

# MISSISSIPPI



## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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# *Mississippi*



Fiscal Year Ended June 30, 2018

**Department of Finance and Administration**

Post Office Box 267  
Jackson, MS 39205

**Laura D. Jackson**  
Executive Director



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**PHIL BRYANT**  
GOVERNOR



April 12, 2019

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, 2018. This report details Mississippi's financial statements and accounting controls.

Over the last year, Mississippi has seen job numbers continue to rise and unemployment rates at historic lows, all while state revenue has grown. Our focus on creating new jobs, education reform, creating a skilled workforce, and improved government efficiency has continued to pay off. These economic growth trends 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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# *Mississippi*

## Introduction

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

**LAURA D. JACKSON  
EXECUTIVE DIRECTOR**



April 12, 2019

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, 2018 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 generally accepted accounting principles (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 Joint Legislative Budget Committee (JLBC) 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**

In May 2018, the U.S. Bureau of Economic Analysis (BEA) released a preliminary estimate for the 2017 real gross domestic product (GDP) in Mississippi. According to BEA's latest estimate, the state's economy grew a meager 0.1% in 2017. This rate marked a decline from the relatively slow growth of the previous two years (0.4% in 2016 and 0.3% in 2015). BEA will release a preliminary estimate for 2018 and revisions to earlier data in May 2019. BEA has also released estimates for the first three quarters of 2018, which at least gives some general idea of the 2018 economic performance. For the first three quarters of 2018 year-over-year, growth was 1.3%, which compares to growth in the first half of 2017 of -0.1%. In fact, the year-over-year growth for the first three quarters of 2018 is the strongest for the state since 2012. The annual growth for all of 2012 was 0.9%, the highest level of growth experienced in the state since the 2008 recession.

Year-over-year growth in real income tax withholdings, which are a proxy for income, was 1.2% in 2018 compared to 0.5% in 2017. The improved growth in income is also evident in BEA's income series. Real income during the first three quarters of 2018 was 1.1% above that of 2017, which was more than twice the growth observed for the same period in 2017. In fact, the 2018 growth in real income, while modest historically speaking, was the strongest in three years. Corresponding growth was 0.5% in 2017, 0.6% in 2016, and 1.5% in 2015.

Employment growth was relatively subdued in 2018 as average annual employment growth for the state reached only 0.3%. This growth was below the 0.5% observed in 2017 and well below that observed in 2015 (1.2%) and 2016 (1.1%). The state added only 3,208 jobs in 2018 with most sectors experiencing modest gains. The only sectors declining were government, mining and trade transportation and utilities. Professional services led the job gains and these gains were driven predominantly by temporary jobs. Notable employment gains were also observed in food services, health care services, manufacturing, and financial services. The unemployment rate remains at an historically low level. Both initial and continued unemployment claims fell to record low levels in 2018.

IHS Markit estimates the U.S. economy expanded 2.9% in 2018, which if accurate would mark the strongest growth since 2015. Current projections show the Mississippi economy grew a more modest 1.5% in 2018. This projection for 2018 is supported by the improved performance reflected in BEA's preliminary estimates for the

first three quarters of 2018. While this 2018 estimate equals slightly more than half of the U.S. rate of growth, if true it represents the strongest annual growth since 2008. Most national forecasters expect U.S. economic growth will slow in 2019 and we expect a similar moderation in the Mississippi economy. Our latest forecast calls for growth in real GDP of 1.2% in 2019 and similar rates of growth in the next few years.

### **Long-term Financial Planning**

For the first half of FY 2019, General Fund revenue collected by the Department of Revenue was \$83.6 million above the prior year and \$87.7 million above the Sine Die estimate. At the conclusion of fiscal year 2018, the State of Mississippi had an unencumbered cash balance of \$119 million in the General Fund. As required by § 27-103-213, Mississippi Code Annotated (1972), the state deposited \$59.1 million of the unencumbered funds into the Working Cash Stabilization Reserve Fund which brought the total fund balance to \$349.6 million. Additionally, during the 2018 Regular Legislative Session, the Mississippi Legislature re-established the 2% set-aside rule for fiscal year 2019 and appropriated 98% of the revenue estimate.

### **Major Initiative**

The Governor called a special legislative session during August 2018 to address the needs of the State of Mississippi's infrastructure system. During the special session, the Mississippi Legislature passed the Mississippi Infrastructure Modernization Act and the Alyce G. Clarke Mississippi Lottery Law, which combined, are estimated to generate \$220 million or more of revenue annually for the State. The additional revenue will be generated by diverting a portion of State use tax collections to local roads and bridges, collecting revenue from wagers on sports betting, creating the State Lottery and appropriating funds from the British Petroleum (BP) Litigation Settlement. The additional revenue was dedicated to infrastructure projects for the next ten years before the funds begin to be deposited into the general fund.

In addition to the recurring revenue, the legislature authorized up to \$300 million of limited tax obligation bonds for the infrastructure related projects to be administered by the Mississippi Department of Transportation and the Mississippi Department of Finance and Administration.

### **Awards and Acknowledgements**

The Government Finance Officers Association (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, 2017. This was the thirty-first 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**

Andy Gipson

**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**

Tony M. Greer, 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**

James W. Kitchens

Michael K. Randolph

**Justices**

David M. Ishee

Leslie D. King

Josiah D. Coleman

James D. Maxwell II

Dawn H. Beam

Robert P. Chamberlin

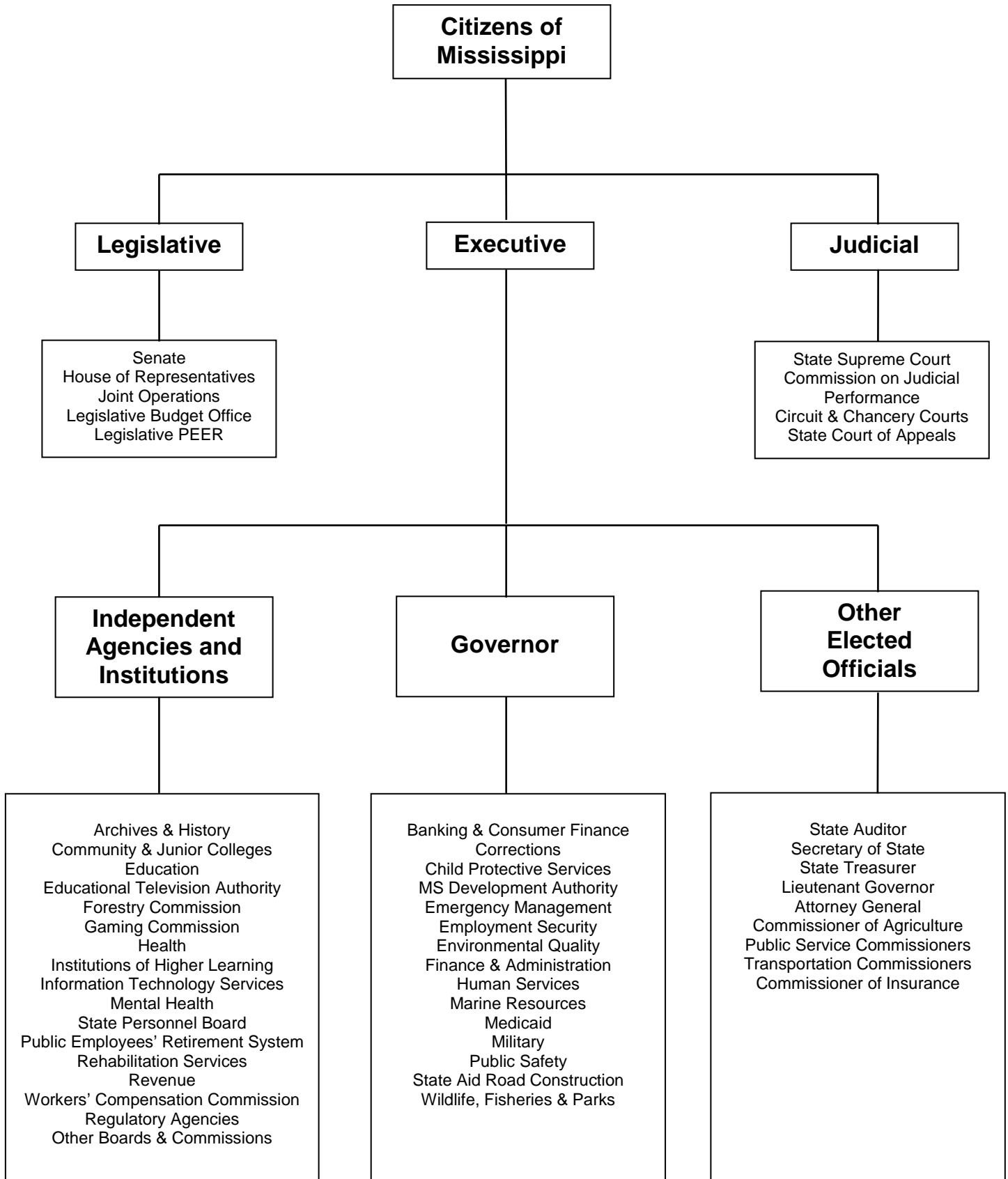
**Clerk of the Supreme Court**

Jeremy Whitmire



# Mississippi

## Organization Chart





**Government Finance Officers Association**

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

**Presented to**

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**State of Mississippi**

**For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended**

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO





**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
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, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

▪ Government-wide Financial Statements

• Governmental Activities

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Department of Public Safety, and the Mississippi Department of Education which, in the aggregate, represent 2% and 9%, respectively, of the assets and revenues of the governmental activities;

• Business-type Activities

- AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, the Department of Finance and Administration State Life and Health Plan, and the Unemployment Compensation Fund which, in the aggregate, represent 98% and 99%, respectively, of the assets and revenues of the business-type activities;

- Component Units
    - the Universities and the nonmajor component units.
  - Fund Financial Statements
    - Governmental Funds
      - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Department of Public Safety, and the Mississippi Department of Education which, in the aggregate, represent 20% and 9%, respectively, of the assets and revenues of the General Fund;
    - Proprietary Funds
      - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Department of Finance and Administration State Life and Health Plan, and the Unemployment Compensation Fund which are considered major enterprise funds;
    - Aggregate Remaining Funds
      - Nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services 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 100% and 99%, respectively, of the assets and revenues of the aggregate remaining funds.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the basic financial statements, in 2018, the State of Mississippi adopted new accounting guidance, Governmental Accounting Standards Board (GASB) standards Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. Our opinions are not modified with respect to these matters.

### ***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, the Schedule of Changes in the Net OPEB Liability, the Schedule of Employer Contributions and corresponding notes, the Schedule of the Net OPEB Liability, the Schedule of the Proportionate Share of the Net OPEB Liability, and the Schedule of the Proportionate Share of Employer Contributions and corresponding notes 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.

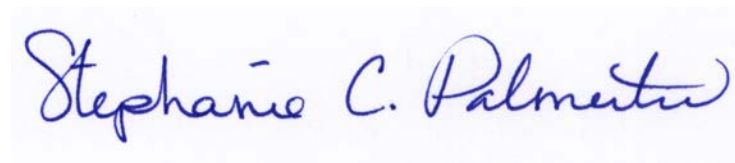
The combining and individual fund financial statements and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing 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 12, 2019, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive style with a horizontal line under the "e" in Stephanie.

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

Jackson, Mississippi  
April 12, 2019

## 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, 2018. 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 \$14,145,499,000 (reported as "net position"). Of this amount, a negative \$5,438,401,000 was reported as "unrestricted net position", which means that it would be necessary to convert a portion of the restricted component of net position to unrestricted if the government's ongoing obligations to citizens and creditors were immediately due and payable. The restricted component of net position amounted to \$3,901,227,000. Net position of governmental activities increased by \$330,190,000 while business-type activities increased by \$103,581,000.

**Fund Level** - At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3,864,638,000, which is \$9,665,000 less than the previous year. Revenues from taxes increased slightly from the prior year while other sources of revenues also increased. Expenditures declined slightly over the prior year.

**Long-term Debt** - The total outstanding net long-term bonds and notes were \$5,441,993,000 at June 30, 2018. During the year, the State issued \$389,988,000 in bonds and notes, including premiums. These bonds and notes were issued primarily for refunding and capital improvements.

### Overview of the Financial Statements

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

#### Government-wide Financial Statements

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

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

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

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

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

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

#### Fund Financial Statements

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

**Governmental Funds** - The State's general activities are reported in governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources

# Mississippi

measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the State's near-term financing requirements. Governmental funds are comprised of the General Fund, which is presented separately as a major fund, and nonmajor funds, which consist of permanent funds.

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

**Proprietary Funds** - The State reports the enterprise fund type as proprietary funds. Enterprise funds charge fees for services to outside customers. They are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting, and are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Unemployment Compensation Fund, the Port Authority at Gulfport Fund, the Prepaid Affordable College Tuition Fund, and the State Life and Health Insurance Plan are presented separately as major funds, with the nonmajor enterprise funds combined into a single column. The eight nonmajor enterprise funds are presented in detail in the combining financial statements.

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

## Reconciliation of Government-wide and Fund Financial Statements

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

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

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

## Notes to the Financial Statements

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

## Other Information

This report also contains the following required supplementary information (RSI): the Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds, the Schedule of Employer Contributions for each pension plan, the Schedules of Changes in the Net Pension Liability for the single employer plans, the Schedule of Proportionate Share of the Net Pension Liability for the multiple employer plan, the Schedule of Proportionate Share of the Net Other Post-Employment Benefits (OPEB) Liability, the Schedule of the Proportionate Share of Employer Contributions OPEB, the Schedule of Changes in the Net OPEB Liability and Schedule of Employer Contributions OPEB, 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 \$455,455,000 in fiscal year 2018. Current year net position is \$14,145,499,000 in contrast to the prior year balance of \$13,690,044,000. Business-type activities reported positive balances in all three components of net position, while governmental activities and the State as a whole continued to reflect a negative balance in the unrestricted component of net position.

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

Net investment in capital assets increased \$411,112,000 from the previous year. The governmental activities' increase of \$325,394,000 was primarily due to additions to software, as well as, additions to infrastructure for roads, highways, and bridges. The business-type activities' increase of \$85,718,000 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 \$159,594,000, or 3.9 percent during fiscal year 2018.

The remaining net position is classified as unrestricted. As of June 30, 2018, the State had a deficit unrestricted net position of \$5,438,401,000. 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 \$407,471,000 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	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 6,200,480	\$ 6,202,874	\$ 1,726,115	\$ 1,723,556	\$ 7,926,595	\$ 7,926,430
Capital assets	16,448,138	16,161,308	698,881	625,279	17,147,019	16,786,587
Total Assets	22,648,618	22,364,182	2,424,996	2,348,835	25,073,614	24,713,017
Deferred outflows of resources	447,239	815,219	3,397	6,385	450,636	821,604
Noncurrent liabilities	8,486,576	8,910,907	423,429	449,162	8,910,005	9,360,069
Other liabilities	2,103,627	2,209,139	193,780	197,023	2,297,407	2,406,162
Total Liabilities	10,590,203	11,120,046	617,209	646,185	11,207,412	11,766,231
Deferred inflows of resources	169,832	77,122	1,507	1,224	171,339	78,346
Net position:						
Net investment in capital assets	14,991,832	14,666,438	690,841	605,123	15,682,673	15,271,561
Restricted	3,189,862	3,374,220	711,365	686,601	3,901,227	4,060,821
Unrestricted (deficit)	(5,845,872)	(6,058,425)	407,471	416,087	(5,438,401)	(5,642,338)
Total Net Position	\$ 12,335,822	\$ 11,982,233	\$ 1,809,677	\$ 1,707,811	\$ 14,145,499	\$ 13,690,044

\*The 2017 amounts presented here have not been restated for the implementation of GASB Statement 75.

# Mississippi

## Changes in Net Position

Operating grants and contributions of \$7,151,253,000 and taxes of \$7,126,002,000 were the State's major revenue sources. Together, they accounted for 81.9 percent of total revenues. Revenue from taxes increased \$184,548,000 and operating grants and contributions increased by \$113,300,000 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 \$7,866,652,000 or 46.2 percent. Expenses within this function declined over the prior year by \$58,255,000. Unemployment compensation expenses were down by \$10,077,000, continuing a downward trend.

### Changes in Net Position

(amounts expressed in thousands)

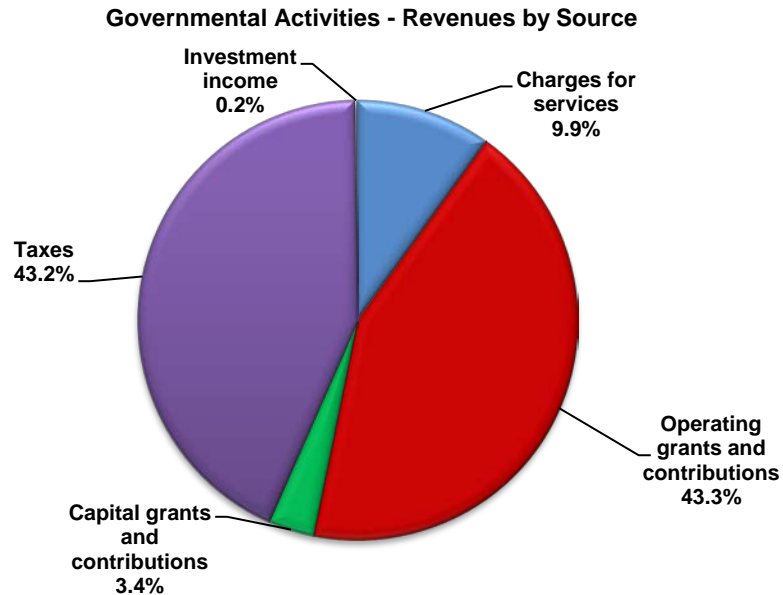
	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Revenues:						
Program Revenues:						
Charges for services	\$ 1,634,428	\$ 1,621,891	\$ 880,003	\$ 879,385	\$ 2,514,431	\$ 2,501,276
Operating grants and contributions	7,150,268	7,036,472	985	1,481	7,151,253	7,037,953
Capital grants and contributions	561,012	496,734	106	18	561,118	496,752
General Revenues:						
Taxes	7,126,002	6,941,454			7,126,002	6,941,454
Investment income	39,300	34,939	50,331	63,121	89,631	98,060
Total Revenues	16,511,010	16,131,490	931,425	944,005	17,442,435	17,075,495
Expenses:						
General government	2,229,648	2,298,846			2,229,648	2,298,846
Education	3,610,796	3,665,357			3,610,796	3,665,357
Health and social services	7,866,652	7,924,907			7,866,652	7,924,907
Law, justice and public safety	860,122	939,956			860,122	939,956
Recreation and resource development	480,745	502,675			480,745	502,675
Regulation of business and professions	45,223	44,841			45,223	44,841
Transportation	803,887	768,700			803,887	768,700
Interest on long-term debt	188,672	231,875			188,672	231,875
Unemployment compensation			73,895	83,972	73,895	83,972
Port Authority at Gulfport			33,447	43,633	33,447	43,633
Prepaid affordable college tuition			18,290	31,489	18,290	31,489
State life and health plan			782,341		782,341	
Other business-type			26,737	801,486	26,737	801,486
Total Expenses	16,085,745	16,377,157	934,710	960,580	17,020,455	17,337,737
Excess/(Deficit) before Extraordinary Items and Transfers	425,265	(245,667)	(3,285)	(16,575)	421,980	(262,242)
Extraordinary item - debt forgiveness			12,791		12,791	
Transfers	(95,075)	(79,494)	94,075	79,494	(1,000)	
Change in Net Position	330,190	(325,161)	103,581	62,919	433,771	(262,242)
Net Position - Beginning, as restated	12,005,632	12,307,394	1,706,096	1,644,892	13,711,728	13,952,286
Net Position - Ending	\$ 12,335,822	\$ 11,982,233	\$ 1,809,677	\$ 1,707,811	\$ 14,145,499	\$ 13,690,044

\*The 2017 amounts presented here have not been restated for the implementation of GASB Statement 75.

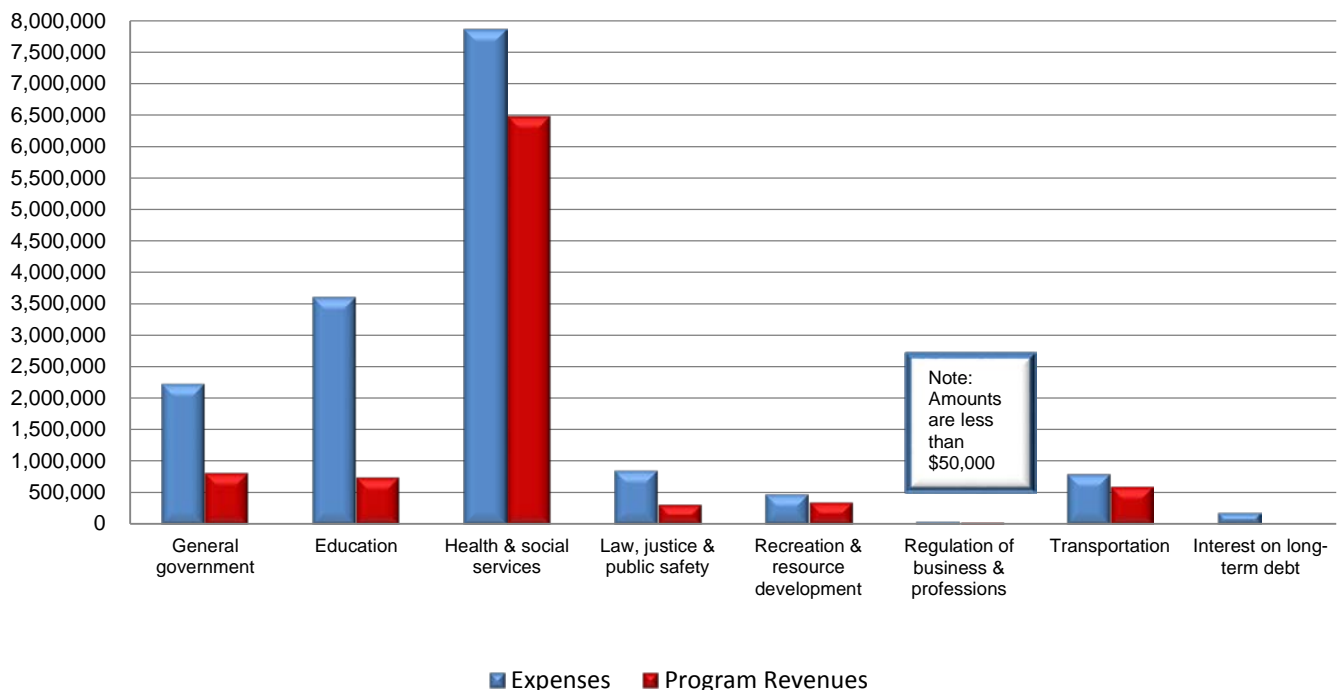
# Mississippi

## Governmental Activities

Governmental activities increased the State's net position by \$330,190,000 for fiscal year 2018. Taxes increased by \$184,548,000, in comparison to the prior year. The majority of both expenses and program revenues were in the health and social services function at \$7,866,652,000 and \$6,480,853,000, respectively. Education expenses of \$3,610,796,000 exceeded program revenues of \$748,320,000 resulting in a negative \$2,862,476,000 to be funded from general revenues.



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



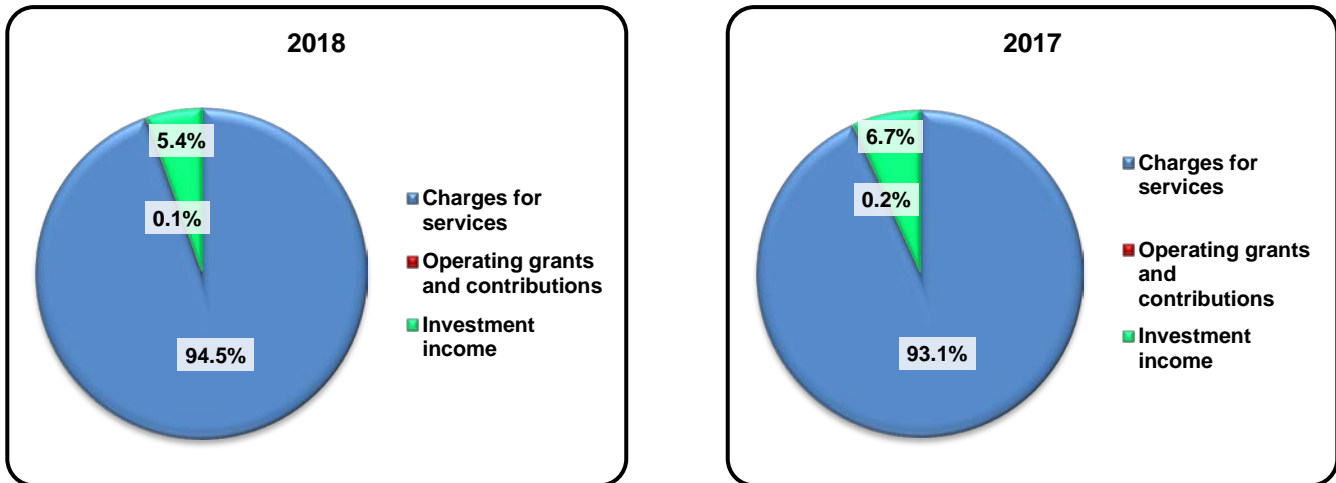


# Mississippi

## Business-type Activities

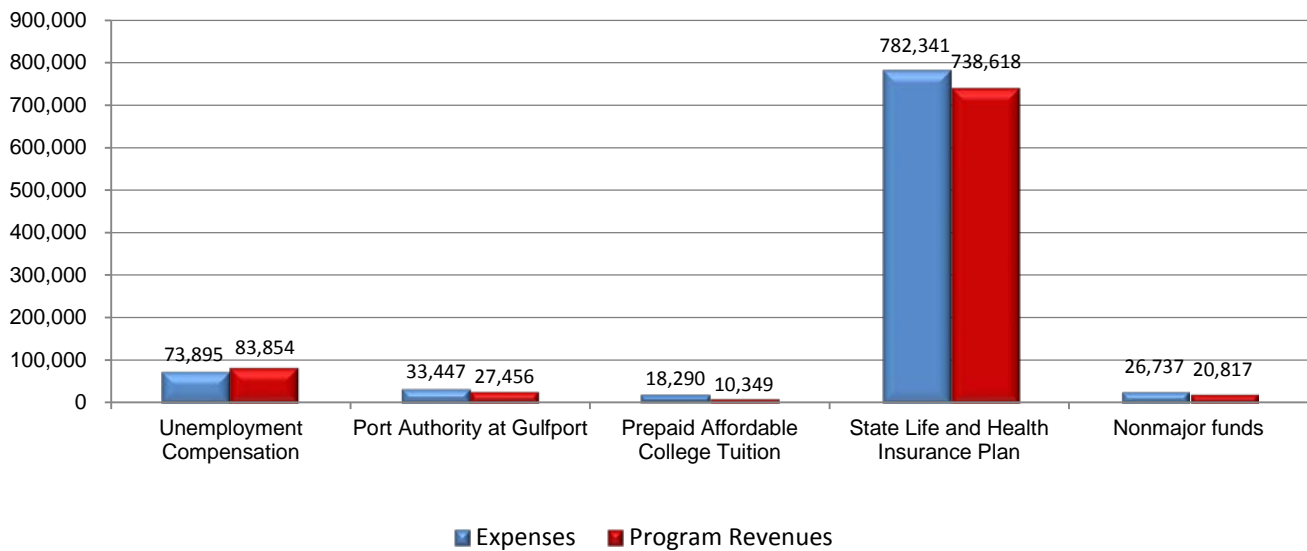
Business-type activities increased the State's net position by \$103,581,000. The percentage of revenues from charges for services continued to increase as federal revenue for the Emergency Unemployment Compensation program diminished. The amount of investment income decreased from the prior year, as did the investment income as a percentage of total revenues, due to market conditions. For the current year, the Unemployment Compensation Fund decreased in both revenues and expenses with a positive change in net position of \$24,764,000. Operations at the Port Authority at Gulfport added \$86,520,000 to net position in the current year.

### Business-type Activities - Revenues by Source



### Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



# Mississippi

## Financial Analysis of the State's Individual Funds

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

### Governmental Funds

At June 30, 2018, the governmental funds reported combined fund balances of \$3,864,638,000, indicating a decrease of \$9,665,000 from the prior year. Within fund balances, \$104,998,000 or 2.7 percent was classified as nonspendable. The majority of the fund balance, \$3,084,864,000 or 79.8 percent was restricted. Committed fund balance equaled \$129,083,000 or 3.3 percent of the total. Assigned fund balance comprised \$14,309,000 or .4 percent while the remaining 13.7 percent, or \$531,384,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The fund balance for the General Fund decreased by \$9,834,000 from the prior year. The decrease, along with the restatement of beginning fund balance, result in an ending fund balance of \$3,801,086,000. Overall, taxes increased by \$196,872,000 or 2.8 percent. There was a \$25,672,000 increase in corporate income and franchise tax revenues. Sales and use tax revenues rose by \$66,911,000 compared to an increase of \$23,722,000 in the prior year. Gasoline and other motor fuel revenues decreased by 3.6 percent. Federal government revenues increased by \$192,888,000. Court assessments and settlements revenue was \$1,643,000 less than the prior year.

Health and social services expenditures decreased slightly during fiscal year 2018, falling by .5 percent over the prior fiscal year. Expenditures decreased because of a drop in beneficiaries and Department of Medicaid commitment to contain cost below the inflation rate. The Centers for Medicare and Medicaid Services estimated inflation at 4.5 percent.

### Proprietary Funds

The Unemployment Compensation Fund experienced an increase in net position of \$24,764,000, largely due to a decrease in claims benefits of \$10,077,000. Claims and benefits expense decreased as the economy continued to gradually improve. Assessments' revenue decreased by \$3,778,000 or 4.4 percent due to legislation that allowed certain employers to pay a zero percent tax rate along with employer's experience tax rate falling as a result of fewer unemployment insurance (UI) benefit claims being filed. Additionally, federal revenue used to pay claims declined by \$496,000.

The Port Authority at Gulfport Fund increased net position by \$86,520,000 as compared to an \$54,834,000 increase reported in the prior year. Operating revenues and expenses increased slightly by \$4,592,000 and \$205,000 respectively. The increase in net position can be attributed to the increase in investment income.

The Prepaid Affordable College Tuition Fund's net position increased by \$16,826,000. Tuition receipts decreased by 5.2 percent over the prior year. The \$13,143,000 decrease in claims and benefits expense was directly related to changes in the actuarially determined experience of the program. Investment income decreased by \$14,912,000 due to market value of investments being lower than the prior year.

## General Fund Budgetary Highlights

Actual fiscal year 2018 General Fund revenue collections increased by \$78,442,000 or 1.4 percent over the prior year. These revenues were \$91,974,000 above estimated amounts. Individual income tax increased by \$44,909,000 or 2.5 percent, sales tax collection increased by \$27,700,000 or 1.3 percent, and corporate income and franchise tax increased by \$8,316,000 or 1.5 percent.

The final expenditure budget was \$37,900,000 more than the original budget and actual expenditures were \$9,784,000 less than the final budget. Amounts budgeted but not expended during the year are reappropriated in the following year or retained in the General Fund and made available for the subsequent year budget allocations.

# Mississippi

## Capital Assets and Debt Administration

### Capital Assets

The State's investment in capital assets for governmental and business-type activities as of June 30, 2018 were \$22,703,521,000, less accumulated depreciation of \$5,556,502,000, resulting in a net book value of \$17,147,019,000. For the current fiscal year, governmental activities and business-type activities increased by \$286,830,000 and \$73,602,000, respectively. These changes amount to 1.8 and 11.8 percent increases, respectively, over the prior year.

Major capital asset events during fiscal year 2018 included the following:

Construction in progress for governmental activities increased by \$841,629,000 and had the largest amount of decreases of any asset class with \$1,265,948,000. Mississippi Department of Transportation accounts for the majority of the increase with \$777,340,000. The Department of Finance and Administration added \$12,911,000 which included building projects for the Mississippi Civil Rights and History Museums and Mississippi State Fairground improvements. Decreases to construction in progress are primarily for completed Mississippi Department of Transportation projects moved to infrastructure.

Infrastructure had the largest increases of any asset class with \$1,135,059,000. Pavement rehabilitations took place in Desoto, District 5, Harrison, Hinds, Jackson, Lauderdale, Panola, Tate, Yalobusha, and Yazoo counties. The Surface Transportation Program (Urban street projects) was completed in Chickasaw, Jones, Lafayette, Noxubee, and Washington counties. Interstate projects were completed in Copiah and Pike counties, and Vision 21 highway projects were completed for Attala, Hancock, Harrison, Jackson, Lamar, and Lauderdale counties.

During fiscal year 2018, net capital assets for business-type activities increased by \$73,602,000. The Port Authority at Gulfport added \$85,921,000 to Construction in Progress, which includes the following current projects: Terminal 3 gate, West Pier site, and East Pier wharf expansion. Projects completed and moved to infrastructure and land improvements included the Gate Buildings, Marine Research Facility, Small Craft Harbor Landside Improvements, Port Landscaping Project, Barge Mooring Facility, and North Harbor Paving and Electrical Project. The completed projects were valued at \$57,261,000.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 17 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,418,859	\$ 2,387,179	\$ 132,068	\$ 130,394	\$ 2,550,927	\$ 2,517,573
Software	126,795	120,069			126,795	120,069
Buildings	1,454,412	1,475,318	101,221	74,777	1,555,633	1,550,095
Land improvements	116,571	123,241	122,933	105,756	239,504	228,997
Machinery and equipment	220,522	234,241	32,282	35,696	252,804	269,937
Infrastructure	7,757,077	7,043,039	142,364	141,127	7,899,441	7,184,166
Construction in progress	4,353,902	4,778,221	168,013	137,529	4,521,915	4,915,750
Total	<u>\$ 16,448,138</u>	<u>\$ 16,161,308</u>	<u>\$ 698,881</u>	<u>\$ 625,279</u>	<u>\$ 17,147,019</u>	<u>\$ 16,786,587</u>

# Mississippi

## Debt Administration

As of June 30, 2018, outstanding general obligation debt for the State was \$4,269,670,000, including premiums. General Obligation Refunding bonds of \$1,830,230,000, Capital Improvements bonds of \$1,008,187,000, and Industry Incentive Financing bonds of \$291,580,000 comprise 73.3 percent of this outstanding debt. During the current fiscal year, the State issued \$310,200,000 in general obligation bonds and notes which are reported in governmental activities. Within business-type activities, general obligation bonds decreased by \$177,000 as the Port Authority at Gulfport continued to repay its long-term debt.

The State issued \$63,301,000 of notes payable which are reported in governmental activities. Of the total notes payable issued, \$59,445,000 was for advance refunding.

### Outstanding Long-term Debt Bonds and Notes

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds and notes	\$ 4,263,174	\$ 4,409,839	\$ 6,496	\$ 6,673	\$ 4,269,670	\$ 4,416,512
Limited obligation bonds	215,158	221,727			215,158	221,727
Notes payable	957,165	1,030,160			957,165	1,030,160
Total	<u>\$ 5,435,497</u>	<u>\$ 5,661,726</u>	<u>\$ 6,496</u>	<u>\$ 6,673</u>	<u>\$ 5,441,993</u>	<u>\$ 5,668,399</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, 2018, the State's constitutional legal debt limit remained at \$13,312,194,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 13 to the financial statements.

## Economic Factors and Next Year's Budget

Mississippi's average unemployment rate for the calendar year 2017 was 5.1 percent, which is higher than the national average of 4.4 percent. In calendar year 2017, Mississippi's personal income and per capita personal income increased by 2.3 percent, compared to national average increases of 4.4 percent and 3.6 percent, respectively.

Fiscal year 2019 revenue collected by the Department of Revenue (DOR) continues to outperform revenue collected in fiscal year 2018. DOR collections from the beginning of fiscal year 2019 through January 31, 2019, were up by \$96,992,000 or 3.4 percent. Mississippi's two largest revenue generators are collected from sales and individual income taxes. To-date, sales taxes are outperforming projections by 2.5 percent and individual income taxes are one percent below projections. Sales and individual income taxes account for approximately 73 percent of Mississippi's revenue, which has the state optimistic that revenue collections will either meet or exceed expectations.

# *Mississippi*

## **Basic Financial Statements**

# Mississippi

## Statement of Net Position

June 30, 2018 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets:				
Equity in internal investment pool	\$ 3,014,845	\$ 352,703	\$ 3,367,548	\$ 2,094
Cash and cash equivalents	244,227	798,007	1,042,234	631,754
Investments	11,956		11,956	239,269
Receivables, net	735,097	38,789	773,886	348,594
Restricted assets:				
Cash and cash equivalents		100	100	
Due from other governments, net	527,166	814	527,980	96
Internal balances	(47,015)	47,015		
Due from component units	2,695	146	2,841	
Due from primary government				11,200
Inventories	41,513	256	41,769	36,993
Prepaid items		423	423	19,432
Loans and notes receivable, net	45,346	6,373	51,719	45,614
Other assets				2,274
Total Current Assets	4,575,830	1,244,626	5,820,456	1,337,320
Noncurrent assets:				
Investments	125,279	316,955	442,234	739,490
Receivables, net	657,102		657,102	
Due from other governments, net	635,626		635,626	
Loans and notes receivable, net	206,643	164,084	370,727	188,819
Restricted assets:				
Cash and cash equivalents		450	450	84,791
Investments				1,224,724
Capital assets:				
Land and construction in progress	6,772,761	300,081	7,072,842	674,423
Other capital assets, net	9,675,377	398,800	10,074,177	3,639,265
Other assets				56,776
Total Noncurrent Assets	18,072,788	1,180,370	19,253,158	6,608,288
Total Assets	22,648,618	2,424,996	25,073,614	7,945,608
<b>Deferred Outflows of Resources</b>				
Refunding	125,238		125,238	48,639
Pensions	304,551	3,272	307,823	297,763
Other postemployment benefits	17,450	125	17,575	7,371
Total Deferred Outflows	\$ 447,239	\$ 3,397	\$ 450,636	\$ 353,773

(Continued on Next Page)

# Mississippi

## Statement of Net Position

June 30, 2018 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Current liabilities:				
Warrants payable	\$ 55,040	\$ 1,641	\$ 56,681	\$
Accounts payable and other liabilities	674,756	41,488	716,244	241,708
Contracts payable	85,895	8,012	93,907	
Income tax refunds payable	260,572		260,572	
Due to other governments	313,061	6,292	319,353	
Due to component units	11,200		11,200	
Due to primary government				2,841
Claims and benefits payable	66,651	115,343	181,994	
Deposits	83,849	1,642	85,491	
Unearned revenues	115,992	13,019	129,011	101,052
Pollution remediation obligation	6,771		6,771	
Bonds and notes payable, net	419,059	6,188	425,247	46,077
Lease obligations payable	3,044	40	3,084	552
Net other postemployment benefit liability	7,737	115	7,852	6,177
Other liabilities				89,193
Total Current Liabilities	2,103,627	193,780	2,297,407	487,600
Noncurrent liabilities:				
Claims and benefits payable	36,505	396,501	433,006	
Derivative instruments	23,463		23,463	
Pollution remediation obligation	31,503		31,503	
Bonds and notes payable, net	5,016,438	308	5,016,746	1,286,045
Lease obligations payable	4,828		4,828	1,075
Liabilities payable from restricted assets:				
Deposits		100	100	
Net pension liability	3,063,837	24,270	3,088,107	2,672,793
Net other postemployment benefit liability	179,427	1,597	181,024	138,732
Other liabilities	130,575	653	131,228	251,229
Total Noncurrent Liabilities	8,486,576	423,429	8,910,005	4,349,874
Total Liabilities	10,590,203	617,209	11,207,412	4,837,474
<b>Deferred Inflows of Resources</b>				
Refunding				5,408
Interest rate swaps	8,545		8,545	
Pensions	138,224	1,372	139,596	59,270
Other postemployment benefits	23,063	135	23,198	7,774
Beneficial interest in irrevocable trusts				33,593
Total Deferred Inflows	\$ 169,832	\$ 1,507	\$ 171,339	\$ 106,045

# Mississippi

## Statement of Net Position

June 30, 2018 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Net Position</b>				
Net investment in capital assets	14,991,832	690,841	15,682,673	3,107,461
Restricted for:				
Expendable:				
General government	48,812		48,812	
Education	120,504		120,504	
Health and social services	551,450		551,450	
Law, justice and public safety	82,101		82,101	
Recreation and resources development	1,280,204		1,280,204	
Regulation of business and professions	26,846		26,846	
Transportation	409,710		409,710	
Capital projects	326,455		326,455	
Debt service	280,295		280,295	1,529
Unemployment compensation benefits		710,915	710,915	
Other purposes		450	450	771,184
Nonexpendable:				
Education	49,424		49,424	871,419
Health and social services	2,025		2,025	
Recreation and resources development	12,036		12,036	
Unrestricted (deficit)	(5,845,872)	407,471	(5,438,401)	(1,395,731)
Total Net Position	\$ 12,335,822	\$ 1,809,677	\$ 14,145,499	\$ 3,355,862

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



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# Mississippi

## Statement of Activities

For the Year Ended June 30, 2018 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 2,229,648	\$ 799,509	\$ 17,690	\$ 526
Education	3,610,796	15,742	732,552	26
Health and social services	7,866,652	563,693	5,916,167	993
Law, justice and public safety	860,122	77,506	208,419	29,204
Recreation and resource development	480,745	97,124	254,059	870
Regulation of business and professions	45,223	28,715	684	
Transportation	803,887	52,139	20,697	529,393
Interest on long-term debt	188,672			
Total Governmental Activities	16,085,745	1,634,428	7,150,268	561,012
Business-type activities:				
Unemployment compensation	73,895	82,871	983	
Port Authority at Gulfport	33,447	27,456		
Prepaid affordable college tuition	18,290	10,349		
State life and health insurance plan	782,341	738,618		
Other business-type	26,737	20,709	2	106
Total Business-type Activities	934,710	880,003	985	106
Total Primary Government	\$ 17,020,455	\$ 2,514,431	\$ 7,151,253	\$ 561,118
<b>Component units:</b>				
Universities	\$ 3,708,733	\$ 2,193,598	\$ 482,264	\$ 32,670
Nonmajor	36,840	25,886		1,456
Total Component Units	\$ 3,745,573	\$ 2,219,484	\$ 482,264	\$ 34,126

### 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

Extraordinary item - Debt forgiveness

Transfers

Total General Revenues, Contributions  
and Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>				<b>Component Units</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>		
\$ (1,411,923)	\$	\$ (1,411,923)		
(2,862,476)		(2,862,476)		
(1,385,799)		(1,385,799)		
(544,993)		(544,993)		
(128,692)		(128,692)		
(15,824)		(15,824)		
(201,658)		(201,658)		
(188,672)		(188,672)		
(6,740,037)		(6,740,037)		
	9,959	9,959		
	(5,991)	(5,991)		
	(7,941)	(7,941)		
	(43,723)	(43,723)		
	(5,920)	(5,920)		
	(53,616)	(53,616)		
(6,740,037)	(53,616)	(6,793,653)		
			\$ (1,000,201)	
			(9,498)	
			(1,009,699)	
3,462,757		3,462,757		
415,738		415,738		
1,812,862		1,812,862		
588,260		588,260		
340,743		340,743		
505,642		505,642		
39,300	50,331	89,631		103,209
				215,517
				738,781
				33,108
	12,791	12,791		
(95,075)	94,075	(1,000)		
7,070,227	157,197	7,227,424		1,090,615
330,190	103,581	433,771		80,916
12,005,632	1,706,096	13,711,728		3,274,946
\$ 12,335,822	\$ 1,809,677	\$ 14,145,499	\$	3,355,862

# Mississippi

## Governmental Funds

### Balance Sheet

June 30, 2018 (Expressed in Thousands)

	General	Permanent	Totals
<b>Assets</b>			
Equity in internal investment pool	\$ 3,012,165	\$ 2,680	\$ 3,014,845
Cash and cash equivalents	243,816	411	244,227
Investments	77,010	60,225	137,235
Receivables, net	1,391,918	281	1,392,199
Due from other governments, net	1,162,792		1,162,792
Due from other funds	1,860		1,860
Due from component units	2,695		2,695
Inventories	41,513		41,513
Loans receivable, net	251,989		251,989
Total Assets	\$ 6,185,758	\$ 63,597	\$ 6,249,355
<b>Liabilities, Deferred Inflows and Fund Balances</b>			
<b>Liabilities:</b>			
Warrants payable	\$ 55,040	\$	\$ 55,040
Accounts payable and accruals	713,517	45	713,562
Contracts payable	85,895		85,895
Income tax refunds payable	260,572		260,572
Due to other governments	313,061		313,061
Due to other funds	48,875		48,875
Due to component units	11,200		11,200
Claims payable	66,651		66,651
Unearned revenues	115,992		115,992
Total Liabilities	1,670,803	45	1,670,848
Deferred inflows of resources:			
Deferred revenues	713,869		713,869
<b>Fund balances:</b>			
Nonspendable			
Inventories	41,513		41,513
Principal	5,000	58,485	63,485
Restricted			
General government	47,779		47,779
Education	118,202	2,302	120,504
Health and social services	532,312	494	532,806
Law, justice and public safety	75,271		75,271
Recreation and resources development	1,277,855	2,271	1,280,126
Regulation of business and professions	26,846		26,846
Transportation	394,782		394,782
Capital projects	326,455		326,455
Debt service	280,295		280,295
Committed			
General government	31,881		31,881
Education	10,847		10,847
Health and social services	41,009		41,009
Law, justice and public safety	15,862		15,862
Recreation and resources development	28,994		28,994
Regulation of business and professions	490		490
Assigned			
General government	10,172		10,172
Education	78		78
Health and social services	2,155		2,155
Recreation and resources development	1,904		1,904
Unassigned	531,384		531,384
Total Fund Balances	3,801,086	63,552	3,864,638
Total Liabilities, Deferred Inflows and Fund Balances	\$ 6,185,758	\$ 63,597	\$ 6,249,355

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, 2018 (Expressed in Thousands)

Total fund balances for governmental funds \$ 3,864,638

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	\$ 2,418,859	
Construction in progress	4,353,902	
Software	171,924	
Buildings	2,195,184	
Land improvements	281,672	
Machinery and equipment	759,414	
Infrastructure	11,713,634	
Accumulated depreciation	(5,446,451)	16,448,138

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

Refunding of debt	125,238	
Pensions	304,551	
Other postemployment benefits	17,450	447,239

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

Interest rate swaps	(8,545)	
Pensions	(138,224)	
Other postemployment benefits	(23,063)	(169,832)

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.

713,869

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	(4,010,944)	
Limited obligation bonds	(191,400)	
Notes payable	(880,551)	
Unamortized premiums	(352,602)	
Derivative instruments	(23,463)	
Capital lease obligations	(7,872)	
Accrued compensated absences	(118,315)	
Pollution remediation obligation	(38,274)	
Net pension liability	(3,063,837)	
Net other postemployment benefits liability	(187,164)	
Claims payable	(36,505)	
Accrued interest payable	(34,465)	
Other liabilities	(22,838)	(8,968,230)

Net position of governmental activities \$ 12,335,822

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, 2018 (Expressed in Thousands)

	General	Permanent	Totals
<b>Revenues</b>			
Taxes:			
Sales and use	\$ 3,466,388	\$	\$ 3,466,388
Gasoline and other motor fuel	414,770		414,770
Individual income	1,829,073		1,829,073
Corporate income and franchise	592,988		592,988
Insurance	340,743		340,743
Other	505,642		505,642
Licenses, fees and permits	528,467	1,264	529,731
Federal government	7,671,041		7,671,041
Investment income	41,879	(183)	41,696
Charges for sales and services	388,290	111	388,401
Rentals	1,277	128	1,405
Court assessments and settlements	202,735		202,735
Other	534,308	12	534,320
Total Revenues	16,517,601	1,332	16,518,933
<b>Expenditures</b>			
Current:			
General government	2,186,733		2,186,733
Education	3,603,244	146	3,603,390
Health and social services	7,782,448		7,782,448
Law, justice and public safety	823,278		823,278
Recreation and resources development	460,451		460,451
Regulation of business and professions	42,942		42,942
Transportation	1,104,440		1,104,440
Debt service:			
Principal	323,203		323,203
Interest and other fiscal charges	235,639		235,639
Total Expenditures	16,562,378	146	16,562,524
Excess of Revenues over (under) Expenditures	(44,777)	1,186	(43,591)
<b>Other Financing Sources (Uses)</b>			
Bonds and notes issued	151,651		151,651
Capital leases issued	1,819		1,819
Insurance recovery	810		810
Payments to note escrow agent	(263,616)		(263,616)
Premiums on bonds and notes issued	16,487		16,487
Refunding notes issued	221,850		221,850
Transfers in	3,117		3,117
Transfers out	(97,175)	(1,017)	(98,192)
Net Other Financing Sources (Uses)	34,943	(1,017)	33,926
Net Change in Fund Balances	(9,834)	169	(9,665)
Fund Balances - Beginning, as restated	3,810,920	63,383	3,874,303
Fund Balances - Ending	\$ 3,801,086	\$ 63,552	\$ 3,864,638

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, 2018 (Expressed in Thousands)

**Net change in fund balances - total governmental funds** \$ (9,665)

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	\$ 816,446	
Depreciation expense	<u>(528,592)</u>	287,854

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.

(3,521)

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

Premiums on bonds, notes and refunding bonds and notes and bonds issued	(16,487)	
Bonds and notes issued	(151,651)	
Refunding notes and bonds issued	(221,850)	
Capital leases issued	(1,819)	
Payments of debt principal	323,203	
Payments to bond escrow agent	263,616	
Accrued interest payable	24,323	
Interest at refunding	<u>(157)</u>	219,178

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	2,497	
Change in claims payable	4,934	
Change in compensated absences	(1,869)	
Change in deferred revenues	(22,076)	
Change in other postemployment benefit costs, net	(602)	
Change in pollution remediation obligation	(995)	
Change in fair value of investment derivative	(2,396)	
Change in fair value of borrowing derivative	4,791	
Change in pension costs, net	(142,843)	
Change in other liabilities	(22,838)	
Amortization of premiums	35,441	
Amortization of deferred amount on refunding	<u>(17,700)</u>	(163,656)

**Change in net position of governmental activities** \$ 330,190

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

# Mississippi

## Proprietary Funds

### Statement of Net Position

June 30, 2018 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$	\$ 3,613	\$ 873
Cash and cash equivalents	692,447	34,899	8,117
Receivables, net	31,382	2,568	469
Restricted assets:			
Cash and cash equivalents		100	
Due from other governments, net	793	21	
Due from other funds	295	35,054	
Due from component units	146		
Inventories			
Prepaid items		143	
Loans and notes receivable		679	
Total Current Assets	725,063	77,077	9,459
Noncurrent assets:			
Investments			314,840
Loans and notes receivable		13,177	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets:			
Land and construction in progress		288,659	
Other capital assets, net		368,881	
Total Noncurrent Assets		671,167	314,840
Total Assets	\$ 725,063	\$ 748,244	\$ 324,299
<b>Deferred Outflows of Resources</b>			
Pension		991	99
Other postemployment benefits		16	2
Total Deferred Outflows of Resources		1,007	101



# Enterprise Funds

Department of Finance and Administration			
State Life and Health Insurance Plan		Nonmajor Funds	Totals
\$	261,138	\$	87,079
	47,106		15,438
			4,370
			100
			814
	104	13,422	48,875
			146
		256	256
		280	423
		5,694	6,373
	308,348	126,539	1,246,486
		2,115	316,955
		150,907	164,084
			450
		11,422	300,081
		29,919	398,800
		194,363	1,180,370
\$	308,348	\$	320,902
			2,426,856
		2,182	3,272
		107	125
		2,289	3,397

(Continued on Next Page)

# Mississippi

## Proprietary Funds

### Statement of Net Position

June 30, 2018 (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
<b>Liabilities</b>			
Current liabilities:			
Warrants payable	\$	\$	\$ 563
Accounts payable and other liabilities	73	23,624	394
Contracts payable		8,012	
Due to other governments	5,683		
Due to other funds	1,833		
Claims and benefits payable	6,406		38,409
Deposits			
Bonds payable		6,188	
Unearned revenues	153	622	
Lease obligations payable			
Net other postemployment benefits liability		8	2
Total Current Liabilities	14,148	38,454	39,368
Noncurrent liabilities:			
Claims and benefits payable			396,501
Bonds payable		308	
Liabilities payable from restricted assets:			
Deposits		100	
Net pension liability		6,782	998
Net other postemployment benefits liability		188	48
Other liabilities		286	33
Total Noncurrent Liabilities		7,664	397,580
Total Liabilities	14,148	46,118	436,948
<b>Deferred Inflows of Resources</b>			
Pension		146	22
Other postemployment benefits		8	7
Total Deferred Inflows of Resources		154	29
<b>Net Position</b>			
Net investment in capital assets		651,044	
Restricted for:			
Expendable			
Unemployment compensation benefits	710,915		
Other purposes		450	
Unrestricted (deficit)		51,485	(112,577)
Total Net Position	\$ 710,915	\$ 702,979	\$ (112,577)

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

<b>Enterprise Funds</b>			
<b>Department of Finance and Administration</b>			
<b>State Life and Health Insurance Plan</b>		<b>Nonmajor Funds</b>	<b>Totals</b>
\$	\$	1,078	\$ 1,641
12,834		4,563	41,488
			8,012
423		186	6,292
		27	1,860
70,528			115,343
		1,642	1,642
			6,188
12,238		6	13,019
		40	40
		105	115
96,023		7,647	195,640
			396,501
			308
			100
		16,490	24,270
		1,361	1,597
		334	653
		18,185	423,429
96,023		25,832	619,069
		1,204	1,372
		120	135
		1,324	1,507
		39,797	690,841
			710,915
			450
212,325		256,238	407,471
\$ 212,325	\$	296,035	\$ 1,809,677

# Mississippi

## Proprietary Funds

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Operating Revenues</b>			
Charges for sales and services/premiums	\$	\$ 26,513	\$
Assessments	82,871		
Investment income			
Federal agencies	983		
Rentals			
Fees			
Tuition receipts			10,349
Other			
Total Operating Revenues	83,854	26,513	10,349
<b>Operating Expenses</b>			
Cost of sales and services			
General and administrative		4,152	659
Contractual services		11,834	1,228
Commodities		347	22
Depreciation		13,980	
Claims and benefits	73,895		16,381
Other			
Total Operating Expenses	73,895	30,313	18,290
Operating Income (Loss)	9,959	(3,800)	(7,941)
<b>Nonoperating Revenues</b>			
Revenue from counties		935	
Insurance recovery		8	
Investment income (loss)	14,805	2,012	24,767
Total Nonoperating Revenues	14,805	2,955	24,767
<b>Nonoperating Expenses</b>			
Loss on disposal of capital assets		2,825	
Interest and other fiscal charges		309	
Total Nonoperating Expenses		3,134	
Income (Loss) before Capital Contributions, Extraordinary Items and Transfers	24,764	(3,979)	16,826
Capital Contributions			
Extraordinary item - Debt forgiveness			
Transfers In		90,499	
Transfers Out			
Change in Net Position	24,764	86,520	16,826
Total Net Position - Beginning, as restated	686,151	616,459	(129,403)
Total Net Position - Ending	\$ 710,915	\$ 702,979	\$ (112,577)

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

**Enterprise Funds**

<b>Department of Finance and Administration</b>		
<b>State Life and Health Insurance Plan</b>	<b>Nonmajor Funds</b>	<b>Totals</b>
\$ 738,567	\$ 11,041	\$ 776,121
		82,871
	5,535	5,535
		983
	5,545	5,545
	158	158
		10,349
51	3,967	4,018
738,618	26,246	885,580
	7,228	7,228
	10,221	15,032
34,510	5,879	53,451
	1,521	1,890
	1,662	15,642
747,831		838,107
	175	175
782,341	26,686	931,525
(43,723)	(440)	(45,945)
		935
		8
2,430	782	44,796
2,430	782	45,739
	47	2,872
	4	313
	51	3,185
(41,293)	291	(3,391)
	106	106
	12,791	12,791
	6,676	97,175
(3,100)		(3,100)
(44,393)	19,864	103,581
256,718	276,171	1,706,096
\$ 212,325	\$ 296,035	\$ 1,809,677

# Mississippi

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2018 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation	Prepaid Affordable College Tuition	
<b>Cash Flows from Operating Activities</b>			
Cash receipts from federal agencies	\$ 960	\$	
Cash receipts/premiums from customers		26,201	10,349
Cash receipts from assessments	85,711		
Cash payments to suppliers for goods and services		(4,985)	(1,240)
Cash payments to employees for services		(3,457)	(517)
Cash payments for claims and benefits	(74,552)		(28,398)
Other operating cash receipts			
Other operating cash payments			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	12,119	17,759	(19,806)
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in		92,644	
Transfers out			
Revenues from counties		932	
Net Cash Provided by (Used for)			
Noncapital Financing Activities		93,576	
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets		(98,605)	
Principal received on notes receivable		662	
Proceeds from sales of capital assets		500	
Principal paid on bonds and capital asset contracts		(177)	
Interest paid on bonds and capital asset contracts		(310)	
Proceeds from insurance recovery		8	
Net Cash Used for Capital and Related			
Financing Activities		(97,922)	
<b>Cash Flows From Investing Activities</b>			
Proceeds from sales of investments			131,445
Purchases of investments			(122,533)
Investment income	14,805	1,946	3,827
Net Cash Provided by Investing Activities	14,805	1,946	12,739
Net Change in Cash and Cash Equivalents	26,924	15,359	(7,067)
Cash and Cash Equivalents - Beginning	665,523	23,703	16,057
Cash and Cash Equivalents - Ending	\$ 692,447	\$ 39,062	\$ 8,990

# **Enterprise Funds**

<b>Department of Finance and Administration</b>			
<b>State Life and Health Insurance Plan</b>		<b>Nonmajor Funds</b>	<b>Totals</b>
\$		\$	\$
	741,331	14,569	960
			792,450
			85,711
	(35,024)	(15,390)	(56,639)
		(9,143)	(13,117)
			(102,950)
		3,153	3,153
	(748,003)		(748,003)
		22,057	22,057
		(19,729)	(19,729)
	(41,696)	(4,483)	(36,107)
		6,676	99,320
	(3,100)		(3,100)
			932
	(3,100)	6,676	97,152
		(3,746)	(102,351)
			662
		4	504
		(80)	(257)
		(4)	(314)
			8
		(3,826)	(101,748)
			131,445
			(122,533)
	2,430	778	23,786
	2,430	778	32,698
	(42,366)	(855)	(8,005)
	350,610	103,372	1,159,265
\$	308,244	\$ 102,517	\$ 1,151,260

(Continued on Next Page)

# Mississippi

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2018 (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	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating income (loss)	\$ 9,959	\$ (3,800)	\$ (7,941)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		13,980	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	2,583	(391)	
Due from other governments	(43)		
Due from other funds	90		
Due from component units	209		
Inventories			
Prepaid items		(38)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			203
Accounts payable and other liabilities	218	7,258	115
Due to other governments	(1,051)		
Due to other funds	144		
Claims and benefits payable	26		(12,329)
Unearned revenues	(23)	79	
Pension cost		668	146
Other postemployment benefits cost		3	
Other Liabilities	7		
Total adjustments	2,160	21,559	(11,865)
Net Cash Provided by (Used for) Operating Activities	\$ 12,119	\$ 17,759	\$ (19,806)
<b>Noncash Capital and Related Financing and Investing Activities</b>			
Capital contributions			
Loss on disposal of capital assets		2,825	
Change in fair value of investments		(3)	(2,273)
Extraordinary item - Debt forgiveness			

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



# **Enterprise Funds**

<b>Department of Finance and Administration</b>			
<b>State Life and Health Insurance Plan</b>		<b>Nonmajor Funds</b>	<b>Totals</b>
\$	(43,723)	\$ (440)	\$ (45,945)
		1,662	15,642
		(247)	1,945
4			(39)
(12)	(1,898)		(1,820)
	8		217
	41		41
	232		194
	(2,976)		(2,976)
		(12)	191
(540)	(1,149)		5,902
26	171		(854)
	(57)		87
			(12,303)
2,721	(19)		2,758
	195		1,009
	6		9
(172)			(165)
2,027	(4,043)		9,838
\$	(41,696)	\$ (4,483)	\$ (36,107)

	106	106
	47	2,872
(1,212)		(3,488)
	12,791	12,791

# Mississippi

## Fiduciary Funds

### Statement of Fiduciary Net Position

June 30, 2018 (Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Private-purpose Trust Fund	Agency Funds
<b>Assets</b>			
Equity in internal investment pool	\$ 2,510	\$ 25	\$ 9,647
Cash and cash equivalents	727,744		26,473
Investments, at fair value:			
Short-term investments	859,778	11,773	
Long-term debt securities	5,617,149	45,802	
Equity securities	16,920,005	109,465	
Private equity	2,053,831		
Real estate investments	2,829,540	12,271	
Life insurance contracts		48,332	
Securities lending:			
Short-term investments	1,067,322		
Long-term debt securities	2,460,658		
Receivables, net:			
Employer contributions	68,003		
Employee contributions	37,712		
Investment proceeds	435,959		
Interest and dividends	96,957		
Other	1,140		282
Commodity inventory			2,374
Capital assets:			
Land and construction in progress	1,534		
Other capital assets, net	20,921		
Total Assets	33,200,763	227,668	\$ 38,776
<b>Deferred Outflow of Resources</b>			
Pension		144	
Other postemployment benefits		1	
Total Deferred Outflows		145	
<b>Liabilities</b>			
Warrants payable	177	2	128
Accounts payable and accruals	1,456,006	115	1,232
Due to other governments			833
Amounts held in custody for others			36,583
Net Pension Liability		332	
Obligations under securities lending	3,453,895		
Net other postemployment benefits liability		12	
Total Liabilities	4,910,078	461	\$ 38,776
<b>Deferred Inflow of Resources</b>			
Pension		18	
Other postemployment benefits		1	
Total Deferred Inflows		19	
<b>Net Position</b>			
Net position restricted for pensions and trust beneficiaries	\$ 28,290,685	\$ 227,333	

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

# Mississippi

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018 (Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Private-purpose Trust Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 1,084,863	\$
Plan participant	573,310	30,746
Total Contributions	1,658,173	30,746
Net Investment Income:		
Net change in fair value of investments	1,945,654	6,450
Interest and dividends	569,742	5,727
Securities lending:		
Income from securities lending	62,778	
Interest expense and trading costs from securities lending	(45,627)	
Managers' fees and trading costs	(105,462)	
Net Investment Income	2,427,085	12,177
Other Additions:		
Administrative fees	613	120
Other	51	
Total Other Additions	664	120
Total Additions	4,085,922	43,043
<b>Deductions</b>		
Benefits	2,710,193	26,476
Refunds to terminated employees	124,427	
Administrative expenses	17,489	1,381
Depreciation	4,856	
Total Deductions	2,856,965	27,857
Transfer in	1,000	
Change in Net Position	1,229,957	15,186
Net Position - Beginning, as restated	27,060,728	212,147
Net Position - Ending	\$ 28,290,685	\$ 227,333

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

# Mississippi

## Component Units

### Statement of Net Position

June 30, 2018 (Expressed in Thousands)

	Universities	Nonmajor	Totals
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$	\$ 2,094	\$ 2,094
Cash and cash equivalents	611,316	20,438	631,754
Investments	210,519	28,750	239,269
Receivables, net	345,602	2,992	348,594
Due from other governments		96	96
Due from primary government	11,174	26	11,200
Inventories	35,592	1,401	36,993
Prepaid items	19,280	152	19,432
Notes receivable, net	45,614		45,614
Other assets	2,260	14	2,274
Total Current Assets	1,281,357	55,963	1,337,320
Noncurrent assets:			
Investments	739,490		739,490
Notes receivable, net	188,819		188,819
Restricted assets:			
Cash and cash equivalents	83,262	1,529	84,791
Investments	1,224,724		1,224,724
Capital assets:			
Land and construction in progress	663,473	10,950	674,423
Other capital assets, net	3,593,217	46,048	3,639,265
Other assets	56,776		56,776
Total Noncurrent Assets	6,549,761	58,527	6,608,288
Total Assets	7,831,118	114,490	7,945,608
<b>Deferred Outflows of Resources</b>			
Refunding	48,639		48,639
Pension	295,212	2,551	297,763
Other postemployment benefits	7,290	81	7,371
Total Deferred Outflows	351,141	2,632	353,773

(Continued on Next Page)

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

# Mississippi

## Component Units

### Statement of Net Position

June 30, 2018 (Expressed in Thousands)

(Continued from Previous Page)

	Universities	Nonmajor	Totals
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other liabilities	235,455	6,253	241,708
Due to primary government	2,749	92	2,841
Unearned revenues	100,599	453	101,052
Bonds and notes payable	46,077		46,077
Lease obligations payable	452	100	552
Net other postemployment benefits liability	6,125	52	6,177
Other liabilities	89,193		89,193
Total Current Liabilities	480,650	6,950	487,600
Noncurrent liabilities:			
Bonds and notes payable	1,286,045		1,286,045
Lease obligations payable	845	230	1,075
Net pension liability	2,653,162	19,631	2,672,793
Net other postemployment benefits liability	137,549	1,183	138,732
Other liabilities	250,202	1,027	251,229
Total Noncurrent Liabilities	4,327,803	22,071	4,349,874
Total Liabilities	4,808,453	29,021	4,837,474
<b>Deferred Inflows of Resources</b>			
Refunding	5,408		5,408
Pension	57,945	1,325	59,270
Other postemployment benefits	7,671	103	7,774
Beneficial interest in irrevocable trusts	33,593		33,593
Total Deferred Inflows	104,617	1,428	106,045
<b>Net Position</b>			
Net investment in capital assets	3,052,268	55,193	3,107,461
Restricted for:			
Debt service		1,529	1,529
Other purposes	771,184		771,184
Permanent endowments:			
Nonexpendable	871,419		871,419
Unrestricted (deficit)	(1,425,682)	29,951	(1,395,731)
Total Net Position	\$ 3,269,189	\$ 86,673	\$ 3,355,862

# Mississippi

## Component Units

### Statement of Activities

For the Year Ended June 30, 2018 (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	\$ 3,708,733	\$ 2,193,598	\$ 482,264	\$ 32,670	\$ (1,000,201)	\$	\$ (1,000,201)
Nonmajor	36,840	25,886		1,456		(9,498)	(9,498)
Total	\$ 3,745,573	\$ 2,219,484	\$ 482,264	\$ 34,126	(1,000,201)	(9,498)	(1,009,699)
General revenues:							
Investment income					102,879	330	103,209
Other					212,164	3,353	215,517
Payment from State of Mississippi					738,781		738,781
Contributions to permanent endowments					33,108		33,108
Total General Revenues and Contributions					1,086,932	3,683	1,090,615
Change in Net Position					86,731	(5,815)	80,916
Net Position - Beginning, as restated					3,182,458	92,488	3,274,946
Net Position - Ending					\$ 3,269,189	\$ 86,673	\$ 3,355,862

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

## Notes to the Financial Statements

June 30, 2018

### 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, 2018, and their report has been issued under separate cover. The Comprehensive Annual Financial Report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Universities – The Board of Trustees of State Institutions of Higher Learning (IHL) is appointed by the primary government. IHL includes Alcorn State University, Delta State University, Jackson State University, Mississippi State University, Mississippi University for Women, Mississippi Valley State University, the University of Southern Mississippi, and the University of Mississippi. IHL is a body corporate and politic. The State provides financial support to IHL through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Universities are the financial data of their significant fund-raising foundations. Because the restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the Universities. The audited financial statements may be obtained from IHL at 3825 Ridgewood Road, Jackson, MS 39211.

The State reports the following nonmajor discretely presented component units:

Mississippi Business Finance Corporation – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and a financial benefit/burden relationship exists. The Corporation and the State work together, providing support, one to the other, in the State's economic development. The audited financial statements may be obtained from Mississippi Business Finance Corporation at 735 Riverside Drive, Suite 300, Jackson, MS 39202-1166.

# Mississippi

Mississippi Development Bank – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and a financial benefit/burden relationship exists. The Bank and the State work together, providing support, one to the other, in the State's economic development. The audited financial statements may be obtained from Mississippi Development Bank at 735 Riverside Drive, Suite 300, Jackson, MS 39202-1166.

Mississippi Prison Industries Corporation – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will on the corporation. A financial benefit/burden relationship exists. The Corporation leases and manages the prison industry programs of the Mississippi Correctional Industries. The audited financial statements may be obtained from Mississippi Prison Industries Corporation at 663 North State Street, Jackson, MS 39202.

Pat Harrison Waterway District – This is a legally separate entity created and established as a body corporate and politic. The State does not appoint the voting majority of the board. The District is fiscally dependent and a financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District provides flood relief along the Pascagoula River and its tributaries and preserves and protects these waters for future generations and for economic enhancement of the area and its industrial growth. The audited financial statements may be obtained from Pat Harrison Waterway District at P.O. Drawer 1509, Hattiesburg, MS 39403-1509.

Pearl River Basin Development District – This is a legally separate entity created and established as a body corporate and politic. The State does not appoint the voting majority of the board but the District is fiscally dependent and a financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District handles the preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, agricultural and manufacturing purposes, for recreational uses, flood control, timber development, irrigation, navigation, and pollution abatement. The audited financial statements may be obtained from the Department of Finance and Administration at P.O. Box 267, Jackson, MS 39205.

Pearl River Valley Water Supply District – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will. A financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District operates and maintains the Ross Barnett Reservoir and surrounding district lands to provide water supply, flood reduction and recreational opportunities. The audited financial statements may be obtained from Pearl River Valley Water Supply District at P.O. Box 2180, Ridgeland, MS 39158-2180.

Tombigbee River Valley Water Management District – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will. A financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District provides for a plan of conservation, recreation, water control and utilization, agricultural development and economic advancement within the district. The audited financial statements may be obtained from Tombigbee River Valley Water Management District at P.O. Box 616, Tupelo, MS 38802-0616.

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.



# Mississippi

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

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. Certain indirect costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and any sources of revenue that are not reported as program revenues.

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

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

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

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

The State reports the following major governmental fund:

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

The State reports the following major enterprise funds:

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

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

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

The State Life and Health Insurance Plan 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.

Additionally, the State reports the following nonmajor funds:

Governmental funds:

# Mississippi

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.

## Fiduciary Funds:

Pension Trust and Other Employee Benefit Trust Funds account for transactions, assets, liabilities and net position held in trust for plan benefits of the State's Public Employee Retirement System and the State Life and Health Insurance Plan.

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

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

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

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

- F. 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.

# Mississippi

- H. Receivables** - Receivables represent amounts due to the State for revenues earned that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as “current” and amounts expected to be collected beyond the next fiscal year are classified as “noncurrent.” Receivables are reported net of allowances for uncollectible accounts where applicable.
- I. Interfund Activity** – Interfund activity consists primarily of transfers between funds. Transfers represent flows of assets between funds of the primary government without the equivalent flows of assets in return and without a requirement for payment. Eliminations have been made to minimize the internal activity. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.
- J. Interfund Balances** - Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities. Fiduciary funds’ receivables and payables have been 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 Leave** - State law authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. Additionally, in accordance with the Fair Labor Standards Act, nonexempt employees may accrue up to 240 hours of compensatory leave (480 hours for emergency response personnel). No payment is authorized for accrued major medical leave unless employees present medical evidence that their physical condition is such that they can no longer work in a capacity of state government.

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

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Accumulated unpaid major medical leave is not accrued, except in the Universities, because it is not probable that the compensation will be paid in a lump sum other than in the event of severe illness. However, state law authorizes the Universities to make payment for a maximum of 30 days in a lump sum upon termination of employment for nine-month faculty members eligible to receive retirement benefits.

- P. Unearned Revenues and Deferred Inflows of Resources** - Unearned revenues are recognized when assets are received prior to being earned in an exchange transaction. Deferred revenues are reported in the governmental fund financial statements as deferred inflows of resources until such time as the revenues become available.
- Q. Pensions** – Net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense have been measured using the same basis as the PERS fiduciary net 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. Postemployment Benefits Other Than Pensions (OPEB)** – The OPEB liability is the actuarial present value of projected healthcare benefit payments to be provided to employees in the period after employment. The net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB and OPEB expense have been measured using the same basis as the State Life and Health Insurance Plan's fiduciary net position. For the purpose of determining the OPEB fiduciary net position, benefit payments are recognized when due and payable in accordance with benefit terms. The OPEB Plan reports investments at fair value.
- S. 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.

- T. 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.
- U. 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/deeded 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.
- V. Changes in Accounting Standards** - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; GASB Statement No. 85, *Omnibus 2017*; and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The provisions of these standards have been incorporated into the financial statements and the notes. GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans other than Pension Plans*, was implemented during fiscal year 2018 with the creation of a trust for OPEB benefits. The implementation of GASB Statements No. 85 and No. 86 did not have a material impact on the financial statements and notes.

# Mississippi

## 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 \$3,901,227,000 of restricted net position, of which \$170,179,000 is restricted by enabling legislation.
- B. Deficit Net Position** - At June 30, 2018, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has a deficit net position of \$112,577,000. The deficit is a result of actual investment earnings being less than actuarial assumptions.
- C. Working Cash Stabilization Reserve Account** - The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches \$40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 10% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. The Account balance in excess of \$40,000,000 may be permanently transferred to the General Fund to cover deficits up to a maximum of \$50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 10% maximum is again attained. At June 30, 2018, the Account, as reported in the General Fund, has an unassigned fund balance of \$290,095,000.
- D. Fund Balances** - At June 30, 2018, the State's restricted, committed and assigned fund balances are summarized by purpose as follows (amounts expressed in thousands):

	Restricted	Committed	Assigned
<b>Governmental Funds</b>			
<b>General</b>			
General Government			
Fiscal Affairs	\$ 863	\$ 23,774	\$ 10,172
Regulatory	18,346	1,277	
Other	28,570	6,830	
Education	118,202	10,847	78
Health and Social Services	532,312	41,009	2,155
Law, Justice and Public Safety			
Highway Safety	18,209	6,156	
Judicial and Justice	33,426	2,878	
Other	23,636	6,828	
Recreation and Resources Development			
Industrial Development	548,227	4,773	393
Natural Resources	641,546	426	
Other	88,082	23,795	1,511
Regulation of Business and Professions	26,846	490	
Transportation			
Highways	215,729		
State Roads and Bridges	107,439		
Other	71,614		
Capital Projects	326,455		
Debt Service	280,295		
Total General Fund	3,079,797	129,083	14,309
<b>Permanent</b>			
Education	2,302		
Health and Social Services	494		
Recreation and Resources Development			
Wildlife Conservation	2,271		
Total Permanent Fund	5,067		
Total Governmental Funds	\$ 3,084,864	\$ 129,083	\$ 14,309

# Mississippi

**E. Restatements of Fund Balance and Net Position** – During fiscal year 2018, a prior period adjustment was made for a loan to promote economic development. The restatement of fund balance is as follows (amounts expressed in thousands):

<b>Fund Balance</b>	<b>June 30, 2017 as previously reported</b>	<b>Prior Period Adjustment</b>	<b>June 30, 2017 as restated</b>
<b>Governmental Funds:</b>			
General Fund	\$ 3,783,706	\$ 27,214	\$ 3,810,920

During fiscal year 2018, the State implemented GASB *Statements No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions* and *No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These Statements establish standards of accounting and financial reporting for defined benefit OPEB Plans and defined contribution OPEB Plans that are provided to the employees of state and local governments through OPEB plans that are administered through trusts or equivalent arrangements. A prior period adjustment was also made for the loan receivable as reported in the General Fund.

The restatement of net position is summarized as follows (amounts expressed in thousands):

<b>Net Position</b>	<b>June 30, 2017 as previously reported</b>	<b>Implementation of GASB Statements No. 74 and 75</b>	<b>Loan Receivable</b>	<b>June 30, 2017 as restated</b>
<b>Governmental Activities</b>				
Net Investment in capital assets	\$ 14,666,438	\$	\$	14,666,438
Restricted	3,374,220		27,214	3,401,434
Unrestricted (deficit)	(6,058,425)	(3,815)		(6,062,240)
<b>Total Governmental Activities</b>	<b>\$ 11,982,233</b>	<b>\$ (3,815)</b>	<b>\$ 27,214</b>	<b>\$ 12,005,632</b>
<b>Business-type Activities</b>				
Net Investment in capital assets	\$ 605,123	\$	\$	605,123
Restricted	686,601			686,601
Unrestricted (deficit)	416,087	(1,715)		414,372
<b>Total Business-type Activities</b>	<b>\$ 1,707,811</b>	<b>\$ (1,715)</b>	<b>\$</b>	<b>\$ 1,706,096</b>
<b>Total Primary Government</b>	<b>\$ 13,690,044</b>	<b>\$ (5,530)</b>	<b>\$ 27,214</b>	<b>\$ 13,711,728</b>
<b>Component Units:</b>				
Net Investment in capital assets	\$ 2,960,971	\$	\$	2,960,971
Restricted	1,520,816			1,520,816
Unrestricted (deficit)	(1,062,817)	(144,024)		(1,206,841)
<b>Total Component Units</b>	<b>\$ 3,418,970</b>	<b>\$ (144,024)</b>	<b>\$</b>	<b>\$ 3,274,946</b>

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## Note 3 - Interfund Transactions

At June 30, 2018, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To						Total
	General	Unemployment Compensation	Port Authority at Gulfport	State Life and Health Insurance Plan	Nonmajor Enterprise		
Governmental:							
General	\$	\$ 295	\$ 35,054	\$ 104	\$ 13,422	\$	48,875
Proprietary:							
Unemployment Compensation	1,833						1,833
Nonmajor Enterprise	27						27
Total	\$ 1,860	\$ 295	\$ 35,054	\$ 104	\$ 13,422	\$	50,735

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, 2018, 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	Unemployment Compensation	Universities	Nonmajor		
Primary Government:						
General	\$	\$	\$ 11,174	\$ 26	\$	11,200
Component Units:						
Universities	2,603	146				2,749
Nonmajor	92					92
Total	\$ 2,695	\$ 146	\$ 11,174	\$ 26	\$	14,041

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, 2018, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To					Total
	General	Pension and other Employee Benefits	Port Authority at Gulfport	Nonmajor Enterprise		
Governmental:						
General	\$	\$	90,499	\$ 6,676	\$	97,175
Permanent	1,017					1,017
Proprietary:						
State Life and Health Insurance Plan	2,100	1,000				3,100
Total	\$ 3,117	\$ 1,000	90,499	\$ 6,676	\$	101,292

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

## Note 4 - Deposits and Investments

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

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

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

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

### Primary Government Deposits (except for the System)

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

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

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

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

Under the criteria established by the Guaranty Pool Board, an approved guaranty pool member must meet the 75 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian). The agreement provides that if a loss to a public depositor in the guaranty pool is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment against other guaranty pool members on a pro rata basis.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, of the statewide collateral pool cash deposits reported by the financial institutions, \$434,000 was uninsured and uncollateralized. Of the cash deposits not included in the statewide collateral pool, \$801,000 was uninsured and uncollateralized, and \$17,507,000 was uninsured and collateral held by the pledging financial institution's trust department or agent was not in the government's name.



# Mississippi

## Primary Government Investment Policies (except for the System)

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

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

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

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

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

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

The State Treasurer, for the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account and the Board for the MPACT Account, are authorized to invest in the following:

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

School district bonds of the State;

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

Highway bonds of the State;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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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.

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

## Primary Government Investments (except for the System)

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Moody's or S&P credit ratings for the primary government's investments as of June 30, 2018 are as follows (amounts expressed in thousands):

Investment Type	Quality Ratings				
	AAA	AA	A	BBB	Not Rated
Asset backed securities	\$ 2,922	\$ 1,623	\$ 1,599	\$ 897	
Collateralized mortgage obligations	472	258			365,729
Corporate bonds	716	3,378	23,901	6,105	330
Mortgage pass-throughs					38,782
Municipal bonds		2,002			776
Mutual funds	85,394				57,575
U.S. Government agency obligations	9,775	1,005,899			27,999
Total	\$ 99,279	\$ 1,013,160	\$ 25,500	\$ 7,002	\$ 491,191

- 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, 2018, 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	\$ 7,041	\$	\$ 3,476	\$ 2,134	\$ 1,431
Collateralized mortgage obligations	410,330	472	8,220	77,476	324,162
Corporate bonds	36,900	4,784	18,798	7,733	5,585
Mortgage pass-throughs	41,308	789	5,215	16,989	18,315
State and local obligations	2,779	250	1,192	1,241	96
Mutual funds	112,757	55,183	9,677	47,897	
Other pass-throughs	306,528	390	6,188	15,042	284,908
U.S. Government agency obligations	1,049,213	449,033	585,716	11,909	2,555
U.S. Treasury Obligations	719,850	675,799	25,601	15,114	3,336
Zero coupon bonds	999	539	460		
Total Primary Government	\$ 2,687,705	\$ 1,187,239	\$ 664,543	\$ 195,535	\$ 640,388

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.

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

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

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

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. As of June 30, 2018, 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)
<b>Debt securities:</b>			
Asset backed securities	\$ 7,041	\$	\$ 7,041
Collateralized mortgage obligations	410,330		410,330
Corporate bonds	38,792	1,893	36,899
Fixed income securities	42,018	42,018	
International fixed	1,891	1,891	
Mortgage pass-throughs	41,308		41,308
Mutual funds	79,129	79,129	
Other pass-throughs	306,528		306,528
Real estate investments	12,271	12,271	
State and local obligations	2,467		2,467
U.S. Government agency obligations	1,048,088		1,048,088
U.S. Treasury obligations	731,622	731,622	
<b>Total Debt Securities</b>	<b>2,721,485</b>	<b>\$ 868,824</b>	<b>\$ 1,852,661</b>
<b>Equity securities:</b>			
Domestic equities	229,032	229,032	
International equities	41,301	41,301	
<b>Total Equity Securities</b>	<b>270,333</b>	<b>270,333</b>	
<b>Total Investments By Fair Value Level</b>	<b>2,991,818</b>	<b>\$ 1,139,157</b>	<b>\$ 1,852,661</b>
Open-ended comingled funds - foreign	60,165		
Real estate funds	17,019		
<b>Total Investments Measured at NAV</b>	<b>77,184</b>		
<b>Total Investments Measured at Fair Value</b>	<b>\$ 3,069,002</b>		

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Certain investments that are measured at fair value using the Net Asset Value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. Investments measured at NAV per share (or its equivalent) are (amounts expressed in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Open-ended comingled funds - foreign	\$ 60,165	\$ -	Daily	Up to 30 days
Real estate funds	17,019	-	Daily	Up to 60 days
<b>Total Investments at NAV</b>	<b>\$ 77,184</b>	<b>-</b>		

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

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

Federal Home Loan Bank	\$ 334,550	8.86%
Federal Home Loan Mortgage Corporation	564,584	14.96
Federal National Mortgage Association	380,123	10.07
Federal Farm Credit Bank	210,251	5.57

## 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, 2018, 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;

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Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

## System Investments

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

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The Moody's or S&P credit ratings for the System's investments as of June 30, 2018 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	\$ 1,369,201	\$ 42,774	\$ 46,396	\$ 21,221	\$ 10,697	\$ 3,554
Collateralized mortgage obligations	267,889	163,982	37,498	24,366	12,312	12,947
Commercial paper		45,300	382,914	2,904		
Corporate bonds	107,149	719,579	1,165,117	847,095	262,904	83,699
Mortgage pass-throughs		748,152				
Repurchase agreements	18,200	477,318				
Sovereign governments debt	160,639	167,499	182,092	209,546	172,146	176,155
State and local obligations	3,375	29,987	10,705	2,951	304	
U.S. Government agency obligations		60,423				
Yankee/Global bonds	17,163	11,153	456	2,228		
Total	\$ 1,943,616	\$ 2,466,167	\$ 1,825,178	\$ 1,110,311	\$ 458,363	\$ 276,355

Investment Type	Quality Ratings				
	Caa/CCC	Ca/CC	C/C	D/D	Not Rated
Asset backed securities	\$ 1,284	\$ 3	\$ 14	\$	6,968
Collateralized mortgage obligations	8,158	3,012			19,164
Commercial paper					45,337
Corporate bonds	9,976	534		2480	3,194
Repurchase agreements					176,874
Sovereign governments debt	9,567			2,088	49,956
Total	\$ 28,985	\$ 3,549	\$ 14	\$ 4,568	\$ 301,493

- 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 \$31,808,283,000 in investments at June 30, 2018, \$4,875,673,000 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, 2018, consisted of (amounts expressed in thousands):

Investment Type	Fair Value
Cash collateral securities	
Asset backed securities	\$ 1,177,225
Commercial paper	470,956
Corporate bonds	1,450,083
Repurchase agreements	429,716
Total cash collateral securities	3,527,980
Underlying securities on non-cash loans	
Debt securities	213,388
Equities	1,122,295
Real Estates Investment Trusts	12,010
Total underlying securities on non-cash loans	1,347,693
Total	\$ 4,875,673

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- 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, 2018, 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	\$ 1,502,112	\$ 1,304,424	\$ 126,940	\$ 35,138	\$ 35,610
Collateralized mortgage obligations	549,328	208,886	15,541	21,945	302,956
Commercial paper	476,455	476,455			
Corporate bonds	3,201,727	1,084,549	1,282,845	432,534	401,799
Mortgage pass-throughs	828,119	73	2,824	6,334	818,888
Repurchase agreements	672,392	672,392			
Sovereign governments debt	1,129,688	38,814	389,328	446,038	255,508
State and local obligations	47,322	154	14,641	6,459	26,068
U.S. Government agency obligations	60,423	43,263	6,697	394	10,069
U.S. Treasury obligations	1,149,439	219,931	286,502	323,535	319,471
Yankee/Global bonds	31,000		21,646	6,868	2,486
Total	\$ 9,648,005	\$ 4,048,941	\$ 2,146,964	\$ 1,279,245	\$ 2,172,855

During fiscal year 2018, 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 \$20,100,000 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 \$549,300,000 in CMOs at June 30, 2018. Of this amount, \$49,500,000 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 \$1,500,000,000 in ABS held at June 30, 2018, \$79,600,000 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, 2018, the System has invested in \$828,100,000 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.

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**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, 2018, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities and REITs	Debt Securities	Total Fair Value
Argentina peso	\$ (1,422)	\$	\$ 2,964	\$ 1,542
Australian dollar	(13,944)	300,971	8,016	295,043
Brazilian real	(10,249)	99,474	10,130	99,355
British pound sterling	(53,471)	951,577	54,083	952,189
Canadian dollar	(48,943)	204,552	49,835	205,444
Chilean peso		6,606		6,606
Chinese Yuan Renminbi	18,130			18,130
Columbian peso	(3,853)	1,190	2,178	(485)
Czech koruna		4,128		4,128
Danish krone	(15,606)	110,387	18,104	112,885
Egyptian pound	923			923
Euro	(364,652)	1,562,104	358,985	1,556,437
Hong Kong dollar	992	516,037		517,029
Hungarian forint		17,443		17,443
Indian Rupee	6,871	105,516		112,387
Indonesian rupiah	79	51,424	1,226	52,729
Israeli shekel	(4,450)	14,597		10,147
Japanese yen	(78,564)	1,149,752	85,892	1,157,080
Kenyan shilling		578		578
Malaysian ringgit	249	33,519	8,715	42,483
Mexican peso	6,298	58,402	42,360	107,060
New Taiwan dollar	(21,810)	162,878		141,068
New Zealand dollar	(44,344)	22,141	25,600	3,397
Norwegian krone	1,533	43,847		45,380
Pakistani rupee	53	9,222		9,275
Peruvian nuevo sol	(23)		1,292	1,269
Philippines peso		15,119		15,119
Polish zloty	(1,291)	21,461	1,369	21,539
Qatari riyal	4	2,093		2,097
Romanian leu	(3,647)			(3,647)
Russian ruble	7,560	4,984	4,588	17,132
Singapore dollar	(13,815)	78,551		64,736
South African rand	(17,858)	146,259	17,871	146,272
South Korean won	(5,484)	355,055		349,571
Swedish krona	(33,732)	144,316	33,760	144,344
Swiss franc	7,941	305,531		313,472
Thailand baht		54,735		54,735
Turkish lira	78	40,108		40,186
UAE dirham	5	49		54
Uruguayan peso			4,055	4,055
Total	\$ (686,442)	\$ 6,594,606	\$ 731,023	\$ 6,639,187



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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, 2018, 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, 2018, are as follows (amounts expressed in thousands):

Investment Type	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2018	
		Classification	Amount	Classification	Amount
Foreign currency forwards	\$ (31,835,635)	Investment income	\$ 7,764	Investment	\$(7,764)
To-be-announced securities	389,099	Investment income	1,623	Debt securities	389,515

- 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, 2018, 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 2018.

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 three days at June 30, 2018. 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, 2018, were 26 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 \$1,347,693,000 securities lent for securities collateral as of June 30, 2018. 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, 2018, the aggregate cost of securities lending holdings, including accrued interest, was \$3,533,512,000 (fair value of \$3,535,405,000) and the aggregate fair value, including accrued interest, of the underlying securities lent was \$4,724,228,000. The value of the collateral pledged by borrowers at year end was \$4,960,355,000.

- 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, 2018, 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)
<b>Debt securities:</b>				
Commercial paper	\$ 476,455	\$	\$ 476,455	\$
Repurchase agreement	672,392		672,392	
Short Term collateralized mortgage obligations	650		650	
Short Term U.S. Corporate bonds	168,774		168,774	
Short Term U.S. Government agency obligations	39,570		39,570	
Short Term U.S. Treasury obligations	189,150	189,150		
Short Term Sovereign government debt	23,207		23,207	
U.S. Government agency obligations	20,853		20,853	
U.S. Treasury obligations	960,289	960,289		
Collateralized mortgage obligations	549,328		549,328	
U.S. Corporate bonds	1,780,096	21,006	1,723,978	35,112
Non-U.S. Corporate bonds	1,252,857	3,925	1,248,932	
Mortgage pass-throughs	828,119		828,119	
State and local obligations	47,322		47,322	
Asset-Backed securities	1,501,462		1,501,462	
Yankee/Global bonds	31,000		31,000	
Sovereign government debt	1,106,481		1,106,481	
<b>Total Debt Securities</b>	<b>9,648,005</b>	<b>\$ 1,174,370</b>	<b>\$ 8,438,523</b>	<b>\$ 35,112</b>
<b>Equity securities:</b>				
Basic materials	749,922	749,922		
Communications	2,020,470	2,020,470		
Consumer, cyclical	1,771,658	1,771,658		
Consumer, non-cyclical	3,574,787	3,574,787		
Diversified	55,858	55,858		
Energy	1,096,158	1,096,158		
Financial	3,909,567	3,909,567		
Industrial	1,816,153	1,816,153		
Technology	2,066,989	2,066,557		432
Utilities	294,616	294,616		
<b>Total Equity Securities</b>	<b>17,356,178</b>	<b>17,355,746</b>		<b>432</b>
<b>Total Investments By Fair Value Level</b>	<b>27,004,183</b>	<b>\$ 18,530,116</b>	<b>\$ 8,438,523</b>	<b>\$ 35,544</b>
<b>Investments measured at NAV:</b>				
Real estate funds	2,393,367			
Private equity funds	2,053,831			
<b>Total Investments Measured at NAV</b>	<b>4,447,198</b>			
<b>Total Investments Measured at Fair Value</b>	<b>\$ 31,451,381</b>			
<b>International Currency</b>	<b>\$ 356,902</b>			
<b>Total Investments</b>	<b>\$ 31,808,283</b>			
<b>Investment derivative instruments:</b>				
Foreign exchange contracts (Liabilities)	1,059,494			
<b>Total Investment Derivative Instruments</b>	<b>\$ 1,059,494</b>			

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

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**Derivative Instruments** – The System held derivative instruments in the form of U.S. Treasury strips, collateralized mortgage obligations, asset-backed securities, and currency conversions as of June 30, 2018.

**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 10<sup>th</sup> 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, 2018, 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, 2018, 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
<b>Real Estate Funds:</b>				
Core - Open End	\$ 2,015,751	\$	Quarterly	45-90 days
Value Added - Closed End	274,931	321,222	N/A	10-12 years
Timber	102,685		Various*	Various*
<b>Total Real Estate</b>	<b>2,393,367</b>	<b>321,222</b>		
<b>Private Equity Funds:</b>				
Diversified	2,053,831	2,267,475	10-12 years	N/A
<b>Total Private Equity</b>	<b>2,053,831</b>	<b>2,267,475</b>		
<b>Total Investment Measured at NAV</b>	<b>\$ 4,447,198</b>	<b>\$ 2,588,697</b>		

*\*Based on partnership agreement terms*

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## Note 5 - Receivables

At June 30, 2018, receivables consisted of (amounts expressed in thousands):

Governmental Activities			
	General	Permanent	Total
Accounts	\$ 299,449	\$ 8	\$ 299,457
Settlements	600,000		600,000
Taxes:			
Sales	309,359		309,359
Income	295,785		295,785
Gasoline	41,150		41,150
Other	80,084		80,084
Interest and dividends	14,644	273	14,917
Other	5		5
Gross receivables	1,640,476	281	1,640,757
Allowance for uncollectibles	(248,558)		(248,558)
Receivables, net	\$ 1,391,918	\$ 281	\$ 1,392,199
Amounts not scheduled for collection in subsequent year	\$ 657,102		657,102

Business-type Activities					
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor	Total
Accounts	\$ 68,577	\$ 2,473	\$	\$ 3,918	\$ 74,968
Assessments	27,025				27,025
Interest and dividends		95	469	452	1,016
Gross receivables	95,602	2,568	469	4,370	103,009
Allowance for uncollectibles	(64,220)				(64,220)
Receivables, net	\$ 31,382	\$ 2,568	\$ 469	\$ 4,370	\$ 38,789

Component Units			
	Universities	Nonmajor	Total
Accounts	\$ 907,497	\$ 2,909	\$ 910,406
Interest	3,959	83	4,042
Gross receivables	911,456	2,992	914,448
Allowance for uncollectibles	(565,854)		(565,854)
Receivables, net	\$ 345,602	\$ 2,992	\$ 348,594

# Mississippi

## Note 6 - Due From Other Governments

At June 30, 2018, due from other governments consisted of (amounts expressed in thousands):

	<b>Governmental Activities</b>	
	<u>General</u>	
Due from other governments	\$	1,189,518
Allowance for uncollectibles		(26,726)
Due from other governments, net	\$	<u>1,162,792</u>
Amounts not scheduled for collection in subsequent year	\$	<u>635,626</u>

	<b>Business-type Activities</b>			
	Unemployment Compensation	Port Authority at Gulfport	Total	
Due from other governments	\$ 1,499	\$ 21	\$	1,520
Allowance for uncollectibles	(706)			(706)
Due from other governments, net	\$ 793	\$ 21	\$	<u>814</u>

## Note 7 - Loans and Notes Receivable

At June 30, 2018, loans and notes receivables consisted of (amounts expressed in thousands):

	<b>Primary Government</b>	<b>Component Units</b>
	<u>Governmental Activities</u>	
	<u>Governmental Funds</u>	
	<u>General</u>	<u>Universities</u>
Loans and notes receivable	\$ 415,247	\$ 259,582
Allowance for uncollectibles	(163,258)	(25,149)
Loans and notes receivable, net	<u>\$ 251,989</u>	<u>\$ 234,433</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 206,643</u>	<u>\$ 188,819</u>

# Mississippi

## Note 8 - Capital Assets

### Primary Government

Capital asset activity for the year ended June 30, 2018, was as follows (amounts expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,387,179	\$ 33,026	\$ 1,346	\$ 2,418,859
Construction in progress*	4,778,221	841,629	1,265,948	4,353,902
Total capital assets not being depreciated	7,165,400	874,655	1,267,294	6,772,761
Capital assets being depreciated:				
Software	154,879	17,045		171,924
Buildings	2,174,468	21,035	319	2,195,184
Land improvements	277,776	3,896		281,672
Machinery and equipment	755,893	46,130	42,609	759,414
Infrastructure	10,811,593	1,135,059	233,018	11,713,634
Total capital assets being depreciated	14,174,609	1,223,165	275,946	15,121,828
Less accumulated depreciation for:				
Software	34,810	10,319		45,129
Buildings	699,150	41,744	122	740,772
Land improvements	154,535	10,566		165,101
Machinery and equipment	521,652	44,942	27,702	538,892
Infrastructure	3,768,554	421,021	233,018	3,956,557
Total accumulated depreciation	5,178,701	528,592	260,842	5,446,451
Total capital assets being depreciated, net	8,995,908	694,573	15,104	9,675,377
Governmental activities capital assets, net	\$ 16,161,308	\$ 1,569,228	\$ 1,282,398	\$ 16,448,138

\*Deletions from Construction in progress includes disposal of an incomplete Wireless Communication Commission project.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 130,394	\$ 1,674	\$	\$ 132,068
Construction in progress	137,529	89,688	59,204	168,013
Total capital assets not being depreciated	267,923	91,362	59,204	300,081
Capital assets being depreciated:				
Buildings	99,841	28,582		128,423
Land improvements	121,528	90,491	69,056	142,963
Machinery and equipment	52,427	1,386	4,498	49,315
Infrastructure	185,693	7,560	5,103	188,150
Total capital assets being depreciated	459,489	128,019	78,657	508,851
Less accumulated depreciation for:				
Buildings	25,064	2,138		27,202
Land improvements	15,772	4,826	568	20,030
Machinery and equipment	16,731	3,085	2,783	17,033
Infrastructure	44,566	5,593	4,373	45,786
Total accumulated depreciation	102,133	15,642	7,724	110,051
Total capital assets being depreciated, net	357,356	112,377	70,933	398,800
Business-type activities capital assets, net	\$ 625,279	\$ 203,739	\$ 130,137	\$ 698,881

# Mississippi

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

## Governmental Activities:

General government	\$	33,841
Education		3,252
Health and social services		16,887
Law, justice and public safety		26,456
Recreation and resources development		10,247
Regulation of business and profession		175
Transportation		437,734
Total depreciation expense - governmental activities	\$	528,592

## Business-type Activities:

Port Authority at Gulfport	\$	13,980
Other business-type		1,662
Total depreciation expense - business-type activities	\$	15,642

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

	Project Authorization	Expended To Date	Outstanding Commitment
<b>Governmental Activities:</b>			
Department of Transportation	\$ 4,986,395	\$ 3,981,643	\$ 999,763
Department of Finance and Administration	176,114	167,659	8,364
Wireless Communication Commission	29,344	20,368	8,976
Department of Public Safety	37,306	36,943	61
Department of Health	35,650	35,650	
Department of Rehabilitation Services	13,578	13,536	
East MS State Hospital	41,227	21,279	18,886
Military Department	69,048	41,203	27,845
Other projects less than \$10 million	87,339	35,621	26,360
Total governmental activities	5,476,001	4,353,902	1,090,255
<b>Business-type Activities:</b>			
Port Authority at Gulfport	175,086	161,593	33,537
Yellow Creek Port Authority	15,487	6,420	9,160
Total business-type activities	190,573	168,013	42,697
Total construction in progress	\$ 5,666,574	\$ 4,521,915	\$ 1,132,952

# Mississippi

## Component Units

At June 30, 2018, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 113,814	\$ 10,857	\$ 124,671
Construction in progress	549,659	93	549,752
Total capital assets not being depreciated	663,473	10,950	674,423
Capital assets being depreciated:			
Buildings	4,108,751	25,626	4,134,377
Land improvements	413,496	50,952	464,448
Machinery and equipment	1,324,870	21,842	1,346,712
Infrastructure		45,463	45,463
Total capital assets being depreciated	5,847,117	143,883	5,991,000
Less accumulated depreciation	2,253,900	97,835	2,351,735
Total capital assets being depreciated, net	3,593,217	46,048	3,639,265
Component units capital assets, net	\$ 4,256,690	\$ 56,998	\$ 4,313,688

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

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

### A. General Obligation Bonds and Notes

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development and capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation notes are issued to provide funds for economic development. General obligation refunding bonds are issued to currently refund or advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. Certain general obligation refunding bonds issued by the State as of June 30, 2018 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, 2018, no arbitrage rebate liability existed.

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

### Restructured and Defeased Bonds

During fiscal year 2018, the State issued the following general obligation bonds, which are reported in governmental activities:

Taxable-Exempt General Obligation Bonds, Series 2017B (LIBOR Term Rate) totaling \$61,260,000 dated August 16, 2017. The Series 2017B Bonds were issued to restructure the \$78,625,000 State of Mississippi General Obligation Refunding Bonds, Series 2012D (SIFMA Index). The 2017B Bonds will initially and prior to Conversion bear interest at a rate equal to 67% of one-month LIBOR plus .33% (33 basis points) for the Initial Term Rate Period of August 20, 2017 to August 31, 2020, provided however, the interest rate on the 2017B Bonds shall never exceed 11% per annum.

Taxable General Obligation Bonds, Series 2017C (LIBOR Term Rate) totaling \$101,145,000 dated August 16, 2017. The series 2017C Bonds were issued to restructure the \$100,490,000 State of Mississippi General Obligation Refunding Bonds, Series 2012C (LIBOR Index). The 2017C Bonds will initially and prior to Conversion bear interest at a rate equal to one-month LIBOR plus .40% (40 basis points) for the Initial Term Rate Period of August 30, 2017 to October 31, 2020, provided however, the interest rate on the 2017C Bonds shall never exceed 11% per annum.



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The 2017B and 2017C Bonds will be subject to mandatory tender and remarketing on the initial Conversion Dates of September 1, 2020 and November 1, 2020, respectively.

Prior to August 30, 2017, the restructured bonds, State of Mississippi General Obligation Refunding Bonds, Series 2012C and 2012D, were associated with four hedging derivative instruments. On August 30, 2017, the hedging derivative instruments became associated with Series 2017B and 2017C. The hedging derivative instruments are discussed further in the Derivative Instruments section of this note.

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, 2018, \$656,010,000 of outstanding general obligation bonds are considered defeased.

# Mississippi

At June 30, 2018, the primary government's outstanding general obligation bonds and notes as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
<b>Governmental Activities:</b>				
Bonds:				
Technology Alliance	\$ 1,109	1.46% - 3.73%	Oct. 2026	\$ 2,050
Farish Street Historic District	289	3.38% - 4.35%	Nov. 2023	500
Heritage, History, and Culture Tourism	405	3.38% - 4.35%	Nov. 2023	700
Small Business and Existing Forestry Industry	2,895	2.88% - 4.35%	Nov. 2023	5,000
State Railroad Revitalization	580	3.38% - 4.35%	Nov. 2023	1,000
Sustainable Energy	400	1.75% - 4.35%	Nov. 2023	1,000
Local Governments Capital Improvements	11,835	1.47% - 3.73%	Oct. 2026	23,000
State Shipyard Improvements	68,084	1.43% - 3.73%	Dec. 2025	107,000
Hinds County Development Project Loans	14,300	2.05% - 4.17%	Dec. 2026	20,000
Job Protection	2,415	1.47% - 4.17%	Dec. 2026	4,000
Railroad Lines and Bridges Improvement	4,524	1.47% - 4.35%	Dec. 2026	7,400
Workforce Training	4,661	1.43% - 4.35%	Dec. 2026	8,000
Industry Incentive Financing	291,580	1.43% - 4.35%	Oct. 2027	388,010
Small Enterprise Development Finance	4,355	4.25% - 4.88%	July 2023	33,000
ACE Fund	69,411	1.43% - 5.54%	Oct. 2029	100,181
Existing Industry	29,618	1.75% - 5.54%	Oct. 2029	43,000
Rural Impact	3,674	1.75% - 5.54%	Oct. 2029	6,200
Statewide Wireless Communication System	28,404	1.47% - 5.54%	Oct. 2029	47,000
Major Economic Impact	197,603	1.43% - 5.54%	Dec. 2037	265,494
Port Improvements	5,812	5%	Dec. 2033	10,000
Rail Authority of East Mississippi	1,965	3% - 5%	Nov. 2035	2,384
North Central MS Regional Railroad Grant	24,490	1.43% - 3.16%	Nov. 2025	30,000
Railroad Improvements	2,123	1.43% - 3.16%	Nov. 2025	2,600
Farm Reform	1,925	1.47% - 5.67%	Oct. 2034	3,000
Small Municipalities and Limited				
Population Counties	18,062	1.43% - 5.67%	Oct. 2034	23,750
Business Investment	24,848	1.43% - 5.25%	Nov. 2034	30,391
Economic Development Highway	154,847	1.43% - 5.54%	Nov. 2034	190,000
Capital Improvements	1,008,187	1.43% - 5.67%	Dec. 2037	1,442,045
General Obligation Refunding Bonds *	1,823,734	1.47% - 11.0%	Oct. 2036	2,744,772
Local Governments Water System Improvement	2,353	2.05% - 5.25%	Oct. 2036	9,100
Local System Bridge Replacement and				
Rehabilitation	32,427	3.5% - 5.25%	Oct. 2036	77,200
Rural Fire Truck Acquisition	6,002	3.5% - 5.67%	Oct. 2036	8,910
Transportation	129,027	2.88% - 5.45%	Dec. 2037	192,263
Total Bonds	3,971,944			5,828,950
Premiums	252,230			-
Notes:				
Major Economic Impact	34,000	1.75%	July 2018	34,000
Local System Bridge Replacement and				
Rehabilitation	5,000	2.15%	May 2019	5,000
Total Governmental Activities	4,263,174			5,867,950
<b>Business-type Activities:</b>				
General Obligation Refunding Bonds	6,496	4.65% - 5.5%	Nov. 2022	27,365
Total General Obligation Bonds and Notes	<u>\$ 4,269,670</u>			<u>\$ 5,895,315</u>

\*General obligation refunding bonds include \$162,405,000 of outstanding variable rate bonds, \$155,375,000 of which have associated interest rate swap agreements. Under the interest rate swap agreements, the state pays the counterparty fixed rate payments ranging from 3.75% to 3.843% on \$55,375,000 and 5.248% to 5.708% on \$100,000,000. The state receives variable rate payments computed on one-month LIBOR. The remaining outstanding general obligation bonds have fixed rates of interest.

# Mississippi

At June 30, 2018, 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
2019	\$ 311,817	\$ 170,904	\$ 6,188	\$ 161
2020	249,707	159,132	128	13
2021	385,784	144,555	71	7
2022	226,506	133,311	74	4
2023	221,145	124,727	35	1
2024 - 2028	1,021,090	493,115		
2029 - 2033	968,970	264,460		
2034 - 2038	625,925	47,490		
Total	4,010,944	1,537,694	6,496	186
Premiums	252,230			
Total Debt Service, Net	\$ 4,263,174	\$ 1,537,694	\$ 6,496	\$ 186

## Derivative Instruments

The State entered into interest rate swap agreements in connection with \$155,375,000 of outstanding variable rate debt in order to hedge changes in cash flows. At June 30, 2018, 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
2017C	\$ 50,000,000	Aug. 2017	Nov. 2028	Pay 5.708%; receive one-month LIBOR	AA-/Aa2/AA
2017C	50,000,000	Aug. 2017	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A/A1/AA-
2017B	25,195,000	Aug. 2017	Sept. 2025	Pay 3.843%; receive one-month LIBOR x 67%	BBB+/A3/A
2017B	30,180,000	Aug. 2017	Sept. 2027	Pay 3.750%; receive one-month LIBOR x 67%	BBB+/A3/A

The swaps associated with the 2017B and 2017C 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 index for the 2017B and 2017C variable rate bonds is LIBOR. For the 2017B and 2017C 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 2015 through June 2018, to determine if the potential hedging derivative instruments were effective as of June 30, 2018. 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 is -0.998. Based on these parameters required to apply hedge accounting, 2017B and 2017C 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 2017C and 2017B bonds. The restructuring of the associated bonds resulted in a conversion date of September 1, 2020 and final maturity of September 1, 2027 for the 2017B bonds, and a conversion date of November 1, 2020 and final maturity of November 1, 2028 for the 2017C bonds.

**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, 2018 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, 2018	
		Classification	Amount	Classification	Amount
2017C	\$ 50,000	Interest expense	\$ 1,780	Borrowing	\$ (15,670)
		Deferred inflows of resources	3,410	At-market derivative	3,885
		Investment revenue	(1,075)	Investment derivative	0
2017C	50,000	Interest expense	1,647	Borrowing	(10,221)
		Deferred inflows of resources	2,823	At-market derivative	3,019
		Investment revenue	(832)	Investment derivative	0
2017B	25,195	Interest expense	647	Borrowing	(2,515)
		Deferred inflows of resources	627	At-market derivative	671
		Investment revenue	(198)	Investment derivative	0
2017B	30,180	Interest expense	717	Borrowing	(3,602)
		Deferred inflows of resources	897	At-market derivative	970
		Investment revenue	(291)	Investment derivative	0
	\$ 155,375		\$ 10,152		\$ (23,463)

**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, 2018, future debt service requirements on the 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
2019	5,180	3,374	4,580	13,134
2020	5,400	3,281	4,445	13,126
2021	144,795	971	1,297	147,063
	\$ 155,375	\$ 7,626	\$ 10,322	\$ 173,323

**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, 2018, as all hedging 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 the LIBOR swap index, which may differ from the interest rates for the State's variable rate bonds. As of June 30, 2018, the weighted average variable interest rate paid on the bonds was 2.21947%, while the one-month LIBOR was 2.09025%.

# Mississippi

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

*Market-Access Risk and Rollover Risk* – The swap agreements are for the same maturity terms as the hedged variable rate bonds. Therefore, the State is not exposed to market access risk or rollover risk that would be present if the swap agreements' maturity terms ended prior to the maturities of the hedged bonds.

## B. Limited Obligation Bonds

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

These bonds, with an original issue amount of \$200,000,000, were issued to provide funding for road and bridge projects and mature serially through fiscal year 2036 with interest rates ranging from four to five percent. At June 30, 2018, the primary government's future limited obligation debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2019	\$ 6,755	\$ 9,367
2020	7,065	9,056
2021	7,430	8,693
2022	7,810	8,312
2023	8,210	7,912
2024 - 2028	47,815	32,794
2029 - 2033	61,395	19,211
2034 - 2036	44,920	3,444
Total	191,400	98,789
Premiums	23,758	
Total Debt Service, Net	\$ 215,158	\$ 98,789

# Mississippi

## Note 10 - Bonds Authorized But Unissued

At June 30, 2018, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
<b>General Obligation Bonds</b>		
ACE Fund	\$ 131,650	\$ 27,000
Business Investment Act	358,500	54,223
Capital Improvements	583,374	110,696
Deer Island Project	10,000	1,200
Economic Development Highway	374,500	55,600
Farm Reform	128,000	20,000
Major Economic Impact	1,510,800	363,110
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	135,645
Technology Alliance	4,000	950
Transportation - Access Roads	4,000	4,000
	<u>\$ 3,292,674</u>	<u>\$ 798,024</u>

## 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, 2018, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
<b>Component Units</b>				
Universities:				
Bonds	\$ 1,298,338	.29% - 6.84%	June 2047	\$ 1,878,658
Notes	33,784	1.39% - 3%	June 2033	37,505
Total Component Units	<u>\$ 1,332,122</u>			<u>\$ 1,916,163</u>

At June 30, 2018, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units	
	Principal	Interest
2019	\$ 49,590	\$ 54,334
2020	50,143	53,321
2021	52,309	49,769
2022	51,086	48,008
2023	52,022	67,727
2024-2028	274,102	192,074
2029-2033	283,063	131,446
2034-2038	245,630	75,442
2039-2043	187,548	34,624
2044-2048	86,629	6,215
	<u>\$ 1,332,122</u>	<u>\$ 712,960</u>

# Mississippi

## Note 12 - Other Long-term Liabilities

**A. Compensated Absences** - The State's liability for compensated absences at June 30, 2018 is \$118,315,000 for governmental activities and \$696,000 for business-type activities. For governmental activities, accrued compensated absences are generally paid out of the general fund. The component units' liability for compensated absences is \$118,572,000 of which \$117,870,000 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, 2018, five 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, 2018, the primary government's pollution remediation obligation is \$38,274,000. 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, 2018, 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	\$ 27,095	5%	Jul. 2019	\$ 57,325
Energy efficiency	8,716	3.10% - 4.50%	Apr. 2026	12,606
Buildings	189,755	2% - 5.37%	Jul. 2031	325,745
Roads and bridges	654,985	1% - 6.59%	Jan. 2040	832,471
Total	880,551			1,228,147
Premiums	76,614			
Total Notes Payable, Net	<u>\$ 957,165</u>			<u>\$ 1,228,147</u>

### Refunding and Defeased Notes

During fiscal year 2018, the State issued \$59,445,000 of refunding notes to advance refund a portion of notes payable reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 10 years by \$4,428,000, and obtain an economic gain (the difference between the present value of the debt service payments for the refunded and refunding notes) of \$3,845,000.

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, 2018, \$163,065,000 of outstanding notes are considered defeased.

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At June 30, 2018, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2019	\$ 66,593	43,647
2020	68,286	40,524
2021	57,277	37,666
2022	59,951	34,955
2023	61,947	35,318
2024-2028	331,631	124,235
2029-2033	132,585	53,005
2034-2038	78,790	19,933
2039-2040	23,491	2,275
Total	880,551	391,558
Premiums	76,614	
Total Debt Service, Net	\$ 957,165	\$ 391,558

- 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, 2018, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	\$	\$ 700
Machinery and Equipment	16,249	293
Accumulated Depreciation	(9,163)	(100)
Total	\$ 7,086	\$ 893

The discretely presented component units recorded capital assets acquired through capital leases of \$1,668,000.

At June 30, 2018, 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
2019	\$ 3,262	\$ 41	\$ 3,303	\$ 624
2020	2,084		2,084	354
2021	2,032		2,032	337
2022	807		807	157
2023	185		185	351
Total Minimum Lease Payments	8,370	41	8,411	1,823
Less Interest	498	1	499	196
Present Value of Minimum Lease Payments	\$ 7,872	\$ 40	\$ 7,912	\$ 1,627



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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, 2018 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds and Notes (Note 9)	\$ 4,136,647	\$ 310,200	\$ 435,903	\$ 4,010,944	\$ 311,817
Premiums/Discounts (Note 9)	273,192	3,942	24,904	252,230	23,336
Limited Obligation Bonds (Note 9)	196,595		5,195	191,400	6,755
Premiums (Note 9)	25,132		1,374	23,758	1,374
Notes Payable (Note 12)	949,024	63,301	131,774	880,551	66,593
Premiums (Note 12)	81,136	12,545	17,067	76,614	9,184
Total Bonds and Notes	5,661,726	389,988	616,217	5,435,497	419,059
Derivative Instruments (Note 9)	33,615		10,152	23,463	
Capital Lease Obligations (Note 12)	11,124	1,819	5,071	7,872	3,044
Accrued Compensated Absences (Note 12)	116,446	70,647	68,778	118,315	10,580
Pollution Remediation Obligation (Note 12)	37,279	11,512	10,517	38,274	6,771
	<u>\$ 5,860,190</u>	<u>\$ 473,966</u>	<u>\$ 710,735</u>	<u>\$ 5,623,421</u>	<u>\$ 439,454</u>
<b>Business-type Activities:</b>					
General Obligation Bonds (Note 9)	\$ 6,673	\$	\$ 177	\$ 6,496	\$ 6,188
Capital Lease Obligations (Note 12)	120		80	40	40
Accrued Compensated Absences (Note 12)	669	333	306	696	44
	<u>\$ 7,462</u>	<u>\$ 333</u>	<u>\$ 563</u>	<u>\$ 7,232</u>	<u>\$ 6,272</u>

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 – Tax Abatements

As of June 30, 2018, the State provides tax abatements through eight programs subject to the requirements of GASB Statement No. 77: the Jobs Tax Credit; the Investment Tax Credit; the Income Tax Exemption; the Fee In Lieu of Franchise Tax; the Sales and Use Tax Exemption to Establish and Operate the Project; the Sales and Use Tax Exemption for Machinery, Tooling, Leases, Repair parts and Services; the Withholding Rebate for New Job Creation; and the Withholding Rebate for Maintaining Existing Jobs. The eight programs are available to entities authorized in Section 57-75-5 (f) of Mississippi Code Ann. (1972) to encourage businesses to locate or expand operations in the State and to create significant new job opportunities for State residents.

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

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

The Income Tax Exemption Program provides a full exemption from state income tax to eligible entities that commit to make certain capital investments, to create a certain number of jobs and to maintain those employment levels. An eligible entity is granted a full exemption from state income tax for a period of 20 to 25 years, including the year in which the exemption commences. The eligible entity can elect the date on which the exemption begins, though it typically cannot begin until the committed number of jobs is in place and it must start within five years of the start of production. If in any taxable year to which

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the exemption applies the average number of jobs falls below the business's jobs commitment, the income tax exemption may be reduced or suspended until the required number of jobs is restored. There are no recapture provisions for this program.

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

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

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

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

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

The amounts of taxes abated during fiscal year 2018 are (amounts expressed in thousands):

Program	Amount Abated
Jobs Tax Credit	\$ - *
Investment Tax Credit***	-
Income Tax Exemption***	-
Withholding Rebate for New Job Creation	- *
Withholding Rebate for Maintaining Existing Jobs***	-
Aggregate total of tax credits, tax rebates, and income tax exemption	17,495
Sales and Use Tax Exemption to Establish and Operate the Project	- **
Sales and Use Tax Exemption for Machinery, Tooling, Leases, Repair Parts and Services	- **
Total Sales and Use Tax Exemptions	9,259
Fee in Lieu of Franchise Tax	9,450
Total	\$ 36,204

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

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

\*\*\*There are no taxes abated under these programs.

# Mississippi

## Note 15 - Retirement Plans

### Plan Description

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

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

### Membership and Benefit Provisions

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

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

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2018, the total annual COLA payments for PERS were \$650,466,000.

**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, 2018, the total annual COLA payments for MHSPRS were \$9,980,000.

**Municipal Retirement Systems:** Membership in the two general Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems was granted to all municipal employees, fire fighters, and police officers who were not already

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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, 2018, the total COLAs for MRS plans were \$5,522,000.

**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, 2018, the total COLAs for SLRP were \$323,000.

## 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	.80 – 5.82 mills****	N/A
Plan members	9%	7.25%	7% - 10%	3% **
Employer contributions made	\$ 1,018,163	\$ 15,128***	\$ 17,610	\$ 513

\* 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 employer contributions in the pension trust funds. Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of \$3,500,000 (11.82 percent of payroll) was used to calculate the actuarially determined contributions for MHSPRS. The actual amount received in 2018 was \$3,494,000.

\*\*\*\* 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, 2018, the State reported a liability of \$2,928,709,000 for its proportionate share of the net pension liability in PERS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date, the State's proportion was 17.62%.

At June 30, 2018, the State reported a net pension liability of \$156,273,000 and \$3,457,000 for MHSPRS and SLRP, respectively. The net pension liability was measured as of June 30, 2017, 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)
<b>Balances at June 30, 2017</b>	<b>\$ 494,101</b>	<b>\$ 311,612</b>	<b>\$ 182,489</b>
<b>Changes for the Year:</b>			
Service Cost	7,328		7,328
Interest	37,086		37,086
Difference between expected and actual experience	(5,780)		(5,780)
Changes in assumptions	(3,598)		(3,598)
Contributions - employer		14,809	(14,809)
Contributions - employee		2,147	(2,147)
Net investment income		44,499	(44,499)
Benefit payment, including refunds of employee contributions	(31,145)	(31,145)	0
Administrative expense		(203)	203
<b>Net Changes</b>	<b>3,891</b>	<b>30,107</b>	<b>(26,216)</b>
<b>Balances at June 30, 2018</b>	<b>\$ 497,992</b>	<b>\$ 341,719</b>	<b>\$ 156,273</b>

SLRP	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at June 30, 2017</b>	<b>\$ 21,259</b>	<b>\$ 15,768</b>	<b>\$ 5,491</b>
<b>Changes for the Year:</b>			
Service Cost	433		433
Interest	1,593		1,593
Difference between expected and actual experience	(204)		(204)
Changes in assumptions	(868)		(868)
Contributions - employer		522	(522)
Contributions - employee		212	(212)
Net investment income		2,264	(2,264)
Benefit payment, including refunds of employee contributions	(1,414)	(1,414)	0
Administrative expense		(10)	10
<b>Net Changes</b>	<b>(460)</b>	<b>1,574</b>	<b>(2,034)</b>
<b>Balances at June 30, 2018</b>	<b>\$ 20,799</b>	<b>\$ 17,342</b>	<b>\$ 3,457</b>

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For the year ended June 30, 2018, the State recognized pension expense of \$311,445,000 for PERS, \$20,396,000 for MHSPRS, and \$107,000 for SLRP. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>PERS</b>		
Difference between expected and actual experience	\$ 42,869	\$ 21,321
Net difference between projected and actual earnings on pension plan investments	74	37,178
Changes in proportion	67,125	5,048
Changes of assumptions	1,268	64,563
Contributions subsequent to the measurement date	172,818	
Total PERS	284,154	128,110
<b>MHSPRS</b>		
Differences between expected and actual experience	2,670	4,457
Net difference between projected and actual earnings on pension plan investments		2,956
Changes of assumptions	5,379	2,775
Contributions subsequent to the measurement date	15,128	
Total MHSPRS	23,177	10,188
<b>SLRP</b>		
Differences between expected and actual experience		476
Net difference between projected and actual earnings on pension plan investments		158
Changes of assumptions	123	682
Contributions subsequent to the measurement date	513	
Total SLRP	636	1,316
Total	\$ 307,967	\$ 139,614

Contributions subsequent to the measurement date of \$172,818,000 for PERS, \$15,128,000 for MHSPRS and \$513,000 for SLRP reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year ended June 30	PERS Net Outflows & Inflows of Resources	MHSPRS Net Outflows & Inflows of Resources	SLRP Net Outflows & Inflows of Resources
2019	\$ 12,478	\$ 1,223	\$ (439)
2020	28,519	2,730	(184)
2021	(1,199)	(1,911)	(357)
2022	(56,572)	(4,181)	(213)
Total	\$ (16,774)	\$ (2,139)	\$ (1,193)

## Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MHSPRS	SLRP
Inflation	3 %	3 %	3 %
Salary increases, including inflation	3.25% - 18.5 %	3.25% - 8.81 %	3.25 %
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.

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Mortality rates for PERS, MHSPRS and SLRP were based on the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022, set forward one year for males with adjustments.

The actuarial assumptions for PERS, MHSPRS and SLRP used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2016. The experience report is dated April 18, 2017.

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, 2017, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
U.S. Broad	27 %	4.60 %
International equity	18	4.50
Emerging markets equity	4	4.75
Global	12	4.75
Fixed income	18	0.75
Real assets	10	3.50
Private equity	8	5.10
Emerging Debt	2	2.25
Cash	1	0.00
Totals	100 %	

## Changes of Assumptions

For PERS, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected the Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumption was reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

For MHSPRS, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with scale BB to 2022. The wage inflation assumptions were reduced from 3.75% to 3.25%. Pre-retirement Mortality, withdrawal and disability retirements rates were also adjusted to more closely reflect actual experience. Assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience.

For SLRP, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Pre-retirement mortality rates and service retirement rates were also adjusted to more closely reflect actual experience. Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The beginning of the attribution period was changed to be the first period in which a member's service accrues pension under the Supplemental Legislative Retirement Plan.

## Single-Employer Benefit Plan Employees

The following employees were covered by the benefit terms of MHSPRS and SLRP at June 30, 2017:

	MHSPRS	SLRP
Inactive employees or beneficiaries currently receiving benefits	726	205
Inactive employees assumed eligible for a benefit at retirement date.	40	36
Inactive employees assumed not to receive service retirement benefits	19	20
Active employees	470	174
Totals	1,255	435

## 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

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rate 15.75%, 37% and 7.4% for PERS, MHSPRS and SLRP, respectively. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plans members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Net Pension Liability	1% Decrease		Current Discount Rate		1% Increase	
	6.75%		7.75%		8.75%	
PERS	\$	3,841,197	\$	2,928,709	\$	2,171,146
MHSPRS		216,604		156,273		106,180
SLRP		5,527		3,457		1,679
Total	\$	<u>4,063,328</u>	\$	<u>3,088,439</u>	\$	<u>2,279,005</u>

Detailed information about the PERS, MHSPRS and SLRP pension plans is available on the PERS of Mississippi website at [www.pers.ms.gov](http://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 Life and Health Insurance Plan (the Plan) 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 Plan. The Plan provides other postemployment benefits (OPEB) as a cost-sharing multiple-employer defined benefit OPEB plan.

The 14-member Board, which administers the Plan, is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The Board has a fiduciary responsibility to manage the funds of the Plan.

### Benefits Provided

Benefits of the Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing healthcare benefits to retirees under age 65 and the average cost of providing healthcare benefits to all participants when premiums paid by retirees are not age-adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan.

Per section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affect the overall cost of the Plan to the State, then the Board may impose a premium surcharge not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

The Plan offers a base option and a select option for health benefits for non-Medicare participants. The Plan includes a separate level for Medicare eligible retirees, Medicare eligible surviving spouses and Medicare eligible dependents of retirees and surviving spouses.



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## Contributions

Pursuant to the authority granted by Mississippi Statue, the Board has the authority to establish and change premium rates for the participants, employers, and other contributing entities. The required premiums vary based on the plan selected and the type of participant. Employees' premiums are paid primarily by the employer. Employers do not pay premiums for retirees nor premiums for active employee spouse and dependent medical coverage. At June 30, 2018, the State's actuarially determined contributions to the OPEB plan were \$8,097,000.

## OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the State reported a liability of \$188,888,000 for its proportionate share of the net OPEB liability. The liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The State's proportion of the OPEB liability was based on a projection of the long-term share of contribution to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date the State's proportion was 24.07%.

For the year ended June 30, 2018, the State recognized OPEB expense of \$8,693,000. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in proportion	\$ 9,479	\$ 13,583
Changes in assumptions		9,616
Contributions subsequent to the measurement date	8,097	
Total	\$ 17,576	\$ 23,199

Contributions subsequent to the measurement date of \$8,097,000 reported as deferred outflows of resources will be recognized as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30	Net Outflows & Inflows of Resources
2019	\$ (2,407)
2020	(2,407)
2021	(2,407)
2022	(2,407)
2023	(2,407)
Thereafter	(1,685)
Total	\$ (13,720)

## Actuarial Assumptions

The collective total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to the periods included in the measurement:

Inflation	3%
Salary increases, including inflation	3.25% - 18.5%
Investment rate of return	3.56%
Municipal bond index rate	3.56%
Single equivalent interest rate	3.56%
Healthcare cost trend rates	.75% for 2017 decreasing to an ultimate rate of 5% by 2023
Retirement age – by employee type shown:	
Highway safety patrol	Any age with 25 years of service Age 55 with at least 5 years of service Age 45 with at least 20 years of service
General state and school employees hired before July 1, 2011	Any age with 25 years of service or hired before July 1, 2007 Age 60 with at least 4 years of service or hired after July 1, 2007 Age 60 with at least 8 years of service

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General state and school employees hired on or after July 1, 2011

Any age with 30 years of service or  
Age 60 with at least 8 years of service

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022, male rates set forward one year and adjusted to 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward four years for males and three years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of the last actuarial experience study, dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capital costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

## Changes in Actuarial Assumptions and Methods

The discount rate was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.

### Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The discount rate determination was based on an average of the Bond Buyer General Obligation 20 year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer. Since there were no assets in a trust on the measurement date, there is no long-term expected return determination, and there was no projection of cash flows for the plan. The OPEB plan was projected to be depleted in 2017.

### Sensitivity of the State's proportionate Share of the collective OPEB Liability to Changes in the Discount Rate

The following table presents the State's proportionate share of the net OPEB liability using the discount rate of 3.56%, as well as what the State's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate (amounts expressed in thousands):

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
State's proportionate share of net OPEB liability	\$ 193,876	\$ 188,888	\$ 185,173

### Sensitivity of the State's proportionate Share of the collective OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the State's proportionate share of the net OPEB liability using the healthcare trend rate of 7.75% decreasing to 5% by 2023, as well as what the State's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (6.75% decreasing to 4%) or 1-percentage-point higher (8.75% decreasing to 6%) than the current rate (amounts expressed in thousands):

	1% Decrease (6.75% decreasing to 4%)	Current Discount Rate (7.75% decreasing to 5%)	1% Increase (8.75% decreasing to 6%)
State's proportionate share of net OPEB liability	\$ 174,450	\$ 188,888	\$ 205,369

## Additional Accounting Policies, Actuarial Assumptions and Methods

Since the OPEB Plan does not issue separate financial statements, note disclosures are required to be presented in accordance with GASB 74. Financial Reporting for Postemployment Benefit Plans Other than Pension Plans are being reported in the State's notes to the financial statements.

Retired members and surviving spouses currently receiving benefits	25,562
Retire members receiving life insurance only	7,122
Active members	108,918
Total	141,602

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The components of the net OPEB liability of the OPEB Plan at June 30, 2018, were as follows (amounts expressed in thousands):

Total OPEB liability	\$	774,550
Plan fiduciary net position		1,000
Net OPEB liability	\$	<u>773,550</u>

Fiduciary net position as a percentage of the total OPEB liability	0.13%
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## Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

Actuarial Cost Method	Entry Age
Inflation	3%
Future ad hoc cost-of-living increases	None
Salary increases	3.25% - 18.5%
Discount rate – based on municipal bond index rate at:	Measurement date 3.89%
	Measurement date prior year 3.56%
Healthcare cost trend rates	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Experience study	April 18, 2017
Retirement age – by employee type shown:	
Highway safety patrol	Any age with 25 years of service
	Age 55 with at least 5 years of service
	Age 45 with at least 20 years of service
General state and school employees hired before July 1, 2011	Any age with 25 years of service or hired before July 1, 2007
	Age 60 with at least 4 years of service or hired after July 1, 2007
	Age 60 with at least 8 years of service
General state and school employees hired on or after July 1, 2011	Any age with 30 years of service or
	Age 60 with at least 8 years of service

Mortality Rates – RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with male rates set forward one year and adjusted by 106% for males at all ages and as follows for females: 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward four years for males and three years for females.

## Contributions

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. A trust was created June 28, 2018 for the purpose of funding for the OPEB Plan. At June 30, 2018, the actuarially determined contributions of the OPEB plan were \$33,449,000.

## Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Equity in internal investment pool is cash equity with the Office of State Treasurer and consists of pooled demand deposits and investments recorded at fair value. The OPEB Plan's investment policies are disclosed in Note 4, Deposits and Investments.

## Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the employer calculated using the discount rate of 3.89%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.89%) or 1-percentage point higher (4.89%) than the current rate (amounts presented in the thousands):

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	1% Decrease 2.89%	Current Discount Rate 3.89%	1% Increase 4.89%
Net OPEB liability	\$ 857,461	\$ 773,550	\$ 701,384

## Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB Liability of the employer calculated using the healthcare cost trend rate of 7.25% decreasing to 4.75%, as well as what the net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.25% decreasing to 3.75%) or 1-percentage-point higher (8.25% decreasing to 5.75%) than the current healthcare cost trend rates (amounts shown in thousands):

	1% Decrease (6.25% decreasing to 3.75%)	Current Discount Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Net OPEB liability	\$ 716,563	\$ 773,550	\$ 838,271

Detailed information about the Life and Health OPEB Plan is available on the Department of Finance and Administration website at [www.dfa.ms.gov](http://www.dfa.ms.gov).

## 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, 2018 are as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2019	21,976
2020	20,168
2021	15,169
2022	12,541
2023	11,392
2024 - 2028	43,600
2029 - 2033	30,496
2034 - 2038	3,306
2039 - 2043	168
2044 - 2048	90
2049 - 2053	12
Total Minimum Commitments	\$ 158,918

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2018 amounted to \$23,410,000.

### B. Contracts

At June 30, 2018, the Department of Transportation had contracts outstanding of approximately \$967,514,000 with performance continuing during fiscal year 2019. Of this amount \$27,130,000 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 64 percent of future expenditures related to

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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 \$84,250,000 outstanding at June 30, 2018 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 24 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 \$113,343,000 at June 30, 2018. These contracts will be paid from the General fund.

The Military Department had contracts outstanding of approximately \$27,845,000 at June 30, 2018. 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 \$13,494,000 at June 30, 2018. 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 \$13,570,000 at June 30, 2018. These contracts were primarily for the construction of the Mississippi Wireless Information Network state-wide digital trunked land mobile radio system including enhancements which add broadband data capabilities. Future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred.

## C. Encumbrances

Encumbrances represent executed but unperformed purchase orders that are reported within governmental funds as restricted, committed, or assigned fund balance. At June 30, 2018; the encumbrance amounts in the General Fund were \$27,565,000.

## Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities for fiscal years 2017 and 2018 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance	Due within one year
2017	\$ 135,726	\$ 914,062	\$ 866,402	\$ 183,386	\$ 141,947
2018	183,386	809,300	819,002	173,684	137,179

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

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

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

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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. Three major state agencies have been granted exemption from participation in the Risk Management Fund.

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

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

## Note 19 - Contingencies

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

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

Additionally, the Division of Medicaid has also 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. Of the \$107,926,000 in pending litigation, the State's legal counsel considers \$14,030,000 probable and reasonably estimable that a liability has occurred and is reported in the accompanying financial statements. The State's legal counsel also believes that the remaining \$93,896,000 is reasonably possible that a liability has been incurred as of June 30, 2018. 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, 2018, outstanding MDA loan guarantees totaled \$32,405,000.

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, 2018, the remaining outstanding CDL loan guarantees totaled \$4,656,000. The loan guarantees expire January 7, 2020.

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- D. Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately \$2,127,946,000 at June 30, 2018. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

## Note 20 - Subsequent Events

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of \$349,057,000 from the Working Cash Stabilization Reserve Account and \$158,213,000 from budgetary special funds as of April 12, 2019. In order to comply with State law, all borrowings must be repaid by the end of the fiscal year.

Draws of \$135,000,000 were made subsequent to year end on the Taxable General Obligation Note, Series 2018A issued March 29, 2018. The note was issued to provide funding for the Major Economic Impact. A principal payment of \$34,000,000 was made in November 2018 from proceeds of the General Obligation Bonds, Series 2018B. The note matured April 1, 2019 and the \$101,000,000 balance was paid off with a draw from Taxable General Obligation Note, Series 2019A as discussed below.

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

General Obligation Bonds, Series 2018A totaling \$188,860,000 dated October 17, 2018. These bonds were issued to provide funding for Capital Improvements. These bonds have principal payments beginning in November 2030 and will mature serially through November 2038 with interest payments ranging from 4% to 5%.

Taxable General Obligation Bonds, Series 2018B, totaling \$152,975,000 dated October 17, 2018. These bonds were issued for the purpose of funding Capital Improvements, Major Economic Impact, ACE Fund, and Business Investment. These bonds have principal payments beginning in November 2020 and will mature serially through November 2030 with interest payments ranging from 3.308% to 4.001%.

Gaming Tax Revenue Bonds, Series 2019A totaling \$268,775,000 dated January 10, 2019. These bonds were issued for the purpose of the State's Emergency Road and Bridge Repair Fund and Transportation and Infrastructure Improvements Fund. These bonds have principal payments beginning in October 2019 and will mature serially through October 2038 with interest payments ranging from 4% to 5%.

Taxable General Obligation Note, Series 2019A totaling \$198,000,000 dated March 28, 2019. This note was issued to provide funding for the Major Economic Impact Act. The current outstanding balance is \$101,000,000. Interest is payable semi-annually on the outstanding balance at the rate of 3.25%. The principal balance is payable on or before March 15, 2022.

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## Required Supplementary Information

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Sales tax	\$ 2,060,300	\$ 2,060,300	\$ 2,082,930	\$ 22,630
Individual income tax	1,841,100	1,841,100	1,826,570	(14,530)
Corporate income and franchise taxes	550,900	550,900	572,299	21,399
Use and wholesale compensating taxes	234,300	234,300	257,512	23,212
Tobacco, beer and wine taxes	176,100	176,100	167,755	(8,345)
Insurance tax	307,100	307,100	339,746	32,646
Oil and gas severance taxes	29,800	29,800	31,806	2,006
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	74,700	74,700	78,448	3,748
Other taxes	10,800	10,800	10,526	(274)
Interest	11,150	11,150	13,335	2,185
Auto privilege, tag and title fees	11,600	11,600	7,797	(3,803)
Gaming fees	143,500	143,500	136,303	(7,197)
Highway Safety Patrol fees	22,500	22,500	19,022	(3,478)
Other fees and services	101,500	101,500	107,263	5,763
Miscellaneous	23,300	23,300	7,122	(16,178)
Court assessments and settlements			32,190	32,190
Special Fund revenues				
Total Revenues	5,598,650	5,598,650	5,690,624	91,974
<b>Expenditures by Major Budgetary Function</b>				
Legislative	25,011	25,052	24,839	(213)
Judiciary and justice	94,156	95,871	94,294	(1,577)
Executive and administrative	16,656	16,656	15,515	(1,141)
Fiscal affairs	140,672	140,691	140,448	(243)
Public education	2,231,769	2,231,189	2,229,021	(2,168)
Higher education	716,124	716,124	715,846	(278)
Public health	28,338	28,338	28,337	(1)
Hospitals and hospital schools	207,763	213,933	212,085	(1,848)
Agriculture, commerce and economic development	105,578	105,578	105,551	(27)
Conservation and recreation	41,719	41,730	41,715	(15)
Insurance and banking	16,806	16,989	16,275	(714)
Corrections	309,935	309,935	309,904	(31)
Social welfare	1,022,275	1,052,616	1,052,440	(176)
Public protection and veterans assistance	101,655	101,655	101,087	(568)
Local assistance	80,626	80,626	80,626	
Motor vehicle and other regulatory agencies				
Miscellaneous	21,139	21,139	20,696	(443)
Public works				
Debt service	385,241	385,241	384,900	(341)
Total Expenditures	5,545,463	5,583,363	5,573,579	(9,784)
Excess of Revenues over (under) Expenditures	53,187	15,287	117,045	101,758
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,850	2,850	3,678	828
Transfers out			(119,051)	(119,051)
Other sources/uses of cash			(1,271)	(1,271)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	56,037	18,137	401	(17,736)
Budgetary Fund Balances - Beginning	4,393	4,393	4,393	
Budgetary Fund Balances - Ending	\$ 60,430	\$ 22,530	\$ 4,794	\$ (17,736)

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)
\$ 277,605	\$ 278,160	\$ 299,156	\$ 20,996	\$	\$	\$	\$
30,117	31,653	32,139	486				
		78	78				
		15	15				
				14,386,475	14,689,788	9,512,993	(5,176,795)
307,722	309,813	331,388	21,575	14,386,475	14,689,788	9,512,993	(5,176,795)
				50	50	29	(21)
				50,446	57,275	45,191	(12,084)
				21,090	42,706	14,639	(28,067)
				119,436	153,677	114,265	(39,412)
263,312	263,312	260,652	(2,660)	954,536	954,705	761,288	(193,417)
99,775	99,775	99,754	(21)	2,487,767	2,491,253	80,555	(2,410,698)
				364,766	386,681	268,864	(117,817)
				375,799	383,172	345,962	(37,210)
2,966	2,966	2,966		310,770	318,772	159,506	(159,266)
125	125	125		406,808	485,707	251,335	(234,372)
				28,027	30,951	28,312	(2,639)
				24,923	32,089	22,860	(9,229)
				6,990,241	7,037,292	6,341,128	(696,164)
				760,322	774,881	325,361	(449,520)
				22,214	22,521	19,998	(2,523)
450	450	450		1,201	2,701	1,646	(1,055)
				1,382,199	1,429,475	1,286,552	(142,923)
				85,880	85,880	3,115	(82,765)
366,628	366,628	363,947	(2,681)	14,386,475	14,689,788	10,070,606	(4,619,182)
(58,906)	(56,815)	(32,559)	24,256			(557,613)	(557,613)
		99,348	99,348				
(58,906)	(56,815)	66,789	123,604			(557,613)	(557,613)
		88,985	88,985			1,467,285	1,467,285
\$ (58,906)	\$ (56,815)	\$ 155,774	\$ 212,589	\$ 0	\$ 0	\$ 909,672	\$ 909,672

# Mississippi

## Required Supplementary Information

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

For the Year Ended June 30, 2018

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, 2018 is presented below (amounts expressed in thousands):

<u>Budgetary Funds</u>	<u>General</u>	<u>Education Enhancement</u>	<u>Special</u>
<u>Financial Statement Major Fund</u>	<u>General</u>		
Net Change in Budgetary Fund Balances	\$ 401	\$ 66,789	\$ (557,613)
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	492,379	(66,789)	559,168
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			(1,555)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	133,406		
Financial statements are presented using a modified accrual basis of accounting while budgetary basis is cash plus commitments	(616,352)		
Net Change in GAAP Fund Balances	\$ 9,834	\$ 0	\$ 0

# Mississippi

## Required Supplementary Information

### Schedule of Employer Contributions

#### Mississippi Highway Safety Patrol Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)\*

	2018	2017	2016	2015
Actuarially required employer contribution	\$ 15,128	\$ 14,809	\$ 14,755	\$ 13,695
Contributions in relation to actuarially required contribution	(15,128)	(14,809)	(14,755)	(13,695)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 29,555	\$ 28,845	\$ 27,380	\$ 25,505
Actual contributions as a percentage of covered payroll	51.19%	51.34%	53.89%	53.7%

#### Notes to Schedule of Employer Contributions:

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, 2016, 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	42.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3%
Salary increase	4.25% to 9.31%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

#### Other information:

Based on the funding policy adopted by the PERS Board of Trustees, the PERS Board and MHSPRS Administrative Board adopted an employer contribution rate of 49.08 percent of annual compensation effective July 1, 2018, and the amortization period is to be calculated on an open basis. This change has been incorporated into the actuarial valuation.

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

# Mississippi

## Required Supplementary Information

### Schedule of Employer Contributions

### Supplemental Legislative Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)\*

	2018	2017	2016	2015
Actuarially required employer contribution	\$ 513	\$ 522	\$ 514	\$ 511
Contributions in relation to actuarially required contribution	(513)	(522)	(514)	(511)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 6,833	\$ 6,928	\$ 6,862	\$ 6,861
Actual contributions as a percentage of covered payroll	7.51%	7.53%	7.49%	7.45%

#### Notes to Schedule of Employer Contributions:

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates in schedule of employer contributions are calculated as of June 30, 2016, 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	22.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3%
Salary increase	3.75%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

**\*Only four 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)\*

	2018	2017	2016	2015
Actuarially required employer contribution	\$ 172,818	177,852	\$ 179,792	\$ 179,936
Contributions in relation to actuarially required contribution	(172,818)	(177,852)	(179,792)	(179,936)
Contribution deficiency (excess)	\$ 0	0	\$ 0	\$ 0
Covered payroll	\$ 1,097,260	1,129,216	\$ 1,141,539	\$ 1,142,452
Actual contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

#### Notes to Schedule of Employer Contributions:

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, 2016, 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	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3%
Salary increase	3.75% to 19%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

#### Other information:

The employer contribution rate of 17.4 percent of annual compensation for the fiscal year ending June 30, 2020, was approved by the PERS Board of Trustees at the June, 2018 Board meeting. The new funding policy for the System was adopted by the Board at the same meeting. The funding policy sets the funding goals, objectives, and metrics for possible changes to the contribution rate for prospective fiscal years. This change has been incorporated into the actuarial valuation.

**\*Only four 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)\*

	2018**	2017	2016	2015
<b>Total pension liability</b>				
Service Cost	\$ 7,328	6,858	\$ 6,361	\$ 6,461
Interest	37,086	35,869	34,503	33,396
Differences between expected and actual experience	(5,780)	3,536	1,013	2,652
Changes in assumptions	(3,598)		19,176	
Benefit payments	(31,001)	(29,913)	(28,909)	(28,220)
Refund of contributions	(144)	(52)	(163)	(42)
<b>Net change in total pension liability</b>	3,891	16,298	31,981	14,247
<b>Total pension liability - beginning</b>	494,101	477,803	445,822	431,575
<b>Total pension liability - ending</b>	<u>\$ 497,992</u>	<u>494,101</u>	<u>\$ 477,803</u>	<u>\$ 445,822</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 14,809	14,755	\$ 13,695	\$ 13,500
Contributions - employee	2,147	2,128	1,938	1,963
Net investment income	44,499	1,704	10,812	51,575
Benefit payments	(31,001)	(29,913)	(28,909)	(28,220)
Refund of contributions	(144)	(52)	(163)	(42)
Administrative expense	(203)	(217)	(198)	(200)
<b>Net Change in plan fiduciary net position</b>	30,107	(11,595)	(2,825)	38,576
<b>Plan fiduciary net position - beginning</b>	311,612	323,207	326,032	287,456
<b>Plan fiduciary net position - ending</b>	341,719	311,612	323,207	326,032
<b>Net pension liability - ending</b>	<u>\$ 156,273</u>	<u>182,489</u>	<u>\$ 154,596</u>	<u>\$ 119,790</u>
Total pension liability	497,992	494,101	477,803	445,822
Total plan fiduciary net position	341,719	311,612	323,207	326,032
Net Pension liability	<u>\$ 156,273</u>	<u>182,489</u>	<u>\$ 154,596</u>	<u>\$ 119,790</u>
Plan fiduciary net position as a percentage of the pension liability	68.62%	63.07%	67.64%	73.13%
Covered payroll	\$ 28,845	27,380	\$ 25,505	\$ 25,554
Net pension liability as a percentage of covered payroll	541.77%	666.50%	606.14%	468.77%

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

\*\* Based on the measurement date of June 30, 2017



# Mississippi

## Required Supplementary Information

### Schedule of Changes in the Net Pension Liability Supplemental Legislative Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)\*

	2018**	2017	2016	2015
<b>Total pension liability</b>				
Service Cost	\$ 433	420	\$ 406	\$ 404
Interest	1,593	1,586	1,569	1,549
Differences between expected and actual experience	(204)	(468)	(333)	(453)
Changes in assumptions	(868)	(6)	588	
Benefit payments	(1,397)	(1,454)	(1,220)	(1,216)
Refund of contribution	(17)	(32)	(37)	(22)
<b>Net change in total pension liability</b>	(460)	46	973	262
<b>Total pension liability - beginning</b>	21,259	21,213	20,240	19,978
<b>Total pension liability - ending</b>	<u>\$ 20,799</u>	<u>21,259</u>	<u>\$ 21,213</u>	<u>\$ 20,240</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 522	514	\$ 511	\$ 514
Contributions - employee	212	208	207	208
Net investment income	2,264	86	552	2,605
Benefit payments	(1,397)	(1,454)	(1,220)	(1,216)
Refund of contributions	(17)	(32)	(37)	(22)
Administrative expense	(10)	(10)	(10)	(10)
<b>Net Change in plan fiduciary net position</b>	1,574	(688)	3	2,079
<b>Plan fiduciary net position - beginning</b>	15,768	16,456	16,453	14,374
<b>Plan fiduciary net position - ending</b>	17,342	15,768	16,456	16,453
<b>Net pension liability - ending</b>	<u>\$ 3,457</u>	<u>5,491</u>	<u>\$ 4,757</u>	<u>\$ 3,787</u>
Total pension liability	20,799	21,259	21,213	20,240
Total plan fiduciary net position	17,342	15,768	16,456	16,453
Net Pension liability	<u>\$ 3,457</u>	<u>5,491</u>	<u>\$ 4,757</u>	<u>\$ 3,787</u>
Plan fiduciary net position as a percentage of the pension liability	83.38%	74.17%	77.58%	81.29%
Covered payroll	\$ 6,926	6,862	\$ 6,861	\$ 6,918
Net pension liability as a percentage of covered payroll	49.90%	80.02%	69.33%	54.74%

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

\*\* Based on the measurement date of June 30, 2017

# Mississippi

## Required Supplementary Information

### Schedule of the Proportionate Share of the Net Pension Liability

#### Public Employees' Retirement System

Last 10 Fiscal Years (Amounts Expressed in Thousands)\*

	2018**	2017	2016	2015
State's proportion of the net pension liability	17.62%	17.86%	18.19%	18.67%
State's proportionate share of the net pension liability	\$ 2,928,709	\$ 3,190,148	\$ 2,811,832	\$ 2,265,840
State's covered payroll	\$ 1,129,216	\$ 1,141,515	\$ 1,135,172	\$ 1,139,512
State's proportionate share of the net pension liability as a percentage of its covered payroll	259.4%	279.5%	247.7%	198.84%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.7%	67.21%

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

\*\* Based on the measurement date of June 30, 2017

# Mississippi

## Required Supplementary Information

### Schedule of the Proportionate Share of the Net OPEB Liability State Life and Health Insurance OPEB Plan

Last 10 Fiscal Years (Amounts Expressed in Thousands)\*

	2018**
State's proportion of the net OPEB liability	24.07%
State's proportionate share of the net OPEB liability	\$ 188,888
State's covered payroll	\$ 1,053,049
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.94%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

\* *Only one fiscal year is presented because 10-year data is not yet available.*

\*\* *Based on the measurement date of June 30, 2017*

# Mississippi

## Required Supplementary Information

### Schedule of the Proportionate Share of Employer Contributions OPEB

#### State Life and Health Insurance OPEB Plan

Last 10 Fiscal Years (Amounts Expressed in Thousands)\*

	<u>2018</u>
Actuarially required employer contribution	\$ 8,097
Contributions in relation to actuarially required contribution	<u>(8,097)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
Covered payroll	\$ 1,001,976
Actual contributions as a percentage of covered payroll	0.81%

#### Notes to Schedule of Employer Contributions:

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contribution are calculated as of June 30, 2017. The following actuarial methods and assumptions were used to determine the most recent contribution rates reported in that schedule.

Actuarial cost method	Entry Age
Amortization method	Level dollar
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Price Inflation	3%
Salary increases, including wage inflations	3.25% to 18.5%
Initial health care cost trend rates	
Medicare supplement claims - Pre Medicare	7.75%
Ultimate health care cost trend rates	
Medicare supplement claims - Pre Medicare	5%
Year of ultimate trend rates	
Medicare supplement claims - Pre Medicare	2023
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.56%

\*Only one fiscal year is presented because 10-year data is not yet available.

# Mississippi

## Required Supplementary Information

### Schedule of Changes in the Net OPEB Liability

#### State Life and Health Insurance OPEB Plan

Last 10 Fiscal Years (Amounts Expressed in Thousands)\*

	2018	2017
<b>Total OPEB liability</b>		
Service Cost	\$ 20,467	\$ 21,841
Interest	27,337	24,112
Differences between expected and actual experience	1,867	
Changes in assumptions	(26,281)	(46,961)
Benefit payments	(33,449)	(30,872)
<b>Net change in total OPEB liability</b>	<b>(10,059)</b>	<b>(31,880)</b>
<b>Total OPEB liability - beginning</b>	<b>784,609</b>	<b>816,489</b>
<b>Total OPEB liability - ending</b>	<b>\$ 774,550</b>	<b>\$ 784,609</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 33,449	\$ 30,872
Transfer in	1,000	
Benefit payments	(33,449)	(30,872)
<b>Net Change in plan fiduciary net position</b>	<b>1,000</b>	<b>0</b>
<b>Plan fiduciary net position - beginning</b>	<b>0</b>	<b>0</b>
<b>Plan fiduciary net position - ending</b>	<b>1,000</b>	<b>0</b>
<b>Net OPEB liability - ending</b>	<b>\$ 773,550</b>	<b>\$ 784,609</b>
Total OPEB liability	774,550	784,609
Total plan fiduciary net position	1,000	0
<b>Net OPEB liability</b>	<b>\$ 773,550</b>	<b>\$ 784,609</b>
Plan fiduciary net position as a percentage of the OPEB liability	0.13%	0.00%
Covered payroll	\$ 4,522,932	\$ 4,492,725
Net OPEB liability as a percentage of covered payroll	17.10%	17.46%

#### Notes to Schedule of Changes in the Net OPEB Liability:

**Changes in actuarial assumptions and methods.** The discount rate was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date.

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

# Mississippi

## Required Supplementary Information

### Schedule of Employer Contributions OPEB State Life and Health Insurance OPEB Plan Last 10 Fiscal Years (Amounts Expressed in Thousands)\*

	2018	2017
Actuarially required employer contribution	\$ 47,070	\$ 43,673
Contributions in relation to actuarially required contribution	34,449	30,872
Contribution deficiency (excess)	\$ 12,621	\$ 12,801
Covered payroll	\$ 4,522,932	\$ 4,492,725
Actual contributions as a percentage of covered payroll	0.76%	0.69%

#### Notes to Schedule of Employer Contributions:

**Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contribution are calculated as of June 30, 2017. The following actuarial methods and assumptions were used to determine the most recent contribution rates reported in that schedule.

Actuarial cost method	Entry Age
Amortization method	Level dollar
Remaining amortization period	30.0 years, open
Asset valuation method	Market value of assets
Price Inflation	3%
Salary increases, including wage inflation	3.25% to 18.5%
Initial health care cost trend rates	
Medicare supplement claims - Pre Medicare	7.75%
Ultimate health care cost trend rates	
Medicare supplement claims - Pre Medicare	5%
Year of ultimate trend rates	
Medicare supplement claims - Pre Medicare	20
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.56%

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



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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, 2018 (Expressed in Thousands)

	Department of Finance and Administration			
	Fair Commission	Veterans' Home Purchase Board	Office of Surplus Property	Yellow Creek Inland Port Authority
<b>Assets</b>				
Current assets:				
Equity in internal investment pool	\$ 963	\$ 83,585	\$ 804	\$
Cash and cash equivalents	440	139		598
Receivables, net	94	457		157
Due from other funds	3	32		640
Inventories				
Prepaid items		10		40
Loans and notes receivable		5,694		
Total Current Assets	1,500	89,917	804	1,435
Noncurrent assets:				
Investments				2,115
Loans and notes receivable		150,300		607
Capital assets:				
Land and construction in progress	840	226	100	8,566
Other capital assets, net	12,121	1,027	199	12,914
Total Noncurrent Assets	12,961	151,553	299	24,202
Total Assets	14,461	241,470	1,103	25,637
<b>Deferred Outflow of Resources</b>				
Pension	171	305	195	230
Other postemployment benefits	5	7	3	47
Total Deferred outflow resources	176	312	198	277
<b>Liabilities</b>				
Current liabilities:				
Warrants payable	70	926	9	
Accounts payable and other liabilities	156	33	13	1,530
Due to other governments		182	4	
Due to other funds			27	
Deposits		1,642		
Unearned revenues	6			
Lease obligations payable				
Net other postemployment benefits liability	5	5	3	47
Total Current Liabilities	237	2,788	56	1,577
Noncurrent liabilities:				
Net pension liability	1,662	2,085	665	1,273
Net other postemployment benefits liability	122	112	62	15
Other liabilities	61	79	34	51
Total Noncurrent Liabilities	1,845	2,276	761	1,339
Total Liabilities	2,082	5,064	817	2,916
<b>Deferred Inflow of Resources</b>				
Pension	36	50	258	68
Other postemployment benefits	8	6	6	6
Total deferred inflow resources	44	56	264	74
<b>Net Position</b>				
Net investment in capital assets	12,961	1,253	299	19,978
Unrestricted (deficit)	(450)	235,409	(79)	2,946
Total Net Position	\$ 12,511	\$ 236,662	\$ 220	\$ 22,924

Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		
AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	Totals
\$	\$	\$	\$	\$
14,024	111		1,616	87,079
3,639	237			15,438
12,747	21		2	4,370
190				13,422
230	15		51	256
				280
				5,694
30,830	384		1,669	126,539
				2,115
				150,907
	1,690			11,422
	1,505		2,153	29,919
	3,195		2,153	194,363
30,830	3,579		3,822	320,902
1,130			151	2,182
43			2	107
1,173			153	2,289
	1		72	1,078
2,781	30		20	4,563
				186
				27
				1,642
				6
			40	40
43			2	105
2,824	31		134	7,647
10,140			665	16,490
997			53	1,361
	39		70	334
11,137	39		788	18,185
13,961	70		922	25,832
695			97	1,204
91			3	120
786			100	1,324
	3,195		2,111	39,797
17,256	314		842	256,238
\$ 17,256	\$ 3,509	\$	\$ 2,953	\$ 296,035

# Mississippi

## Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2018 (Expressed in Thousands)

	Department of Finance and Administration			
	Fair Commission	Veterans' Home Purchase Board	Office of Surplus Property	Yellow Creek Inland Port Authority
<b>Operating Revenues</b>				
Charges for sales and services	\$	\$	\$ 481	\$ 1,250
Investment income		5,535		
Rentals	4,507	47		818
Fees		158		
Other	201	6		1,577
Total Operating Revenues	4,708	5,746	481	3,645
<b>Operating Expenses</b>				
Cost of sales and services	74			
General and administrative	1,059	1,394	548	890
Contractual services	3,478	220	174	309
Commodities	253	42	35	85
Depreciation	434	36	79	793
Other		126		
Total Operating Expenses	5,298	1,818	836	2,077
Operating Income (Loss)	(590)	3,928	(355)	1,568
<b>Nonoperating Revenues</b>				
Investment income		740	4	20
Total Nonoperating Revenues		740	4	20
<b>Nonoperating Expenses</b>				
Loss on disposal of capital assets	3		15	
Interest				
Total Nonoperating Expenses	3		15	
Income (Loss) before Capital Contributions, Extraordinary Items and Transfers	(593)	4,668	(366)	1,588
Capital contributions			106	
Extraordinary item - Debt forgiveness Transfers In				12,791
Change in Net Position	(593)	4,668	(260)	14,379
Total Net Position - Beginning, as restated	13,104	231,994	480	8,545
Total Net Position - Ending	\$ 12,511	\$ 236,662	\$ 220	\$ 22,924

Department of Rehabilitation Services		Department of Agriculture and Commerce		Department of Corrections		
AbilityWorks		Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	Totals	
\$	7,484	\$ 271	\$	\$ 1,555	\$	11,041
		173				5,535
						5,545
						158
	1,361	8	814			3,967
	8,845	452	814	1,555		26,246
	7,079	75				7,228
	5,425	539		366		10,221
	979	426		293		5,879
	131	67		908		1,521
		130		190		1,662
		21		28		175
	13,614	1,258		1,785		26,686
	(4,769)	(806)	814	(230)		(440)
	18					782
	18					782
			27	2		47
				4		4
			27	6		51
	(4,751)	(806)	787	(236)		291
						106
						12,791
	6,042	634				6,676
	1,291	(172)	787	(236)		19,864
	15,965	3,681	(787)	3,189		276,171
\$	17,256	\$ 3,509	\$	\$ 2,953	\$	296,035

# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2018 (Expressed in Thousands)

	Department of Finance and Administration			
	Fair Commission	Veterans' Home Purchase Board	Office of Surplus Property	Yellow Creek Inland Port Authority
<b>Cash Flows from Operating Activities</b>				
Cash receipts from customers	\$ 4,497	\$ 202	\$ 481	\$ 1,386
Cash payments to suppliers for goods and services	(3,730)	(150)	(207)	(433)
Cash payments to employees for services	(955)	(1,160)	(494)	(703)
Other operating cash receipts	201	6		1,577
Principal and interest received on program loans		22,057		
Issuance of program loans		(19,729)		
Net Cash Provided by (Used for) Operating Activities	13	1,226	(220)	1,827
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers in				
Net Cash Provided by Noncapital Financing Activities				
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(14)			(3,724)
Proceeds from sale of capital assets	1			
Principal paid on bonds and capital asset contracts				
Interest paid on bonds and capital asset contracts				
Net Cash Used for Capital and Related Financing Activities	(13)			(3,724)
<b>Cash Flows from Investing Activities</b>				
Investment income		742	4	14
Net Cash Provided by Investing Activities		742	4	14
Net Change in Cash and Cash Equivalents		1,968	(216)	(1,883)
Cash and Cash Equivalents - Beginning	1,403	81,756	1,020	2,481
Cash and Cash Equivalents - Ending	\$ 1,403	\$ 83,724	\$ 804	\$ 598

Department of Rehabilitation Services		Department of Agriculture and Commerce		Department of Corrections					
AbilityWorks		Agriculture and Forestry Museum		Restaurants and Commissary		Prison Agricultural Enterprises	Totals		
\$	5,927	\$	521	\$		\$	1,555	\$	14,569
	(9,001)		(594)				(1,275)		(15,390)
	(4,931)		(535)				(365)		(9,143)
	1,362		7						3,153
									22,057
									(19,729)
	(6,643)		(601)				(85)		(4,483)
	6,042		634						6,676
	6,042		634						6,676
							(8)		(3,746)
							3		4
							(80)		(80)
							(4)		(4)
							(89)		(3,826)
	18								778
	18								778
	(583)		33				(174)		(855)
	14,607		315				1,790		103,372
\$	14,024	\$	348	\$		\$	1,616	\$	102,517

(Continued on Next Page)

# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2018 (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
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating income (loss)	\$ (590)	\$ 3,928	\$ (355)	\$ 1,568
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	434	36	79	793
Change in assets and liabilities:				
(Increase) decrease in assets:				
Receivables, net	2	21		(41)
Due from other funds		(3)		(640)
Due from components units	8			
Inventories			17	
Prepaid items		10		(13)
Loans and notes receivable		(2,976)		
Increase (decrease) in liabilities:				
Warrants payable	38	(60)	1	
Accounts payable and other liabilities	37	(121)	14	27
Due to other governments	(9)	177	4	
Due to other funds			(23)	
Unearned revenues	(19)			
Pension cost	111	213	43	132
Other postemployment benefit cost	1	1		1
Total adjustments	603	(2,702)	135	259
Net Cash Provided by (Used for) Operating Activities	\$ 13	\$ 1,226	\$ (220)	\$ 1,827
<b>Noncash Capital and Related Financing Activities</b>				
Capital contributions			106	
Loss on disposal of capital assets	3		15	
Extraordinary item - Debt forgiveness				12,791



<b>Department of Rehabilitation Services</b>	<b>Department of Agriculture and Commerce</b>	<b>Department of Corrections</b>		
AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	<b>Totals</b>
\$ (4,769)	\$ (806)	\$ 814	\$ (230)	\$ (440)
	130		190	1,662
(302)	75		(2)	(247)
(1,255)				(1,898)
(25)	2		47	8
235				41
				232
				(2,976)
	(6)		15	(12)
(1,020)	5		(91)	(1,149)
	(1)			171
		(34)		(57)
491		(780)	(15)	(19)
2			1	195
				6
(1,874)	205	(814)	145	(4,043)
\$ (6,643)	\$ (601)	\$	\$ (85)	\$ (4,483)

106  
47  
12,791

27

2

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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.

#### Other Employee Benefits Trust Fund

**State Life and Health Insurance Plan** – The State Life and Health Insurance Plan Fund provides post employment healthcare benefits to employees of the State and its political subdivisions. Benefits are funded by premiums from employers, employees and retirees; and by investment income.

#### 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 and Other Employee Benefits Trust Funds

### Combining Statement of Fiduciary Net Position

June 30, 2018 (Expressed in Thousands)

	Pension Trust Funds		
	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
<b>Assets</b>			
Equity in internal investment pool	\$ 1,510	\$	\$
Cash and cash equivalents	713,933	9,094	4,260
Investments, at fair value:			
Short-term investments	843,728	10,805	4,694
Long-term debt securities	5,512,291	70,592	30,666
Equity securities	16,604,151	212,638	92,373
Private equity	2,015,491	25,811	11,213
Real estate investments	2,776,719	35,560	15,448
Securities lending:			
Short-term investments	1,049,175	12,217	5,307
Long-term debt securities	2,418,822	28,165	12,235
Receivables:			
Employer contributions	67,419	317	267
Employee contributions	37,710		2
Investment proceeds	427,821	5,479	2,380
Interest and dividends	95,148	1,218	529
Other	1,119		21
Capital assets:			
Land and construction in progress	1,534		
Other capital assets, net	20,921		
<b>Total Assets</b>	<b>32,587,492</b>	<b>411,896</b>	<b>179,395</b>
<b>Liabilities</b>			
Warrants payable	177		
Accounts payable and accruals	1,428,953	18,194	7,931
Obligations under securities lending	3,395,172	39,533	17,174
<b>Total Liabilities</b>	<b>4,824,302</b>	<b>57,727</b>	<b>25,105</b>
<b>Net Position</b>			
Net position restricted for pensions and other employee benefits.	\$ 27,763,190	\$ 354,169	\$ 154,290

		Other Employee Benefits Trust Fund		
Supplemental Legislative Retirement System		Totals	State Life and Health Insurance Plan	Totals
\$		\$ 1,510	\$ 1,000	\$ 2,510
457		727,744		727,744
551		859,778		859,778
3,600		5,617,149		5,617,149
10,843		16,920,005		16,920,005
1,316		2,053,831		2,053,831
1,813		2,829,540		2,829,540
623		1,067,322		1,067,322
1,436		2,460,658		2,460,658
		68,003		68,003
		37,712		37,712
279		435,959		435,959
62		96,957		96,957
		1,140		1,140
		1,534		1,534
		20,921		20,921
20,980		33,199,763	1,000	33,200,763
		177		177
928		1,456,006		1,456,006
2,016		3,453,895		3,453,895
2,944		4,910,078	0	4,910,078
\$ 18,036	\$ 28,289,685	\$ 1,000	\$ 28,290,685	

# Mississippi

## Pension and Other Employee Benefits Trust Funds

### Combining Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018 (Expressed in Thousands)

	Pension Trust Funds		
	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
<b>Additions</b>			
Contributions:			
Employer	\$ 1,018,163	\$ 15,128	\$ 17,610
Employee	570,807	2,271	25
Total Contributions	1,588,970	17,399	17,635
Net Investment Income:			
Net change in fair value of investments	1,912,575	22,269	9,674
Interest and dividends	560,148	6,459	2,806
Securities lending:			
Income from securities lending	61,710	719	313
Interest expense and trading costs from securities lending	(44,851)	(522)	(227)
Managers' fees and trading costs	(103,669)	(1,207)	(524)
Net Investment Income	2,385,913	27,718	12,042
Other Additions:			
Administrative fees	613		
Other	51		
Total Other Additions	664		
Total Additions	3,975,547	45,117	29,677
<b>Deductions</b>			
Benefits	2,609,415	32,315	33,604
Refunds to terminated employees	124,306	103	
Administrative expenses	16,877	249	353
Depreciation	4,856		
Total Deductions	2,755,454	32,667	33,957
Transfers In			
Change in Net Position	1,220,093	12,450	(4,280)
Net Position - Beginning	26,543,097	341,719	158,570
Net Position - Ending	\$ 27,763,190	\$ 354,169	\$ 154,290

			Other Employee Benefits Trust Fund		
Supplemental Legislative Retirement System			State Life and Health Insurance Plan		
Totals			Totals		
\$	513	\$	1,051,414	\$	1,084,863
	207		573,310		573,310
	720		1,624,724		1,658,173
	1,136		1,945,654		1,945,654
	329		569,742		569,742
	36		62,778		62,778
	(27)		(45,627)		(45,627)
	(62)		(105,462)		(105,462)
	1,412		2,427,085		2,427,085
			613		613
			51		51
			664		664
	2,132		4,052,473		4,085,922
	1,410		2,676,744		2,710,193
	18		124,427		124,427
	10		17,489		17,489
			4,856		4,856
	1,438		2,823,516		2,856,965
			1,000		1,000
	694		1,228,957		1,229,957
	17,342		27,060,728		27,060,728
\$	18,036	\$	28,289,685	\$	28,290,685

# Mississippi

## Agency Funds

### Combining Statement of Fiduciary Net Position

June 30, 2018 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
<b>Assets</b>				
Equity in internal investment pool	\$ 883	\$ 8,764	\$	\$ 9,647
Cash and cash equivalents		19,786	6,687	26,473
Receivables, net:				
Accounts	264		18	282
Commodity inventory		2,374		2,374
Total Assets	\$ 1,147	\$ 30,924	\$ 6,705	\$ 38,776
<b>Liabilities</b>				
Warrants payable	\$ 121	\$ 7	\$	\$ 128
Accounts payable and accruals	185	144	903	1,232
Due to other governments	833			833
Amounts held in custody for others	8	30,773	5,802	36,583
Total Liabilities	\$ 1,147	\$ 30,924	\$ 6,705	\$ 38,776



# Mississippi

## Agency Funds

### Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2018 (Expressed in Thousands)

Fund	Assets				
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Commodity Inventory	Total Assets
<b>Local Government Distributive:</b>					
Balance - Beginning	\$ 665	\$	\$ 208	\$	\$ 873
Additions	34,123		313		34,436
Deductions	33,905		257		34,162
Balance - Ending	883		264		1,147
<b>Program:</b>					
Balance - Beginning	8,104	13,335		2,053	23,492
Additions	7,530	95,522		21,322	124,374
Deductions	6,870	89,071		21,001	116,942
Balance - Ending	8,764	19,786		2,374	30,924
<b>Institutional:</b>					
Balance - Beginning		6,639	20		6,659
Additions		11,181	41		11,222
Deductions		11,133	43		11,176
Balance - Ending		6,687	18		6,705
<b>Total - All Agency Funds:</b>					
Balance - Beginning	8,769	19,974	228	2,053	31,024
Additions	41,653	106,703	354	21,322	170,032
Deductions	40,775	100,204	300	21,001	162,280
Balance - Ending	\$ 9,647	\$ 26,473	\$ 282	\$ 2,374	\$ 38,776
<b>Liabilities</b>					
Fund	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	Total Liabilities
<b>Local Government Distributive:</b>					
Balance - Beginning	\$ 3	\$ 121	\$ 749	\$	\$ 873
Additions	8,065	3,968	25,485	105	37,623
Deductions	7,947	3,904	25,401	97	37,349
Balance - Ending	121	185	833	8	1,147
<b>Program:</b>					
Balance - Beginning		80		23,412	23,492
Additions	9	2,539	49	116,718	119,315
Deductions	2	2,475	49	109,357	111,883
Balance - Ending	7	144	0	30,773	30,924
<b>Institutional:</b>					
Balance - Beginning		889		5,770	6,659
Additions		687		10,695	11,382
Deductions		673		10,663	11,336
Balance - Ending		903		5,802	6,705
<b>Total - All Agency Funds:</b>					
Balance - Beginning	3	1,090	749	29,182	31,024
Additions	8,074	7,194	25,534	127,518	168,320
Deductions	7,949	7,052	25,450	120,117	160,568
Balance - Ending	\$ 128	\$ 1,232	\$ 833	\$ 36,583	\$ 38,776

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## Nonmajor Component Units

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

### Nonmajor Component Units Descriptions

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

**Mississippi 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, 2018 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Development Bank	Mississippi Prison Industries Corporation
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$ 2,094	\$	\$
Cash and cash equivalents	680	707	316
Investments	13,991	2,748	
Receivables, net	70	12	516
Due from other governments			
Due from primary government			16
Inventories			1,401
Prepaid items			52
Other assets			14
Total Current Assets	16,835	3,467	2,315
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents		1,529	
Capital assets:			
Land and construction in progress			404
Other capital assets, net	34		4,166
Total Noncurrent Assets	34	1,529	4,570
Total Assets	16,869	4,996	6,885
Deferred Outflows of Resources			
Pension	233		948
Other postemployment benefits	2		37
Total Deferred Outflows of Resources	235		985
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other liabilities	48	117	1,504
Due to primary government	11		
Unearned revenues			3
Lease obligations payable			100
Net other postemployment benefits liability	1		9
Total Current Liabilities	60	117	1,616
Noncurrent liabilities:			
Lease obligations payable			230
Net pension liability	1,330		4,542
Net other postemployment benefits liability	27		221
Other liabilities	60		
Total Noncurrent Liabilities	1,417		4,993
Total Liabilities	1,477	117	6,609
Deferred Inflows of Resources			
Pension	29		99
Other postemployment benefits	1		12
Total Deferred Inflows of Resources	30		111
<b>Net Position</b>			
Net investment in capital assets	34		4,570
Restricted for:			
Debt service		1,529	
Unrestricted (deficit)	15,563	3,350	(3,420)
Total Net Position	\$ 15,597	\$ 4,879	\$ 1,150

Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District	Tombigbee River Valley Water Management District	Totals
\$	\$	\$	\$	\$
2,044	10	12,020	4,661	2,094
7,257			4,754	20,438
148	1	2,190	55	28,750
57			39	2,992
		10		96
				26
				1,401
100				152
				14
9,606	11	14,220	9,509	55,963
				1,529
1,834		7,782	930	10,950
3,609		36,822	1,417	46,048
5,443	0	44,604	2,347	58,527
15,049	11	58,824	11,856	114,490
310	65	836	159	2,551
11	1	26	4	81
321	66	862	163	2,632
2,149		2,401	34	6,253
		79	2	92
8		442		453
				100
11	1	26	4	52
2,168	1	2,948	40	6,950
				230
3,324	432	8,312	1,691	19,631
238	20	585	92	1,183
97		811	59	1,027
3,659	452	9,708	1,842	22,071
5,827	453	12,656	1,882	29,021
295	37	785	80	1,325
29	1	54	6	103
324	38	839	86	1,428
5,443		42,799	2,347	55,193
				1,529
3,776	(414)	3,392	7,704	29,951
\$ 9,219	\$ (414)	\$ 46,191	\$ 10,051	\$ 86,673

# Mississippi

## Nonmajor Component Units

### Combining Statement of Activities

For the Year Ended June 30, 2018 (Expressed in Thousands)

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Mississippi Business Finance Corporation	\$ 1,032	\$ 972	\$	\$	\$ (60)
Mississippi Development Bank	625	247			(378)
Mississippi Prison Industries Corporation	8,984	7,048			(1,936)
Pat Harrison Waterway District	4,722	2,510		188	(2,024)
Pearl River Basin Development District	6,615	31			(6,584)
Pearl River Valley Water Supply District	13,177	13,446		1,268	1,537
Tombigbee River Valley Water	1,685	1,632			(53)
Total	\$ 36,840	\$ 25,886	\$	\$ 1,456	\$ (9,498)

# General Revenues

Investment Income	Other	Change in Net Position	Net Position - Beginning, as restated	Net Position - Ending
\$ 80	\$	\$ 20	\$ 15,577	\$ 15,597
11	187	(180)	5,059	4,879
		(1,936)	3,086	1,150
75	2,670	721	8,498	9,219
26	487	(6,071)	5,657	(414)
64		1,601	44,590	46,191
74	9	30	10,021	10,051
\$ 330	\$ 3,353	\$ (5,815)	\$ 92,488	\$ 86,673

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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

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# Mississippi

## Net Position by Component

Last Ten Fiscal Years

Table 1

Accrual Basis of Accounting (Expressed in Thousands)

	2018	2017	2016	2015
<b>Governmental activities</b>				
Net investment in capital assets	\$ 14,991,832	\$ 14,666,438	\$ 14,372,421	\$ 13,900,211
Restricted	3,189,862	3,374,220	3,763,095	3,869,799
Unrestricted	(5,845,872)	(6,058,425)	(5,532,216)	(6,005,860)
Total governmental activities net position	\$ 12,335,822	\$ 11,982,233	\$ 12,603,300	\$ 11,764,150
<b>Business-type activities</b>				
Net investment in capital assets	\$ 690,841	\$ 605,123	\$ 548,732	\$ 393,507
Restricted	711,365	686,601	668,662	646,868
Unrestricted	407,471	416,087	131,592	181,529
Total business-type activities net position	\$ 1,809,677	\$ 1,707,811	\$ 1,348,986	\$ 1,221,904
<b>Primary Government</b>				
Net investment in capital assets	\$ 15,682,673	\$ 15,271,561	\$ 14,921,153	\$ 14,293,718
Restricted	3,901,227	4,060,821	4,431,757	4,516,667
Unrestricted	(5,438,401)	(5,642,338)	(5,400,624)	(5,824,331)
Total primary government net position	\$ 14,145,499	\$ 13,690,044	\$ 13,952,286	\$ 12,986,054

Note: This table has been restated for prior period adjustments, if practical. Complete information necessary to fully restate fiscal years 2014 and 2017 for the implementation of GASB Statement 68 and GASB Statement 75, respectively, was not available.

	2014		2013		2012		2011		2010		2009
\$	13,430,397	\$	13,107,678	\$	12,667,849	\$	11,845,579	\$	11,408,744	\$	10,980,353
	3,633,805		3,602,589		3,615,270		3,480,202		655,192		625,174
	(3,035,755)		(3,188,135)		(3,132,568)		(2,680,509)		(267,768)		(336,905)
\$	14,028,447	\$	13,522,132	\$	13,150,551	\$	12,645,272	\$	11,796,168	\$	11,268,622
<hr/>											
\$	297,830	\$	265,837	\$	209,497	\$	216,682	\$	208,101	\$	195,171
	602,831		578,710		540,875		433,703		433,216		614,988
	212,462		253,732		228,423		250,052		202,455		192,005
\$	1,113,123	\$	1,098,279	\$	978,795	\$	900,437	\$	843,772	\$	1,002,164
<hr/>											
\$	13,728,227	\$	13,373,515	\$	12,877,346	\$	12,062,261	\$	11,616,845	\$	11,175,524
	4,236,636		4,181,299		4,156,145		3,913,905		1,088,408		1,240,162
	(2,823,293)		(2,934,403)		(2,904,145)		(2,430,457)		(65,313)		(144,900)
\$	15,141,570	\$	14,620,411	\$	14,129,346	\$	13,545,709	\$	12,639,940	\$	12,270,786

# Mississippi

## Changes in Net Position

**Table 2**

**Last Ten Fiscal Years**

Accrual Basis of Accounting (Expressed in Thousands)

	2018	2017	2016	2015
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,229,648	\$ 2,298,846	\$ 2,814,758	\$ 2,951,973
Education	3,610,796	3,665,357	3,647,055	3,383,767
Health and social services <sup>1</sup>	7,866,652	7,924,907	7,851,381	7,679,895
Law, justice and public safety	860,122	939,956	858,504	967,422
Recreation and resources development	480,745	502,675	460,031	556,790
Regulation of business and professions	45,223	44,841	43,001	40,760
Transportation	803,887	768,700	725,192	675,713
Interest on long-term debt	188,672	231,875	253,752	225,512
Total governmental activities expenses	16,085,745	16,377,157	16,653,674	16,481,832
Business-type activities:				
Unemployment compensation <sup>2</sup>	73,895	83,972	101,445	109,468
Port Authority at Gulfport	33,447	43,633	27,120	26,202
Prepaid affordable college tuition	18,290	31,489	16,304	27,122
State life and health insurance plan	782,341			
Other business-type activities expenses <sup>4</sup>	26,737	801,486	34,905	37,902
Total business-type activities expenses	934,710	960,580	179,774	200,694
Total primary government expenses	\$ 17,020,455	\$ 17,337,737	\$ 16,833,448	\$ 16,682,526
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 799,509	\$ 812,665	\$ 2,210,377	\$ 1,292,467
Education	15,742	17,732	19,932	15,082
Health and social services	563,693	568,504	585,302	705,199
Law, justice and public safety	77,506	74,713	131,126	125,231
Recreation and resources development	97,124	84,778	78,449	73,478
Regulation of business and professions	28,715	33,686	45,203	44,456
Transportation	52,139	29,813	36,886	69,386
Operating grants and contributions <sup>3</sup>	7,150,268	7,036,472	7,064,684	7,059,002
Capital grants and contributions	561,012	496,734	508,194	487,083
Total governmental activities program revenues	9,345,708	9,155,097	10,680,153	9,871,384
Business-type activities:				
Charges for services:				
Unemployment compensation <sup>5</sup>	82,871	86,649	107,658	137,525
Port Authority at Gulfport	27,456	22,892	17,244	15,045
Prepaid affordable college tuition	10,349	10,921	12,775	13,220
State life and health insurance plan	738,618			
Other business-type <sup>6</sup>	20,709	758,923	25,461	27,046
Operating grants and contribution <sup>7</sup>	985	1,481	1,620	3,065
Capital grants and contributions	106	18		
Total business-type activities program revenues	881,094	880,884	164,758	195,901
Total primary government program revenues	\$ 10,226,802	\$ 10,035,981	\$ 10,844,911	\$ 10,067,285
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (6,740,037)	\$ (7,222,060)	\$ (5,973,521)	\$ (6,610,448)
Business-type activities	(53,616)	(79,696)	(15,016)	(4,793)
Total primary government net expense	\$ (6,793,653)	\$ (7,301,756)	\$ (5,988,537)	\$ (6,615,241)

2014	2013	2012	2011	2010	2009
\$ 2,069,107	\$ 2,028,155	\$ 1,959,116	\$ 1,881,692	\$ 2,011,806	\$ 2,052,954
3,996,554	3,912,889	4,126,252	4,138,774	4,082,117	4,093,018
7,394,045	7,372,085	7,074,781	6,873,932	6,747,426	6,139,808
923,952	983,870	878,668	1,013,451	1,095,181	1,052,434
637,850	587,367	722,713	1,008,883	1,058,604	1,127,670
39,174	39,703	37,578	37,457	38,188	37,215
647,532	596,160	555,955	600,224	689,802	683,663
243,099	247,012	257,304	223,856	146,732	209,516
15,951,313	15,767,241	15,612,367	15,778,269	15,869,856	15,396,278
204,206	338,390	408,399	520,790	669,679	422,764
25,688	28,589	51,950	30,276	23,243	15,239
103,134	41,278	56,568	45,754	42,183	20,316
37,379	35,421	47,009	40,702	38,074	40,392
370,407	443,678	563,926	637,522	773,179	498,711
\$ 16,321,720	\$ 16,210,919	\$ 16,176,293	\$ 16,415,791	\$ 16,643,035	\$ 15,894,989

\$ 1,310,188	\$ 1,305,202	\$ 1,226,107	\$ 1,183,632	\$ 1,214,243	\$ 1,149,464
23,989	24,539	37,491	36,151	51,848	29,721
583,738	620,930	659,245	622,266	569,685	563,917
126,054	118,797	102,689	101,992	99,098	103,178
79,287	98,496	90,643	132,401	145,988	84,984
43,764	44,138	42,229	43,005	41,644	40,727
49,841	34,819	32,865	36,335	7,787	51,695
6,796,079	6,934,753	7,038,237	7,896,876	7,795,111	6,847,036
548,283	561,283	612,734	603,098	643,843	556,571
9,561,223	9,742,957	9,842,240	10,655,756	10,569,247	9,427,293

158,741	202,715	274,063	209,318	84,916	90,301
15,603	15,050	15,140	27,807	14,652	16,865
6,370	12,786	22,458	21,764	21,799	19,374
28,563	28,016	27,738	39,319	36,811	38,532
57,162	161,613	244,325	310,704	382,141	141,038
33	904	246	16	24	954
266,472	421,084	583,970	608,928	540,343	307,064
\$ 9,827,695	\$ 10,164,041	\$ 10,426,210	\$ 11,264,684	\$ 11,109,590	\$ 9,734,357

\$ (6,390,090)	\$ (6,024,284)	\$ (5,770,127)	\$ (5,122,513)	\$ (5,300,609)	\$ (5,968,985)
(103,935)	(22,594)	20,044	(28,594)	(232,836)	(191,647)
\$ (6,494,025)	\$ (6,046,878)	\$ (5,750,083)	\$ (5,151,107)	\$ (5,533,445)	\$ (6,160,632)

(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)

	2018	2017	2016	2015
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Sales and use <sup>8</sup>	\$ 3,462,757	\$ 3,392,712	\$ 3,361,075	\$ 3,300,516
Gasoline and other motor fuel	415,738	429,929	425,205	414,779
Individual income	1,812,862	1,721,862	1,734,040	1,744,620
Corporate income and franchise	588,260	569,856	577,114	689,171
Insurance	340,743	328,109	314,756	273,710
Other	505,642	498,986	474,045	513,203
Investment income	39,300	34,939	56,300	53,689
Transfers	(95,075)	(79,494)	(129,864)	(103,182)
Total governmental activities	7,070,227	6,896,899	6,812,671	6,886,506
Business-type activities:				
Investment income	50,331	63,121	12,234	28,585
Extraordinary item - debt forgiveness	12,791			
Transfers	94,075	79,494	129,864	103,182
Total business-type activities	157,197	142,615	142,098	131,767
Total primary government	\$ 7,227,424	\$ 7,039,514	\$ 6,954,769	\$ 7,018,273
<b>Change in Net Position</b>				
Governmental activities	\$ 330,190	\$ (325,161)	\$ 839,150	\$ 276,058
Business-type activities	103,581	62,919	127,082	126,974
Total primary government	\$ 433,771	\$ (262,242)	\$ 966,232	\$ 403,032

Note: This table has been restated for prior period adjustments, if practical. Complete information necessary to fully restate fiscal years 2014 and 2017 for the implementation of GASB Statement 68 and GASB Statement 75, respectively, was not available.

<sup>1</sup> Health and social services expenses 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.

<sup>2</sup> 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.

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

<sup>4</sup> Other business-type activities expenses increased from 2016 to 2017. This is the result of the State Life and Health Insurance Plan being reclassified from an internal service fund to an enterprise fund.

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

<sup>6</sup> Other business-type activities charges for services increased from 2016 to 2017 as a result of the State Life and Health Insurance Plan being reclassified from an internal service fund to an enterprise fund.

	2014	2013	2012	2011	2010	2009
\$	3,263,643	\$ 3,118,658	\$ 3,031,689	\$ 2,935,523	\$ 2,885,064	\$ 2,961,865
	408,667	402,724	419,811	420,410	406,279	411,729
	1,703,736	1,666,840	1,572,334	1,374,843	1,385,623	1,415,091
	677,168	533,246	476,423	477,443	416,978	420,739
	267,971	216,173	209,937	192,146	197,970	187,050
	541,496	531,494	551,119	520,689	511,351	461,064
	82,307	9,208	50,607	91,185	54,935	83,119
	(48,583)	(82,478)	(36,514)	(22,871)	(29,896)	(42,639)
	6,896,405	6,395,865	6,275,406	5,989,368	5,828,304	5,898,018
	70,196	59,600	21,800	62,388	44,548	2,843
	48,583	82,478	36,514	22,871	29,896	42,639
	118,779	142,078	58,314	85,259	74,444	45,482
\$	7,015,184	\$ 6,537,943	\$ 6,333,720	\$ 6,074,627	\$ 5,902,748	\$ 5,943,500
\$	506,315	\$ 371,581	\$ 505,279	\$ 866,855	\$ 527,695	\$ (70,967)
	14,844	119,484	78,358	56,665	(158,392)	(146,165)
\$	521,159	\$ 491,065	\$ 583,637	\$ 923,520	\$ 369,303	\$ (217,132)

<sup>7</sup> 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.

<sup>8</sup> Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.

# Mississippi

## Fund Balances of Governmental Funds

Last Ten Fiscal Years

Table 3

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2018	2017	2016	2015
<b>General Fund</b>				
Nonspendable	\$ 46,513	\$ 48,671	\$ 51,896	\$ 52,877
Restricted	3,079,797	3,262,166	3,647,183	3,754,248
Committed	129,083	56,179	41,724	88,919
Assigned	14,309	10,865	10,072	12,121
Unassigned	531,384	405,825	546,979	232,990
Total General Fund	<u>\$ 3,801,086</u>	<u>\$ 3,783,706</u>	<u>\$ 4,297,854</u>	<u>\$ 4,141,155</u>

### All Other Governmental Funds

Nonspendable	\$ 58,485	\$ 57,994	\$ 57,305	\$ 57,201
Restricted	5,067	5,389	6,709	5,473
Committed				
Total All Other Governmental Funds	<u>\$ 63,552</u>	<u>\$ 63,383</u>	<u>\$ 64,014</u>	<u>\$ 62,674</u>

	2010	2009
<b>General Fund</b>		
Reserved	\$ 813,291	\$ 829,688
Unreserved	1,895,503	1,359,911
Total General Fund	<u>\$ 2,708,794</u>	<u>\$ 2,189,599</u>

### All Other Governmental Funds

Reserved	\$ 82,783	\$ 316,774
Unreserved, reported in:		
Special revenue funds	596,557	552,911
Capital project funds	323,080	375,268
Permanent funds	6,601	5,119
Total All Other Governmental Funds	<u>\$ 1,009,021</u>	<u>\$ 1,250,072</u>

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.



2014	2013	2012	2011
\$ 52,061	\$ 50,480	\$ 52,236	\$ 52,571
3,448,681	3,491,146	3,528,727	2,895,706
139,936	112,788	192,939	198,340
10,503	10,729	45,757	110,648
571,580	520,612	452,744	287,764
<u>\$ 4,222,761</u>	<u>\$ 4,185,755</u>	<u>\$ 4,272,403</u>	<u>\$ 3,545,029</u>
\$ 56,450	\$ 55,711	\$ 54,918	\$ 54,476
5,163	5,252	7,132	477,449
			187,041
<u>\$ 61,613</u>	<u>\$ 60,963</u>	<u>\$ 62,050</u>	<u>\$ 718,966</u>

# Mississippi

## Changes in Fund Balances of Governmental Funds

**Table 4**

**Last Ten Fiscal Years**

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2018	2017	2016	2015
<b>Revenues</b>				
Taxes				
Sales and use <sup>1</sup>	\$ 3,466,388	\$ 3,399,477	\$ 3,375,755	\$ 3,324,776
Gasoline and other motor fuel	414,770	430,162	424,615	419,622
Individual income	1,829,073	1,728,682	1,733,198	1,747,961
Corporate income and franchise	592,988	567,316	573,873	691,769
Insurance	340,743	328,109	314,756	273,710
Other	505,642	498,986	474,045	515,596
Licenses, fees and permits	529,731	546,216	569,717	564,702
Federal government <sup>2</sup>	7,671,041	7,499,244	7,494,821	7,500,282
Investment income	41,696	28,487	68,870	57,002
Charges for sales and services	388,401	353,640	382,441	361,793
Rentals	1,405	1,658	25,504	15,789
Court assessments and settlements	202,735	204,378	384,080	163,915
Other	534,320	537,349	616,830	653,608
Total Revenues	16,518,933	16,123,704	16,438,505	16,290,525
<b>Expenditures</b>				
General government	2,186,733	2,269,629	2,228,370	2,475,434
Education	3,603,390	3,656,763	3,643,209	3,381,946
Health and social services <sup>3</sup>	7,782,448	7,823,462	7,806,591	7,685,805
Law, justice and public safety	823,278	866,469	861,793	959,927
Recreation and resources development	460,451	487,526	458,957	555,793
Regulation of business and professions	42,942	42,704	42,123	41,284
Transportation	1,104,440	1,157,251	1,062,860	1,047,355
Debt service				
Principal	323,203	399,019	358,206	319,916
Interest and other fiscal charges	235,639	243,751	244,996	224,400
Defeasance of debt				
Capital outlay				
Total Expenditures	16,562,524	16,946,574	16,707,105	16,691,860
Excess of revenues over (under) expenditures	\$ (43,591)	\$ (822,870)	\$ (268,600)	\$ (401,335)

	2014	2013	2012	2011	2010	2009
\$	3,264,343	\$ 3,122,591	\$ 3,037,136	\$ 2,916,298	\$ 2,848,169	\$ 3,008,042
	406,647	409,730	415,508	415,200	406,837	412,206
	1,676,064	1,680,470	1,551,576	1,409,473	1,337,000	1,441,141
	677,501	539,174	497,879	447,322	413,930	420,482
	267,971	216,173	209,937	192,146	197,970	187,050
	541,496	531,494	551,119	520,689	511,351	461,064
	522,824	533,880	533,573	519,033	505,314	527,099
	7,343,489	7,495,005	7,647,096	8,496,243	8,434,957	7,402,207
	69,134	10,897	47,037	88,553	96,596	69,725
	363,976	346,611	347,252	379,741	311,236	351,618
	32,662	27,698	27,641	29,044	27,844	24,008
	169,497	141,008	156,163	145,462	188,337	130,762
	562,028	607,047	535,500	511,610	521,636	410,345
	15,897,632	15,661,778	15,557,417	16,070,814	15,801,177	14,845,749
	1,493,951	1,495,665	1,414,395	1,301,010	1,377,855	1,392,656
	3,994,332	3,909,703	4,121,827	4,134,654	4,076,285	4,090,971
	7,404,608	7,373,548	7,064,468	6,863,679	6,711,466	6,129,997
	930,805	985,149	933,574	953,468	1,053,017	1,069,705
	639,569	590,813	715,739	1,002,286	1,055,786	1,138,031
	39,444	39,654	37,440	37,713	37,847	36,450
	1,143,230	1,109,584	1,204,625	1,168,090	1,180,908	1,134,357
	319,798	307,377	290,870	316,103	321,825	419,973
	244,164	246,962	240,940	226,906	163,207	210,654
					2,505	
			68,471	84,671	98,825	80,378
	16,209,901	16,058,455	16,092,349	16,088,580	16,079,526	15,703,172
\$	(312,269)	\$ (396,677)	\$ (534,932)	\$ (17,766)	\$ (278,349)	\$ (857,423)

(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)

	2018	2017	2016	2015
<b>Other Financing Sources (Uses)</b>				
Bonds and notes issued	\$ 151,651	\$ 334,135	\$ 498,895	\$ 366,575
Capital leases issued	1,819	1,637	3,420	2,322
Discounts on bonds and notes issued				(353)
Insurance recovery	810	478	1,498	22,732
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	(263,616)	(650,120)	(76,405)	(483,163)
Premiums on bonds, notes, and refunding bonds and notes issued	16,487	136,029	56,328	86,758
Refunding bonds and notes issued	221,850	551,030	71,125	429,115
Transfers in	3,117	3,017	4,082	3,513
Transfers out	(98,192)	(82,511)	(132,304)	(106,709)
Net Other Financing Sources (Uses)	33,926	293,695	426,639	320,790
Net Change in Fund Balances	\$ (9,665)	\$ (529,175)	\$ 158,039	\$ (80,545)
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	3.6%	4.0%	3.8%	3.4%

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

<sup>1</sup> 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.

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

<sup>3</sup> 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.

	2014		2013		2012		2011		2010		2009
\$	348,777	\$	341,420	\$	603,030	\$	569,794	\$	581,972	\$	362,720
	16,107		487		9,524		8,009		2,987		10,759
	17,826		7,303		332		185		1,822		8,838
					(19,000)		(105,105)		(241,100)		(1,992)
							(183,105)		(141,892)		
			(776,032)		(115,002)				(41,998)		(82,265)
	15,838		120,265		40,400		13,114		10,562		13,916
			697,790		123,075		284,453		413,965		76,460
	4,508		4,461		196,971		138,686		756,592		335,056
	(53,131)		(86,752)		(233,940)		(161,936)		(786,417)		(363,090)
	349,925		308,942		605,390		564,095		556,493		360,402
\$	37,656	\$	(87,735)	\$	70,458	\$	546,329	\$	278,144	\$	(497,021)
	3.5%		3.7%		3.6%		3.6%		3.2%		4.3%

# Mississippi

## Taxable Sales by Industry

### Last Ten Fiscal Years

(Expressed in Thousands)

Table 5

	2017	2016	2015	2014
Accommodation and Food Services	\$ 5,248,968	\$ 5,069,440	\$ 4,802,372	4,590,836
Administrative, Support, Waste Management	411,341	391,177	361,743	335,163
Arts, Entertainment, Recreation	124,183	123,077	122,846	124,955
Construction	5,271,234	4,994,170	5,461,065	5,716,050
Information	2,666,288	2,696,693	2,706,468	2,635,722
Manufacturing	806,532	797,074	783,109	896,040
Mining, Quarrying and Oil and Gas Extraction	156,831	170,269	398,300	412,702
Other Services	1,511,868	1,489,721	1,389,561	1,335,779
Real Estate, Rental, and Leasing	1,089,123	946,120	929,136	862,594
Retail Trade	26,554,174	26,582,734	25,604,974	25,048,766
Utilities	1,126,915	1,147,208	1,271,311	1,439,020
Wholesale Trade	3,772,150	3,577,702	3,624,257	3,658,202
Other Industries	389,628	367,121	339,919	325,675
Total taxable sales	\$ 49,129,235	\$ 48,352,506	\$ 47,795,061	47,381,504
Gross tax collections	\$ 3,113,618	\$ 3,070,307	\$ 3,014,604	2,945,016
Average effective rate	6.34%	6.35%	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 2017.

**Source:** Mississippi Department of Revenue

	<b>2009</b>		<b>2008</b>
\$	5,023,772	\$	6,083,873
	7,771,199		7,887,529
	7,658,372		7,502,956
	858,990		959,992
	7,697,208		7,339,220
	2,870,910		3,423,567
	2,655,964		2,962,978
	3,567,676		3,743,749
	2,829,490		2,823,849
	4,383,720		4,225,268
	136,388		134,763
	763,532		749,042
<b>\$</b>	<b>46,217,221</b>	<b>\$</b>	<b>47,836,786</b>

\$	2,809,904	\$	2,893,966
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6.08%	6.05%
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# Mississippi

## Sales Tax Revenue Payers by Industry

Fiscal Years 2017 and 2008

Table 6

	2017			
	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Accommodation and Food Services	10,508	11.3 %	\$ 367,371	11.8 %
Administrative, Support, Waste Management	1,861	2.0	28,705	0.9
Arts, Entertainment, Recreation	2,218	2.4	8,693	0.3
Construction	10,580	11.4	213,457	6.9
Information	1,065	1.2	186,639	6.0
Manufacturing	4,783	5.1	47,861	1.5
Mining, Quarrying and Oil and Gas Extraction	697	0.7	10,318	0.3
Other Services	6,633	7.1	103,757	3.3
Real Estate, Rental, and Leasing	2,398	2.6	70,833	2.3
Retail Trade	38,464	41.2	1,755,451	56.4
Utilities	770	0.8	72,982	2.3
Wholesale Trade	8,994	9.6	221,095	7.1
Other Industries	4,329	4.6	26,456	0.9
Total taxable sales	93,300	100.0 %	\$ 3,113,618	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 2017.

**Source:** Mississippi Department of Revenue



2008					
	Number of Filers	Percentage of Total		Tax Liability (expressed in thousands)	Percentage of Total
Automotive	11,286	13.0 %	\$	342,952	11.9 %
Contracting	10,045	11.6		300,867	10.4
Food and Beverage	15,360	17.7		525,207	18.2
Furniture	2,392	2.7		67,200	2.3
General Merchandise	5,389	6.2		514,312	17.8
Lumber and Building Materials	5,867	6.7		239,650	8.3
Machinery, Equipment, and Supplies	6,395	7.4		162,926	5.6
Miscellaneous Retail	22,240	25.6		255,576	8.8
Miscellaneous Services	6,068	7.0		194,467	6.7
Public Utilities	1,183	1.3		228,943	7.9
Recreation	576	0.7		9,433	0.3
Wholesale	45	0.1		52,433	1.8
Total taxable sales	86,846	100.0 %	\$	2,893,966	100.0 %

# Mississippi

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

	2018	2017	2016	2015
<b>Governmental Activities</b>				
General Obligation Bonds and Notes <sup>1</sup>	\$ 4,263,174	\$ 4,409,839	\$ 4,389,749	\$ 4,381,327
Limited Obligation Bonds	215,158	221,727	226,507	
Capital Lease Obligations	7,872	11,124	15,262	20,209
Notes Payable <sup>1</sup>	957,165	1,030,160	1,055,789	1,113,994
Certificates of Participation				
Total Governmental Activities	5,443,369	5,672,850	5,687,307	5,515,530
<b>Business-type Activities</b>				
General Obligation Bonds	6,496	6,673	9,696	12,670
Capital Lease Obligations	40	120	198	272
Total Business-type Activities	6,536	6,793	9,894	12,942
Total Primary Government	\$ 5,449,905	\$ 5,679,643	\$ 5,697,201	\$ 5,528,472
Amount of Debt Per capita <sup>2</sup>	\$ 1,826	\$ 1,900	\$ 1,904	\$ 1,847
Debt as a percentage of Personal Income <sup>3</sup>	5.0%	5.3%	5.4%	5.4%
<b>Net General Obligation Bonded Debt<sup>4</sup></b>				
General Obligation Bonds and Notes <sup>1</sup>	\$ 4,263,174	\$ 4,409,839	\$ 4,389,749	\$ 4,381,327
Less: Debt Service	280,295	252,787	335,687	340,515
Net General Obligation Bonded Debt	\$ 3,982,879	\$ 4,157,052	\$ 4,054,062	\$ 4,040,812
Amount of Net General Obligation Bonded Debt Per capita <sup>2</sup>	\$ 1,335	\$ 1,391	\$ 1,355	\$ 1,350
Net General Obligation Bonded Debt as a percentage of Taxable Sales <sup>5</sup>	8.1%	8.6%	8.5%	8.5%

**Notes:**

<sup>1</sup> Fiscal years 2009 - 2012 have been restated for GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, presentation.

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

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

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

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

2014	2013	2012	2011	2010	2009
\$ 4,297,643	\$ 4,207,238	\$ 4,239,834	\$ 3,862,590	\$ 3,578,528	\$ 3,516,385
22,775	13,158	18,079	13,935	13,212	17,231
1,078,967	1,140,010	989,336	1,021,016	1,047,983	853,156
					2,045
5,399,385	5,360,406	5,247,249	4,897,541	4,639,723	4,388,817
15,503	18,210	20,792	23,426	26,476	29,231
344	131	381	618	841	1,636
15,847	18,341	21,173	24,044	27,317	30,867
\$ 5,415,232	\$ 5,378,747	\$ 5,268,422	\$ 4,921,585	\$ 4,667,040	\$ 4,419,684
\$ 1,811	\$ 1,805	\$ 1,768	\$ 1,652	\$ 1,571	\$ 1,493
5.3%	5.4%	5.3%	5.2%	5.1%	5.0%
\$ 4,297,643	\$ 4,207,238	\$ 4,239,834	\$ 3,862,590	\$ 3,578,528	\$ 3,516,385
369,002	339,308	344,061	323,235	248,686	197,131
\$ 3,928,641	\$ 3,867,930	\$ 3,895,773	\$ 3,539,355	\$ 3,329,842	\$ 3,319,254
\$ 1,313	\$ 1,298	\$ 1,307	\$ 1,188	\$ 1,121	\$ 1,121
8.4%	8.6%	8.6%	8.0%	7.7%	7.2%

# Mississippi

## Legal Debt Margin

### Last Ten Fiscal Years

Table 8

(Expressed in Thousands)

	2018	2017	2016	2015	2014
Legal debt limit	\$ 13,312,194	\$ 13,312,194	\$ 13,312,194	\$ 13,312,194	\$ 12,823,921
Less: Net debt applicable to limit	3,982,879	4,157,052	4,054,062	4,040,812	3,928,641
Legal debt margin	\$ 9,329,315	\$ 9,155,142	\$ 9,258,132	\$ 9,271,382	\$ 8,895,280
Net debt applicable to the limit as a percentage of legal debt limit	29.9%	31.2%	30.5%	30.4%	30.6%

	2013	2012	2011	2010	2009
Legal debt limit	\$ 12,505,104	\$ 12,451,109	\$ 12,451,109	\$ 12,451,109	\$ 12,451,109
Less: Net debt applicable to limit	3,867,930	3,847,744	3,490,465	3,275,320	3,259,476
Legal debt margin	\$ 8,637,174	\$ 8,603,365	\$ 8,960,644	\$ 9,175,789	\$ 9,191,633
Net debt applicable to the limit as a percentage of legal debt limit	30.9%	30.9%	28.0%	26.3%	26.2%

### Legal Debt Margin Calculation for Fiscal Year 2018:

Legal debt limit <sup>1</sup>	\$ 13,312,194
Amount of debt applicable to limit <sup>2</sup>	\$ 4,263,174
Less: amounts available for debt service	280,295
Less: Net debt applicable to limit	3,982,879
Legal debt margin	\$ 9,329,315

### Notes:

<sup>1</sup> 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
2017	\$ 8,607,236
2016	8,706,340
2015	8,647,704
2014	8,874,796

<sup>2</sup> 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.		
2017	2,984,100	5.1%	4.4%	\$ 108,460,000,000	\$ 36,346
2016	2,988,726	5.8	4.9	107,403,000,000	35,936
2015	2,993,000	6.4	5.3	106,075,000,000	35,444
2014	2,994,000	7.5	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

### 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	2017			2008		
	Rank	Average Number of Employees	Percentage of All Employees	Rank	Average Number of Employees	Percentage of All Employees
Government	1	242,600	20.0 %	1	247,800	20.3 %
Manufacturing	2	144,000	11.9	2	159,700	13.1
Retail Trade	3	140,400	11.6	3	139,400	11.4
Health Care and Social Assistance	4	132,000	10.9	5	114,200	9.4
Accommodation and Food Services	5	125,500	10.3	4	114,200	9.4
Professional and Business Services	6	108,200	8.9	6	94,900	7.8
Transportation and Warehousing	7	56,300	4.6	8	48,500	4.0
Construction	8	43,300	3.6	7	60,400	4.9
Other Services	9	40,300	3.3	9	40,800	3.3
Wholesale Trade	10	34,900	2.9	10	36,400	3.0
Total		1,067,500	88.0 %		1,056,300	86.6 %
Total Employed Labor Force		1,215,100	100.0 %		1,221,000	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

	2017/2018	2016/2017	2015/2016	2014/2015
Kindergarten	41,710	42,003	42,427	44,950
Grades 1-3	110,730	116,066	121,392	120,791
Grades 4-6	113,468	111,169	108,320	108,968
Grades 7-9	107,099	107,929	109,425	112,337
Grades 10-12	97,149	97,724	97,213	95,767
Special Education	7,477	7,555	7,694	7,412
Total Enrollment	477,633	482,446	486,471	490,225

Source: Mississippi Department of Education

## Community and Junior College Enrollment

Last Ten Academic Years

Table 12

	2017/2018	2016/2017	2015/2016	2014/2015
Coahoma Community College	1,940	1,943	1,913	1,746
Copiah-Lincoln Community College	2,986	3,006	3,097	3,040
East Central Community College	5,006	2,449	2,598	2,621
East Mississippi Community College	4,049	3,897	4,070	3,676
Hinds Community College	10,701	10,411	9,904	12,844
Holmes Community College	5,509	5,208	5,064	4,905
Itawamba Community College	5,525	6,350	6,398	6,320
Jones County Junior College	4,860	5,358	4,966	4,617
Meridian Community College	3,965	3,756	3,647	3,386
Mississippi Delta Community College	2,534	2,444	2,417	2,499
Mississippi Gulf Coast Community College	9,979	9,607	9,476	9,767
Northeast Mississippi Community College	3,911	3,966	3,651	3,643
Northwest Mississippi Community College	7,322	6,861	7,235	7,294
Pearl River Community College	4,325	4,107	4,107	4,140
Southwest Mississippi Community College	1,953	2,091	2,091	2,097
Total Enrollment	74,565	71,454	70,634	72,595

Source: Mississippi Community College Board

## University Enrollment

Last Ten Academic Years

Table 13

	2017/2018	2016/2017	2015/2016	2014/2015
Alcorn State University	3,716	3,420	3,518	3,639
Delta State University	3,789	3,588	3,460	3,614
Jackson State University	8,558	9,811	9,802	9,508
Mississippi State University	21,883	21,622	20,873	20,138
Mississippi University for Women	2,789	2,956	2,673	2,696
Mississippi Valley State University	2,385	2,455	2,309	2,221
University of Mississippi	23,780	24,250	23,838	23,096
University of Southern Mississippi	14,478	14,552	14,551	14,792
Total Enrollment	81,378	82,654	81,024	79,704

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

<b>2013/2014</b>	<b>2012/2013</b>	<b>2011/2012</b>	<b>2010/2011</b>	<b>2009/2010</b>	<b>2008/2009</b>
46,297	47,198	44,890	42,371	42,790	41,602
119,432	116,562	114,814	115,503	116,320	118,249
110,211	111,609	114,498	115,057	114,328	111,783
113,675	113,490	111,616	111,826	113,802	115,901
95,399	96,485	97,292	98,536	97,942	97,024
7,572	7,503	7,509	7,233	6,923	6,635
492,586	492,847	490,619	490,526	492,105	491,194

<b>2013/2014</b>	<b>2012/2013</b>	<b>2011/2012</b>	<b>2010/2011</b>	<b>2009/2010</b>	<b>2008/2009</b>
2,722	2,694	2,889	2,781	3,210	2,239
3,186	3,308	3,578	5,221	4,649	3,886
3,049	3,112	3,091	2,738	3,554	3,219
3,712	4,367	5,240	5,906	6,063	6,356
10,975	10,609	14,306	13,693	15,370	12,661
6,330	6,728	6,707	5,711	5,943	5,754
6,972	6,977	7,602	8,003	9,965	9,173
5,113	4,192	4,637	6,783	6,982	5,951
3,047	3,330	3,883	3,956	4,856	4,317
3,006	3,001	3,977	4,320	4,410	4,011
11,821	11,350	11,434	12,171	13,426	11,736
3,520	3,603	3,736	3,966	5,482	5,006
8,450	7,202	8,437	7,312	8,777	7,326
4,231	4,675	4,675	4,406	4,853	5,081
2,224	2,143	2,224	2,283	2,289	2,106
78,358	77,291	86,416	89,250	99,829	88,822

<b>2013/2014</b>	<b>2012/2013</b>	<b>2011/2012</b>	<b>2010/2011</b>	<b>2009/2010</b>	<b>2008/2009</b>
3,848	3,950	4,018	3,682	3,334	3,252
4,785	4,763	4,624	4,327	4,031	4,064
9,134	8,819	8,903	8,687	8,783	8,374
20,161	20,365	20,424	19,643	18,600	17,824
2,629	2,650	2,661	2,587	2,476	2,365
2,203	2,479	2,452	2,636	2,846	2,929
22,291	21,528	20,830	19,546	18,344	17,601
15,249	16,468	16,604	15,778	15,293	14,793
80,300	81,022	80,516	76,886	73,707	71,202

# Mississippi

## Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 14

	2018	2017	2016	2015
<b>General Government</b>				
Department of Finance and Administration				
Buildings	62	60	60	59
Vehicles	44	45	37	44
Department of Revenue				
Vehicles	44	50	46	62
<b>Education</b>				
Department of Education				
Vehicles	45	51	52	55
<b>Law, Justice and Public Safety</b>				
Department of Corrections				
Buildings	252	252	252	252
Vehicles	593	610	594	618
Department of Public Safety				
Buildings	46	46	46	45
Vehicles	1,063	1,203	1,124	1,118
<b>Recreation and Resource Development</b>				
Department of Wildlife, Fisheries and Parks				
State Parks	25	25	25	25
Acres of State Parks	21,344	21,344	24,481	24,481
Buildings	215	221	211	211
Vehicles	722	712	628	594
Forestry Commission				
Buildings	23	24	24	24
Vehicles	337	430	458	490
<b>Regulation of Business and Professions</b>				
Workers' Compensation Commission				
Buildings	1	1	1	1
<b>Transportation</b>				
Department of Transportation				
Miles of state highway	10,911	10,888	10,901	10,897
Vehicles	2,213	2,288	2,228	2,272
<b>Health and Social Services</b>				
Department of Mental Health				
Buildings	475	476	474	475
Vehicles	743	764	752	755

Sources:

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



2014	2013	2012	2011	2010	2009
36	37	37	36	37	37
44	41	42	49	48	42
49	46	46	44	49	49
44	45	41	44	43	42
558	572	576	611	627	627
691	611	611	593	608	673
43	41	41	39	39	38
913	896	963	877	845	908
25	25	25	25	26	26
24,481	24,591	24,591	24,446	24,260	24,260
843	835	842	843	831	817
558	591	614	606	614	632
317	369	388	392	394	398
413	421	429	430	440	446
1	1	1	1	1	1
10,898	10,886	10,913	10,907	10,907	10,984
2,339	2,352	2,554	2,534	2,569	2,530
538	545	551	551	553	553
752	756	778	786	801	794

# Mississippi

## State Government Employees by Function

Last Ten Fiscal Years

Table 15

	2018	2017	2016	2015	2014	2013
<b>General Government</b>						
Department of Finance and Administration	436	414	432	413	413	418
Department of Revenue	698	737	753	764	727	694
Treasury	37	36	38	38	39	36
All Other	1,382	1,389	1,399	1,429	1,441	1,454
<b>Education</b>						
Department of Education	603	638	623	607	653	687
All Other	178	175	185	185	182	187
<b>Health and Social Services</b>						
Department of Human Services	3,056	3,208	3,441	3,411	3,391	3,483
Division of Medicaid	938	974	929	925	936	923
Department of Mental Health	6,019	6,635	7,268	7,460	7,716	7,815
Department of Rehabilitation Services	913	982	998	954	964	969
All Other	2,717	2,829	2,992	3,251	3,340	3,449
<b>Law, Justice and Public Safety</b>						
Department of Corrections	2,010	2,158	2,293	2,647	2,870	2,958
Department of Public Safety	1,191	1,200	1,234	1,282	1,215	1,252
All Other	2,171	2,161	2,142	2,087	2,163	2,188
<b>Recreation and Resource Development</b>						
Department of Environmental Quality	398	396	402	394	397	401
Department of Wildlife, Fisheries and Parks	530	519	511	522	522	543
Forestry Commission	263	266	390	401	418	414
Mississippi Development Authority	229	232	241	271	287	300
All Other	357	361	370	366	365	367
<b>Regulation of Business and Professions</b>						
Public Service Commission	58	62	68	67	85	101
Oil and Gas Board	27	28	31	32	31	32
All Other	299	302	290	279	260	248
<b>Transportation</b>						
Department of Transportation	3,100	3,146	3,184	3,162	3,277	3,351
<b>Total</b>	<b>27,610</b>	<b>28,848</b>	<b>30,214</b>	<b>30,947</b>	<b>31,692</b>	<b>32,270</b>

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

2012	2011	2010	2009
413	407	387	408
664	681	659	711
37	38	38	38
1,405	1,399	1,408	1,484
714	717	741	779
195	191	193	201
3,302	3,276	3,219	3,284
869	897	934	940
8,189	8,173	8,586	8,978
995	1,026	1,060	1,024
3,476	3,399	3,549	3,438
2,746	2,824	2,919	3,090
1,291	1,256	1,275	1,338
2,192	2,141	2,130	2,134
423	432	435	448
566	582	665	807
423	443	455	475
308	316	324	319
378	375	392	402
100	100	92	97
34	34	34	36
245	252	262	255
3,342	3,363	3,448	3,413
32,307	32,322	33,205	34,099

# Mississippi

## Operating Indicators by Function

Last Ten Fiscal Years

Table 16

	2017	2016	2015	2014
<b>General Government</b>				
Tax returns processed	3,099,217	3,054,931	3,367,215	4,950,000
On-going construction projects	671	656	690	699
Tort claims processed	891	1,135	1,167	929
Unclaimed property claims paid	5,042	10,131	5,352	5,187
Corporate filings processed *			168,421	67,873
UCC filings processed *			320,819	318,307
<b>Education</b>				
Average cost per public school student	\$9,781	\$9,704	\$9,394	\$9,209
Public high school graduates	30,083	29,991	29,802	28,556
Public school teachers, K-12	31,658	32,101	32,230	32,102
Third Grade Students Passing the Reading Summative Assessment	36,544			
<b>Health and Social Services</b>				
Average monthly households receiving food assistance*		279,491	297,854	304,060
Child support collections from non-custodial parents	\$360,687,014	\$352,077,839	\$352,077,839	\$333,825,397
Medicaid recipients receiving medical services	711,923	726,473	740,937	689,153
CHIP Recipients	48,344			
<b>Law, Justice and Public Safety</b>				
Custody population per 100,000 Mississippi residents	623	609	641	
Average inmate population in prisons *				9,719
Supervised offenders in communities *				30,689
Driver licenses issued	600,134	650,757	600,239	594,005
<b>Recreation and Resource Development</b>				
Tourist registered at welcome centers	2,390,882	2,441,086	2,494,990	2,454,373
Land reforested (acres)	30,267	35,000	21,470	32,238
Hunting and fishing licenses sold	500,000	483,751	560,219	571,785
Overnight accommodations at state parks	794,504	793,777	550,186	689,774
<b>Regulation of Business and Professions</b>				
Utility complaints investigated	4,612	4,538	2,347	3,915
Well inspections by Oil and Gas Board	31,722	33,179	26,930	25,073
<b>Transportation</b>				
Overlays (miles) *				320
Repair and replacement of deficit local system bridges	46	62	62	66

\* Operating indicators are no longer available.

Note: The most current fiscal year available is fiscal year 2017.

### Sources:

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

2013	2012	2011	2010	2009	2008
4,950,000	4,950,000	4,950,000	4,950,000	4,900,000	4,850,000
743	783	820	688	656	676
1,098	986	1,117	1,117	538	353
5,309	7,298	4,581	8,050	7,799	6,175
110,008	243,634	112,983	104,842	113,217	40,218
322,350	342,552	254,872	280,335	268,108	286,740
\$8,921	\$8,932	\$8,752	\$8,930	\$8,895	\$8,737
28,317	28,933	29,569	28,517	24,393	23,935
32,356	32,170	32,042	33,210	33,972	33,613
303,719	289,660	266,966	241,785	204,068	184,779
\$332,931,089	\$332,298,519	\$314,027,549	\$292,715,332	\$286,696,080	\$264,727,366
643,687	640,957	637,781	621,607	598,476	569,294
9,868	9,449	9,636	10,054	10,761	10,856
30,078	35,097	Not Available	Not Available	25,910	27,323
807,582	747,173	821,000	780,000	783,508	907,850
2,502,048	2,471,958	2,462,209	2,485,233	2,962,056	2,906,700
29,732	52,830	38,753	24,239	38,257	44,546
578,154	550,000	493,773	502,024	588,095	584,891
544,887	646,752	573,975	548,224	575,502	675,000
3,988	4,002	8,059	7,906	7,701	7,299
21,893	22,236	12,166	15,323	24,419	21,227
135	64	279	397	455	251
50	55	85	47	63	55

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## ***Cover***

*Photos courtesy of Mississippi Department of Wildlife, Fisheries and Parks.*