

Mississippi



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

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PHIL BRYANT
GOVERNOR



April 21, 2017

To the Members of the Legislature and my Fellow Mississippians:

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

Business and consumer confidence continue to surge. In Mississippi, this has manifested itself in the lowest unemployment rate since 2001. The focus remains on creating new jobs, education reform, creating a skilled workforce, and improved government efficiency.

Although our hard work thus far has produced economic gains and employment growth, we still have work to do. I hope that continued economic growth and fiscal discipline will serve to further sustain the state's financial stability.

Sincerely,

A handwritten signature in blue ink that reads "Phil Bryant".

Phil Bryant

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Mississippi

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Introduction

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

**LAURA D. JACKSON
EXECUTIVE DIRECTOR**



April 21, 2017

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

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

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

Pursuant to Section 7-7-211(d), Mississippi Code Annotated (1972), the Office of the State Auditor has performed an audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, of the State's basic financial statements. An unmodified opinion is presented as the first page of the financial section of this report. Also, as required by federal law, the State Auditor has undertaken a single audit of the State as a whole, which will include a report on compliance and internal control over compliance on major federal program funds expended by state government. This report, along with the report on internal control over financial reporting and on compliance and other matters, will be published separately.

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

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

Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

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

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

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

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

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

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

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

Long-term Financial Planning

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

Major Initiative

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


Awards and Acknowledgements

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

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

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

Respectfully yours,


Laura D. Jackson

Mississippi

Officials of State Government

Executive Branch

Governor

Phil Bryant

Lieutenant Governor

Tate Reeves

Secretary of State

Delbert Hosemann

State Auditor

Stacey Pickering

State Treasurer

Lynn Fitch

Attorney General

Jim Hood

**Commissioner of Agriculture
and Commerce**

Cindy Hyde-Smith

Commissioner of Insurance

Mike Chaney

Transportation Commissioners

Dick Hall

Tom King

Mike Tagert

Public Service Commissioners

Brandon Presley

Cecil Brown

Sam Britton

State Fiscal Officer

Laura Jackson

Legislative Branch

Speaker of the House of Representatives

Philip Gunn

Speaker Pro Tempore

of the House of Representatives
Greg Snowden

President Pro Tempore of the Senate

Terry C. Burton

Secretary of Senate

Liz Welch

Clerk of the House of Representatives

Andrew Ketchings

Legislative Budget Office

Debbie Rubisoff, Director

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

James A. Barber, Director

Judicial Branch

Supreme Court of Mississippi**Chief Justice**

William L. Waller, Jr.

Presiding Justices

Jess H. Dickinson

Michael K. Randolph

Justices

Ann H. Lamar

James W. Kitchens

Leslie D. King

Josiah D. Coleman

James D. Maxwell II

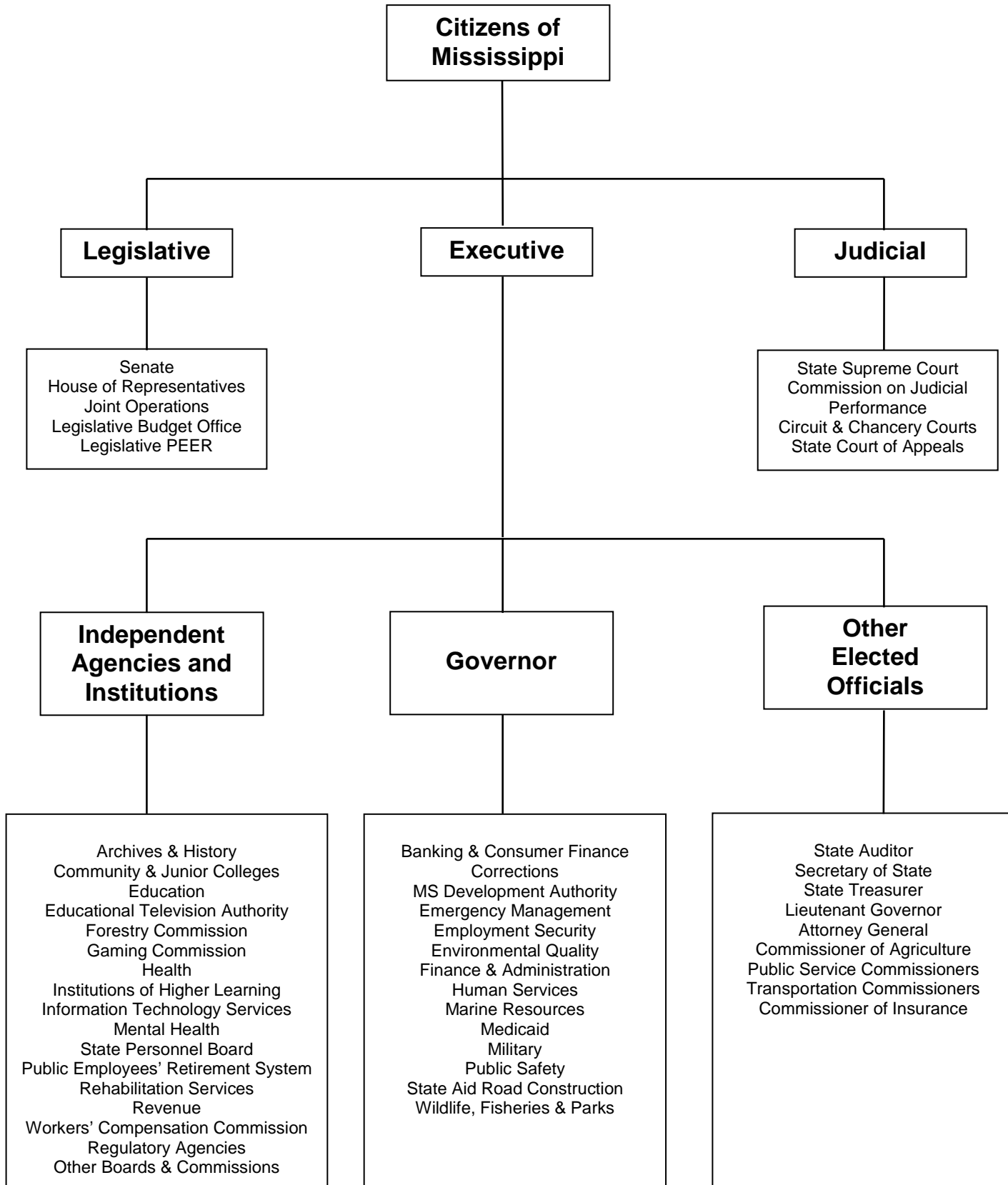
Dawn H. Beam

Clerk of the Supreme Court

Muriel Ellis

Mississippi

Organization Chart





Government Finance Officers Association

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

Presented to

State of Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Mississippi

Financial Section



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

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



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

Jackson, Mississippi
April 21, 2017

Management's Discussion and Analysis

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

Financial Highlights

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

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

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Mississippi

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

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

Request for Information

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

Mississippi

Government-wide Financial Analysis

Net Position

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

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

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

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

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

Net Position

(amounts expressed in thousands)

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

Mississippi

Changes in Net Position

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

Changes in Net Position

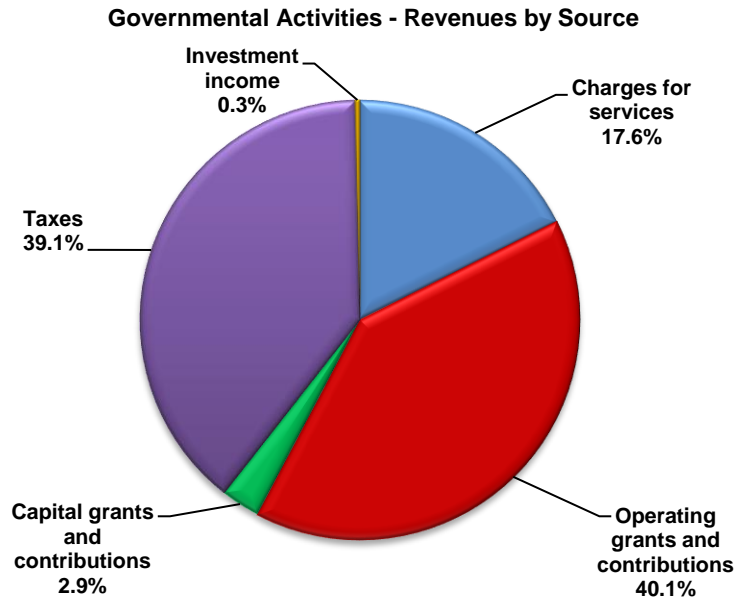
(amounts expressed in thousands)

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

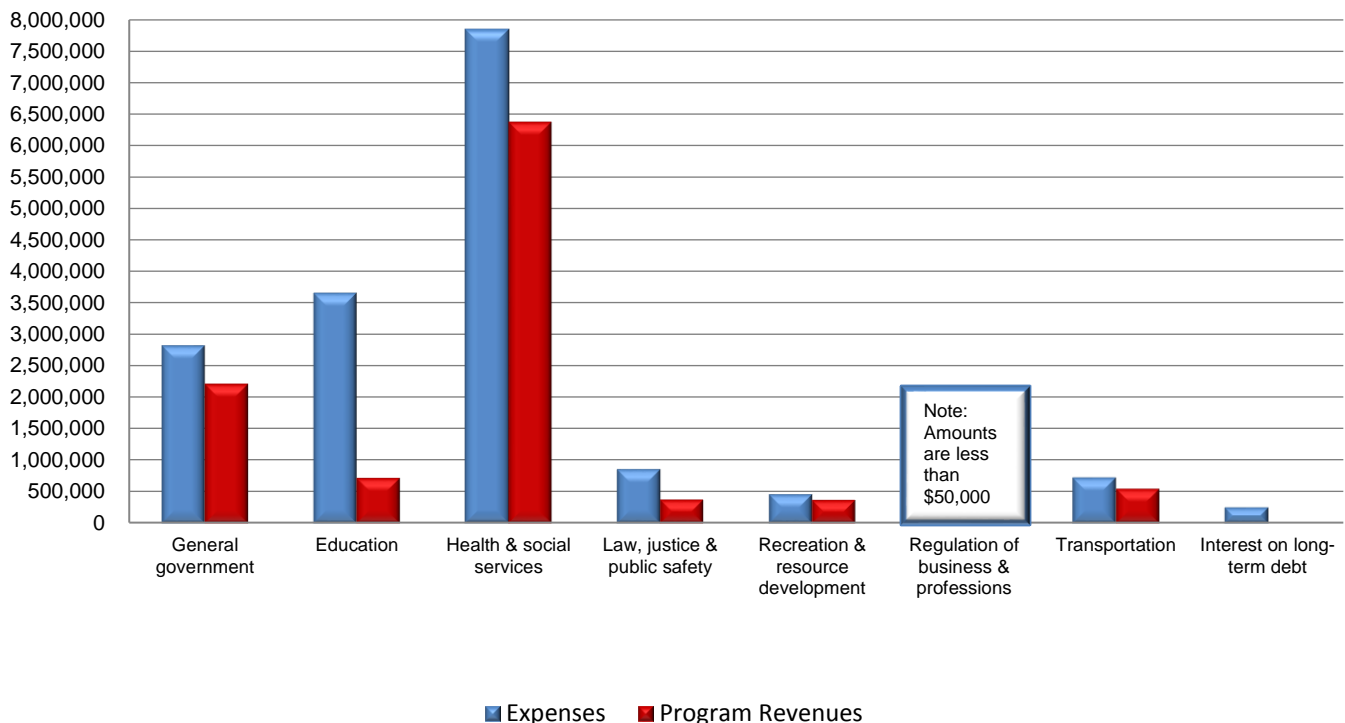
Mississippi

Governmental Activities

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



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

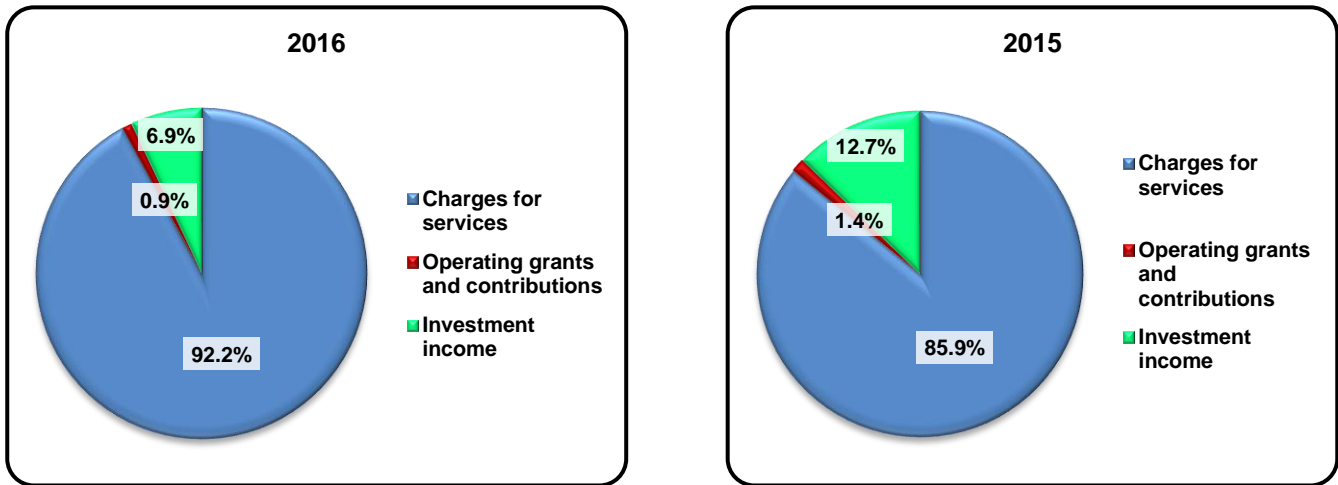


Mississippi

Business-type Activities

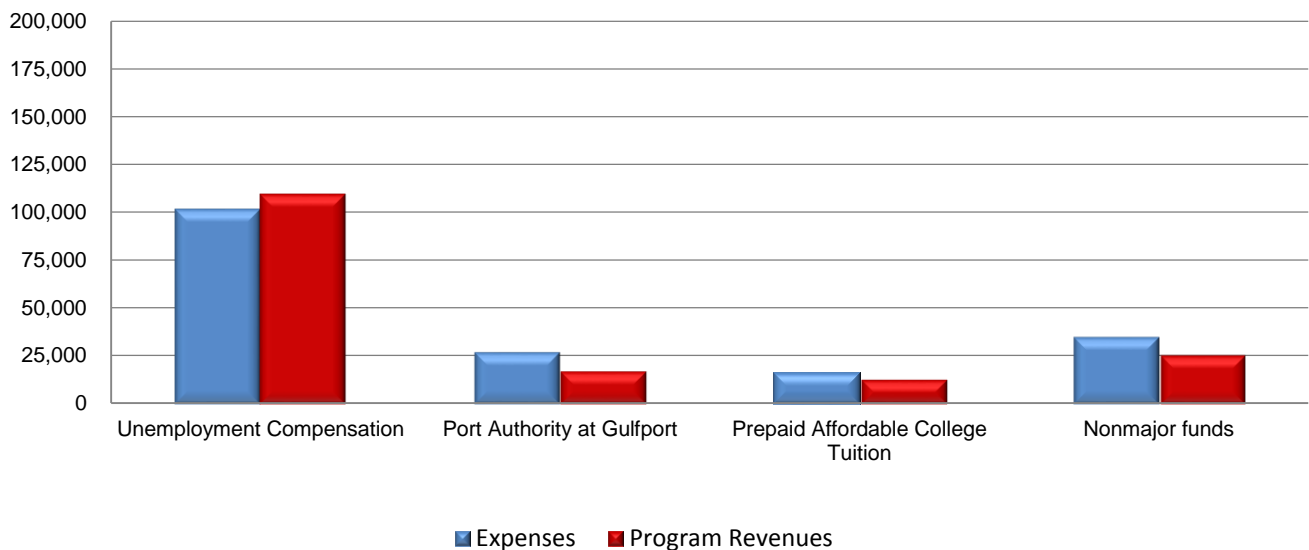
Business-type activities increased the State's net position by \$127,082,000. The percentage of revenues from charges for services continued to decrease as federal revenue for the Emergency Unemployment Compensation program diminished. The amount of investment income decreased from the prior year, as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

Business-type Activities - Revenues by Source



Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



Mississippi

Financial Analysis of the State's Individual Funds

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

General Fund Budgetary Highlights

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

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

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

Mississippi

Capital Assets and Debt Administration

Capital Assets

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

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

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

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

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

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

Capital Assets, Net of Depreciation

(amounts expressed in thousands)

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

Mississippi

Debt Administration

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

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

Outstanding Long-term Debt Bonds and Notes

(amounts expressed in thousands)

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

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

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

Economic Factors and Next Year's Budget

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

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

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

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

Mississippi

Basic Financial Statements

Mississippi

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

(Continued on Next Page)

Mississippi

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

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

Mississippi

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

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

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

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Mississippi

Statement of Activities

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

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

General revenues:
Taxes:
Sales and use
Gasoline and other motor fuel
Individual income
Corporate income and franchise
Insurance
Other
Investment income
Other
Payment from State of Mississippi
Contributions to permanent endowments
Transfers
Total General Revenues, Contributions
and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position

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

Mississippi

Governmental Funds

Balance Sheet

June 30, 2016 (Expressed in Thousands)

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

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

Mississippi

Governmental Funds

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

June 30, 2016 (Expressed in Thousands)

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

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

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

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

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

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

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

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

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

746,556

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

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

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

318,040

Net position of governmental activities

\$ 12,603,300

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

Mississippi

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

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

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

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

Mississippi

Governmental Funds

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

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

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

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

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

| | | |
|----------------------|------------------|---------|
| Capital outlay | \$ 853,664 | |
| Depreciation expense | <u>(468,192)</u> | 385,472 |

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

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

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

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

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

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

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

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

Mississippi

Proprietary Funds

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

Enterprise Funds

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

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

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

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

Enterprise Funds

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

Mississippi

Proprietary Funds

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

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

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

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

Enterprise Funds

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

Mississippi

Proprietary Funds

Statement of Cash Flows

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

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

Enterprise Funds

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

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Cash Flows

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

(Continued from Previous Page)

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

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

Enterprise Funds

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

| | | |
|----|----------|---------|
| | | 2,718 |
| 18 | 128 | |
| | (23,668) | (1,161) |

Mississippi

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2016 (Expressed in Thousands)

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

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

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Fiduciary Funds

Statement of Changes in Fiduciary Net Position

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

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

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

Mississippi

Component Units

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

(Continued on Next Page)

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

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Component Units

Statement of Net Position

June 30, 2016 (Expressed in Thousands)

(Continued from Previous Page)

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

Mississippi

Component Units

Statement of Activities

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

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

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

Notes to the Financial Statements

June 30, 2016

Note 1 - Significant Accounting Policies

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

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

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

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

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

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

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

The State reports the following nonmajor discretely presented component units:

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

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

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

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

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

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

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

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The State reports the following major governmental fund:

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

The State reports the following major enterprise funds:

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

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

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

Additionally, the State reports the following funds:

Governmental funds:

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

Proprietary Funds:

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

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

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

Fiduciary Funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 2 - Other Accounting Disclosures

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

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

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Note 3 - Interfund Transactions

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

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

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

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

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

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

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

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

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

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

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Note 4 - Deposits and Investments

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

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

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

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

Primary Government Deposits (except for the System)

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

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

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

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

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

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

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Primary Government Investment Policies (except for the System)

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

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

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

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

U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by U.S. Government, U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise; and

Any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1 et seq., provided that the portfolio is limited to direct obligations issued by the U.S. (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalities or sponsored enterprises). The total dollar amount of funds invested in all open-end and closed-end management type companies and investment trust cannot exceed 20 percent of total investments. Not more than \$500,000 may be invested with foreign financial institutions.

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

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

School district bonds of the State;

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

Highway bonds of the State;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

Primary Government Investments (except for the System)

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

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

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

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

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

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

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

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

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

- D. Investment Derivatives** – In a prior year, the State entered into interest rate swap agreements in connection with variable rate bonds with final maturity dates ranging from fiscal year 2026 to 2028 in order to hedge changes in cash flows. The 2012C and 2012D bonds have been refunded with new final maturities of November 1, 2017 and September 1, 2017, respectively. As a result of the refunding, the portions of the swap agreements attributable to payment dates beyond the maturity dates have no hedgeable item and therefore, are being accounted for as investment derivatives. Details of the June 30, 2016 fair values, changes in fair values, and risk disclosures of the investment derivatives are included in the derivative disclosures presented in Note 9 – Long-term General and Limited Obligation Bonds.
- E. Fair Value Measurements** - The State categorizes its fair value measurements within the fair value hierarchy established by GASB Statement 72. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

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

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

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

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

System Deposits

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

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

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State;

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

Highway bonds of the State;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

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

System Investments

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

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

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

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Quality Ratings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mississippi

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

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

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

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

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

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

*Based on partnership agreement terms

Mississippi

Note 5 - Receivables

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

| | Governmental Funds | | | Total Governmental Activities |
|------------------------------|---------------------------|------------------|-----------------------------|--|
| | General | Permanent | Internal Service | |
| Accounts | \$ 275,660 | \$ 241 | \$ 316 | \$ 276,217 |
| Settlements | 783,027 | | | 783,027 |
| Taxes: | | | | |
| Sales | 312,615 | | | 312,615 |
| Income | 274,466 | | | 274,466 |
| Gasoline | 40,228 | | | 40,228 |
| Other | 71,249 | | | 71,249 |
| Interest and dividends | 13,420 | 238 | 210 | 13,868 |
| Other | 1 | | | 1 |
| Gross receivables | 1,770,666 | 479 | 526 | 1,771,671 |
| Allowance for uncollectibles | (205,470) | | | (205,470) |
| Receivables, net | \$ 1,565,196 | \$ 479 | \$ 526 | \$ 1,566,201 |

Amounts not
scheduled for collection
in subsequent year

| | |
|------------|------------|
| \$ 725,209 | \$ 725,209 |
|------------|------------|

Business-type Activities

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

Component Units

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

Mississippi

Note 6 - Due From Other Governments

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

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

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

Note 7 - Loans and Notes Receivable

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

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

Mississippi

Note 8 - Capital Assets

Primary Government

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

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

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

Mississippi

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

Governmental Activities:

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

Business-type Activities:

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

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

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

Mississippi

Component Units

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

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

Mississippi

Note 9 - Long-term General and Limited Obligation Bonds

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

A. General Obligation Bonds

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

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

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

Defeased Bonds

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

Mississippi

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

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

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

Mississippi

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

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

Derivative Instruments

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

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

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

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

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

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

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

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

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

Mississippi

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

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

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

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

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

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

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

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

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

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

B. Limited Obligation Bonds

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

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

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

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

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Note 10 - Bonds Authorized But Unissued

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

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

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Note 11 - Revenue Bonds and Notes

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

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

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

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

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

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Note 12 - Other Long-term Liabilities

- A. Compensated Absences** - The State's liability for compensated absences at June 30, 2016 is \$111,164,000 for governmental activities and \$632,000 for business-type activities. Internal service compensated absences of \$1,253,000 are included in governmental activities. For governmental activities, accrued compensated absences are generally paid out of the general fund. The component units' liability for compensated absences is \$129,115,000 of which \$128,310,000 is for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-O).
- B. Pollution Remediation Obligation** - As of June 30, 2016, six Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

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

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

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

Refunding and Defeased Notes

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 13 - Changes in Long-term Liabilities

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

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

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

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

Note 14 – Short-term Financing

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

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

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

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

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Note 15 - Retirement Plans

Plan Description

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

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

Membership and Benefit Provisions

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

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

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

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

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

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

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

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

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

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

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

Contribution Requirements

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

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

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

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

** In addition to 9% required by PERS.

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

**** Based on assessed property values.

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

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

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

Changes in the Net Pension Liability

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

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

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

Mississippi

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

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

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

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

Actuarial Assumptions

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

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

* net of pension plan investment expense, including inflation

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

Mississippi

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

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

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

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

Changes of Assumptions

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

Single-Employer Benefit Plan Employees

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

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

Discount Rate

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

Mississippi

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

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

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

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

Note 16 - Other Postemployment Benefits

Plan Description

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

Funding Policy

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

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

Actuarial Valuation

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

Annual OPEB Cost and Net OPEB Obligation

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

Mississippi

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

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

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

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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

Mississippi

Note 17 - Commitments

A. Operating Leases

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

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

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

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

B. Contracts

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

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

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

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

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

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

Mississippi

C. Encumbrances

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

Note 18 - Risk Management

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

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

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

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

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

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

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

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

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

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

Mississippi

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

Note 19 - Contingencies

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

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

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

- B. Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the State and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed \$42,244,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the State.
- C. Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized by state law to provide loan guarantees through the Small Business Loan Guarantee Program, funded through the Federal State Small Business Credit Initiative, in order to increase the amount of capital made available by private lenders to small businesses. The length of the loan guarantees range from one to fifteen years. In the case of default by the borrower, following the private lender's normal collection procedures to seek reimbursement from the loan recipient, the State pays the private lender a percentage of the outstanding loan amount. At June 30, 2016, outstanding MDA loan guarantees totaled \$39,806,000.

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

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

Mississippi

Note 20 - Subsequent Events

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

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

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

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

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

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

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

Mississippi

Required Supplementary Information

Mississippi

Required Supplementary Information

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

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

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

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

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

Mississippi

Required Supplementary Information

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

For the Year Ended June 30, 2016

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

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

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

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

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

Mississippi

Required Supplementary Information

Schedule of Employer Contributions

Mississippi Highway Safety Patrol Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

Notes to Schedule of Employer Contributions:

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

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

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

Mississippi

Required Supplementary Information

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

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

Notes to Schedule of Employer Contributions:

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

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

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

Mississippi

Required Supplementary Information

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

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

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

Mississippi

Required Supplementary Information

Schedule of Changes in the Net Pension Liability Mississippi Highway Safety Patrol Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

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

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

Mississippi

Required Supplementary Information

Schedule of Changes in the Net Pension Liability Supplemental Legislative Retirement Plan

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

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

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

Mississippi

Required Supplementary Information

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

Last 10 Fiscal Years (Amounts Expressed in Thousands)*

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

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

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

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2016 (Expressed in Thousands)

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

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Nonmajor Enterprise Funds

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

Nonmajor Enterprise Funds Descriptions

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

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

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

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

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

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

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

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

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

Mississippi

Nonmajor Enterprise Funds

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

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

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

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

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

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

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

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

(Continued on Next Page)

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

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

(Continued from Previous Page)

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

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

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Internal Service Funds

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

Internal Service Funds Descriptions

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

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

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

Mississippi

Internal Service Funds

Combining Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

Mississippi

Internal Service Funds

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

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

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

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

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

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

(Continued on Next Page)

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

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

(Continued from Previous Page)

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

Noncash Capital and Related Financing and Investing Activities

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

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

Fiduciary Funds Descriptions

Pension Trust Funds

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

Agency Funds

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

Mississippi

Pension Trust Funds

Combining Statement of Fiduciary Net Position

June 30, 2016 (Expressed in Thousands)

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

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

Mississippi

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Position

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

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

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

Mississippi

Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2016 (Expressed in Thousands)

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

Mississippi

Agency Funds

Combining Statement of Changes in Assets and Liabilities

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

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

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

Nonmajor Component Units Descriptions

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

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

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

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

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

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

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

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

Mississippi

Nonmajor Component Units

Combining Statement of Net Position

June 30, 2016 (Expressed in Thousands)

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

| Mississippi Prison Industries Corporation | Pat Harrison Waterway District | Pearl River Basin Development District | Pearl River Valley Water Supply District | Tombigbee River Valley Water Management District | Totals | |
|--|--------------------------------------|---|--|---|------------|-------|
| \$ | \$ | \$ | \$ | \$ | \$ | 2,050 |
| 2,794 | 4,515 | 240 | 8,417 | 7,501 | 26,619 | |
| | 3,969 | 3,976 | | 1,258 | 27,869 | |
| 224 | 2 | 7 | 1,717 | 22 | 2,955 | |
| | 35 | 50 | | 42 | 127 | |
| 119 | 18 | 25 | 5 | | 167 | |
| 1,527 | 21 | | | | 1,548 | |
| 25 | | 25 | | | 275 | |
| 15 | | | | | 29 | |
| 4,704 | 8,560 | 4,323 | 10,139 | 8,823 | 61,639 | |
| | | | | | 1,893 | |
| | | | | | 7,000 | |
| 435 | 1,834 | 1,254 | 7,689 | 930 | 21,063 | |
| 3,776 | 3,840 | 1,903 | 35,576 | 1,688 | 152,262 | |
| 4,211 | 5,674 | 3,157 | 43,265 | 2,618 | 182,218 | |
| 8,915 | 14,234 | 7,480 | 53,404 | 11,441 | 243,857 | |
| 437 | 591 | 119 | 1,547 | 273 | 3,679 | |
| 701 | 2,097 | 11 | 891 | 12 | 4,310 | |
| | | 15 | | | 15 | |
| 64 | 711 | 4 | 745 | 34 | 1,558 | |
| | | | | | 768 | |
| 17 | 3 | | 457 | | 512 | |
| 46 | 46 | | | | 92 | |
| 828 | 2,857 | 30 | 2,093 | 46 | 7,255 | |
| | | | | | 3,200 | |
| 196 | 95 | | | | 291 | |
| 3,190 | 3,424 | 402 | 9,275 | 1,617 | 22,006 | |
| | 106 | 14 | 845 | 73 | 1,098 | |
| 3,386 | 3,625 | 416 | 10,120 | 1,690 | 26,595 | |
| 4,214 | 6,482 | 446 | 12,213 | 1,736 | 33,850 | |
| 113 | 392 | | 249 | 128 | 1,019 | |
| 4,211 | 5,533 | 3,157 | 42,705 | 2,618 | 169,424 | |
| | 81 | | | | 1,974 | |
| | | 3,983 | | | 3,983 | |
| | | | | | 7,000 | |
| 814 | 2,337 | 13 | (216) | 7,232 | 30,286 | |
| \$ 5,025 | \$ 7,951 | \$ 7,153 | \$ 42,489 | \$ 9,850 | \$ 212,667 | |

Mississippi

Nonmajor Component Units

Combining Statement of Activities

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

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

General Revenues

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

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Mississippi

Statistical Section

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

Financial Trends

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

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| Table 1 – Net Position by Component | 142 |
| Table 2 – Changes in Net Position | 144 |
| Table 3 – Fund Balances of Governmental Funds | 148 |
| Table 4 – Changes in Fund Balances of Governmental Funds | 150 |

Revenue Capacity

These tables contain information to help users in understanding and assessing the factors affecting the State's ability to generate its sales tax revenues.

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| Table 5 – Taxable Sales by Industry | 154 |
| Table 6 – Sales Tax Revenue Payers by Industry | 156 |

Debt Capacity

These tables present information to help users assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

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| Table 7 – Ratios of Outstanding Debt by Type | 158 |
| Table 8 – Legal Debt Margin | 160 |

Demographic and Economic Information

These tables offer demographic and economic indicators to help users understand the environment within which the State's financial activities take place.

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| Table 11 – Public School Enrollment | 162 |
| Table 12 – Community and Junior College Enrollment | 162 |
| Table 13 – University Enrollment | 162 |

Operating Information

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

| | |
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| Table 15 – State Government Employees by Function | 166 |
| Table 16 – Operating Indicators by Function | 168 |

Mississippi

Net Position by Component

Last Ten Fiscal Years

Table 1

Accrual Basis of Accounting (Expressed in Thousands)

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

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

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

Mississippi

Changes in Net Position

Last Ten Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)

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

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

(Continued on Next Page)

Mississippi

Changes in Net Position

Table 2

Last Ten Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

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

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

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

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

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

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

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

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

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

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

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

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

Mississippi

Fund Balances of Governmental Funds

Table 3

Last Ten Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

| | 2016 | 2015 | 2014 | 2013 |
|---|--------------|--------------|--------------|--------------|
| General Fund | | | | |
| Nonspendable | \$ 51,896 | \$ 52,877 | \$ 52,061 | \$ 50,480 |
| Restricted | 3,647,183 | 3,754,248 | 3,448,681 | 3,491,146 |
| Committed | 41,724 | 88,919 | 139,936 | 112,788 |
| Assigned | 10,072 | 12,121 | 10,503 | 10,729 |
| Unassigned | 546,979 | 232,990 | 571,580 | 520,612 |
| Total General Fund | \$ 4,297,854 | \$ 4,141,155 | \$ 4,222,761 | \$ 4,185,755 |
| All Other Governmental Funds | | | | |
| Nonspendable | \$ 57,305 | \$ 57,201 | \$ 56,450 | \$ 55,711 |
| Restricted | 6,709 | 5,473 | 5,163 | 5,252 |
| Committed | | | | |
| Total All Other Governmental Funds | \$ 64,014 | \$ 62,674 | \$ 61,613 | \$ 60,963 |
| | | | | |
| | 2010 | 2009 | 2008 | 2007 |
| General Fund | | | | |
| Reserved | \$ 813,291 | \$ 829,688 | \$ 833,922 | \$ 864,522 |
| Unreserved | 1,895,503 | 1,359,911 | 1,822,412 | 1,625,064 |
| Total General Fund | \$ 2,708,794 | \$ 2,189,599 | \$ 2,656,334 | \$ 2,489,586 |
| All Other Governmental Funds | | | | |
| Reserved | \$ 82,783 | \$ 316,774 | \$ 325,180 | \$ 317,053 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 596,557 | 552,911 | 568,091 | 769,769 |
| Capital project funds | 323,080 | 375,268 | 383,225 | 224,942 |
| Permanent funds | 6,601 | 5,119 | 3,862 | 2,398 |
| Total All Other Governmental Funds | \$ 1,009,021 | \$ 1,250,072 | \$ 1,280,358 | \$ 1,314,162 |

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

| 2012 | 2011 |
|--------------|--------------|
| \$ 52,236 | \$ 52,571 |
| 3,528,727 | 2,895,706 |
| 192,939 | 198,340 |
| 45,757 | 110,648 |
| 452,744 | 287,764 |
| \$ 4,272,403 | \$ 3,545,029 |
| | |

| | |
|-----------|------------|
| \$ 54,918 | \$ 54,476 |
| 7,132 | 477,449 |
| | 187,041 |
| \$ 62,050 | \$ 718,966 |
| | |

Mississippi

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Table 4

Modified Accrual Basis of Accounting (Expressed in Thousands)

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

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

(Continued on Next Page)

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Ten Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)
(Continued from Previous Page)

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

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

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

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

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

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

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

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

Mississippi

Taxable Sales by Industry

Table 5

Last Ten Fiscal Years

(Expressed in Thousands)

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

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

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

The most current fiscal year available is fiscal year 2015.

Source: Mississippi Department of Revenue

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

Mississippi

Sales Tax Revenue Payers by Industry

Fiscal Years 2015 and 2006

Table 6

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

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

Source: Mississippi Department of Revenue

2006

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

Mississippi

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

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

Notes:

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

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

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

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

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

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

Mississippi

Legal Debt Margin

Last Ten Fiscal Years
(Expressed in Thousands)

Table 8

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

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

Legal Debt Margin Calculation for Fiscal Year 2016:

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

Notes:

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

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

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

Mississippi

Demographic and Economic Statistics

Last Ten Calendar Years

Table 9

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

Sources:

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

Employment by Industry

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

Table 10

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

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

Source: Mississippi Department of Employment Security

Mississippi

Public School Enrollment

Last Ten Academic Years

Table 11

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

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 12

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

Source: Mississippi Community College Board

University Enrollment

Last Ten Academic Years

Table 13

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

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

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

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

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

Mississippi

Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 14

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

Sources:

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

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

Mississippi

State Government Employees by Function

Last Ten Fiscal Years

Table 15

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

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

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

Mississippi

Operating Indicators by Function

Last Ten Fiscal Years

Table 16

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

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

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

Sources:

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

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

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Cover

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

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

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