department of Employment Security, State & Metro Trends, www.mdes.ms.gov July 2018.

[The remainder of this page left blank intentionally.]

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
2017	36,346	50,392	72.1

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, last updated March 2018. http://www.bea.gov/regional/bearfacts.

MISSISSIPPI PERSONAL INCOME STATISTICS (Rounded in Millions of Dollars)

	2014	2015	2016	2017	Unaudited 2018
Total Personal Income (by place of residence)	$102,795	$104,045	$106,053	$108,362	$110,141
Earnings by Industry					
Farm	1,343	1,128	995	1,649	1,454
Forestry, Fishing, and related activities	689	524	535	528	536
Mining	1,388	1,199	861	840	832
Utilities	800	832	885	911	936
Construction	4,391	4,054	3,909	3,838	3,982
Manufacturing	8,441	8,696	8,904	9,031	9,360
Wholesale Trade	2,403	2,514	2,524	2,626	2,642
Retail Trade	4,966	5,122	5,333	5,390	5,467
Transportation and Warehousing	2,731	2,532	2,637	2,759	2,843
Information	820	809	748	697	718
Finance and Insurance	2,713	2,522	2,497	2,535	2,675
Real Estate, Rental and Leasing	1,023	893	862	889	904
Professional, Scientific and Technical Services	2,805	2,981	3,008	3,059	3,094
Management of Companies and Enterprises	986	1,032	1,059	1,090	1,203
Administrative and Waste Services	2,325	2,423	2,418	2,384	2,492
Educational Services	738	722	723	737	724
Health Care & Social Assistance	7,186	7,453	7,636	7,890	8,067
Arts, Entertainment and Recreation	341	282	349	269	259
Accommodation and Food Service	2,663	2,718	2,833	2,935	2,987
Other Services except Public Administrative	2,685	2,757	2,775	2,823	2,858
Government and Government Enterprises	14,344	14,930	15,212	15,311	15,406

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. June 2018.

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

	2014	2015	2016	2017	Unaudited 2018[1]
Total Personal Income (by place of residence)	$14,708.6	$15,464.0	$15,912.8	$16,414.5	$16,821.4
Earnings by Industry					
Farm	104.0	88.0	69.2	64.7	56.7
Forestry, Fishing, and related activities	31.5	33.6	35.4	36.5	37.1
Mining	179.5	166.3	110.7	124.5	128.3
Utilities	84.0	86.3	88.6	90.5	92.3
Construction	604.0	640.3	680.3	715.3	749.0
Manufacturing	1,017.5	1,056.0	1,059.2	1,083.6	1,124.7
Wholesale Trade	537.5	560.1	561.3	576.5	582.2
Retail Trade	635.7	656.6	675.3	694.2	708.4
Transportation and Warehousing	358.5	399.0	410.5	430.1	441.1
Information	350.2	372.2	385.4	396.3	410.4
Finance, Insurance, Real Estate, Rental and Leasing	976.9	1,006.6	1,017.2	1,061.9	1,115.7
Professional and Business Services	1,060.8	1,124.8	1,157.7	1,199.9	1,235.6
Educational Services, Health Care & Social Assistance	1,333.6	1,398.6	1,457.3	1,514.8	1,556.3
Arts, Entertainment, Recreation, Accommodation and Food Services	452.3	498.3	387.8	542.1	557.9
Other Services except Government	392.7	406.5	417.6	432.3	440.4
Government	1,750.3	1,834.3	1,883.5	1,932.2	1,958.3

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, last revised in June 2018.

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 next page for post 2013 years' data.

[The remainder of this page left blank intentionally.]

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

Industry Group	2014	2015	2016	2017
Agriculture, Forestry, Fishing and Hunting	$ 11.4	$ 11.8	$ 16.6	$ 18.5
Mining, Quarrying, and Oil & Gas Extraction	412.7	398.3	170.3	156.3
Utilities	1,439.0	1,271.3	1,147.2	1,126.9
Construction	5,716.0	5,461.1	4,994.2	5,271.2
Manufacturing	896.0	783.1	797.1	806.5
Retail Trade	25,048.8	25,605.0	26,582.7	26,554.2
Wholesale Trade	3,658.2	3,624.3	3,577.7	3,772.2
Information	2,635.7	2,706.5	2,696.7	2,666.3
Professional, Scientific & Technical Services	147.0	162.6	191.1	186.0
Management of Companies & Enterprises	.3	.3	.2	.8
Administrative, Support, Waste Management	335.2	361.7	391.2	411.4
Educational Services	4.6	.1	.1	.1
Health Care & Social Asst.	2.5	2.9	2.9	3.2
Arts, Entertainment, Recreation	125.0	122.8	123.1	124.2
Accommodation & Food Services	4,590.8	4,802.4	5,069.4	5,549.0
Other Services	1,335.8	1,389.6	1,489.7	1,511.9
Public Administration	66.4	62.6	57.8	60.9
Finance & Insurance	47.0	50.6	54.4	66.9
Transportation & Warehousing	51.1	49.0	44.1	53.2
Real Estate, Rental & Leasing	862.6	929.1	946.1	1,089.1
Total Taxable Sales	$47,386.1	$47,795.1	$48,352.5	$49,135.3

(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 2014-2017.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P"), have assigned ratings of "AA (stable outlook)," "Aa2 (stable outlook)," and "AA (stable outlook)," respectively, to the Series 2018 Bonds. An explanation of the significance of such ratings may be obtained from the agencies which assigned the ratings.

There is no assurance that present or future ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of any or all of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the Series 2018 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 Series 2018 Bonds within the meaning of the Rule.

The State will enter into written undertakings for the benefit of the bondholders for the Series 2018 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 undertakings, see "APPENDIX C - FORMS OF CONTINUING DISCLOSURE CERTIFICATES".

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 statements were filed timely along with the annual reports, the State's CAFR for fiscal year 2015 was not filed on EMMA until May 31, 2016, the State's CAFR for fiscal year 2016 was not filed on EMMA until May 5, 2017, and amended on May 15, 2017, and the State's CAFR for fiscal year 2017 was not filed on EMMA until March 15, 2018. The State's fiscal year 2017 unaudited annual report did not contain an update of the State of Mississippi Special Funds Receipts table. Updated information is expected to be provided in the amended annual report which is expected to be filed on EMMA prior to the Final Official Statement. Under one of its continuing disclosure agreements, the State is required to file its CAFR earlier than it is required to do so under its other continuing disclosure agreements, and the State has failed to meet this obligation on multiple occasions. 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 Continuing Disclosure Services, a Division of Hilltop Securities, Inc., 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 Series 2018 Bonds provided the same are issued, sold and delivered. To predict with any degree of accuracy the ultimate outcome of any litigation would be conjectural.

UNDERWRITING

The Series 2018A Bonds are initially being purchased for reoffering by Piper Jaffray & Co. and Stephens Inc. (collectively, the "Series 2018A Underwriters"). The Series 2018A Underwriters have agreed to purchase the Series 2018A Bonds at a purchase price of $203,334,509.10, representing $188,860,000.00 par amount less an underwriters' discount of $264,404.00 and plus a net original issue premium of $14,738,913.10. The bond purchase agreement pursuant to which the Series 2018A Underwriters expect to purchase the Series 2018A Bonds provides that the Series 2018A Underwriters will purchase all the Series 2018A Bonds if any are purchased. The obligation of the Series 2018A Underwriters to accept delivery of the Series 2018A Bonds is subject to various conditions stated in such bond purchase agreement.

The Series 2018B Bonds are initially being purchased for reoffering by Raymond James & Associates, Inc. and Duncan-Williams, Inc. (collectively, the "Series 2018B Underwriters" and together with the Series 2018B Underwriters, the "Underwriters"). The Series 2018B Underwriters have agreed to purchase the Series 2018B Bonds at a purchase price of $153,183,392.65, representing $152,975,000.00 par amount less an underwriters' discount of $214,165.00 and plus a net original issue premium of $422,557.65. The bond purchase agreement pursuant to which the Series 2018B Underwriters expect to purchase the Series 2018B Bonds provides that the Series 2018B Underwriters will purchase all the Series 2018B Bonds if any are purchased. The obligation of the Series 2018B Underwriters to accept delivery of the Series 2018B Bonds is subject to various conditions stated in such bond purchase agreement.

The Underwriters may offer and sell the Series 2018 Bonds to other dealers and other purchasers at prices lower than the public offering prices stated on the insider cover page hereto. The initial public offering prices may be changed from time to time by the Underwriters.

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

In 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.

VALIDATION

Prior to issuance, the Series 2018 Bonds will be validated before the Chancery Court of the First Judicial District of Hinds County, Mississippi, as provided in Sections 31-13-1 *et seq*., Mississippi Code of 1972, as amended.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Series 2018 Bonds are subject to the approving legal opinions of Butler Snow LLP, Ridgeland, Mississippi, Bond Counsel, whose approving legal opinions will be available at the time of delivery of the Series 2018 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 Series 2018 Bonds by their counsel Balch & Bingham LLP, Jackson, Mississippi.

FINANCIAL ADVISOR

The State has retained Hilltop Securities, Inc., Dallas, Texas, as independent municipal advisor (the "Financial Advisor") in connection with the sale and issuance of the Series 2018 Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the State with respect to the preparation of documents, the preparation for the sale of the Series 2018 Bonds and of the time of the sale, tax-exempt and taxable bond market conditions and other factors related to the sale of the Series 2018 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

Series 2018A Bonds

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2018A Bonds (including any original issue discount properly allocable to the owner of a Series 2018A Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the State with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended and supplemented (the "Code") that must be met subsequent to the issuance of the Series 2018A Bonds. Failure to comply with such requirements could cause interest on the Series 2018A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018A Bonds. The State has covenanted in the Series 2018A Resolution and certain certificates to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2018A Bonds.

The accrual or receipt of interest on the Series 2018A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2018A Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2018A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2018A Bonds.

Bond Counsel is also of the opinion that, under existing statutes, interest on the Series 2018A Bonds is exempt from all income taxation in the State.

Series 2018A Premium Bonds

The Series 2018A Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt obligations such as the Series 2018A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2018A Bonds that fail 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 reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2018A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2018A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2018A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2018A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018A Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2018A BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2018A BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2018A BONDS.

Series 2018B Bonds

INTEREST ON THE SERIES 2018B BONDS SHOULD BE TREATED AS INCLUDED IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2018B Bonds is exempt from income taxation in the State.

MISCELLANEOUS

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

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2018 Bonds, the security for the payment of the Series 2018 Bonds and the rights and obligations of the registered owners thereof.

References herein to the Resolutions, 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) 359-3160, 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) 359-3160

APPENDIX A

[THIS PAGE INTENTIONALLY LEFT BLANK]

DEBT SERVICE ON THE SERIES 2018A BONDS

$188,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2018A
(Tax-Exempt)

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2020	$ 0.00	$ 13,045,694.17	$ 13,045,694.17
2021	0.00	8,794,850.00	8,794,850.00
2022	0.00	8,794,850.00	8,794,850.00
2023	0.00	8,794,850.00	8,794,850.00
2024	0.00	8,794,850.00	8,794,850.00
2025	0.00	8,794,850.00	8,794,850.00
2026	0.00	8,794,850.00	8,794,850.00
2027	0.00	8,794,850.00	8,794,850.00
2028	0.00	8,794,850.00	8,794,850.00
2029	0.00	8,794,850.00	8,794,850.00
2030	0.00	8,794,850.00	8,794,850.00
2031	10,570,000.00	8,530,600.00	19,100,600.00
2032	18,680,000.00	7,799,350.00	26,479,350.00
2033	19,635,000.00	6,841,475.00	26,476,475.00
2034	20,645,000.00	5,834,475.00	26,479,475.00
2035	21,700,000.00	4,775,850.00	26,475,850.00
2036	22,815,000.00	3,662,975.00	26,477,975.00
2037	23,915,000.00	2,564,300.00	26,479,300.00
2038	24,940,000.00	1,537,200.00	26,477,200.00
2039	25,960,000.00	519,200.00	26,479,200.00
TOTAL	$ 188,860,000.00	$ 143,059,619.17	$ 331,919,619.17

DEBT SERVICE ON THE SERIES 2018B BONDS

$152,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2018B

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2020	$ 0.00	$ 8,477,530.43	$ 8,477,530.43
2021	12,305,000.00	5,476,779.68	17,781,779.68
2022	12,795,000.00	4,990,467.18	17,785,467.18
2023	13,270,000.00	4,523,078.26	17,793,078.26
2024	13,720,000.00	4,069,803.66	17,789,803.66
2025	14,205,000.00	3,584,160.21	17,789,160.21
2026	14,715,000.00	3,064,051.11	17,779,051.11
2027	15,265,000.00	2,509,501.58	17,774,501.58
2028	15,845,000.00	1,918,111.03	17,763,111.03
2029	16,460,000.00	1,291,963.26	17,751,963.26
2030	17,110,000.00	631,191.91	17,741,191.91
2031	7,285,000.00	145,736.43	7,430,736.43
TOTAL	$ 152,975,000.00	$ 40,682,374.74	$ 193,657,374.74

GENERAL FUND CASH FLOW BY MONTHS

January 2008 Through June 2018
(In Millions of Dollars)

	Beginning Balance	Receipts	Disbursements	Ending Balance	Borrowing from Special Funds	Borrowing from Working Cash Balance Revolving
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

	Beginning Balance	Receipts	Disbursements	Ending Balance	Borrowing from Special Funds	Borrowing from Working Cash Balance Revolving
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
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)

	Beginning Balance	Receipts	Disbursements	Ending Balance	Borrowing from Special Funds	Borrowing from Working Cash Balance Revolving
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	778.7	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)	(255.8)
July	121.3	310.6	493.5	138.4	0.0	200.0
August	138.4	412.0	565.0	185.5	0.0	200.0
September	185.5	491.3	531.5	145.2	0.0	0.0
October	145.2	485.0	553.6	176.6	0.6	99.4
November	176.6	384.7	539.2	122.1	91.2	8.8
December	122.1	494.4	366.4	350.2	100.0	0.0
2018						
January	350.2	407.7	443.2	114.7	(200.0)	0.0
February	114.7	321.2	381.4	154.5	100.0	0.0
March	154.5	403.2	528.4	129.3	0.0	100.0
April	129.3	767.8	395.0	502.1	0.0	0.0
May	502.1	487.3	414.9	374.5	(200.0)	0.0
June	374.5	727.7	405.8	196.4	(290.2)	(209.8)

Source: Department of Finance and Administration.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

EXCERPTS FROM 2017 AUDITED FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

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, 2017, 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 State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, 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 Department of Public Safety, the Department of Rehabilitation Services, the Mississippi Department of Health, and the Mississippi Department of Education which, in the aggregate, represent 6% and 19%, 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 Department of Finance and Administration State Life and Health Plan, and the Unemployment Compensation Fund which, in the aggregate, represent 98% and 91%, 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 State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, 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 Department of Public Safety, the Department of Rehabilitation Services, the Mississippi Department of Health, and the Mississippi Department of Education which, in the aggregate, represent 20% and 11%, 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

  - Nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services, the Veterans' Home Purchase Board and the Department of Finance and Administration State Life and Health Plan;

  - the Pension Trust Funds;

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

  all of which represent 100% and 100%, respectively, of the assets and revenues of the aggregate remaining funds.

Those statements were audited by other auditors whose reports 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 solely 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 opinion.

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, 2017, 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 February 16, 2018, 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
February 16, 2018

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, 2017. 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 $13,690,044,000 (reported as "net position"). Of this amount, a negative $5,642,338,000 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 restricted component of net position amounted to $4,060,821,000. Net position of governmental activities decreased by $325,161,000 while business-type activities increased by $62,919,000.

Fund Level - At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $3,847,089,000, which is $529,175,000 less than the previous year. Revenues from taxes increased slightly from the prior year while other sources of revenue decreased. Expenditures continued to rise slightly over the prior year.

Long-term Debt - The total outstanding net long-term bonds and notes were $5,668,399,000 at June 30, 2017. During the year, the State issued $1,021,194,000 in bonds and notes, including 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 - The State's general activities are reported in governmental funds. Governmental funds are used to account for 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 nonmajor funds, which consist of 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 reports the enterprise fund type as proprietary funds. 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.

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 nine nonmajor enterprise 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 for each pension plan, the Schedules of Changes in the Net Pension Liability for the single employer plans, the Schedule of Proportionate Share of the Net Pension Liability for the multiple employer plan, and the Schedules of Funding Progress for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following RSI.

Request for Information

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

Mississippi

Government-wide Financial Analysis

Net Position

The State's combined net position for governmental and business-type activities decreased $262,242,000 in fiscal year 2017. Current year net position is $13,690,044,000 in contrast to the prior year balance of $13,952,286,000. Business-type activities reported positive balances in all three components of net position, while governmental activities and the State as a whole continued to reflect a negative balance in the unrestricted component of net position.

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 $350,408,000 from the previous year. The governmental activities' increase of $294,017,000 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 $56,391,000 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 $370,936,000, or 8.4 percent during fiscal year 2017.

The remaining net position is classified as unrestricted. As of June 30, 2017, the State had a deficit unrestricted net position of $5,642,338,000. 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 $416,087,000 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 6,202,874	$ 7,087,466	$ 1,723,556	$ 1,343,027	$ 7,926,430	$ 8,430,493
Capital assets	16,161,308	15,754,679	625,279	565,919	16,786,587	16,320,598
Total Assets	22,364,182	22,842,145	2,348,835	1,908,946	24,713,017	24,751,091
Deferred outflows of resources	815,219	645,660	6,385	5,077	821,604	650,737
Noncurrent liabilities	8,910,907	8,620,077	449,162	453,109	9,360,069	9,073,186
Other liabilities	2,209,139	2,124,321	197,023	110,053	2,406,162	2,234,374
Total Liabilities	11,120,046	10,744,398	646,185	563,162	11,766,231	11,307,560
Deferred inflows of resources	77,122	140,107	1,224	1,875	78,346	141,982
Net position:						
Net investment in capital assets	14,666,438	14,372,421	605,123	548,732	15,271,561	14,921,153
Restricted	3,374,220	3,763,095	686,601	668,662	4,060,821	4,431,757
Unrestricted	(6,058,425)	(5,532,216)	416,087	131,592	(5,642,338)	(5,400,624)
Total Net Position	$ 11,982,233	$ 12,603,300	$ 1,707,811	$ 1,348,986	$ 13,690,044	$ 13,952,286

Changes in Net Position

Operating grants and contributions of $7,037,953,000 and taxes of $6,941,454,000 were the State's major revenue sources. Together, they accounted for 81.9 percent of total revenues. Revenue from taxes increased $55,219,000 and operating grants and contributions decreased by $28,351,000 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 $7,924,907 or 45.7 percent. Expenses within this function rose over the prior year by $73,526,000 along with health costs. Unemployment compensation expenses were down by $17,473,000, continuing a downward trend. The increase in business-type activities charges for services and expenses can be attributed to the reclassification of the State Life and Health Insurance Plan from governmental to business-type activities.

Changes in Net Position

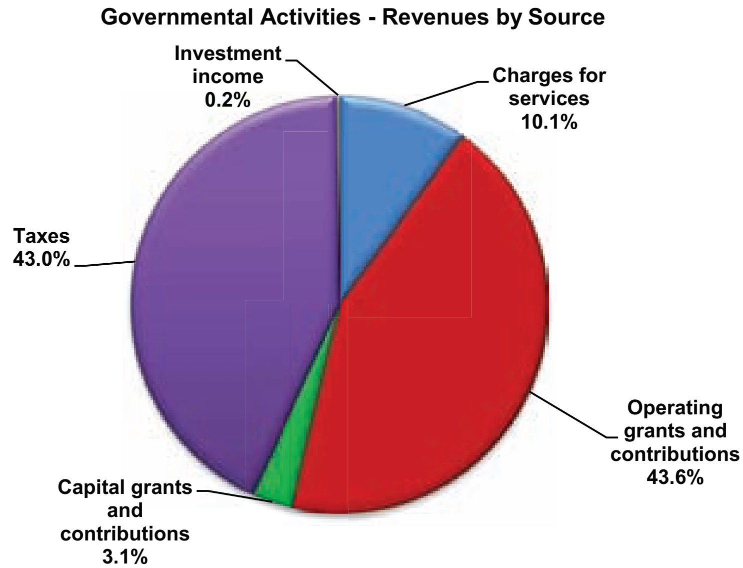
(amounts expressed in thousands)

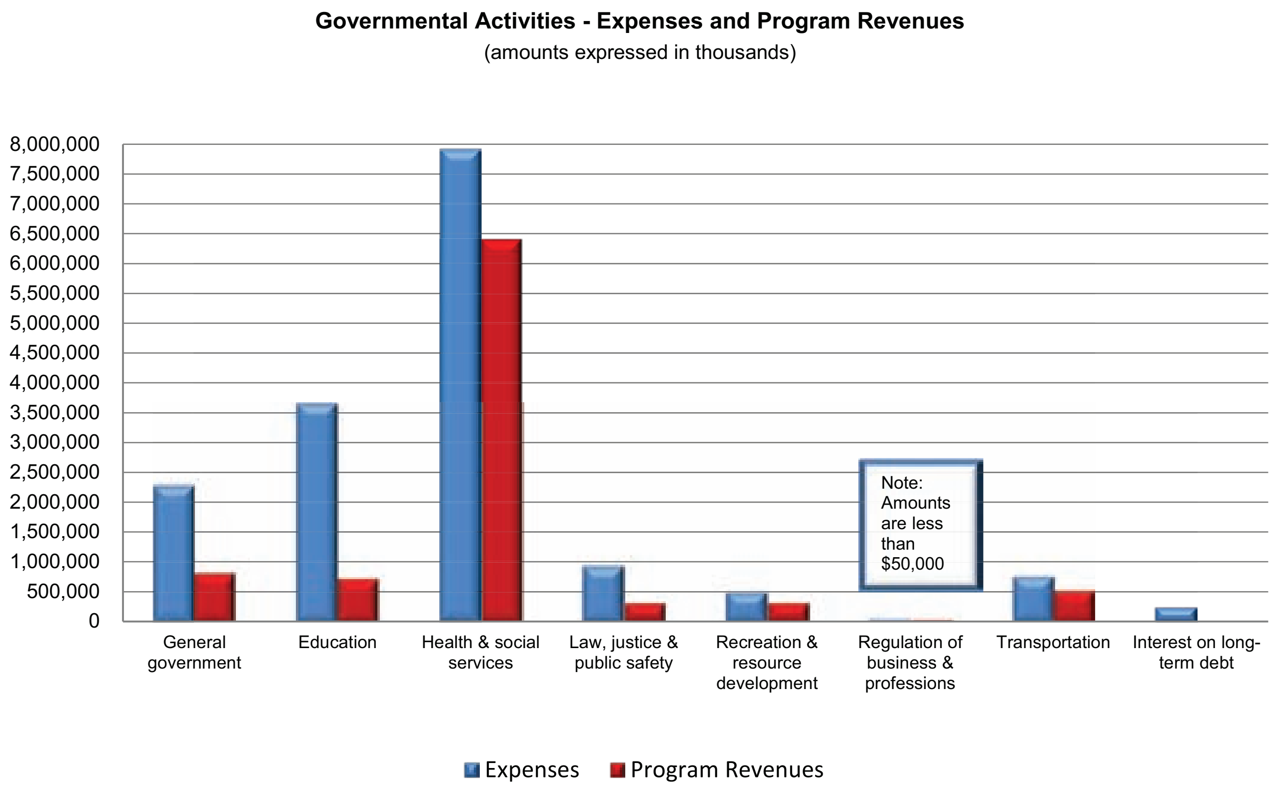
	Governmental Activities		Business-type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenues:						
Program Revenues:						
Charges for services	$ 1,621,891	$ 3,107,275	$ 879,385	$ 163,138	$ 2,501,276	$ 3,270,413
Operating grants and contributions	7,036,472	7,064,684	1,481	1,620	7,037,953	7,066,304
Capital grants and contributions	496,734	508,194	18		496,752	508,194
General Revenues:						
Taxes	6,941,454	6,886,235			6,941,454	6,886,235
Investment income	34,939	56,300	63,121	12,234	98,060	68,534
Total Revenues	16,131,490	17,622,688	944,005	176,992	17,075,495	17,799,680
Expenses:						
General government	2,298,846	2,814,758			2,298,846	2,814,758
Education	3,665,357	3,647,055			3,665,357	3,647,055
Health and social services	7,924,907	7,851,381			7,924,907	7,851,381
Law, justice and public safety	939,956	858,504			939,956	858,504
Recreation and resource development	502,675	460,031			502,675	460,031
Regulation of business and professions	44,841	43,001			44,841	43,001
Transportation	768,700	725,192			768,700	725,192
Interest on long-term debt	231,875	253,752			231,875	253,752
Unemployment compensation			83,972	101,445	83,972	101,445
Port Authority at Gulfport			43,633	27,120	43,633	27,120
Prepaid affordable college tuition			31,489	16,304	31,489	16,304
Other business-type			801,486	34,905	801,486	34,905
Total Expenses	16,377,157	16,653,674	960,580	179,774	17,337,737	16,833,448
Excess/(Deficit) before Transfers	(245,667)	969,014	(16,575)	(2,782)	(262,242)	966,232
Transfers	(79,494)	(129,864)	79,494	129,864		
Change in Net Position	(325,161)	839,150	62,919	127,082	(262,242)	966,232
Net Position - Beginning, as restated	12,307,394	11,764,150	1,644,892	1,221,904	13,952,286	12,986,054
Net Position - Ending	$ 11,982,233	$ 12,603,300	$ 1,707,811	$ 1,348,986	$ 13,690,044	$ 13,952,286

Mississippi

Governmental Activities

Governmental activities decreased the State's net position by $325,161,000 for fiscal year 2017. Charges for services decreased by $1,485,384,000, in comparison to the prior year. The majority of both expenses and program revenues were in the health and social services function at $7,924,907,000 and $6,411,947,000, respectively. Education expenses of $3,665,357,000 exceeded program revenues of $724,914,000 resulting in a negative $2,940,443,000 to be funded from general revenues.



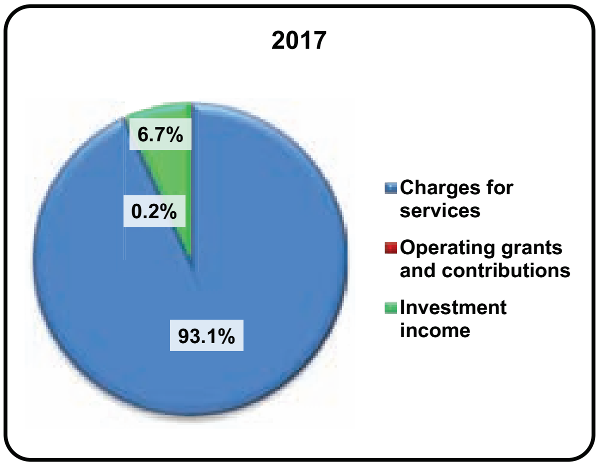


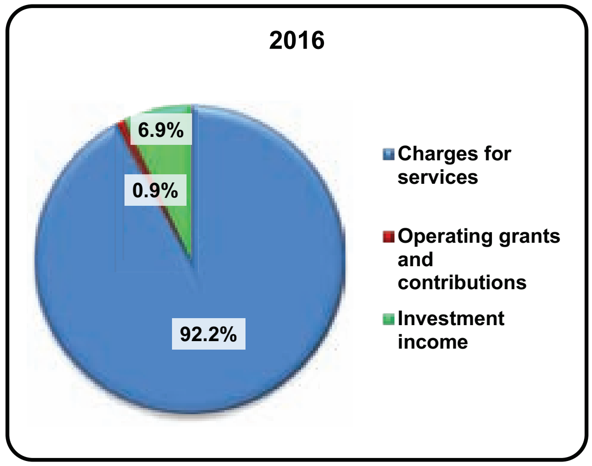
Mississippi

Business-type Activities

Business-type activities increased the State's net position by $62,919,000. The reclassification of the State Life and Health Insurance Plan to business-type activities added $739,779,000 to program income and $779,149,000 to expenses. The amount of investment income increased from the prior year due to the improved performance of the Prepaid Affordable College Tuition Fund investments. Operations at the Port Authority at Gulfport added $54,834,000 to net position in the current year.

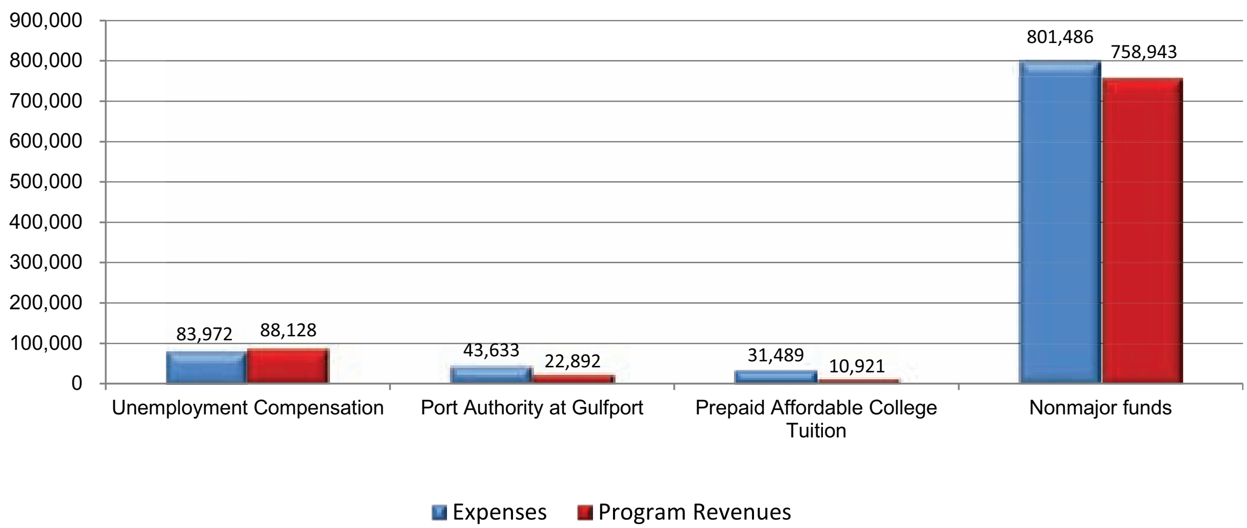
Business-type Activities - Revenues by Source





Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



Mississippi

Financial Analysis of the State's Individual Funds

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

Governmental Funds

At June 30, 2017, the governmental funds reported combined fund balances of $3,847,089,000, indicating a decrease of $529,175,000 from the prior year. Within fund balances, $106,665,000 or 2.8 percent was classified as nonspendable. The majority of the fund balance, $3,267,555,000 or 84.9 percent was restricted. Committed fund balance equaled $56,179,000 or 1.5 percent of the total. Assigned fund balance comprised $10,865,000 or .3 percent while the remaining 10.6 percent, or $405,825,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The fund balance for the General Fund decreased by $528,544,000 from the prior year. The decrease, along with the restatement of beginning fund balance, result in an ending fund balance of $3,783,706,000. Overall, taxes increased by $56,490,000 or .8 percent. There was a $6,557,000 decrease in corporate income and franchise tax revenues as corporate tax collections continued to decline. Sales and use tax revenues rose by $23,722,000 compared to an increase of $50,979,000 in the prior year. Gasoline and other motor fuel revenues increased by 1.3 percent. Federal government revenues decreased by $16,668,000. As a result of the Mississippi Budget Transparency and Simplification Act of 2016, which provides that no state agency shall charge another state agency a fee, assessment, rent, audit fee, personnel fee or other charge for services or resources with a few exceptions, licenses, fees and permits, charges for sales and services, and rental income decreased substantially in the current year. Court assessments and settlements revenue was $179,702,000 less than the prior year, as the prior year included 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 2017, rising by .2 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 3.8 percent.

Transportation expenditures increased by $94,391,000 or 8.9 percent. The Mississippi Department of Transportation expenditures increased by 7.6 percent while federal revenue decreased by 3.5 percent as more projects are being financed with state revenue and note proceeds.

Proprietary Funds

The Unemployment Compensation Fund experienced an increase in net position of $18,382,000, largely due to investment income of $14,226,000. Assessments' revenue decreased by $21,009,000 or 19.5 percent due to legislation that allowed certain employers to pay a zero percent tax rate along with employer's experience tax rate falling as a result of fewer unemployment insurance (UI) benefit claims being filed. Additionally, federal revenue used to pay claims declined by $133,000. Operating expenses decreased by $17,473,000 from the prior year as a result of a reduction in claims and benefits expense as the economy continued to gradually improve.

The Port Authority at Gulfport Fund increased net position by $54,834,000 as compared to an $112,922,000 increase reported in the prior year. Operating revenues and expenses increased slightly by $5,783,000 and $3,147,000 respectively. The increase in net position can be attributed to the increase in investment income.

The Prepaid Affordable College Tuition Fund's net position increased by $19,111,000. Tuition receipts decreased by 14.5 percent over the prior year as a result of the Legacy Program being closed and new contracts were not being accepted. The $15,101,000 increase in claims and benefits expense was directly related to changes in the actuarially determined experience of the program. Investment income increased by $48,537,000 due to market value of investments being higher than the prior year.

General Fund Budgetary Highlights

Actual fiscal year 2017 General Fund revenue collections increased by $110,472,000 or 2 percent over the prior year. These revenues were $104,128,000 below estimated amounts. Individual income tax increased by $12,230,000 or .7 percent from the prior year. However, sales tax collections declined by $6,907,000 or .3 percent and corporate income and franchise tax declined $32,277,000 or 5.4 percent.

The final expenditure budget was $140,794,000 less than the original budget and actual expenditures were $12,120,000 less than the final budget. Amounts budgeted but not expended during the year are reappropriated in the following year or retained in the General Fund and made available for the subsequent year budget allocations.

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, 2017 were $22,067,421,000, less accumulated depreciation of $5,280,834,000, resulting in a net book value of $16,786,587,000. For the current fiscal year, governmental activities and business-type activities increased by $406,629,000 and $59,360,000, respectively. These changes amount to 2.6 and 10.5 percent increases, respectively, over the prior year.

Major capital asset events during fiscal year 2017 included the following:

Construction in progress for governmental activities had the largest increases and decreases of any asset class with $932,931,000 and $611,587,000, respectively. Mississippi Department of Transportation accounts for the majority of the increase with $866,850,000. The Department of Finance and Administration added $40,184,000 which included building projects for the Veterans' Affairs Board Cemetary, the Mississippi Civil Rights and History Museums, and the East Mississippi Hospital's Receiving units. Decreases to construction in progress are primarily for completed Mississippi Department of Transportation projects moved to infrastructure.

Governmental activities added $451,637,000 to infrastructure for roads, highways and bridges. These additions included pavement rehabilitation projects in Carroll, Grenada, Panola, Jones, Jasper, and Monroe counties. The Surface Transportation Program (Urban street projects) was completed in Forrest County. Interstate projects were completed in Newton and Scott counties, and Vision 21 highway projects were completed for Rankin, Attala, and Union counties.

During fiscal year 2017, net capital assets for business-type activities increased by $59,360,000. The Port Authority at Gulfport added $81,954,000 to Construction in Progress, which includes the following current projects: Marine Research Facility, Tenant Gate Structures, Landside Improvements Project, North Harbor Project, and Barge Mooring Project. Projects completed and moved to infrastructure and land improvements included the 3 Gantry Cranes, Water Tank/Lighthouse Structure, Chemours' Silos and Improvements Projects, Small Craft Harbor Piers, Tenant Maintenance and Repair Building, and Tenant Gate Structure. The completed projects were valued at $176,349,000.

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	
	2017	2016	2017	2016	2017	2016
Land	$ 2,387,179	$ 2,328,614	$ 130,394	$ 130,425	$ 2,517,573	$ 2,459,039
Software	120,069	130,207			120,069	130,207
Buildings	1,475,318	1,507,928	74,777	52,659	1,550,095	1,560,587
Land improvements	123,241	128,696	105,756	27,604	228,997	156,300
Machinery and equipment	234,241	238,580	35,696	7,516	269,937	246,096
Infrastructure	7,043,039	6,963,777	141,127	119,138	7,184,166	7,082,915
Construction in progress	4,778,221	4,456,877	137,529	228,577	4,915,750	4,685,454
Total	$ 16,161,308	$ 15,754,679	$ 625,279	$ 565,919	$ 16,786,587	$ 16,320,598

Debt Administration

As of June 30, 2017, outstanding general obligation debt for the State was $4,416,512,000, including premiums. General Obligation Refunding bonds of $1,959,763,000, Capital Improvements bonds of $970,939,000, and Industry Incentive Financing bonds of $323,477,000 comprise 73.7 percent of this outstanding debt. During the current fiscal year, the State issued $733,125,000 in general obligation bonds and notes which are reported in governmental activities. Within business-type activities, general obligation bonds decreased by $3,023,000 as the Port Authority at Gulfport continued to repay its long-term debt.

The State issued $152,040,000 of notes payable which are reported in governmental activities. Of the total notes payable issued, $108,255,000 was for advance refunding.

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

	Governmental Activities		Business-type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
General obligation bonds and notes	$ 4,409,839	$ 4,389,749	$ 6,673	$ 9,696	$ 4,416,512	$ 4,399,445
Limited obligation bonds	221,727	226,507			221,727	226,507
Notes payable	1,030,160	1,055,789			1,030,160	1,055,789
Total	$ 5,661,726	$ 5,672,045	$ 6,673	$ 9,696	$ 5,668,399	$ 5,681,741

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, 2017, 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 for the calendar year 2016 was 5.8 percent, which is higher than the national average of 4.9 percent. In calendar year 2016, Mississippi's personal income and per capita personal income increased by 2.1 percent, compared to national average increases of 2.3 percent and 1.6 percent, respectively.

Fiscal year 2018 revenue collected by the Department of Revenue (DOR), continues to outperform revenue collected in fiscal year 2017. DOR collections from the beginning of fiscal year 2018 through January 31, 2018, were up by $116,760,000 or 4.2 percent. Mississippi's two largest revenue generators are collected from sales and individual income taxes, which to-date are outperforming projections by 1.1 percent and 7.2 percent, respectively. Sales and individual income taxes account for approximately 71 percent of Mississippi's revenue, which has the state optimistic that revenue collections will either meet or exceed expectations.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Basic Financial Statements

Statement of Net Position

June 30, 2017 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	**Component Units**
Assets				
Current assets:				
Equity in internal investment pool	$ 3,056,704	$ 337,594	$ 3,394,298	$ 2,070
Cash and cash equivalents	226,054	821,121	1,047,175	499,316
Investments	51,409		51,409	282,483
Receivables, net	693,777	41,904	735,681	348,130
Restricted assets:				
Cash and cash equivalents		100	100	
Due from other governments, net	463,085	772	463,857	161
Internal balances	(47,635)	47,635		
Due from component units	1,668	363	2,031	
Due from primary government				11,868
Inventories	38,671	298	38,969	33,934
Prepaid items		616	616	24,500
Loans and notes receivable, net	38,871	6,248	45,119	44,688
Other assets				1,962
Total Current Assets	4,522,604	1,256,651	5,779,255	1,249,112
Noncurrent assets:				
Investments	125,881	304,560	430,441	619,823
Receivables, net	718,306		718,306	
Due from other governments, net	638,112		638,112	
Loans and notes receivable, net	197,971	161,895	359,866	185,160
Restricted assets:				
Cash and cash equivalents		450	450	219,058
Investments				1,074,484
Capital assets:				
Land and construction in progress	7,165,400	267,923	7,433,323	856,117
Other capital assets, net	8,995,908	357,356	9,353,264	3,287,031
Other assets				21,843
Total Noncurrent Assets	17,841,578	1,092,184	18,933,762	6,263,516
Total Assets	22,364,182	2,348,835	24,713,017	7,512,628
Deferred Outflows of Resources				
Refunding	142,125		142,125	27,502
Pensions	673,094	6,385	679,479	620,750
Total Deferred Outflows	$ 815,219	$ 6,385	$ 821,604	$ 648,252

(Continued on Next Page)

Statement of Net Position

June 30, 2017 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Current liabilities:				
Warrants payable	$ 45,919	$ 1,472	$ 47,391	$
Accounts payable and other liabilities	649,030	49,090	698,120	213,265
Contracts payable	88,194	5,521	93,715	
Income tax refunds payable	289,554		289,554	
Due to other governments	340,546	12,214	352,760	
Due to component units	11,868		11,868	
Due to primary government				2,031
Claims and benefits payable	71,247	113,491	184,738	
Deposits	63,298	1,768	65,066	
Unearned revenues	127,671	10,261	137,932	129,448
Pollution remediation obligation	6,841		6,841	
Bonds and notes payable, net	510,719	3,127	513,846	41,477
Lease obligations payable	4,252	79	4,331	1,236
Other liabilities				60,610
Total Current Liabilities	2,209,139	197,023	2,406,162	448,067
Noncurrent liabilities:				
Due to other governments	1,922	7,724	9,646	
Claims and benefits payable	41,439	410,610	452,049	
Derivative instruments	33,615		33,615	
Other postemployment benefits payable	188,360		188,360	
Pollution remediation obligation	30,438		30,438	
Bonds and notes payable, net	5,151,007	3,546	5,154,553	1,170,941
Lease obligations payable	6,872	41	6,913	1,483
Liabilities payable from restricted assets:				
Deposits		100	100	
Net pension liability	3,351,427	26,522	3,377,949	2,844,678
Other liabilities	105,827	619	106,446	265,547
Total Noncurrent Liabilities	8,910,907	449,162	9,360,069	4,282,649
Total Liabilities	11,120,046	646,185	11,766,231	4,730,716
Deferred Inflows of Resources				
Interest rate swaps	787		787	
Pensions	76,335	1,224	77,559	11,194
Total Deferred Inflows	$ 77,122	$ 1,224	$ 78,346	$ 11,194

Statement of Net Position

June 30, 2017 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	**Component Units**
Net Position				
Net investment in capital assets	14,666,438	605,123	15,271,561	2,960,971
Restricted for:				
Expendable:				
General government	58,322		58,322	
Education	97,371		97,371	
Health and social services	515,654		515,654	
Law, justice and public safety	98,848		98,848	
Recreation and resources development	1,348,241		1,348,241	
Regulation of business and professions	24,915		24,915	
Transportation	525,501		525,501	
Capital projects	384,587		384,587	
Debt service	252,787		252,787	1,610
Unemployment compensation benefits		686,151	686,151	
Other purposes		450	450	683,034
Nonexpendable:				
Education	54,283		54,283	836,172
Health and social services	2,025		2,025	
Recreation and resources development	11,686		11,686	
Unrestricted (deficit)	(6,058,425)	416,087	(5,642,338)	(1,062,817)
Total Net Position	$ 11,982,233	$ 1,707,811	$ 13,690,044	$ 3,418,970

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

(This page left blank intentionally)

Statement of Activities

For the Year Ended June 30, 2017 (Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,298,846	$ 812,665	$ 12,061	$ 455
Education	3,665,357	17,732	707,182	
Health and social services	7,924,907	568,504	5,840,228	3,215
Law, justice and public safety	939,956	74,713	224,961	13,543
Recreation and resource development	502,675	84,778	234,171	550
Regulation of business and professions	44,841	33,686	415	
Transportation	768,700	29,813	17,454	478,971
Interest on long-term debt	231,875			
Total Governmental Activities	16,377,157	1,621,891	7,036,472	496,734
Business-type activities:				
Unemployment compensation	83,972	86,649	1,479	
Port Authority at Gulfport	43,633	22,892		
Prepaid affordable college tuition	31,489	10,921		
Other business-type	801,486	758,923	2	18
Total Business-type Activities	960,580	879,385	1,481	18
Total Primary Government	$ 17,337,737	$ 2,501,276	$ 7,037,953	$ 496,752
Component units:				
Universities	$ 3,704,968	$ 2,136,387	$ 490,293	$ 57,240
Nonmajor	34,446	28,338	2,173	1,643
Total Component Units	$ 3,739,414	$ 2,164,725	$ 492,466	$ 58,883

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

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions and Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	**Component Units**
$ (1,473,665)	$	$ (1,473,665)	
(2,940,443)		(2,940,443)	
(1,512,960)		(1,512,960)	
(626,739)		(626,739)	
(183,176)		(183,176)	
(10,740)		(10,740)	
(242,462)		(242,462)	
(231,875)		(231,875)	
(7,222,060)		(7,222,060)	
	4,156	4,156	
	(20,741)	(20,741)	
	(20,568)	(20,568)	
	(42,543)	(42,543)	
	(79,696)	(79,696)	
(7,222,060)	(79,696)	(7,301,756)	
			$ (1,021,048)
			(2,292)
			(1,023,340)
3,392,712		3,392,712	
429,929		429,929	
1,721,862		1,721,862	
569,856		569,856	
328,109		328,109	
498,986		498,986	
34,939	63,121	98,060	126,027
			207,968
			807,834
			29,758
(79,494)	79,494		
6,896,899	142,615	7,039,514	1,171,587
(325,161)	62,919	(262,242)	148,247
12,307,394	1,644,892	13,952,286	3,270,723
$ 11,982,233	$ 1,707,811	$ 13,690,044	$ 3,418,970

Governmental Funds

Balance Sheet

June 30, 2017 (Expressed in Thousands)

	General	Permanent	Totals
Assets			
Equity in internal investment pool	$ 3,054,234	$ 2,470	$ 3,056,704
Cash and cash equivalents	225,922	132	226,054
Investments	116,939	60,351	177,290
Receivables, net	1,411,836	247	1,412,083
Due from other governments, net	1,101,197		1,101,197
Due from other funds	1,773	229	2,002
Due from component units	1,668		1,668
Inventories	38,671		38,671
Loans receivable, net	236,842		236,842
Total Assets	$ 6,189,082	$ 63,429	$ 6,252,511
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Warrants payable	$ 45,919	$	$ 45,919
Accounts payable and accruals	642,873	46	642,919
Contracts payable	88,194		88,194
Income tax refunds payable	289,554		289,554
Due to other governments	342,468		342,468
Due to other funds	49,637		49,637
Due to component units	11,868		11,868
Claims payable	71,247		71,247
Unearned revenues	127,671		127,671
Total Liabilities	1,669,431	46	1,669,477
Deferred inflows of resources:			
Deferred revenues	735,945		735,945
Fund balances:			
Nonspendable			
Inventories	38,671		38,671
Principal	10,000	57,994	67,994
Restricted			
General government	56,726		56,726
Education	93,761	3,610	97,371
Health and social services	499,353	352	499,705
Law, justice and public safety	92,215		92,215
Recreation and resources development	1,346,726	1,427	1,348,153
Regulation of business and professions	24,915		24,915
Transportation	511,096		511,096
Capital projects	384,587		384,587
Debt service	252,787		252,787
Committed			
General government	19,079		19,079
Education	7,922		7,922
Health and social services	876		876
Law, justice and public safety	19,509		19,509
Recreation and resources development	6,243		6,243
Regulation of business and professions	2,550		2,550
Assigned			
General government	8,045		8,045
Education	85		85
Health and social services	1,561		1,561
Law, justice and public safety	19		19
Recreation and resources development	1,155		1,155
Unassigned	405,825		405,825
Total Fund Balances	3,783,706	63,383	3,847,089
Total Liabilities, Deferred Inflows and Fund Balances	$ 6,189,082	$ 63,429	$ 6,252,511

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, 2017 (Expressed in Thousands)

Total fund balances for governmental funds			$ 3,847,089
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	$	2,387,179	
Construction in progress		4,778,221	
Software		154,879	
Buildings		2,174,468	
Land improvements		277,776	
Machinery and equipment		755,893	
Infrastructure		10,811,593	
Accumulated depreciation		(5,178,701)	16,161,308
Deferred outflows of resources reported in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Refunding of debt		142,125	
Pensions		673,094	815,219
Deferred inflows of resources reported in governmental activities are not financial resources and therefore are not reported in the governmental funds			
Interest rate swaps		(787)	
Pensions		(76,335)	(77,122)
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.			735,945
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		(4,136,647)	
Limited obligation bonds		(196,595)	
Notes payable		(949,024)	
Unamortized premiums		(379,460)	
Derivative instruments		(33,615)	
Capital lease obligations		(11,124)	
Accrued compensated absences		(116,446)	
Pollution remediation obligation		(37,279)	
Net pension liability		(3,351,427)	
Other postemployment benefits payable		(188,360)	
Claims payable		(41,439)	
Accrued interest payable		(58,790)	(9,500,206)
Net position of governmental activities			$ 11,982,233

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, 2017 (Expressed in Thousands)

	General	Permanent	Totals
Revenues			
Taxes:			
Sales and use	$ 3,399,477	$	$ 3,399,477
Gasoline and other motor fuel	430,162		430,162
Individual income	1,728,682		1,728,682
Corporate income and franchise	567,316		567,316
Insurance	328,109		328,109
Other	498,986		498,986
Licenses, fees and permits	545,891	325	546,216
Federal government	7,499,244		7,499,244
Investment income	28,690	(203)	28,487
Charges for sales and services	353,640		353,640
Rentals	1,312	346	1,658
Court assessments and settlements	204,378		204,378
Other	537,331	18	537,349
Total Revenues	16,123,218	486	16,123,704
Expenditures			
Current:			
General government	2,269,629		2,269,629
Education	3,656,646	117	3,656,763
Health and social services	7,823,462		7,823,462
Law, justice and public safety	866,469		866,469
Recreation and resources development	487,526		487,526
Regulation of business and professions	42,704		42,704
Transportation	1,157,251		1,157,251
Debt service:			
Principal	399,019		399,019
Interest and other fiscal charges	243,751		243,751
Total Expenditures	16,946,457	117	16,946,574
Excess of Revenues over (under) Expenditures	(823,239)	369	(822,870)
Other Financing Sources (Uses)			
Bonds and notes issued	334,135		334,135
Capital leases issued	1,637		1,637
Insurance recovery	478		478
Payments to bond and note escrow agent	(650,120)		(650,120)
Premiums on bonds and notes issued	136,029		136,029
Refunding bonds and notes issued	551,030		551,030
Transfers in	3,017		3,017
Transfers out	(81,511)	(1,000)	(82,511)
Net Other Financing Sources (Uses)	294,695	(1,000)	293,695
Net Change in Fund Balances	(528,544)	(631)	(529,175)
Fund Balances - Beginning, as restated	4,312,250	64,014	4,376,264
Fund Balances - Ending	$ 3,783,706	$ 63,383	$ 3,847,089

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, 2017 (Expressed in Thousands)

Net change in fund balances - total governmental funds		$ (529,175)
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	$ 892,903	
Depreciation expense	(480,449)	412,454
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.		(7,319)
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 bonds, notes and refunding bonds and notes and bonds issued	(136,029)	
Bonds and notes issued	(334,135)	
Refunding notes and bonds issued	(551,030)	
Capital leases issued	(1,637)	
Payments of debt principal	399,019	
Payments to bond escrow agent	650,120	
Accrued interest payable	(420)	
Interest at refunding	(4,886)	21,002
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	1,494	
Change in claims payable	(38,214)	
Change in compensated absences	(5,282)	
Change in deferred revenues	(10,611)	
Change in other postemployment benefits payable	(14,206)	
Change in pollution remediation obligation	5,667	
Change in fair value of investment derivative	10,131	
Change in fair value of borrowing derivative	6,451	
Change in pension costs, net	(184,331)	
Amortization of premiums	32,546	
Amortization of deferred amount on refunding	(25,768)	(222,123)
Change in net position of governmental activities		$ (325,161)

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

Proprietary Funds

Statement of Net Position

June 30, 2017 (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	$	$ 735	$ 461
Cash and cash equivalents	665,523	22,418	15,596
Investments			
Receivables, net	33,965	2,112	1,702
Restricted assets:			
Cash and cash equivalents		100	
Due from other governments, net	750	18	
Due from other funds	385	37,405	
Due from component units	355		
Inventories			
Prepaid items		105	
Loans and notes receivable		662	
Total Current Assets	700,978	63,555	17,759
Noncurrent assets:			
Investments			302,452
Loans and notes receivable		13,856	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets:			
Land and construction in progress		258,325	
Other capital assets, net		328,676	
Total Noncurrent Assets		601,307	302,452
Total Assets	$ 700,978	$ 664,862	$ 320,211
Deferred Outflows of Resources			
Pension		1,558	301

Enterprise Funds

Nonmajor Funds	Totals
$ 336,398	$ 337,594
117,584	821,121
4,125	41,904
	100
4	772
11,618	49,408
8	363
298	298
511	616
5,586	6,248
476,132	1,258,424
2,108	304,560
148,039	161,895
	450
9,598	267,923
28,680	357,356
188,425	1,092,184
$ 664,557	$ 2,350,608
4,526	6,385

(Continued on Next Page)

Statement of Net Position

June 30, 2017 (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	$	$	$ 360
Accounts payable and other liabilities	66	29,846	1,138
Contracts payable		5,521	
Due to other governments	6,735		
Due to other funds	1,689		
Due to component units			
Claims and benefits payable	6,161		36,630
Deposits			
Bonds payable		3,127	
Unearned revenues	176	543	
Lease obligations payable			
Total Current Liabilities	14,827	39,037	38,128
Noncurrent liabilities:			
Due to other governments			
Claims and benefits payable			410,610
Bonds payable		3,546	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		100	
Net pension liability		6,806	1,072
Other liabilities		264	46
Total Noncurrent Liabilities		10,716	411,728
Total Liabilities	14,827	49,753	449,856
Deferred Inflows of Resources			
Pension		22	3
Net Position			
Net investment in capital assets		580,328	
Restricted for:			
Expendable			
Unemployment compensation benefits	686,151		
Other purposes		450	
Unrestricted (deficit)		35,867	(129,347)
Total Net Position	$ 686,151	$ 616,645	$ (129,347)

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

Enterprise Funds

Nonmajor Funds	Totals
$ 1,112	$ 1,472
18,040	49,090
	5,521
5,479	12,214
84	1,773
70,700	113,491
1,768	1,768
	3,127
9,542	10,261
79	79
106,804	198,796
7,724	7,724
	410,610
	3,546
41	41
	100
18,644	26,522
309	619
26,718	449,162
133,522	647,958
1,199	1,224
24,795	605,123
	686,151
	450
509,567	416,087
$ 534,362	$ 1,707,811

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

For the Year Ended June 30, 2017 (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	$	$ 21,921	$
Assessments	86,649		
Investment income			
Federal agencies	1,479		
Rentals			
Fees			
Tuition receipts			10,921
Other			
Total Operating Revenues	88,128	21,921	10,921
Operating Expenses			
Cost of sales and services			
General and administrative		3,960	722
Contractual services		12,933	1,225
Commodities		1,270	18
Depreciation		11,945	
Claims and benefits	83,972		29,524
Other			
Total Operating Expenses	83,972	30,108	31,489
Operating Income (Loss)	4,156	(8,187)	(20,568)
Nonoperating Revenues			
Revenue from counties		963	
Insurance recovery		8	
Gain on disposal of capital assets			
Investment income	14,226	1,145	39,679
Total Nonoperating Revenues	14,226	2,116	39,679
Nonoperating Expenses			
Loss on disposal of capital assets		13,373	
Interest and other fiscal charges		152	
Total Nonoperating Expenses		13,525	
Income (Loss) before Capital Contributions and Transfers	18,382	(19,596)	19,111
Capital Contributions			
Transfers In		74,430	
Transfers Out			
Change in Net Position	18,382	54,834	19,111
Total Net Position - Beginning, as restated	667,769	561,811	(148,458)
Total Net Position - Ending	$ 686,151	$ 616,645	$ (129,347)

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

Enterprise Funds

Nonmajor Funds	Totals
$ 751,235	$ 773,156
	86,649
5,797	5,797
	1,479
5,796	5,796
210	210
	10,921
1,684	1,684
764,722	885,692
7,458	7,458
6,426	11,108
40,441	54,599
1,266	2,554
1,585	13,530
	113,496
744,271	744,271
801,447	947,016
(36,725)	(61,324)
	963
	8
	0
2,274	57,324
2,274	58,295
33	13,406
6	158
39	13,564
(34,490)	(16,593)
18	18
7,081	81,511
(2,017)	(2,017)
(29,408)	62,919
563,770	1,644,892
$ 534,362	$ 1,707,811

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2017 (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	$ 1,489	$	$
Cash receipts/premiums from customers		21,596	10,921
Cash receipts from assessments	96,413		
Cash payments to suppliers for goods and services		(14,829)	(1,216)
Cash payments to employees for services		(3,459)	(518)
Cash payments for claims and benefits	(86,717)		(27,406)
Other operating cash receipts			
Other operating cash payments			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	11,185	3,308	(18,219)
Cash Flows from Noncapital Financing Activities			
Transfers in		77,927	
Transfers out			
Revenues from counties		976	
Net Cash Provided by Noncapital Financing Activities		78,903	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(91,914)	
Principal received on notes receivable		646	
Proceeds from sales of capital assets			
Cash payment for disposal of capital assets		(584)	
Principal paid on bonds and capital asset contracts		(3,127)	
Interest paid on bonds and capital asset contracts		(193)	
Proceeds from insurance recovery		8	
Net Cash Provided by (Used for) Capital and Related Financing Activities		(95,164)	
Cash Flows From Investing Activities			
Proceeds from sales of investments			133,034
Purchases of investments			(112,732)
Investment income	14,226	1,119	3,678
Net Cash Provided by Investing Activities	14,226	1,119	23,980
Net Change in Cash and Cash Equivalents	25,411	(11,834)	5,761
Cash and Cash Equivalents - Beginning, as restated	640,112	35,537	10,296
Cash and Cash Equivalents - Ending	$ 665,523	$ 23,703	$ 16,057

Enterprise Funds

Nonmajor Funds	Totals
$	$ 1,489
756,280	788,797
	96,413
(44,271)	(60,316)
(5,187)	(9,164)
	(114,123)
5,738	5,738
(741,899)	(741,899)
23,236	23,236
(14,260)	(14,260)
(20,363)	(24,089)
6,815	84,742
(2,017)	(2,017)
	976
4,798	83,701
(3,848)	(95,762)
	646
31	31
	(584)
(77)	(3,204)
(6)	(199)
	8
(3,900)	(99,064)
	133,034
	(112,732)
2,250	21,273
2,250	41,575
(17,215)	2,123
471,197	1,157,142
$ 453,982	$ 1,159,265

(Continued on Next Page)

Statement of Cash Flows

For the Year Ended June 30, 2017 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities - Department of Employment Security: Unemployment Compensation	Port Authority at Gulfport	State Treasurer: Prepaid Affordable College Tuition
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	$ 4,156	$ (8,187)	$ (20,568)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		11,945	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	10,418	(557)	
Due from other governments	(327)		
Due from other funds	28		
Due from component units	(355)		
Inventories			
Prepaid items		(53)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			192
Accounts payable and other liabilities	(4)	(555)	(163)
Due to other governments	(2,511)		
Due to other funds	(287)		(3)
Claims and benefits payable	58		2,148
Unearned revenues	10	283	
Pension cost		482	175
Other Liabilities	(1)	(50)	
Total adjustments	7,029	11,495	2,349
Net Cash Provided by (Used for) Operating Activities	$ 11,185	$ 3,308	$ (18,219)
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Gain(loss) on disposal of capital assets		(13,373)	
Change in market value of investments		(5)	14,233

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

Enterprise Funds

Nonmajor Funds	Totals
$ (36,725)	$ (61,324)
1,585	13,530
527	10,388
(4)	(331)
(866)	(838)
(8)	(363)
6	6
(161)	(214)
2,714	2,714
114	306
16,589	15,867
29	(2,482)
(4,481)	(4,771)
	2,206
(847)	(554)
1,165	1,822
	(51)
16,362	37,235
$ (20,363)	$ (24,089)
18	18
(33)	(13,406)
	14,228

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2017 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	$ 1,318	$ 46	$ 8,769
Cash and cash equivalents	795,828		19,974
Investments, at fair value:			
Short-term investments	302,700	10,854	
Long-term debt securities	5,015,559	42,471	
Equity securities	16,847,682	101,849	
Private equity	1,800,240		
Real estate investments	2,625,867	10,961	
Life insurance contracts		46,174	
Securities lending:			
Short-term investments	272,932		
Long-term debt securities	2,686,774		
Receivables, net:			
Employer contributions	69,246		
Employee contributions	36,608		
Investment proceeds	404,688		
Interest and dividends	84,186		
Other	1,140		228
Commodity inventory			2,053
Capital assets:			
Land and construction in progress	1,534		
Other capital assets, net	25,331		
Total Assets	30,971,633	212,355	$ 31,024
Deferred Outflow of Resources			
Pension		41	
Liabilities			
Warrants payable	106	2	3
Accounts payable and accruals	955,714	53	1,090
Due to other governments			749
Amounts held in custody for others			29,182
Net Pension Liability		179	
Obligations under securities lending	2,955,085		
Total Liabilities	3,910,905	234	$ 31,024
Deferred Inflow of Resources			
Pension		1	
Net Position			
Net position restricted for pensions and trust beneficiaries	$ 27,060,728	$ 212,161	

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

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2017 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund
Additions		
Contributions:		
Employer	$ 1,052,147	$
Plan participant	572,456	20,434
Total Contributions	1,624,603	20,434
Net Investment Income:		
Net change in fair value of investments	3,037,548	13,450
Interest and dividends	539,547	3,815
Securities lending:		
Income from securities lending	40,554	
Interest expense and trading costs from securities lending	(18,221)	
Managers' fees and trading costs	(95,916)	
Net Investment Income	3,503,512	17,265
Other Additions:		
Administrative fees	568	153
Other	36	
Total Other Additions	604	153
Total Additions	5,128,719	37,852
Deductions		
Benefits	2,544,382	16,170
Refunds to terminated employees	113,868	
Administrative expenses	18,192	1,029
Depreciation	8,572	
Total Deductions	2,685,014	17,199
Change in Net Position	2,443,705	20,653
Net Position - Beginning	24,617,023	191,508
Net Position - Ending	$ 27,060,728	$ 212,161

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

Component Units

Statement of Net Position

June 30, 2017 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	$	$ 2,070	$ 2,070
Cash and cash equivalents	473,049	26,267	499,316
Investments	256,614	25,869	282,483
Receivables, net	344,762	3,368	348,130
Due from other governments		161	161
Due from primary government	11,843	25	11,868
Inventories	32,337	1,597	33,934
Prepaid items	24,421	79	24,500
Notes receivable, net	44,688		44,688
Other assets	1,947	15	1,962
Total Current Assets	1,189,661	59,451	1,249,112
Noncurrent assets:			
Investments	619,823		619,823
Notes receivable, net	185,160		185,160
Restricted assets:			
Cash and cash equivalents	217,530	1,528	219,058
Investments	1,074,484		1,074,484
Capital assets:			
Land and construction in progress	844,623	11,494	856,117
Other capital assets, net	3,240,130	46,901	3,287,031
Other assets	21,843		21,843
Total Noncurrent Assets	6,203,593	59,923	6,263,516
Total Assets	7,393,254	119,374	7,512,628
Deferred Outflows of Resources			
Refunding	27,502		27,502
Pension	616,438	4,312	620,750
Total Deferred Outflows	643,940	4,312	648,252

(Continued on Next Page)

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

Statement of Net Position

June 30, 2017 (Expressed in Thousands)

(Continued from Previous Page)

	Universities	Nonmajor	Totals
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	207,915	5,350	213,265
Due to primary government	1,476	555	2,031
Unearned revenues	128,992	456	129,448
Bonds and notes payable	41,477		41,477
Lease obligations payable	1,142	94	1,236
Other liabilities	60,610		60,610
Total Current Liabilities	441,612	6,455	448,067
Noncurrent liabilities:			
Bonds and notes payable	1,170,941		1,170,941
Lease obligations payable	1,286	197	1,483
Net pension liability	2,824,552	20,126	2,844,678
Other liabilities	263,923	1,624	265,547
Total Noncurrent Liabilities	4,260,702	21,947	4,282,649
Total Liabilities	4,702,314	28,402	4,730,716
Deferred Inflows of Resources			
Pension	9,515	1,679	11,194
Net Position			
Net investment in capital assets	2,903,940	57,031	2,960,971
Restricted for:			
Debt service		1,610	1,610
Other purposes	679,060	3,974	683,034
Permanent endowments:			
Nonexpendable	836,172		836,172
Unrestricted	(1,093,807)	30,990	(1,062,817)
Total Net Position	$ 3,325,365	$ 93,605	$ 3,418,970

Statement of Activities

For the Year Ended June 30, 2017 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Universities	Net (Expense) Revenue and Changes in Net Position: Nonmajor	Net (Expense) Revenue and Changes in Net Position: Total
Universities	$ 3,704,968	$ 2,136,387	$ 490,293	$ 57,240	$ (1,021,048)	$	$ (1,021,048)
Nonmajor	34,446	28,338	2,173	1,643		(2,292)	(2,292)
Total	$ 3,739,414	$ 2,164,725	$ 492,466	$ 58,883	(1,021,048)	(2,292)	(1,023,340)
General revenues:							
Investment income					125,913	114	126,027
Other					205,356	2,612	207,968
Payment from State of Mississippi					807,834		807,834
Contributions to permanent endowments					29,758		29,758
Total General Revenues and Contributions					1,168,861	2,726	1,171,587
Change in Net Position					147,813	434	148,247
Net Position - Beginning, as restated					3,177,552	93,171	3,270,723
Net Position - Ending					$ 3,325,365	$ 93,605	$ 3,418,970

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

June 30, 2017

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, 2017, 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) is appointed by the primary government. IHL includes 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 audited financial statements may be obtained from IHL at 3825 Ridgewood Road, Jackson, MS 39211.

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. The audited financial statements may be obtained from Mississippi Business Finance Corporation at 735 Riverside Drive, Suite 300, Jackson, MS 39202-1166.

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. The audited financial statements may be obtained from Mississippi Development Bank at 735 Riverside Drive, Suite 300, Jackson, MS 39202-1166.

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. The audited financial statements may be obtained from Mississippi Prison Industries Corporation at 663 North State Street, Jackson, MS 39202.

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. The audited financial statements may be obtained from Pat Harrison Waterway District at P.O Drawer 1509, Hattiesburg, MS 39403-1509.

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. The audited financial statements may be obtained from the Department of Finance and Administration at P.O. Box 267, Jackson, MS 39205.

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. The audited financial statements may be obtained from Pearl River Valley Water Supply District at P.O. Box 2180, Ridgeland, MS 39158-2180.

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 audited financial statements may be obtained from Tombigbee River Valley Water Management District at P.O. Box 616, Tupelo, MS 38802-0616.

Effective July 1, 2016, the State Legislature revised the powers and duties of the Mississippi Coast Coliseum and transferred the administration and management to the Harrison County Board of Supervisors.

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. Assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the balance sheet as applicable. 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 nonmajor 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.

Effective July 1, 2016, the State Legislature enacted the Mississippi Budget Transparency and Simplification Act of 2016, which eliminated the State's need for internal service funds. This act provides that no state agency shall charge another state agency a fee, assessment, rent, audit fee, personnel fee or other charge for services or resources with a few exceptions. The expenses of these state agencies shall be defrayed by appropriation of the legislature from the General Fund.

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 – Interfund activity consists primarily of transfers between funds. Transfers represent flows of assets between funds of the primary government without the equivalent flows of assets in return and without a requirement for payment. Eliminations have been made to minimize the internal activity. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

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 Leave - State law authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. Additionally, in accordance with the Fair Labor Standards Act, nonexempt employees may accrue up to 240 hours of compensatory leave (480 hours for emergency response personnel). 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 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. 77, *Tax Abatement Disclosures,* and GASB Statement No. 80, *Blending Requirements for Certain Component Units* - an amendment of GASB Statement No 14. The provisions of these standards have been incorporated into the financial statements and the notes. The implementation of GASB Statement No. 80 did not have a material impact on the financial statements and 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 $4,060,821,000 of restricted net position, of which $140,811,000 is restricted by enabling legislation.

B. **Deficit Net Position** - At June 30, 2017, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has a deficit net position of $129,347,000. 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) has a deficit net position of $787,000. This deficit is the result of the actuarially determined pension liability reported in the fund's 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 2017, the Account balance in excess of $40,000,000 may be permanently transferred to the General Fund to cover deficits up to a maximum of $100,000,000. 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, 2017, the Account, as reported in the General Fund, has an unassigned fund balance of $281,003,000.

D. **Fund Balances** – At June 30, 2017, 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	$ 14,216	$ 11,247	$ 8,045
Regulatory	11,804	412	
Other	30,706	7,420	
Education	93,761	7,922	85
Health and Social Services	499,353	876	1,561
Law, Justice and Public Safety			
Highway Safety	26,342	3,955	
Judicial and Justice	39,764	5,768	
Other	26,109	9,786	19
Recreation and Resources Development			
Industrial Development	605,291	4,162	326
Natural Resources	649,539	355	
Other	91,896	1,726	829
Regulation of Business and Professions	24,915	2,550	
Transportation			
Highways	329,570		
State Roads and Bridges	106,942		
Other	74,584		
Capital Projects	384,587		
Debt Service	252,787		
Total General Fund	3,262,166	56,179	10,865
Permanent			
Education	3,610		
Health and Social Services	352		
Recreation and Resources Development			
Wildlife Conservation	1,427		
Total Permanent Fund	5,389		
Total Governmental Funds	$ 3,267,555	$ 56,179	$ 10,865

E. Reclassification/Restatements of Fund Balance and Net Position – Effective July 1, 2016, the State Legislature enacted Senate Bill 2362, The Mississippi Budget Transparency and Simplification Act of 2016, which eliminated the State's need for internal service funds. Management could no longer charge personnel, information technology, and risk management services to individual funds on a cost-reimbursement basis.

All prior year internal service funds' net position have been reclassified to the General Fund with the exception of the DFA-State Life and Health Insurance Plan which previously was reported in the DFA Risk Management Fund. The DFA-State Life and Health Insurance Plan has been reclassified as a nonmajor enterprise fund. In order to account for the change in measurement focus and basis of accounting, net positions of the internal service fund that were reclassified to the General Fund were converted to the current financial measurement focus and the modified accrual basis of accounting.
The reclassifications and restatements of fund balance and net position are summarized as follows (amounts expressed in thousands):

Fund Balance	June 30, 2016 as previously reported	Internal Service Funds Reclassifications			June 30, 2016 as restated
Governmental Funds:					
General Fund	$ 4,297,854	$ 1,051	$ 7,806	$ 5,539	$ 4,312,250
Net Position					
Proprietary Funds:					
Enterprise Funds	1,348,986			295,906	1,644,892
Internal Service Funds:					
Personnel Board	(5,379)	5,379			
Information Technology Services	23,713		(23,713)		
Risk Management	299,706			(299,706)	
Total Internal Service Funds	318,040	5,379	(23,713)	(299,706)	
Total Net Position	$ 1,667,026	$ 5,379	$ (23,713)	$ (3,800)	$ 1,644,892

Internal service funds primarily served the governmental funds and were previously included with governmental activities in the government wide financial statements. Therefore, governmental activities only changed by the $295,906 that was reclassified to business-type activities. The reclassifications and restatements of net position are summarized as follows (amounts expressed in thousands):

Net Position	June 30, 2016 as previously reported	Internal Service Fund Reclassifications	June 30, 2016 as restated
Governmental Activities			
Net Investment in capital assets	$ 14,372,421	$	$ 14,372,421
Restricted	3,763,095		3,763,095
Unrestricted	(5,532,216)	(295,906)	(5,828,122)
Total Governmental Activities	$ 12,603,300	$ (295,906)	$ 12,307,394
Business-type Activities			
Net Investment in capital assets	548,732		$ 548,732
Restricted	668,662		668,662
Unrestricted	131,592	295,906	427,498
Total Business-type Activities	$ 1,348,986	$ 295,906	$ 1,644,892

Effective July 1, 2016, the State Legislature transferred the powers and management of the Mississippi Coast Coliseum, a nonmajor component unit, to the Harrison County Board of Supervisors. The restatement of net position is summarized as follows (amounts expressed in thousands):

Net Position	June 30, 2016 as previously reported	Transfer of Component Unit	June 30, 2016 as restated
Component Units			
Net Investment in capital assets	$ 2,858,728	$ (111,144)	$ 2,747,584
Restricted for:			
Debt service	1,974		1,974
Other purposes	575,689		575,689
Permanent Endowments:			
Nonexpendable	796,467	(7,000)	789,467
Unrestricted	(842,639)	(1,352)	(843,991)
Total Component Units	$ 3,390,219	$ (119,496)	$ 3,270,723

Note 3 - Interfund Transactions

At June 30, 2017, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

	Due To					
Due From	General	Permanent	Unemployment Compensation	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:						
General	$	$ 229	$ 385	$ 37,405	$ 11,618	$ 49,637
Proprietary:						
Unemployment Compensation	1,689					1,689
Nonmajor Enterprise	84					84
Total	$ 1,773	$ 229	$ 385	$ 37,405	$ 11,618	$ 51,410

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, 2017, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

	Due To					
	Primary Government			Component Units		
Due From	General	Unemployment Compensation	Nonmajor Enterprise	Universities	Nonmajor	Total
Primary Government:						
General	$	$	$	$ 11,843	$ 25	$ 11,868
Component Units:						
Universities	1,113	355	8			1,476
Nonmajor	555					555
Total	$ 1,668	$ 355	$ 8	$ 11,843	$ 25	$ 13,899

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, 2017, interfund transfers consisted of (amounts expressed in thousands):

	Transfer To			
Transfer From	General	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:				
General	$	$ 74,430	$ 7,081	$ 81,511
Permanent	1,000			1,000
Proprietary:				
Nonmajor Enterprise	2,017			2,017
Total	$ 3,017	$ 74,430	$ 7,081	$ 84,528

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

Note 4 - Deposits and Investments

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

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

Sections 37-155-9 and 37-155-115, Mississippi Code Ann. (1972) authorize the Board of Directors of the College Savings Plans of Mississippi Trust Funds (the Board) to invest funds held in the Mississippi Affordable College Tuition (MPACT) Account and the Mississippi Affordable College Savings (MACS) Account, respectively.

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 75 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, 2017, of the statewide collateral pool cash deposits reported by the financial institutions, $2,524,000 was uninsured and uncollateralized. Of the cash deposits not included in the statewide collateral pool, $938,000 was uninsured and uncollateralized, and $48,522,000 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 and the Education Improvement Trust Account and the Board for the MPACT Account, 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 for the MPACT Account, 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.

The Board is authorized to invest for the MACS account as permitted under Section 529 of the Internal Revenue Code of 1986.

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, 2017 are as follows (amounts expressed in thousands):

	Quality Ratings				
Investment Type	**AAA**	**AA**	**A**	**BBB**	**Not Rated**
Asset backed securities	$ 2,707	$ 1,620	$ 1,591	$ 1,483	$
Collateralized mortgage obligations	500	333			474,629
Corporate bonds	983	2,906	23,678	4,495	
Mortgage pass-throughs					85,278
Mutual funds	58,134				53,326
State and local obligations		2,052			504
U.S. Government agency obligations	108,545	1,062,918			52,299
Total	$ 170,869	$ 1,069,829	$ 25,269	$ 5,978	$ 666,036

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, 2017, 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	$ 7,401	$	$ 2,561	$ 3,069	$ 1,771
Collateralized mortgage obligations	559,387	1	19,719	39,799	499,868
Corporate bonds	35,250	3,311	18,180	7,113	6,646
Mortgage pass-throughs	90,344		31,925	20,291	38,128
State and local obligations	2,556		1,478	1,078	
Mutual funds	111,459	58,134	40,778	12,547	
Other pass-throughs	366,461	2,956	8,897	12,505	342,103
U.S. Government agency obligations	1,131,005	175,823	688,145	264,328	2,709
U.S. Treasury Obligations	516,729	344,892	150,937	17,966	2,934
Zero coupon bonds	999		999		
Total Primary Government	$ 2,821,591	$ 585,117	$ 963,619	$ 378,696	$ 894,159

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. **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, 2017, the primary government has the following recurring fair value measurements (amounts expressed in thousands):

		Fair Value Measurements Using:	
		Quoted Prices in Active Markets For Identical Assets	Significant Other Observable Inputs
Investment by Fair Value Level	**Fair Value**	**(Level 1)**	**(Level 2)**
Debt securities:			
Asset backed securities	$ 7,401	$	$ 7,401
Collateralized mortgage obligations	559,387		559,387
Corporate bonds	36,952	1,702	35,250
Fixed income securities	39,077	39,077	
International fixed	1,693	1,693	
Mortgage pass-throughs	90,344		90,344
Mutual funds	16,592	16,592	
Other pass-throughs	366,462		366,462
Real estate investments	10,961	10,961	
State and local obligations	2,556		2,556
U.S. Government agency obligations	1,132,003		1,132,003
U.S. Treasury obligations	484,297	484,297	
U.S. Treasury bills	224	224	
Total Debt Securities	2,747,949	$ 554,546	$ 2,193,403
Equity securities:			
Domestic equities	219,429	219,429	
International equities	39,339	39,339	
Total Equity Securities	**258,768**	**258,768**	
Total Investments By Fair Value Level	**3,006,717**	**$ 813,314**	**$ 2,193,403**
Open-ended comingled funds - foreign	59,329		
Real estate funds	16,471		
Total Investments Measured at NAV	**75,800**		
Total Investments Measured at Fair Value	**$ 3,082,517**		
Investment derivative instruments:			
Interest rate swaps	32,598		32,598
Total Investment Derivative Instruments	**$ 32,598**		**$ 32,598**

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. 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	$ 59,329	$ -	Daily	Up to 30 days
Real estate funds	16,471	-	Daily	Up to 60 days
Total Investments at NAV	$ 75,800	-		

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.

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

Federal Home Loan Bank	$ 306,689	7.91%
Federal Home Loan Mortgage Corporation	625,892	16.13
Federal National Mortgage Association	454,190	11.71
Federal Farm Credit Bank	216,860	5.59

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

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, 2017, 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, 2017 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	$ 1,566,162	$ 21,933	$ 42,612	$ 21,003	$ 14,723	$ 9,559
Collateralized mortgage obligations	195,890	165,921	39,067	24,254	17,374	17,396
Commercial paper		85,969				
Corporate bonds	98,249	628,456	1,122,094	813,608	243,743	125,279
Mortgage pass-throughs		503,541				
Repurchase agreements		249,800	39,507			
Sovereign governments debt	75,711	83,632	167,801	286,858	136,356	154,619
State and local obligations	3,167	31,349	12,028	1,633	301	
U.S. Government agency obligations		63,821				
Yankee/Global bonds	26,139	2,947	1,181	1,851		
Total	$ 1,965,318	$ 1,837,369	$ 1,424,290	$ 1,149,207	$ 412,497	$ 306,853

	Quality Ratings				
Investment Type	**Caa/CCC**	**Ca/CC**	**C/C**	**D/D**	**Not Rated**
Asset backed securities	$ 1,316	$ 3	$ 18	$	$ 11,034
Collateralized mortgage obligations	8,156	842		9,553	30,401
Commercial paper					3,587
Corporate bonds	12,945	5,034		12	1,495
Repurchase agreements					7,446
Sovereign governments debt	33,892				2,289
Total	$ 56,309	$ 5,879	$ 18	$ 9,565	$ 56,252

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 $29,551,754,000 in investments at June 30, 2017, $3,636,244,000 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, 2017, consisted of (amounts expressed in thousands):

Investment Type	**Fair Value**
Cash collateral securities	
Asset backed securities	$ 1,417,563
Commercial paper	85,968
Corporate bonds	1,356,671
Repurchase agreements	99,504
Total cash collateral securities	2,959,706
Underlying securities on non-cash loans	
Debt securities	8,392
Equities	658,690
Real Estates Investment Trusts	9,456
Total underlying securities on non-cash loans	676,538
Total	$ 3,636,244

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, 2017, 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	$ 1,688,363	$ 1,486,805	$ 133,133	$ 27,036	$ 41,389
Collateralized mortgage obligations	508,854	189,812	30,257	3,840	284,945
Commercial paper	89,556	89,556			
Corporate bonds	3,050,915	845,212	1,332,414	490,739	382,550
Mortgage pass-throughs	587,983		479	7,205	580,299
Repurchase agreements	296,753	293,971			2,782
Sovereign governments debt	941,158	14,890	314,890	351,751	259,627
State and local obligations	48,478		12,897	6,092	29,489
U.S. Government agency obligations	63,821	41,996	10,843	398	10,584
U.S. Treasury obligations	935,234	81,161	352,854	250,924	250,295
Yankee/Global bonds	32,118		13,209	17,160	1,749
Total	$ 8,243,233	$ 3,043,403	$ 2,200,976	$ 1,155,145	$ 1,843,709

During fiscal year 2017, 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 $21,300,000 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 $508,900,000 in CMOs at June 30, 2017. Of this amount, $70,400,000 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 $1,700,000,000 in ABS held at June 30, 2017, $29,000,000 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, 2017, the System has invested in $588,000,000 in mortgage pass-through securities issued by the FNMA, FHLMC, and GNMA. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

D. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The investment 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, 2017, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities and REITs	Debt Securities	Total Fair Value
Argentina peso	$ 345	$	$ 3,832	$ 4,177
Australian dollar	(188,254)	277,214	18,983	107,943
Brazilian real	(10,229)	143,257	20,694	153,722
British pound sterling	(457,578)	841,264	50,189	433,875
Canadian dollar	(56,553)	119,412	56,093	118,952
Chilean peso		4,237		4,237
Chinese Yuan Renminbi	6,301			6,301
Columbian peso	(2,444)	341	2,645	542
Czech koruna		2,024		2,024
Danish krone	(55,493)	117,878	17,141	79,526
Egyptian pound	1,405			1,405
Euro	(939,492)	1,417,660	245,274	723,442
Hong Kong dollar	(72,220)	380,873		308,653
Hungarian forint		25,135		25,135
Indian Rupee	4,997	125,775		130,772
Indonesian rupiah	3,163	72,392		75,555
Israeli shekel	(5,716)	12,432		6,716
Japanese yen	(635,423)	1,086,940	113,021	564,538
Kenyan shilling		152		152
Malaysian ringgit	1,891	26,423	3,159	31,473
Mexican peso	(43,961)	54,240	75,696	85,975
New Taiwan dollar	(6,292)	185,668		179,376
New Zealand dollar	(32,882)	24,562	8,051	(269)
Norwegian krone	(13,480)	25,213		11,733
Pakistani rupee	214	17,657		17,871
Peruvian nuevo sol	(483)		2,501	2,018
Philippines peso		14,598		14,598
Polish zloty	(2,017)	18,829	2,635	19,447
Qatari riyal	53	946		999
Russian ruble	1,423	84	1,761	3,268
Singapore dollar	(41,607)	76,938		35,331
South African rand	(4,952)	131,974	10,237	137,259
South Korean won	(5,189)	363,696		358,507
Swedish krona	(91,432)	171,293	32,166	112,027
Swiss franc	(188,169)	323,652		135,483
Thailand baht	59	35,173		35,232
Turkish lira	3,156	79,026	1,279	83,461
UAE dirham	8	75		83
Uruguayan peso			1,826	1,826
Total	$ (2,830,851)	$ 6,177,033	$ 667,183	$ 4,013,365

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, 2017, 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, 2017, are as follows (amounts expressed in thousands):

Investment Type	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2017	
		Classification	Amount	Classification	Amount
Foreign currency forwards	$ (49,113,981)	Investment income	$ (34,913)	Investment	$34,913
To-be-announced securities	263,968	Investment income	(1,410)	Debt securities	(1,410)

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, 2017, 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 2017.

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, 2017. 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, 2017, were 29 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 $676,538,000 securities lent for securities collateral as of June 30, 2017. 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, 2017, the aggregate fair value of securities lending holdings, including accrued interest was $2,963,783,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $3,568,820,000. The value of the collateral pledged by borrowers at year end was $3,704,796,000.

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, 2017, 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	$ 89,556	$	$ 89,556	$
Repurchase agreement	296,753		296,753	
Short Term collateralized mortgage obligations	421		421	
Short Term U.S. Corporate bonds	89,097		89,097	
Short Term U.S. Government agency obligations	41,996		41,996	
Short Term U.S. Treasury obligations	19,290	19,290		
Short Term non-U.S. corporate bonds	2,505		2,505	
Short Term Sovereign government debt	1,282		1,282	
U.S. Government agency obligations	21,825		21,735	90
U.S. Treasury obligations	915,944	915,944		
Collateralized mortgage obligations	508,854		502,527	6,327
U.S. Corporate bonds	2,067,879	1,925	2,033,696	32,258
Non-U.S. Corporate bonds	891,434		891,434	
Mortgage pass-throughs	587,983		587,983	
State and local obligations	48,478		48,478	
Asset-Backed securities	1,687,942		1,687,492	450
Yankee/Global bonds	32,118		32,118	
Sovereign government debt	939,876		939,876	
Total Debt Securities	8,243,233	$ 937,159	$ 7,266,949	$ 39,125
Equity securities:				
Basic materials	576,246	576,246		
Communications	1,931,138	1,931,138		
Consumer, cyclical	1,768,067	1,768,067		
Consumer, non-cyclical	3,699,096	3,699,096		
Diversified	86,463	86,463		
Energy	778,535	778,535		
Financial	4,179,286	4,179,286		
Industrial	1,928,638	1,928,638		
Technology	1,950,540	1,950,083		457
Utilities	359,706	359,706		
Total Equity Securities	**17,257,715**	**17,257,258**		**457**
Total Investments By Fair Value Level	**25,500,948**	**$ 18,194,417**	**$ 7,266,949**	**$ 39,582**
Investments measured at NAV:				
Real estate funds*	2,215,834			
Private equity funds	1,800,240			
Total Investments Measured at NAV	**4,016,074**			
Total Investments Measured at Fair Value	**$ 29,517,022**			
Investment derivative instruments:				
Foreign exchange contracts (Liabilities)	2,860,024			
Total Investment Derivative Instruments	**$ 2,860,024**			

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, 2017.

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, 2017, 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, 2017, 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	$ 1,873,801	$	Quarterly	45-90 days
Value Added - Closed End	243,806	229,225	N/A	10-12 years
Timber	98,227		Various*	Various*
Total Real Estate	2,215,834	229,225		
Private Equity Funds:				
Diversified	1,800,240	2,045,705	10-12 years	N/A
Total Private Equity	1,800,240	2,045,705		
Total Investment Measured at NAV	$ 4,016,074	$ 2,274,930		

**Based on partnership agreement terms*

Note 5 - Receivables

At June 30, 2017, receivables consisted of (amounts expressed in thousands):

	Governmental Activities		
	General	Permanent	Total
Accounts	$ 315,199	$	$ 315,199
Settlements	600,000		600,000
Taxes:			
Sales	293,376		293,376
Income	284,564		284,564
Gasoline	38,642		38,642
Other	72,271		72,271
Interest and dividends	12,928	247	13,175
Other	5		5
Gross receivables	1,616,985	247	1,617,232
Allowance for uncollectibles	(205,149)		(205,149)
Receivables, net	$ 1,411,836	$ 247	$ 1,412,083
Amounts not scheduled for collection in subsequent year	$ 718,306		718,306

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor	Total
Accounts	$ 69,806	$ 2,082	$ 1,234	$ 3,650	$ 76,772
Assessments	30,476				30,476
Interest and dividends		30	468	475	973
Gross receivables	100,282	2,112	1,702	4,125	108,221
Allowance for uncollectibles	(66,317)				(66,317)
Receivables, net	$ 33,965	$ 2,112	$ 1,702	$ 4,125	$ 41,904

	Component Units		
	Universities	Nonmajor	Total
Accounts	$ 2,873,474	$ 3,274	$ 2,876,748
Interest	3,101	94	3,195
Gross receivables	2,876,575	3,368	2,879,943
Allowance for uncollectibles	(2,531,813)		(2,531,813)
Receivables, net	$ 344,762	$ 3,368	$ 348,130

Note 6 - Due From Other Governments

At June 30, 2017, due from other governments consisted of (amounts expressed in thousands):

	Governmental Activities
	General
Due from other governments	$ 1,125,759
Allowance for uncollectibles	(24,562)
Due from other governments, net	$ 1,101,197
Amounts not scheduled for collection in subsequent year	$ 638,112

	Business-type Activities			
	Unemployment Compensation	Port Authority at Gulfport	Nonmajor	Total
Due from other governments	$ 1,475	$ 18	$ 4	$ 1,497
Allowance for uncollectibles	(725)			(725)
Due from other governments, net	$ 750	$ 18	$ 4	$ 772

Note 7 - Loans and Notes Receivable

At June 30, 2017, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government	Component Units
	Governmental Activities Governmental Funds General	Universities
Loans and notes receivable	$ 390,312	$ 254,796
Allowance for uncollectibles	(153,470)	(24,948)
Loans and notes receivable, net	$ 236,842	$ 229,848
Amounts not scheduled for collection in subsequent year	$ 197,971	$ 185,160

Mississippi

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2017, was as follows (amounts expressed in thousands):

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 2,328,614	$ 58,629	$ 64	$ 2,387,179
Construction in progress	4,456,877	932,931	611,587	4,778,221
Total capital assets not being depreciated	6,785,491	991,560	611,651	7,165,400
Capital assets being depreciated:				
Software	155,628	420	1,169	154,879
Buildings	2,167,355	8,389	1,276	2,174,468
Land improvements	272,801	4,975		277,776
Machinery and equipment	744,595	49,701	38,403	755,893
Infrastructure	10,573,128	451,637	213,172	10,811,593
Total capital assets being depreciated	13,913,507	515,122	254,020	14,174,609
Less accumulated depreciation for:				
Software	25,421	10,558	1,169	34,810
Buildings	659,427	39,870	147	699,150
Land improvements	144,105	10,430		154,535
Machinery and equipment	506,015	47,216	31,579	521,652
Infrastructure	3,609,351	372,375	213,172	3,768,554
Total accumulated depreciation	4,944,319	480,449	246,067	5,178,701
Total capital assets being depreciated, net	8,969,188	34,673	7,953	8,995,908
Governmental activities capital assets, net	$ 15,754,679	$ 1,026,233	$ 619,604	$ 16,161,308

Business-type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 130,425	$	$ 31	$ 130,394
Construction in progress	228,577	86,263	177,311	137,529
Total capital assets not being depreciated	359,002	86,263	177,342	267,923
Capital assets being depreciated:				
Buildings	77,318	28,002	5,479	99,841
Land improvements	54,669	89,008	22,149	121,528
Machinery and equipment	21,236	31,354	163	52,427
Infrastructure	173,606	28,432	16,345	185,693
Total capital assets being depreciated	326,829	176,796	44,136	459,489
Less accumulated depreciation for:				
Buildings	24,659	1,920	1,515	25,064
Land improvements	27,065	3,223	14,516	15,772
Machinery and equipment	13,720	3,138	127	16,731
Infrastructure	54,468	5,249	15,151	44,566
Total accumulated depreciation	119,912	13,530	31,309	102,133
Total capital assets being depreciated, net	206,917	163,266	12,827	357,356
Business-type activities capital assets, net	$ 565,919	$ 249,529	$ 190,169	$ 625,279

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

Governmental Activities:		
General government	$	34,266
Education		3,583
Health and social services		16,201
Law, justice and public safety		26,985
Recreation and resources development		10,767
Regulation of business and profession		199
Transportation		388,448
Total depreciation expense - governmental activities	$	480,449
Business-type Activities:		
Port Authority at Gulfport	$	11,945
Other business-type		1,585
Total depreciation expense - business-type activities	$	13,530

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental Activities:			
Department of Transportation	$ 5,314,563	$ 4,415,021	$ 901,811
Department of Finance and Administration	176,243	160,149	13,554
Wireless Communication Commission	43,177	22,916	20,261
Department of Public Safety	43,391	41,229	206
Department of Health	43,202	42,855	154
Department of Rehabilitation Services	13,578	13,536	
East MS State Hospital	33,049	20,319	2,302
Military Department	59,678	16,800	42,878
Other projects less than $10 million	80,561	45,396	1,894
Total governmental activities	5,807,442	4,778,221	983,060
Business-type Activities:			
Port Authority at Gulfport	200,172	132,933	67,239
Yellow Creek Port Authority	11,783	4,596	7,188
Total business-type activities	211,955	137,529	74,427
Total construction in progress	$ 6,019,397	$ 4,915,750	$ 1,057,487

Component Units

At June 30, 2017, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	$ 108,337	$ 11,494	$ 119,831
Construction in progress	736,286		736,286
Total capital assets not being depreciated	844,623	11,494	856,117
Capital assets being depreciated:			
Buildings	3,727,582	26,090	3,753,672
Land improvements	360,662	50,357	411,019
Machinery and equipment	1,281,125	21,454	1,302,579
Infrastructure		45,033	45,033
Total capital assets being depreciated	5,369,369	142,934	5,512,303
Less accumulated depreciation	2,129,239	96,033	2,225,272
Total capital assets being depreciated, net	3,240,130	46,901	3,287,031
Component units capital assets, net	$ 4,084,753	$ 58,395	$ 4,143,148

Note 9 - Long-term General Obligation Bonds and Notes 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 and Notes

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 notes are issued to provide funds for economic development. 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, 2017 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, 2017, no arbitrage rebate liability existed.

General obligation bonds and notes 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.

Refunding and Defeased Bonds

During fiscal year 2017, the State issued the following general obligation refunding bonds, which are reported in governmental activities:

Taxable General Obligation Bonds, Series 2017A totaling $442,775,000 dated June 15, 2017. The Series 2017A Bonds were issued for the purpose of advance refunding and defeasing the following Tax-Exempt Refunded Bonds: $167,315,000 (original principal amount) General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B. B. King Museum, Capital Improvements and GO Captens Series A (Tax Exempt) Project), Series 2006D, dated as of November 1, 2006; $299,020,000 (original principal amount) General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated as of December 1, 2007; $133,545,000 (original principal amount) General Obligation Bonds, (Community Heritage Preservation Grant Program, Local Governments and Rural Water Systems Program, Water Pollution Control Revolving Fund, Local System Bridge Replacement Program, Mississippi Public Health Laboratory Project, Rural Fire Truck Acquisition Assistance Program, Bureau of Buildings Projects and Soil and Water Conservation Program), Series 2008A, dated as of October 1, 2008; $353,730,000 (original principal amount) General Obligation Bonds (Capital Improvement Projects) Series 2011A, dated October 26, 2011; $43,900,000 General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012B, dated August 1, 2012; $136,680,000 General Obligation Bonds, Series 2012H, dated October 30, 2012; $159,225,000 General Obligation Bonds, Series 2013B, dated December 3, 2013. These bonds mature serially beginning in year 2018 through 2036 with interest rates ranging from 2% to 5%. The advance refunding and defeasing was undertaken to reduce debt service payments by $34,053,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of $32,780,000.

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, 2017, $959,785,000 of outstanding general obligation bonds are considered defeased.

Mississippi

At June 30, 2017, the primary government's outstanding general obligation bonds and notes 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:				
Bonds:				
Milk Producers	$ 440	5.17%	Dec. 2017	$ 3,500
Technology Alliance	1,255	1.09% - 3.73%	Oct. 2026	2,050
Farish Street Historic District	335	2.88% - 4.35%	Nov. 2023	500
Heritage, History, and Culture Tourism	470	2.88% - 4.35%	Nov. 2023	700
Small Business and Existing Forestry Industry	3,360	2.88% - 4.35%	Nov. 2023	5,000
State Railroad Revitalization	675	2.88% - 4.35%	Nov. 2023	1,000
Sustainable Energy	535	1.4% - 4.35%	Nov. 2023	1,000
Local Governments Capital Improvements	13,575	1.09% - 3.73%	Oct. 2026	23,000
State Shipyard Improvements	77,329	1% - 5.17%	Dec. 2025	121,000
Stennis Space Center	1,169	5.17%	Dec. 2017	9,300
Hinds County Development Project Loans	15,765	1.65% - 4.17%	Dec. 2026	20,000
Job Protection	2,710	1.09% - 4.17%	Dec. 2026	4,000
Railroad Lines and Bridges Improvement	5,101	1.09% - 4.35%	Dec. 2026	7,400
Workforce Training	5,539	1% - 4.35%	Dec. 2026	8,000
Industry Incentive Financing	323,477	1% - 4.35%	Oct. 2027	388,010
Small Enterprise Development Finance	5,425	4.2% - 5%	July 2028	36,950
ACE Fund	67,430	1% - 5.54%	Oct. 2029	90,200
Existing Industry	33,379	1.4% - 5.54%	Oct. 2029	43,000
Rural Impact	4,296	1.4% - 5.54%	Oct. 2029	6,200
Statewide Wireless Communication System	31,177	1.09% - 5.54%	Oct. 2029	47,000
Major Economic Impact	182,310	1% - 5.54%	Oct. 2035	237,518
Port Improvements	5,815	5%	Dec. 2033	10,000
Rail Authority of East Mississippi	1,964	3% - 5%	Nov. 2035	2,384
North Central MS Regional Railroad Grant	27,276	1% - 3.16%	Nov. 2025	30,000
Railroad Improvements	2,364	1% - 3.16%	Nov. 2025	2,600
Farm Reform	2,050	1.09% - 5.67%	Oct. 2034	3,000
Small Municipalities and Limited Population Counties	20,142	1% - 5.67%	Oct. 2034	28,750
Business Investment	22,667	1% - 5.25%	Nov. 2034	29,400
Economic Development Highway	165,102	1% - 5.54%	Nov. 2034	205,000
Capital Improvements	970,939	1% - 5.67%	Dec. 2036	1,679,804
General Obligation Refunding Bonds *	1,953,090	1.09% - 5.54%	Oct. 2036	2,757,302
Local Governments Water System Improvement	2,428	1.65% - 5.25%	Oct. 2036	9,100
Local System Bridge Replacement and Rehabilitation	32,867	3.5% - 5.25%	Oct. 2036	97,200
Rural Fire Truck Acquisition	6,045	3.5% - 5.67%	Oct. 2036	10,800
Transportation	128,146	2.88% - 5.45%	Dec. 2036	195,287
Total Bonds	4,116,647			6,115,955
Premiums	273,192			-
Notes:				
Major Economic Impact	20,000	1.75%	July 2018	20,000
Total Governmental Activities	4,409,839			6,135,955
Business-type Activities:				
General Obligation Refunding Bonds	6,673	4.65% - 5.5%	Nov. 2022	27,365
Total General Obligation Bonds and Notes	$ 4,416,512			$ 6,163,320

* General obligation refunding bonds include $60,355,000 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, 2017, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

	Governmental Activities		Business-type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2018	$ 404,733	$ 169,606	$ 3,126	$ 241
2019	285,567	158,250	3,238	92
2020	240,672	148,455	128	13
2021	230,189	139,410	71	8
2022	222,596	130,514	74	4
2023 - 2027	1,022,920	525,306	36	1
2028 - 2032	930,885	301,477		
2033 - 2037	799,085	78,424		
Total	4,136,647	1,651,442	6,673	359
Premiums	273,192			
Total Debt Service, Net	$ 4,409,839	$ 1,651,442	$ 6,673	$ 359

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, 2017, 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 2014 through June 30, 2017, to determine if the potential hedging derivative instruments were effective as of June 30, 2017. 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 -0.982 and -0.997. 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, 2017 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, 2017	
Bonds	Amount	Classification	Amount	Classification	Amount
2012C	$ 50,000	Interest expense	$ 2,414	Borrowing	$ (805)
		Deferred outflows of resources	442	At-market derivative	475
		Investment revenue	4,145	Investment derivative	(15,570)
2012C	50,000	Interest expense	1,982	Borrowing	(661)
		Deferred outflows of resources	551	At-market derivative	195
		Investment revenue	2,981	Investment derivative	(10,375)
2012D	27,780	Interest expense	958	Borrowing	(157)
		Deferred inflows of resources	(1,099)	At-market derivative	44
		Investment revenue	1,919	Investment derivative	(2,807)
2012D	32,555	Interest expense	1,097	Borrowing	(181)
		Deferred outflows of resources	110	At-market derivative	73
		Investment revenue	1,086	Investment derivative	(3,846)
	$ 160,335		$ 16,586		$ (33,615)

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, 2017, 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
2018	161,255	779	1,769	163,803
	$ 161,255	$ 779	$ 1,769	$ 163,803

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, 2017, 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, 2017, the weighted average variable interest rate paid on the bonds was 1.70906%, while the SIFMA swap index was .91% and one-month LIBOR was 1.1714%.

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.

These bonds, with an original issue amount of $200,000,000, were issued to provide funding for road and bridge projects and mature serially from fiscal year 2017 through fiscal year 2036 with interest rates ranging from two to five percent. At June 30, 2017, the primary government's future limited obligation debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2018	$ 5,195	$ 9,580
2019	6,755	9,367
2020	7,065	9,056
2021	7,430	8,693
2022	7,810	8,312
2023 - 2027	45,485	35,127
2028 - 2032	58,400	22,206
2033 - 2036	58,455	6,029
Total	196,595	108,370
Premiums	25,132	
Total Debt Service, Net	$ 221,727	$ 108,370

Note 10 - Bonds Authorized But Unissued

At June 30, 2017, 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	$ 121,650	$ 27,000
Business Investment Act	351,500	47,023
Capital Improvements	804,899	121,549
Deer Island Project	10,000	1,200
Economic Development Highway	374,500	55,600
Energy Infrastructure Revolving Loan	5,000	5,000
Farm Reform	128,000	20,000
Industry Incentive Financing	468,000	80,000
Major Economic Impact	1,713,500	591,410
North Central Mississippi Regional Railroad Grant	45,000	15,000
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	134,500
Sustainable Energy Research	2,000	1,000
Technology Alliance	4,000	950
Transportation - Access Roads	4,000	4,000
	$ 4,222,899	$ 1,131,832

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, 2017, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	$ 1,203,164	.29% - 6.84%	Sept. 2046	$ 1,591,198
Notes	9,254	1.29% - 3%	June 2026	14,882
Total Component Units	$ 1,212,418			$ 1,606,080

At June 30, 2017, future revenue bond and note debt service requirements are (amounts expressed in thousands):

	Component Units	
Year Ending June 30	Principal	Interest
2018	$ 41,477	$ 51,706
2019	41,577	51,172
2020	42,461	49,813
2021	44,717	46,761
2022	43,921	45,004
2023 - 2027	241,808	195,002
2028 - 2032	261,738	138,436
2033 - 2037	252,283	78,609
2038 - 2042	180,579	29,644
2043 - 2047	61,857	2,886
	$ 1,212,418	$ 689,033

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2017 is $116,446,000 for governmental activities and $669,000 for business-type activities. For governmental activities, accrued compensated absences are generally paid out of the general fund. The component units' liability for compensated absences is $127,824,000 of which $127,101,000 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, 2017, 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, 2017, the primary government's pollution remediation obligation is $37,279,000. 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, 2017, 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	$ 40,355	5%	Jul. 2019	$ 57,325
Energy efficiency	9,666	3.10% - 4.50%	Apr. 2026	14,698
Buildings	204,405	2% - 5.37%	Jul. 2031	325,745
Roads and bridges	694,598	1% - 6.59%	Jan. 2040	779,941
Total	949,024			1,177,709
Premiums	81,136			
Total Notes Payable, Net	$ 1,030,160			$ 1,177,709

Refunding and Defeased Notes

During fiscal year 2017, the State issued $108,255,000 of refunding notes to advance refund a portion of notes payable reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 11 years by $6,202,000, and obtain an economic gain (the difference between the present value of the debt service payments for the refunded and refunding notes) of $6,146,000.

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, 2017, $163,705,000 of outstanding notes are considered defeased.

At June 30, 2017, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2018	$ 65,900	$ 48,423
2019	66,487	44,046
2020	68,186	40,619
2021	57,183	37,614
2022	59,864	34,921
2023-2027	332,639	132,236
2028-2032	174,360	62,138
2033-2037	89,885	25,338
2038-2041	34,520	4,489
Total	949,024	429,824
Premiums	81,136	
Total Debt Service, Net	$ 1,030,160	$ 429,824

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, 2017, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	$	$ 700
Machinery and Equipment	17,580	293
Accumulated Depreciation	(9,858)	(78)
Total	$ 7,722	$ 915

The discretely presented component units recorded capital assets acquired through capital leases of $1,669,000.

At June 30, 2017, 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
2018	$ 4,580	$ 83	$ 4,663	$ 1,361
2019	3,216	41	3,257	721
2020	1,754		1,754	285
2021	1,441		1,441	165
2022	761		761	140
2023-2027	126		126	351
Total Minimum Lease Payments	11,878	124	12,002	3,023
Less Interest	754	4	758	304
Present Value of Minimum Lease Payments	$ 11,124	$ 120	$ 11,244	$ 2,719

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2017 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	$ 4,178,374	$ 733,125	$ 774,852	$ 4,136,647	$ 404,733
Premiums/Discounts (Note 9)	211,375	115,719	53,902	273,192	24,781
Limited Obligation Bonds (Note 9)	200,000		3,405	196,595	5,195
Premiums (Note 9)	26,507		1,375	25,132	1,374
Notes Payable (Note 12)	980,491	152,040	183,507	949,024	65,900
Premiums (Note 12)	75,298	20,310	14,472	81,136	8,736
Total Bonds and Notes	5,672,045	1,021,194	1,031,513	5,661,726	510,719
Derivative Instruments (Note 9)	50,201		16,586	33,615	
Capital Lease Obligations (Note 12)	15,262	1,637	5,775	11,124	4,252
Accrued Compensated Absences (Note 12)	111,164	86,471	81,189	116,446	10,620
Pollution Remediation Obligation (Note 12)	42,946	8,129	13,796	37,279	6,841
	$ 5,891,618	$ 1,117,431	$ 1,148,859	$ 5,860,190	$ 532,432
Business-type Activities:					
General Obligation Bonds (Note 9)	$ 9,696	$	$ 3,023	$ 6,673	$ 3,127
Capital Lease Obligations (Note 12)	198		78	120	79
Accrued Compensated Absences (Note 12)	632	412	375	669	49
	$ 10,526	$ 412	$ 3,476	$ 7,462	$ 3,255

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

Note 14 – Short-term Financing

Credit Agreements - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to $150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2017, are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	$ 0	$ 25,000	$ 25,000	$ 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, 2017, the total annual COLA payments for PERS were $603,319,000.

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, 2017, the total annual COLA payments for MHSPRS were $9,456,000.

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, 2017, the total COLAs for MRS plans were $5,537,000.

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, 2017, the total COLAs for SLRP were $306,000.

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	1.03 – 5.67 mills****	N/A
Plan members	9%	7.25%	7% - 10%	3% **
Employer contributions made	$ 1,019,084	$ 14,809***	$ 17,732	$ 522

* 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 $3,800,000 (13.2 percent of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2017 was $3,758,000.

**** 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, 2017, the State reported a liability of $3,190,148,000 for its proportionate share of the net pension liability in PERS. The net pension liability was measured as of June 30, 2016, 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 17.86%.

At June 30, 2017, the State reported a net pension liability of $182,489,000 and $5,491,000 for MHSPRS and SLRP, respectively. The net pension liability was measured as of June 30, 2016, 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, 2016	$ 477,803	$ 323,207	$ 154,596
Changes for the Year:			
Service Cost	6,858		6,858
Interest	35,869		35,869
Difference between expected and actual experience	3,536		3,536
Contributions - employer		14,755	(14,755)
Contributions - employee		2,128	(2,128)
Net investment income		1,704	(1,704)
Benefit payment, including refunds of employee contributions	(29,965)	(29,965)	0
Administrative expense		(217)	217
Net Changes	16,298	(11,595)	27,893
Balances at June 30, 2017	$ 494,101	$ 311,612	$ 182,489

SLRP	**Total Pension Liability** (a)	**Plan Fiduciary Net Positon** (b)	**Net Pension Liability** (a) - (b)
Balances at June 30, 2016	$ 21,213	$ 16,456	$ 4,757
Changes for the Year:			
Service Cost	420		420
Interest	1,586		1,586
Difference between expected and actual experience	(468)		(468)
Changes in assumptions	(6)		(6)
Contributions - employer		514	(514)
Contributions - employee		208	(208)
Net investment income		86	(86)
Benefit payment, including refunds of employee contributions	(1,486)	(1,486)	0
Administrative expense		(10)	10
Net Changes	46	(688)	734
Balances at June 30, 2017	$ 21,259	$ 15,768	$ 5,491

For the year ended June 30, 2017, the State recognized pension expense of $354,242,000 for PERS, $24,127,000 for MHSPRS, and $486,000 for SLRP. At June 30, 2017, 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
PERS		
Difference between expected and actual experience	$ 89,200	$
Net difference between projected and actual earnings on pension plan investments	211,256	22
Changes in proportion	1,957	68,444
Changes of assumptions	153,200	8,459
Contributions subsequent to the measurement date	177,852	
Total PERS	633,465	76,925
MHSPRS		
Differences between expected and actual experience	4,225	
Net difference between projected and actual earnings on pension plan investments	15,461	
Changes of assumptions	9,978	
Contributions subsequent to the measurement date	14,809	
Total MHSPRS	44,473	0
SLRP		
Differences between expected and actual experience		631
Net difference between projected and actual earnings on pension plan investments	782	
Changes of assumptions	278	4
Contributions subsequent to the measurement date	522	
Total SLRP	1,582	635
Total	$ 679,520	$ 77,560

Contributions subsequent to the measurement date of $177,852,000 for PERS, $14,809,000 for MHSPRS and $522,000 for SLRP reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	PERS Net Outflows & Inflows of Resources	MHSPRS Net Outflows & Inflows of Resources	SLRP Net Outflows & Inflows of Resources
2018	$ 120,387	$ 7,845	$ (76)
2019	89,624	7,553	5
2020	105,698	9,056	265
2021	62,979	5,210	231
Total	$ 378,688	$ 29,664	$ 425

Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2016, 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 one year for males.

The actuarial assumptions for PERS, MHSPRS and SLRP used in the June 30, 2016, 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, 2016, 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, the assumed rate of interest credited to employee contributions was changed from 3.5% to 2%.

Single-Employer Benefit Plan Employees

The following employees were covered by the benefit terms of MHSPRS and SLRP at June 30, 2016:

	MHSPRS	SLRP
Inactive employees or beneficiaries currently receiving benefits	724	207
Inactive employees entitled to but not yet receiving benefits	80	63
Active employees	484	171
Totals	**1,288**	**441**

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	$ 4,090,485	$ 3,190,148	$ 2,443,160
MHSPRS	242,996	182,489	132,273
SLRP	7,701	5,491	3,604
Total	$ 4,341,182	$ 3,378,128	$ 2,579,037

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, 2017, retiree premiums range from $184 to $1,549 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, 2017. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $43,673,000 is .96 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 2017 (amounts expressed in thousands):

Annual required contribution	$ 43,673
Interest on prior year net OPEB obligation	7,837
Adjustment to annual required contribution	6,432
Annual OPEB cost	45,078
Contributions made	30,872
Increase in net OPEB obligation	14,206
Net OPEB obligation – Beginning of year	174,154
Net OPEB obligation – End of year	$ 188,360

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
2015	$ 49,776	64.8%	$ 157,474
2016	48,950	65.9	174,154
2017	45,078	68.5	188,360

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, 2017
Actuarial Value of Assets	$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	$ 784,753
Unfunded AAL (UAAL)	$ 784,753
Funded Ratio	0.0%
Annual Covered Payroll	$ 4,492,725
UAAL as a Percentage of Annual Covered Payroll	17.5%

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, 2017
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*	3.56%
Projected salary increases**	3.25% - 18.50%
Healthcare cost trend rate*	7.75%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2023
* Includes price inflation at	3.0%
** Includes wage inflation at	3.25%

Note 17 - Commitments

A. Operating Leases

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

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, 2017 are as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2018	22,209
2019	20,095
2020	16,652
2021	12,961
2022	11,074
2023 - 2027	44,530
2028 - 2032	32,736
2033 - 2037	6,289
2038 - 2042	176
2043 - 2047	121
2048 - 2052	12
Total Minimum Commitments	$ 166,855

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2017 amounted to $25,347,000.

B. Contracts

At June 30, 2017, the Department of Transportation had contracts outstanding of approximately $852,000,000 with performance continuing during fiscal year 2018. Of this amount $35,927,000 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 55 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 $94,315,000 outstanding at June 30, 2017 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 42 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 $142,054,000 at June 30, 2017. These contracts will be paid from the General fund.

The Military Department had contracts outstanding of approximately $42,878,000 at June 30, 2017. 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 $67,023,000 at June 30, 2017. 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 $21,470,000 at June 30, 2017. 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. Future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred.

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, 2017; the encumbrance amounts in the General Fund were $24,397,000.

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 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 2016 and 2017 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2016	$ 175,793	$ 709,131	$ 749,198	$ 135,726
2017	135,726	914,062	866,402	183,386

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 $10,620,000. 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, 2017, outstanding MDA loan guarantees totaled $34,502,000.

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, 2017, the remaining outstanding CDL loan guarantees totaled $4,656,000. The loan guarantees expire January 7, 2020.

D. **Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately $2,063,653,000 at June 30, 2017. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 – Tax Abatements

As of June 30, 2017, the State provides tax abatements through eight programs subject to the requirements of GASB Statement No. 77: the Jobs Tax Credit; the Investment Tax Credit; the Income Tax Exemption; the Fee In Lieu of Franchise Tax; the Sales and Use Tax Exemption to Establish and Operate the Project; the Sales and Use Tax Exemption for Machinery, Tooling, Leases, Repair parts and Services; the Withholding Rebate for New Job Creation; and the Withholding Rebate for Maintaining Existing Jobs. The eight programs are available to entities authorized in Section 57-75-5 (f) of Mississippi Code Ann. (1972) to encourage businesses to locate or expand operations in the State and to create significant new job opportunities for State residents.

The Jobs Tax Credit Program provides an income tax credit to eligible entities that commit to make certain capital investments, to create a certain number of new full-time jobs and to maintain those employment levels. The credit amount is based on employment levels. Eligible entities can receive an annual credit equal to $5,000 per employee at the project site for a set period of time ranging from 10 to 20 years with a three to ten year carryforward. Eligible entities are able to elect the date when their credit period starts within certain parameters. The credit can be used to offset up to 100% of an eligible entity's state income tax liability. There are no recapture provisions for this program.

The Investment Tax Credit Program provides an income tax credit to eligible entities that commit to make certain capital investments, to create a certain number of new full-time jobs and to maintain those employment levels. An annual tax credit equal to 7.5% of the eligible investment is available to offset the entity's state income tax liability. An eligible entity is able to elect the start date for the credit, however, it must be within two years of becoming fully operational. Any credit claimed and not used in any taxable year can be carried forward for ten consecutive years from the close of the tax year in which it was earned. The amount of the credit that can be used in any one tax year is limited to the entity's total state income tax liability for that year and the credit is subject to recapture if the property for which the credit is received is disposed of, or converted to another nonbusiness use.

The Income Tax Exemption Program provides a full exemption from state income tax to eligible entities that commit to make certain capital investments, to create a certain number of jobs and to maintain those employment levels. An eligible entity is granted a full exemption from state income tax for a period of 20 to 25 years, including the year in which the exemption commences. The eligible entity can elect the date on which the exemption begins, though it typically cannot begin until the committed number of jobs is in place and it must start within five years of the start of production. If in any taxable year to which the exemption applies the average number of jobs falls below the business's jobs commitment, the income tax exemption may be reduced or suspended until the required number of jobs is restored. There are no recapture provisions for this program.

The Fee in Lieu of Franchise Tax Program allows eligible entities to pay a fee of $25,000 per year instead of the calculated amount of the franchise tax that would have been due. The fee in lieu of franchise tax typically goes into effect the first year that an eligible entity's franchise tax liability exceeds $25,000. Eligible entities have to commit to making certain capital investments and/or creating a certain number of jobs and maintaining those employment levels. Each fee in lieu of franchise tax agreement is negotiated with the eligible entity that is investing in the State and is available between ten and thirty years. There are no recapture provisions for this program.

The Sales and Use Tax Exemption to Establish and Operate the Project Program provides a full exemption from sales and use tax for the start-up of a project of eligible entities that commit to make certain capital investments, to create a certain number of jobs and to maintain those employment levels. The State grants eligible entities a full exemption from sales and use taxes on purchases and leases of component building materials and machinery and equipment required for the start-up and operation of an Mississippi Major Economic Impact Authority (MMEIA) eligible project. The amounts exempted under this program are not required to be reported to the State. There are no recapture provisions for this program.

The Sales and Use Tax Exemption for Machinery, Tooling, Leases, Repair Parts and Services Program provides a full exemption from sales and use tax for the perpetual operation of an eligible project to entities that commit to make certain capital investments, to create a certain number of jobs and to maintain those employment levels. The State grants eligible entities with a full exemption from sales and use tax on purchases and leases of machinery, special tooling, repair parts or replacement or leases thereof, supplies and repair services purchased by the eligible entity. The amounts exempted under this program are not required to be reported to the State. There are no recapture provisions for this program.

The Withholding Rebate for New Job Creation Program provides a rebate of new employees' state income tax withholding to eligible entities that commit to create a certain number of new high-paying jobs at certain average annual salary levels that exceeds between 110% and 150% of the state or county average annual salary and to maintain those employment levels throughout the possible rebate period. Eligible entities can receive a percentage of the employees', including leased employees, state income tax withholding in a quarterly payment. These withholding tax rebate payments are capped at 3.5% to 4% of the eligible entity's gross payroll or the actual amount of income tax withheld from their employees. Eligible entities can receive rebate payments on a quarterly basis for up to 25 years assuming the committed number of jobs at the required salary levels are met and maintained. There are no recapture provisions for this program.

The Withholding Rebate for Maintaining Existing Jobs Program provides a rebate to current large employers to retain their existing workforce and further invest in their State operations. It provides a rebate of new employees' state income tax withholding to eligible entities that make a new private investment at the project site and maintain a set number of existing jobs with average annual salaries of at least $45,000. A rebate equal to one percent of existing employees' wages subject to state income withholding taxes is available for eligible entities for up to ten years or until a maximum rebate of $6,000,000 has been reached. There are no recapture provisions for this program.

The amounts of taxes abated during fiscal year 2017 are (amounts expressed in thousands):

Program	Amount Abated	
Jobs Tax Credit	$ -	*
Investment Tax Credit	-	*
Income Tax Exemption	-	*
Withholding Rebate for New Job Creation	-	*
Withholding Rebate for Maintaining Existing Jobs	-	*
Aggregate total of tax credits, tax rebates, and income tax exemption	31,600	
Sales and Use Tax Exemption to Establish and Operate the Project	-	**
Sales and Use Tax Exemption for Machinery, Tooling, Leases, Repair Parts and Services	8,400	**
Total Sales and Use Tax Exemptions	8,400	
Fee in Lieu of Franchise Tax	9,200	
Total	$ 49,200	

* The amounts abated under these programs are presented in the aggregate. Sections 27-3-73 and 27-7-83 (9) of Miss. Code Ann (1972), prevent disclosure of the individual amounts abated under these programs due to confidentiality of taxpayer reports and returns; however, the total of all abatements is presented in the agregate.

** Amounts of sales and use taxes abated are estimates.

Note 21 - 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 $290,173,000 from the Working Cash Stabilization Reserve Account and $209,827,000 from budgetary special funds as of February 16, 2018. In order to comply with State law, all borrowings must be repaid by the end of the fiscal year.

Draws of $35,000,000 were made subsequent to year end on the Taxable General Obligation Note, Series 2016A issued July 7, 2016. The note was issued to provide funding for the Major Economic Impact Act. Of the $80,000,000 authorized amount, $55,000,000 has been drawn. In December 2017, a portion of the proceeds from General Obligation Bonds Series 2017D and Series 2017E were used to pay a partial principal redemption of $31,000,000. The current outstanding principal balance is $24,000,000. Interest is payable semi-annually on the outstanding balance at the rate of 1.75%, with the principal balance payable on or before July 7, 2018.

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

General Obligation Bonds, Series 2017B totaling $61,260,000 dated August 30, 2017. These bonds were issued to provide a portion of the funds necessary to restructure the $78,625,000 (original amount) General Obligation Refunding Bonds, Series 2012D. These bonds will mature serially beginning in fiscal year 2019 through 2028 with an interest rate of 67% of 1 month LIBOR plus 33 basis points.

Taxable General Obligation Bonds, Series 2017C, totaling $101,145,000 dated August 30, 2017. These bonds were issued to provide a portion of the funds necessary to restructure the $100,490,000 (original amount) General Obligation Refunding Bonds, Series 2012C. These bonds will mature serially beginning in fiscal year 2023 through 2029 with an interest rate of 1 month LIBOR plus 40 basis points.

General Obligation Bonds, Series 2017D totaling $53,030,000 dated December 21, 2017. These bonds were issued to provide funding for Capital Improvements and Major Economic Impact. These bonds have principal payments beginning in December 2029 and will mature serially through December 2037 with interest rates ranging from 3% to 4%.

Taxable General Obligation Bonds, Series 2017E, totaling $44,765,000 dated December 21, 2017. The Series 2017E bonds were issued for the purpose of providing funding for Capital Improvements, Major Economic Impact, ACE fund, and Business Investment. These bonds have principal payments beginning in December 2018 and will mature serially through December 2028 with interest rates ranging from 1.7% to 3.25%.

Required Supplementary Information

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

For the Year Ended June 30, 2017 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	$ 2,112,700	$ 2,112,700	$ 2,055,230	$ (57,470)
Individual income tax	1,886,500	1,886,500	1,781,661	(104,839)
Corporate income and franchise taxes	565,300	565,300	563,983	(1,317)
Use and wholesale compensating taxes	240,300	240,300	234,094	(6,206)
Tobacco, beer and wine taxes	176,100	176,100	174,063	(2,037)
Insurance tax	296,900	296,900	297,117	217
Oil and gas severance taxes	29,800	29,800	27,267	(2,533)
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	74,700	74,700	75,816	1,116
Other taxes	11,600	11,600	12,655	1,055
Interest	11,000	11,000	11,286	286
Auto privilege, tag and title fees	9,300	9,300	14,177	4,877
Gaming fees	135,200	135,200	132,948	(2,252)
Highway Safety Patrol fees	22,000	22,000	19,043	(2,957)
Other fees and services	11,100	11,100	6,542	(4,558)
Miscellaneous	3,800	3,800	3,242	(558)
Court assessments and settlements			73,777	73,777
General Fund revenues (SB2362 2016 RLS)	186,812	130,010	129,281	(729)
Special Fund revenues				
Total Revenues	5,773,112	5,716,310	5,612,182	(104,128)
Expenditures by Major Budgetary Function				
Legislative	27,208	26,533	26,137	(396)
Judiciary and justice	105,548	102,869	99,784	(3,085)
Executive and administrative	18,862	18,057	16,670	(1,387)
Fiscal affairs	153,568	148,755	146,717	(2,038)
Public education	2,270,522	2,243,217	2,241,689	(1,528)
Higher education	800,923	761,452	761,407	(45)
Public health	36,646	33,470	33,425	(45)
Hospitals and hospital schools	222,145	211,978	211,929	(49)
Agriculture, commerce and economic development	114,293	108,411	108,387	(24)
Conservation and recreation	46,956	44,499	44,449	(50)
Insurance and banking	18,433	17,331	16,307	(1,024)
Corrections	326,080	315,066	314,503	(563)
Social welfare	1,043,333	1,017,878	1,017,806	(72)
Public protection and veterans assistance	102,302	101,573	100,721	(852)
Local assistance	84,455	80,626	80,626	
Motor vehicle and other regulatory agencies				
Miscellaneous	24,297	23,062	22,648	(414)
Public works				
Debt service	392,741	392,741	392,193	(548)
Total Expenditures	5,788,312	5,647,518	5,635,398	(12,120)
Excess of Revenues over (under) Expenditures	(15,200)	68,792	(23,216)	(92,008)
Other Financing Sources (Uses)				
Transfers in	15,200	15,200	41,855	26,655
Transfers out			(18,369)	(18,369)
Other sources/uses of cash			(2,493)	(2,493)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses		83,992	(2,223)	(86,215)
Budgetary Fund Balances - Beginning	6,616	6,616	6,616	
Budgetary Fund Balances - Ending	$ 6,616	$ 90,608	$ 4,393	$ (86,215)

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)
$ 262,739	$ 261,425	$ 296,420	$ 34,995	$	$	$	$
27,916	29,005	29,215	210				
		101	101				
		2	2				
				14,569,871	14,847,781	10,437,472	(4,410,309)
290,655	290,430	325,738	35,308	14,569,871	14,847,781	10,437,472	(4,410,309)
				40,267	49,249	35,974	(13,275)
				649	8,612	8,183	(429)
				89,894	96,523	76,696	(19,827)
275,423	262,301	257,487	(4,814)	923,594	928,914	768,675	(160,239)
100,041	100,041	100,030	(11)	2,443,324	2,438,578	86,257	(2,352,321)
				403,334	425,106	263,973	(161,133)
				397,375	396,721	356,431	(40,290)
2,966	2,966	2,966		315,763	320,114	163,015	(157,099)
125	125	125		404,064	522,152	234,381	(287,771)
				25,972	33,974	27,576	(6,398)
				28,332	24,875	23,002	(1,873)
				7,066,991	7,122,011	6,450,199	(671,812)
				787,927	829,037	368,367	(460,670)
				20,671	20,649	18,652	(1,997)
450	450	448	(2)	1,238	1,591	1,462	(129)
				1,508,972	1,518,171	1,299,783	(218,388)
				111,504	111,504	6,102	(105,402)
379,005	365,883	361,056	(4,827)	14,569,871	14,847,781	10,188,728	(4,659,053)
(88,350)	(75,453)	(35,318)	40,135			248,744	248,744
		107,988	107,988				
(88,350)	(75,453)	72,670	148,123			248,744	248,744
		16,315	16,315			1,218,541	1,218,541
$ (88,350)	$ (75,453)	$ 88,985	$ 164,438	$ 0	$ 0	$ 1,467,285	$ 1,467,285

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

For the Year Ended June 30, 2017

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, 2017 is presented below (amounts expressed in thousands):

Budgetary Funds	**General**	**Education Enhancement**	**Special**
Financial Statement Major Fund	**General**		
Net Change in Budgetary Fund Balances	$ (2,223)	$ 72,670	$ 248,744
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	(315,114)	(72,670)	(242,444)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			(6,300)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	424,142		
Financial statements are presented using a modified accrual basis of accounting while budgetary basis is cash plus commitments	421,739		
Net Change in GAAP Fund Balances	$ 528,544	$ 0	$ 0

Required Supplementary Information

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

	2017	2016	2015
Actuarially required employer contribution	$ 14,809	$ 14,755	$ 13,695
Contributions in relation to actuarially required contribution	(14,809)	(14,755)	(13,695)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered payroll	$ 28,845	$ 27,380	$ 25,505
Actual contributions as a percentage of covered payroll	51.34%	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, 2015, 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	45.5 years
Asset valuation method	5-year smoothed market
Price Inflation	3%
Salary increase	4.25% to 9.31%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

****Only three 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)*

	2017	2016	2015
Actuarially required employer contribution	$ 522	$ 514	$ 511
Contributions in relation to actuarially required contribution	(522)	(514)	(511)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered payroll	$ 6,928	$ 6,862	$ 6,861
Actual contributions as a percentage of covered payroll	7.53%	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, 2015, 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	23.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3%
Salary increase	3.75%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Only three 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)*

	2017	2016	2015
Actuarially required employer contribution	$ 177,852	$ 179,792	$ 179,936
Contributions in relation to actuarially required contribution	(177,852)	(179,792)	(179,936)
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered payroll	$ 1,129,216	$ 1,141,539	$ 1,142,452
Actual contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

Only three 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)*

	2017**	2016	2015
Total pension liability			
Service Cost	$ 6,858	$ 6,361	$ 6,461
Interest	35,869	34,503	33,396
Differences between expected and actual experience	3,536	1,013	2,652
Changes in assumptions		19,176	
Benefit payments	(29,913)	(28,909)	(28,220)
Refund of contributions	(52)	(163)	(42)
Net change in total pension liability	16,298	31,981	14,247
Total pension liability - beginning	477,803	445,822	431,575
Total pension liability - ending	$ 494,101	$ 477,803	$ 445,822
Plan fiduciary net position			
Contributions - employer	$ 14,755	$ 13,695	$ 13,500
Contributions - employee	2,128	1,938	1,963
Net investment income	1,704	10,812	51,575
Benefit payments	(29,913)	(28,909)	(28,220)
Refund of contributions	(52)	(163)	(42)
Administrative expense	(217)	(198)	(200)
Net Change in plan fiduciary net position	(11,595)	(2,825)	38,576
Plan fiduciary net position - beginning	323,207	326,032	287,456
Plan fiduciary net position - ending	311,612	323,207	326,032
Net pension liability - ending	$ 182,489	$ 154,596	$ 119,790
Total pension liability	494,101	477,803	445,822
Total plan fiduciary net position	311,612	323,207	326,032
Net Pension liability	$ 182,489	$ 154,596	$ 119,790
Plan fiduciary net position as a percentage of the pension liability	63.07%	67.64%	73.13%
Covered payroll	$ 27,380	$ 25,505	$ 25,554
Net pension liability as a percentage of covered payroll	666.50%	606.14%	468.77%

Only three fiscal years are presented because 10-year data is not yet available.
***** Based on the measurement date of June 30, 2016***

Required Supplementary Information

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

	2017**	2016	2015
Total pension liability			
Service Cost	$ 420	$ 406	$ 404
Interest	1,586	1,569	1,549
Differences between expected and actual experience	(468)	(333)	(453)
Changes in assumptions	(6)	588	
Benefit payments	(1,454)	(1,220)	(1,216)
Refund of contribution	(32)	(37)	(22)
Net change in total pension liability	46	973	262
Total pension liability - beginning	21,213	20,240	19,978
Total pension liability - ending	$ 21,259	$ 21,213	$ 20,240
Plan fiduciary net position			
Contributions - employer	$ 514	$ 511	$ 514
Contributions - employee	208	207	208
Net investment income	86	552	2,605
Benefit payments	(1,454)	(1,220)	(1,216)
Refund of contributions	(32)	(37)	(22)
Administrative expense	(10)	(10)	(10)
Net Change in plan fiduciary net position	(688)	3	2,079
Plan fiduciary net position - beginning	16,456	16,453	14,374
Plan fiduciary net position - ending	15,768	16,456	16,453
Net pension liability - ending	$ 5,491	$ 4,757	$ 3,787
Total pension liability	21,259	21,213	20,240
Total plan fiduciary net position	15,768	16,456	16,453
Net Pension liability	$ 5,491	$ 4,757	$ 3,787
Plan fiduciary net position as a percentage of the pension liability	74.17%	77.58%	81.29%
Covered payroll	$ 6,862	$ 6,861	$ 6,918
Net pension liability as a percentage of covered payroll	80.02%	69.33%	54.74%

Only three fiscal years are presented because 10-year data is not yet available.
***** Based on the measurement date of June 30, 2016***

Required Supplementary Information

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

	2017**	2016	2015
State's proportion of the net pension liability	17.86%	18.19%	18.67%
State's proportionate share of the net pension liability	$ 3,190,148	$ 2,811,832	$ 2,265,840
State's covered payroll	$ 1,141,515	$ 1,135,172	$ 1,139,512
State's proportionate share of the net pension liability as a percentage of its covered payroll	279.5%	247.7%	198.84%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.7%	67.21%

**** Only three fiscal years are presented because 10-year data is not yet available.***
***** Based on the measurement date of June 30, 2016***

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2017 (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, 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
June 30, 2017		0		784,753		784,753	0.0		4,492,725	17.5

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 $188,860,000 State of Mississippi General Obligation Bonds, Series 2018A (the "Series 2018 Bonds"). The Series 2018 Bonds are being issued pursuant to a resolution of the State Bond Commission of the State dated September 27, 2018 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Series 2018 Bonds and the beneficial owners of the Series 2018 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 Continuing Disclosure Services, a Division of Hilltop Securities, Inc., Dallas, Texas, and any successors thereto, which has been designated by the Department of Finance and Administration, an agency of the State, to serve as Dissemination Agent to the State.

"EMMA" shall mean the Electronic Municipal Market Access System found at http://emma.msrb.org which is the electronic format prescribed by the MSRB pursuant to the Rule.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. The electronic filings with the MSRB shall be through EMMA.

"Participating Underwriters" shall mean any of the original underwriters of the Series 2018 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) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect on the date hereof.

"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 Sections 3 and 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 Sections 3 and 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 Series 2018 Bonds:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on the credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) Modification to rights of security holders;

(8) Bond calls;

(9) Tender offers;

(10) Defeasances;

(11) Release, substitution or sale of property securing repayment of the securities;

(12) Rating changes;

(13) Bankruptcy, insolvency, receivership or similar event of the State;

(14) Consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(15) The appointment of a successor or additional trustee or the change of name of a trustee.

(b) Any Listed Event under subsection (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) of this Section will always be deemed to be material.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Series 2018 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 Sections 3 and 4 hereof and event notices required by this Disclosure Certificate to the Dissemination Agent. Unless otherwise agreed to, the Dissemination Agent shall, as soon as practicable but not later than five (5) days after receipt of such information, forward the same to (i) the MSRB and State Repository, if any, as described herein, and (ii) any beneficial holder of the Series 2018 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 Continuing Disclosure Services, a Division of Hilltop Securities, Inc., Dallas, Texas. The Issuer may discharge the Dissemination Agent or any successor

Dissemination Agent, but in such event shall take steps necessary to appoint a successor Dissemination Agent who shall be responsible for undertaking all responsibilities of dissemination hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of a Series 2018 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 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters, holders from time to time of the Series 2018 Bonds, and beneficial owners of the Series 2018 Bonds and shall create no rights in any other person or entity.

SECTION 13. Prior Disclosure. The Issuer 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 Issuer filed its annual undertakings late. Due to a change in the Issuer's accounting system, although the Issuer's unaudited financial statements were filed timely along with the annual reports, the Issuer's CAFR for fiscal year 2015 was not filed on EMMA until May 31, 2016, the Issuer's CAFR for fiscal year 2016 was not filed on EMMA until May 5, 2017, and amended on May 15, 2017, and the Issuer's CAFR for fiscal year 2017 was not filed on EMMA until March 15, 2018. The Issuer's fiscal year 2017 unaudited annual report did not contain an update of the State of Mississippi Special Funds Receipts table. Updated information is expected to be provided in the amended annual report which is expected to be filed on EMMA prior to the Final Official Statement. Under one of its continuing disclosure agreements, the Issuer is required to file its CAFR earlier than it is required to do so under its other continuing disclosure agreements, and the Issuer has failed to meet this obligation on multiple occasions. 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 its undertakings.

Date: November 7, 2018

STATE OF MISSISSIPPI

By: ____________________________________

Governor and Ex officio Chairman of the
State Bond Commission

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 $152,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2018B (the "Series 2018 Bonds"). The Series 2018 Bonds are being issued pursuant to a resolution of the State Bond Commission of the State dated September 27, 2018 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Series 2018 Bonds and the beneficial owners of the Series 2018 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 Continuing Disclosure Services, a Division of Hilltop Securities, Inc., Dallas, Texas, and any successors thereto, which has been designated by the Department of Finance and Administration, an agency of the State, to serve as Dissemination Agent to the State.

"EMMA" shall mean the Electronic Municipal Market Access System found at http://emma.msrb.org which is the electronic format prescribed by the MSRB pursuant to the Rule.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. The electronic filings with the MSRB shall be through EMMA.

"Participating Underwriters" shall mean any of the original underwriters of the Series 2018 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) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect on the date hereof.

"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 Sections 3 and 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 Sections 3 and 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 Series 2018 Bonds:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on the credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) Modification to rights of security holders;

(8) Bond calls;

(9) Tender offers;

(10) Defeasances;

(11) Release, substitution or sale of property securing repayment of the securities;

(12) Rating changes;

(13) Bankruptcy, insolvency, receivership or similar event of the State;

(14) Consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(15) The appointment of a successor or additional trustee or the change of name of a trustee.

(b) Any Listed Event under subsection (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) of this Section will always be deemed to be material.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Series 2018 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 Sections 3 and 4 hereof and event notices required by this Disclosure Certificate to the Dissemination Agent. Unless otherwise agreed to, the Dissemination Agent shall, as soon as practicable but not later than five (5) days after receipt of such information, forward the same to (i) the MSRB and State Repository, if any, as described herein, and (ii) any beneficial holder of the Series 2018 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 Continuing Disclosure Services, a Division of Hilltop Securities, Inc., Dallas, Texas. The Issuer may discharge the Dissemination Agent or any successor

Dissemination Agent, but in such event shall take steps necessary to appoint a successor Dissemination Agent who shall be responsible for undertaking all responsibilities of dissemination hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of a Series 2018 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 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters, holders from time to time of the Series 2018 Bonds, and beneficial owners of the Series 2018 Bonds and shall create no rights in any other person or entity.

SECTION 13. Prior Disclosure. The Issuer 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 Issuer filed its annual undertakings late. Due to a change in the Issuer's accounting system, although the Issuer's unaudited financial statements were filed timely along with the annual reports, the Issuer's CAFR for fiscal year 2015 was not filed on EMMA until May 31, 2016, the Issuer's CAFR for fiscal year 2016 was not filed on EMMA until May 5, 2017, and amended on May 15, 2017, and the Issuer's CAFR for fiscal year 2017 was not filed on EMMA until March 15, 2018. The Issuer's fiscal year 2017 unaudited annual report did not contain an update of the State of Mississippi Special Funds Receipts table. Updated information is expected to be provided in the amended annual report which is expected to be filed on EMMA prior to the Final Official Statement. Under one of its continuing disclosure agreements, the Issuer is required to file its CAFR earlier than it is required to do so under its other continuing disclosure agreements, and the Issuer has failed to meet this obligation on multiple occasions. 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 its undertakings.

Date: November 7, 2018

STATE OF MISSISSIPPI

By: ____________________________________

Governor and Ex officio Chairman of the
State Bond Commission

APPENDIX D

FORM OF OPINION OF ATTORNEY GENERAL

[THIS PAGE INTENTIONALLY LEFT BLANK]

STATE OF MISSISSIPPI

OFFICE OF THE ATTORNEY GENERAL
OFFICIAL ATTORNEY GENERAL'S OPINION

[FORM OF OPINION OF ATTORNEY GENERAL]

November 7, 2018

JIM HOOD
ATTORNEY GENERAL

State Bond Commission
State of Mississippi
Jackson, Mississippi

Re: $188,860,000 State of Mississippi General Obligation Bonds, Series 2018A (Tax-Exempt), dated as of the date of their delivery (the "Series 2018A Bonds")

$152,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2018B, dated as of the date of their delivery (the "Series 2018B Bonds" and together with the Series 2018A Bonds, the "Series 2018 Bonds")

Commission Members:

The opinion as hereinafter set forth is submitted regarding several matters pertaining to the sale and issuance of the above referenced Series 2018 Bonds of the State of Mississippi (the "State").

There are three members of the State Bond Commission (the "Commission") and, in addition to being a member of the Commission, the Attorney General is legal advisor to the Commission.

The Commission is authorized to issue the Series 2018A Bonds under the provisions of Section 35 of Senate Bill 2906, 2015 Regular Session of the Legislature of the State of Mississippi, Section 2 of Senate Bill 2906, 2015 Regular Session of the State Legislature, Section 24 of Senate Bill 2906, 2015 Regular Session of the State Legislature, Section 28 of Senate Bill 2906, 2015 Regular Session of the State, Section 1 of House Bill 1729, 2016 Regular Session of the State Legislature, as amended by Section 11 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 4 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 29 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 28 of House Bill 1729, 2016 Regular Session of the State Legislature, as amended by Section 12 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 1 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2(2) and 2(4) of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2(3) and 2(4) of House Bill 1649, 2018 Regular Session of the State Legislature, Section 3 of House Bill 1649, 2018 Regular Session of the State Legislature, Sections 65-37-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Section 7 of House Bill 1649, 2018 Regular Legislative Session of the State Legislature, and Section 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented (collectively, the "Series 2018A Act") and a resolution adopted by the members of the Commission on September 27, 2018 (the "Series 2018A Resolution").

The Commission is authorized to issue the Series 2018B Bonds under the provisions of Section 57-1-16, Mississippi Code of 1972, as amended and supplemented by Section 22 of Senate Bill 2906, 2015 Regular Session of the Legislature of the State of Mississippi, Sections 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Sections 57-75-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Sections 57-61-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Section 11 of House Bill 787, 2014 Regular Session of the State Legislature and Section 17 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 3 of Senate Bill 3033, 2017 Regular Session of the State Legislature, Section 4 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 57-1-18, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Sections 5 and 6 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 57-1-701, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Sections 5 and 6 of House Bill 1488, 2018 Regular Session of the State Legislature, Sections 6 through 20, Chapter 521, Laws of 1995, as amended by Section 17, Chapter 503, Laws of 2003, as amended by Section 2, Chapter 477, Laws of 2004, as amended by Section 2, Chapter 456, Laws of 2006, as amended by Section 3, Chapter 492, Laws of 2008, as amended by Section 47, Chapter 533, Laws of 2010, as amended by Section 13, Chapter 480, Laws of 2011, as amended by Section 35, Chapter 569, Laws of 2013, as amended by Section 8 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 41-3-16, Mississippi Code of 1972, as amended and supplemented, Sections 9 and 10 of House Bill 1649, 2018 Regular Session of the State Legislature and Section 49-17-85, Mississippi Code of 1972, as amended and supplemented (collectively with the Series 2018A Act, the "Act") and a resolution adopted by the members of the Commission on September 27, 2018 (together with the Series 2018A Resolution, the "Resolutions").

The existing State Constitution is the Mississippi Constitution of 1890. Protection for the contractual obligations owed holders of the Series 2018 Bonds arising from the issuance of the Series 2018 Bonds is expressed in the provisions of Section 16 of the Constitution:

Ex post facto laws, or laws impairing the obligation of contracts shall not be passed.

I am of the opinion that when the Series 2018 Bonds are validated, issued and delivered, such Series 2018 Bonds shall constitute a contract as contemplated by Section 16, supra, and shall enjoy the full protection thereof.

The Series 2018 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 Series 2018 Bonds.

As to general obligations, the Act and the Resolutions provide generally:

The bonds issued under the provisions hereof are general obligations of the State, and for the repayment thereof the full faith and credit of the State is irrevocably pledged. If the funds appropriated by the Legislature are insufficient to pay the principal of and the interest on such bonds as they become due, then the deficiency shall be paid by the State Treasurer from any funds in the State Treasury not otherwise appropriated.

It is my opinion that the Series 2018 Bonds have been duly and validly authorized, issued, executed and delivered by and on behalf of the State, that the Series 2018 Bonds constitute valid and binding general obligations of the State enforceable in accordance with the terms thereof (except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity), and that for the payment thereof, the full faith, credit and taxing power of the State is irrevocably pledged.

In connection with the sale and issuance of the Series 2018 Bonds, the State will deliver its Continuing Disclosure Certificates dated as of the date of the issuance and delivery of the Series 2018 Bonds. The Continuing Disclosure Certificates will be delivered by the State for the benefit of the holders of the Series 2018 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 Certificates have been duly and validly authorized, executed and delivered by and on behalf of the State and constitute valid and binding obligations of the State enforceable in accordance with the terms thereof (except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity).

The Mississippi Legislature enacted Section 11-46-1 *et seq.*, Mississippi Code of 1972, as amended 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 Series 2018 Bonds and in anticipation that it will be relied upon by Bond Counsel, in rendering its opinion with respect to the Series 2018 Bonds, and such reliance is hereby specifically authorized.

Very truly yours,

____

JIM HOOD, Attorney General

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORMS OF OPINIONS OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF OPINION OF BOND COUNSEL WITH RESPECT TO THE SERIES 2018A BONDS

November 7, 2018

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 Section 35 of Senate Bill 2906, 2015 Regular Session of the Legislature of the State of Mississippi, Section 2 of Senate Bill 2906, 2015 Regular Session of the State Legislature, Section 24 of Senate Bill 2906, 2015 Regular Session of the State Legislature, Section 28 of Senate Bill 2906, 2015 Regular Session of the State, Section 1 of House Bill 1729, 2016 Regular Session of the State Legislature, as amended by Section 11 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 4 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 29 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 28 of House Bill 1729, 2016 Regular Session of the State Legislature, as amended by Section 12 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 1 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2(2) and 2(4) of House Bill 1649, 2018 Regular Session of the State Legislature, Section 2(3) and 2(4) of House Bill 1649, 2018 Regular Session of the State Legislature, Section 3 of House Bill 1649, 2018 Regular Session of the State Legislature, Sections 65-37-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Section 7 of House Bill 1649, 2018 Regular Legislative Session of the State Legislature, and Section 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented (collectively, the "Act"), and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution by the members of the Commission on September 27, 2018 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$188,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2018A (Tax-Exempt)

dated the date of delivery thereof, and maturing in such amounts and at such times, bearing interest and subject to redemption, all as set forth in the Resolution (the "Series 2018A Bonds"). The Series 2018A Bonds are being issued for the purpose of providing funds to finance the costs of certain capital improvements within the State, as more particularly described in the Resolution, and to pay the costs incident to the sale, issuance and delivery of the Series 2018A Bonds, all as authorized by the Act and the Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Commission, certified proceedings and other certifications of the Commission and other public officials furnished to us, and certifications furnished to us by or on behalf of the Commission regarding certain federal tax matters in connection with the issuance of the Series 2018A Bonds and the use of the proceeds thereof, without undertaking to verify the same by independent investigation. In all such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents presented to us as originals, and the conformity to original documents of all copies submitted to us as certified, conformed, or photographic copies. As to certificates, we have assumed the same to be properly given and to be accurate.

Based on the foregoing and subject to the qualifications and assumptions herein, 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 Series 2018A Bonds by the State pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The Series 2018A Bonds have been duly authorized, executed and delivered by the Commission under the provisions of the Resolution and are entitled to the pledge and security of the Resolution.

3. The Series 2018A Bonds are legal, valid and binding general obligations of the State and, under the provisions of the Act, for the payment thereof the full faith and credit of the State are pledged.

4. Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated below, interest on the Series 2018A Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the Series 2018A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other federal tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2018A Bonds. In rendering the opinion contained in this paragraph 4, we have assumed continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met after the issuance of the Series 2018A Bonds in order that interest on the Series 2018A Bonds not be includable in gross income for federal income tax purposes. The failure to meet such requirements may cause interest on the Series 2018A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018A 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 Series 2018A Bonds from gross income for federal income tax purposes. Owners of the Series 2018A Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of any other collateral federal income tax consequences.

5. Under and pursuant to the Act, the Series 2018A Bonds and interest thereon are exempt from all income taxes imposed by the State.

It is to be understood that the rights of the holders of the Series 2018A 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 Series 2018A 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 Series 2018A Bonds, except those specifically addressed herein or upon any federal or state law with respect to the sale or distribution of the Series 2018A 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 Series 2018A Bonds under the laws of the State and with respect to the excludability of the interest on the Series 2018A 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

FORM OF OPINION OF BOND COUNSEL WITH RESPECT TO THE SERIES 2018B BONDS

November 7, 2018

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 Section 57-1-16, Mississippi Code of 1972, as amended and supplemented by Section 22 of Senate Bill 2906, 2015 Regular Session of the Legislature of the State of Mississippi, Sections 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Sections 57-75-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, Sections 57-61-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Section 11 of House Bill 787, 2014 Regular Session of the State Legislature and Section 17 of House Bill 1729, 2016 Regular Session of the State Legislature, Section 3 of Senate Bill 3033, 2017 Regular Session of the State Legislature, Section 4 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 57-1-18, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Sections 5 and 6 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 57-1-701, Mississippi Code of 1972, as amended and supplemented, including, but not limited to, Sections 5 and 6 of House Bill 1488, 2018 Regular Session of the State Legislature, Sections 6 through 20, Chapter 521, Laws of 1995, as amended by Section 17, Chapter 503, Laws of 2003, as amended by Section 2, Chapter 477, Laws of 2004, as amended by Section 2, Chapter 456, Laws of 2006, as amended by Section 3, Chapter 492, Laws of 2008, as amended by Section 47, Chapter 533, Laws of 2010, as amended by Section 13, Chapter 480, Laws of 2011, as amended by Section 35, Chapter 569, Laws of 2013, as amended by Section 8 of House Bill 1649, 2018 Regular Session of the State Legislature, Section 41-3-16, Mississippi Code of 1972, as amended and supplemented, Sections 9 and 10 of House Bill 1649, 2018 Regular Session of the State Legislature and Section 49-17-85, Mississippi Code of 1972, as amended and supplemented (collectively, the "Act"), and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution by the members of the Commission on September 27, 2018 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$152,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2018B

dated the date of delivery thereof and maturing in such amounts and at such times, bearing interest and subject to redemption, all as set forth in the Resolution (the "Series 2018B Bonds"). The Series 2018B Bonds are being issued for the purpose of providing funds to finance various economic development loans, grants and programs in the State, finance the costs of certain capital improvements within the State and to pay the costs incident to the sale, issuance and delivery of the Series 2018B Bonds, all as authorized by the Act and the Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Commission, certified proceedings and other certifications of the Commission and other public officials furnished to us, and certifications furnished to us by or on behalf of the Commission regarding certain tax matters in connection with the issuance of the Series 2018B Bonds and the use of the proceeds thereof, without undertaking to verify the same by independent investigation. In all such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents presented to us as originals, and the conformity to original documents of all copies submitted to us as certified, conformed, or photographic copies. As to certificates, we have assumed the same to be properly given and to be accurate.

Based on the foregoing and subject to the qualifications and assumptions herein, 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 Series 2018B Bonds by the State pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The Series 2018B Bonds have been duly authorized, executed and delivered under the provisions of the Resolution and are entitled to the pledge and security of the Resolution.

3. The Series 2018B Bonds are legal, valid and binding general obligations of the State and, under the provisions of the Act, for the payment thereof the full faith and credit of the State are pledged.

4. Under and pursuant to the Act, the Series 2018B Bonds and interest thereon are exempt from all income taxes imposed by the State.

Interest on the Series 2018B Bonds should be treated as included in gross income of the holders thereof for federal income tax purposes.

It is to be understood that the rights of the holders of the Series 2018B 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 Series 2018B 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 Series 2018B Bonds, except those specifically addressed herein or upon any federal or state law with respect to the sale or distribution of the Series 2018B 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 Series 2018B Bonds under the laws of the State and with respect to the excludability of the interest on the Series 2018B 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

[THIS PAGE INTENTIONALLY LEFT BLANK]

BOOK-ENTRY-ONLY SYSTEM

The information provided under this APPENDIX F has been provided by The Depository Trust Company ("DTC"). No representation is made by the State as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the $188,860,000 State of Mississippi General Obligation Bonds, Series 2018A (Tax-Exempt), and the $152,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2018B (together, the "Series 2018 Bonds") under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2018 Bond documents. For example, Beneficial Owners of Series 2018 Bonds may wish to ascertain that the nominee holding the Series 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices are to be sent to DTC. If less than all of the Series 2018 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying and Transfer Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments, if any, on the Series 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the State or the Paying and Transfer Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying and Transfer Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying and Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to the State or the Paying and Transfer Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2018 Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2018 Bonds in definitive form will be printed and delivered. See the caption "DESCRIPTION OF THE SERIES 2018 BONDS - Registration" in this Official Statement.

THE STATE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCE THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2018 BONDS (a) PAYMENTS OF PRINCIPAL OR INTEREST ON THE SERIES 2018 BONDS; (b) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2018 BONDS; OR (c) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2018 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

THE STATE AND THE UNDERWRITERS WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (a) THE SERIES 2018 BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (c) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF AND INTEREST ON THE SERIES 2018 BONDS; (d) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTIONS TO BE GIVEN TO HOLDERS OF THE SERIES 2018 BONDS; OR (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE SERIES 2018 BONDS.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

STATE OF MISSISSIPPI • General Obligation Bonds, Series 2018A (Tax-Exempt) and Taxable General Obligation Bonds, Series 2018B

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com