OFFICIAL STATEMENT

ONE (1) NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: Fitch: AA+ (negative outlook)
Moody's: Aa2 (stable outlook)
S & P: AA (stable outlook)
(See "RATINGS" herein)

In the opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi ("Bond Counsel"), under existing laws, regulations, rulings and judicial decisions, interest on the Series 2013B Bonds (as defined herein) is excludable from gross income for federal tax purposes pursuant to Section 103 of the Code (as defined herein). However, see "TAX MATTERS" for a description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2013B Bonds. Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2013B Bonds is exempt from income taxation in the State (as defined herein). See "TAX MATTERS" herein and APPENDIX E - FORM OF OPINION OF BOND COUNSEL attached hereto.

$159,225,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2013B

Dated: Date of Delivery **Due:** December 1, as shown on the inside cover page

Interest on the $159,225,000 State of Mississippi General Obligation Bonds, Series 2013B (the "Series 2013B Bonds") will be payable on June 1 and December 1 of each year, commencing June 1, 2014. The State Bond Commission of the State of Mississippi (the "State") has designated the Office of the State Treasurer to serve as paying agent, transfer agent and registrar of the Series 2013B Bonds (the "Paying and Transfer Agent"). The Series 2013B Bonds will be issued as fully registered bonds in the denomination of $5,000, or any integral multiple thereof, and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2013B Bonds under a book-entry-only system, as described herein. So long as the Series 2013B Bonds are held in book-entry form, Beneficial Owners (as defined herein) of the Series 2013B Bonds will not receive physical delivery of bond certificates.

The principal of, and interest on, the Series 2013B Bonds will be payable by the Paying and Transfer Agent to DTC, which will in turn remit such principal and interest to its Direct Participants (as defined herein) and Indirect Participants (as defined herein), which will in turn remit such principal, and interest to the Beneficial Owners of the Series 2013B Bonds. If the date for payment is not a business day, then the payment shall be made on the next succeeding business day with the same force and effect as if made on the payment date.

The Series 2013B Bonds are general obligations of the State and are secured by a pledge of the full faith and credit of the State. The Series 2013B Bonds may be subject to optional redemption prior to their respective maturities as more fully described in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2013B BONDS – Redemption Provisions."

The Series 2013B Bonds are being issued at the same time as the $179,940,000 State of Mississippi Taxable General Obligation Bonds, Series 2013A.

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

The Series 2013B Bonds are offered subject to the final approving opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Watkins & Eager PLLC, Jackson, Mississippi. Certain legal matters with respect to the State will be passed upon by the State Attorney General, Jim Hood, Esq. It is expected that delivery of the Series 2013B Bonds in definitive form will be made in New York, New York, on or about December 3, 2013.

Raymond James **BofA Merrill Lynch**

Duncan-Williams, Inc. **Loop Capital Markets, LLC** **Stephens Inc.**

Dated: November 13, 2013

STATE OF MISSISSIPPI

$159,225,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2013B

MATURITY SCHEDULE

Year of Maturity	Principal Amount	Interest Rate	Yield	CUSIP**
2026*	$ 8,475,000	5.000%	3.38%	605581DF1
2027*	18,440,000	5.000	3.53	605581DG9
2028*	19,390,000	5.000	3.67	605581DH7
2029*	20,385,000	5.000	3.79	605581DJ3
2030*	21,430,000	5.000	3.90	605581DK0
2031*	22,525,000	5.000	3.98	605581DL8
2032*	23,685,000	5.000	4.05	605581DM6
2033*	24,895,000	5.000	4.11	605581DN4

* Priced to the par call date of December 1, 2023.

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

STATE OF MISSISSIPPI

STATE BOND COMMISSION

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

DEPARTMENT OF FINANCE AND ADMINISTRATION

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

OFFICE OF THE ATTORNEY GENERAL

ROMAINE RICHARDS — *Special Assistant Attorney General*

OFFICE OF THE STATE TREASURER

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

BOND COUNSEL

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

UNDERWRITERS' COUNSEL

WATKINS & EAGER PLLC
Jackson, Mississippi

FINANCIAL ADVISOR

PIPER JAFFRAY & CO.
Memphis, Tennessee

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NO DEALER, BROKER, SALES REPRESENTATIVE OR OTHER PERSON HAS BEEN AUTHORIZED BY THE STATE, THE STATE BOND COMMISSION OF THE STATE OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED HEREIN IN CONNECTION WITH THE OFFERING OF THE SERIES 2013B BONDS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SERIES 2013B BONDS NOR SHALL THERE BE ANY SALE OF THE SERIES 2013B BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE STATE AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. THE INFORMATION SET FORTH HEREIN CONCERNING DTC HAS BEEN FURNISHED BY DTC AND NO REPRESENTATION IS MADE BY THE STATE OR THE UNDERWRITERS AS TO THE ACCURACY OR COMPLETENESS THEREOF. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE STATE SINCE THE DATE HEREOF.

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN MARKET PRICES OF THE SERIES 2013B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: EACH UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

UPON ISSUANCE, THE SERIES 2013B BONDS WILL NOT BE REGISTERED BY THE STATE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR THE SERIES 2013B BONDS OFFERED FOR SALE BY THIS OFFICIAL STATEMENT.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE CAPTIONS AND HEADINGS IN THIS OFFICIAL STATEMENT ARE FOR CONVENIENCE OF REFERENCE ONLY, AND IN NO WAY DEFINE, LIMIT OR DESCRIBE THE SCOPE OR INTENT, OR AFFECT THE MEANING OR CONSTRUCTION, OF ANY PROVISION OR SECTIONS OF THIS OFFICIAL STATEMENT. THE OFFERING OF THE SERIES 2013B BONDS IS MADE ONLY BY MEANS OF THIS OFFICIAL STATEMENT.

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

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OFFICIAL STATEMENT SUMMARY

THE OFFERING

$159,225,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2013B

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

Issue and Date ..... $159,225,000 State of Mississippi General Obligation Bonds, Series 2013B (the "Series 2013B Bonds"), dated their date of delivery.

Authority ..... The Series 2013B Bonds will be issued pursuant to the provisions of Section 1 of Senate Bill 3175, 2007 Regular Session of the State Legislature, as amended by Senate Bill 2923, 2011 Regular Session of the State Legislature, Section 1(2) of House Bill 1722, 2009 Regular Session of the State Legislature, as amended by Senate Bill 2728, 2013 Regular Session of the State Legislature, Section 1(2) and (6)(b)(i) of House Bill 1701, 2010 Regular Session of the State Legislature, Section 3(4) and (6) of Senate Bill 3181, 2010 Regular Session of the State Legislature, as amended by Section 39 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 1(2) and (7)(b) of Senate Bill 3100, 2011 Regular Session of the State Legislature, as amended by Section 38 of Senate Bill 2913, Regular Session of the State Legislature, Section 1(3) and (7)(b)(ii) of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 1(6) and (7)(b)(v) of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 2 of House Bill 1463, 2011 Regular Session of the State Legislature, Section 28 of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 29 of Senate Bill 3100, 2011 Regular Session of the State Legislature, as amended by Section 7 of House Bill 1049, 2013 Regular Session of the State Legislature, Section 1 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 3 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 23 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 21 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 6 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Sections 49 and 50 of House Bill 1701, 2010 Regular Session of the State Legislature, Sections 30 and 31 of Senate Bill 3100, 2011 Regular Session of the State Legislature, Sections 4 and 5 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 8 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 12 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 16 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 22 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 15 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 19 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 24 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 20 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 36 of Senate Bill 2913, 2013 Regular Session of the State Legislature and Section 49-17-85, Mississippi Code of 1972, as amended and supplemented from time to time, Section 14 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 13 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 17 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 29 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 57-75-15(3)(b) of Sections 57-75-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, and Section 18 of Senate Bill 2913, 2013 Regular Session of the State Legislature (collectively, the "Act"), and a resolution adopted by the State Bond Commission of the State on October 31, 2013 (the "Resolution").

Use of Proceeds ..... The Series 2013B Bonds are being issued for the purpose of providing funds to finance the costs of certain capital improvements and projects within the State and pay the costs incident to the sale, issuance and delivery of the Series 2013B Bonds, all as authorized under the Act.

Amounts and Maturities	The Series 2013B Bonds will mature on December 1 in the years and amounts as set forth on the inside cover page hereto.
Interest Payment Dates	Interest on the Series 2013B Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2014.
Redemption Provisions	The Series 2013B Bonds may be subject to optional redemption prior to their respective maturities (see "DESCRIPTION OF THE SERIES 2013B BONDS - Redemption Provisions," herein).
Security for Payment	Pursuant to the Act, the Series 2013B Bonds shall be general obligations of the State and are secured by a pledge of the full faith and credit of the State (see "DESCRIPTION OF THE SERIES 2013B BONDS - Security," herein).
Tax Matters	In the opinion of Bond Counsel (as defined herein), interest on the Series 2013B Bonds is excludable from gross income for federal tax purposes pursuant to Section 103 of the Code (as defined herein). However, see "TAX MATTERS" for a description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2013B Bonds. Bond Counsel is further of the opinion that interest on the Series 2013B Bonds is exempt from all income taxation in the State (see "TAX MATTERS," herein).

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

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OFFICIAL STATEMENT

$159,225,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2013B

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover and the Appendices herein, is to set forth certain information concerning the State of Mississippi (the "State" or "Mississippi") and the State's $159,225,000 General Obligation Bonds, Series 2013B (the "Series 2013B Bonds").

DESCRIPTION OF THE SERIES 2013B BONDS

General

The Series 2013B Bonds will be dated the day of their delivery, and will be issued as fully registered bonds in the denominations of $5,000 or any integral multiples thereof, bearing interest at the rates per annum set forth on the inside cover page hereto, payable June 1 and December 1 of each year, commencing on June 1, 2014, and computed on the basis of a 360-day year consisting of twelve, thirty-day months. The State Treasurer of the State has been designated by the State Bond Commission of the State to serve as paying agent, transfer agent and registrar of the Series 2013B Bonds (the "Paying and Transfer Agent"). The Series 2013B Bonds will be general obligations of the State and the full faith and credit of the State shall be pledged as security for the payment of the principal of and the interest on the Series 2013B Bonds.

The Series 2013B Bonds initially will be held in a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"). Principal of and interest on the Series 2013B Bonds held in book-entry form shall be payable as described herein under the heading "DESCRIPTION OF THE SERIES 2013B BONDS - Book-Entry-Only System."

The principal of and interest on, the Series 2013B Bonds will be payable by the Paying and Transfer Agent to DTC, which will in turn remit such principal and interest to its Direct Participants (as hereinafter defined) and Indirect Participants (as hereinafter defined), which will in turn remit such principal and interest to the Beneficial Owners (as hereinafter defined) of the Series 2013B Bonds. If the date for payment is not a business day, then the payment shall be made on the next succeeding business day with the same force and effect as if made on the payment date.

The Series 2013B Bonds will mature December 1 in the years and in the amounts set forth on the inside cover page hereto.

The Series 2013B Bonds will be issued pursuant to the provisions of Section 1 of Senate Bill 3175, 2007 Regular Session of the Legislature of the State, as amended by Senate Bill 2923, 2011 Regular Session of the State Legislature (the "Highway 6/Jackson Avenue Interchange Act"), Section 1(2) of House Bill 1722, 2009 Regular Session of the State Legislature, as amended by Senate Bill 2728, 2013 Regular Session of the State Legislature (the "2009 IHL Capital Improvements Act"), Section 1(2) and (6)(b)(i) of House Bill 1701, 2010 Regular Session of the State Legislature (the "2010 IHL and State Agencies Capital Improvements Act"), Section 3(4) and (6) of Senate Bill 3181, 2010 Regular Session of the State Legislature, as amended by Section 39 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "Camp Shelby Access Improvement Act"), Section 1(2) and (7)(b) of Senate Bill 3100, 2011 Regular Session of the State Legislature, as amended by Section 38 of Senate Bill 2913, Regular Session of the State Legislature (the "2011 IHL and State Agencies Capital Improvements Act"), Section 1(3) and (7)(b)(ii) of Senate Bill 3100, 2011 Regular Session of the State Legislature (the "2011 Bureau of Building State-Owned Buildings Discretionary Act"), Section 1(6) and (7)(b)(v) of Senate Bill 3100, 2011 Regular Session of the State Legislature (the "2011 Community and Junior Colleges Capital Improvements Act"), Section 2 of House Bill 1463, 2011 Regular Session of the State Legislature (the "2011 Mississippi Civil Rights Museum and Museum of Mississippi History Construction Act"), Section 28 of Senate Bill 3100, 2011 Regular Session of the State Legislature (the "2011 Old Eureka High School

Improvements Act"), Section 29 of Senate Bill 3100, 2011 Regular Session of the State Legislature, as amended by Section 7 of House Bill 1049, 2013 Regular Session of the State Legislature (the "2011 Old Hattiesburg High School Improvements Act"), Section 1 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 IHL Capital Improvements Act"), Section 3 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Community and Junior Colleges Capital Improvements Act"), Section 23 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Department of Mental Health-East Mississippi State Hospital Capital Improvements Act"), Section 21 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 New Capitol Building Repair and Renovation Act"), Section 6 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Mississippi Craft Center Improvements Act"), Sections 49 and 50 of House Bill 1701, 2010 Regular Session of the State Legislature, Sections 30 and 31 of Senate Bill 3100, 2011 Regular Session of the State Legislature, Sections 4 and 5 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "Mississippi Community Heritage Preservation Grant Act"), Section 8 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Lovett Elementary School Repair Act"), Section 12 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Marty Stuart Center and Congress of Country Music Hall Act"), Section 16 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Mississippi Children's Museum Improvements Act"), Section 22 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Mississippi Armed Forces Museum Improvements Act"), Section 15 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 City of Jackson Woodrow Wilson Avenue Bridge Improvements Act"), Section 19 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Thalia Mara Hall Improvements Act"), Section 24 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Parham Bridges Park Improvements Act"), Section 20 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Maritime and Seafood Industry Museum Improvements Act"), Section 36 of Senate Bill 2913, 2013 Regular Session of the State Legislature and Section 49-17-85, Mississippi Code of 1972, as amended and supplemented from time to time (the "Water Pollution Control Act"), Section 14 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 City of Ridgeland-Lake Harbour Road Improvements Act"), Section 13 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Cotesworth Culture and Heritage Center Act"), Section 17 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 City of Flowood Mississippi Highway 25 Improvements Act"), Section 29 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Port of Pascagoula Improvement Act"), Section 57-75-15(3)(b) of Sections 57-75-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the "Major Economic Impact Act"), and Section 18 of Senate Bill 2913, 2013 Regular Session of the State Legislature (the "2013 Rail Authority of East Mississippi Act" and collectively with the Highway 6/Jackson Avenue Interchange Act, the 2009 IHL Capital Improvements Act, the 2010 IHL and State Agencies Capital Improvements Act, the Camp Shelby Access Improvement Act, the 2011 IHL and State Agencies Capital Improvements Act, the 2011 Bureau of Building State-Owned Buildings Discretionary Act, the 2011 Community and Junior Colleges Capital Improvements Act, the 2011 Mississippi Civil Rights Museum and Museum of Mississippi History Construction Act, the 2011 Old Eureka High School Improvements Act, the 2011 Old Hattiesburg High School Improvements Act, the 2013 IHL Capital Improvements Act, the 2013 Community and Junior Colleges Capital Improvements Act, the 2013 Department of Mental Health-East Mississippi State Hospital Capital Improvements Act, the 2013 New Capitol Building Repair and Renovation Act, the 2013 Mississippi Craft Center Improvements Act, the Mississippi Community Heritage Preservation Grant Act, the 2013 Lovett Elementary School Repair Act, the 2013 Marty Stuart Center and Congress of Country Music Hall Act, the 2013 Mississippi Children's Museum Improvements Act, to the 2013 Mississippi Armed Forces Museum Improvements Act, the 2013 City of Jackson Woodrow Wilson Avenue Bridge Improvements Act, the 2013 Thalia Mara Hall Improvements Act, the 2013 Parham Bridges Park Improvements Act, the 2013 Maritime and Seafood Industry Museum Improvements Act, the Water Pollution Control Act, the 2013 City of Ridgeland-Lake Harbour Road Improvements Act, the 2013 Cotesworth Culture and Heritage Center Act, the 2013 City of Flowood Mississippi Highway 25 Improvements Act, the 2013 Port of Pascagoula Improvement Act and the Major Economic Impact Act, the "Act"), and a resolution adopted by the State Bond Commission of the State on October 31, 2013 (the "Resolution") for the purpose of financing the costs of certain capital improvements and projects within the State and paying the costs incident to the sale, issuance and delivery of the Series 2013B Bonds, all as authorized under the Act and the Resolution (see "DESCRIPTION OF THE PROJECTS," herein).

Security

The Series 2013B Bonds will be general obligations of the State, and for the payment thereof, the full faith and credit of the State shall be irrevocably pledged. The Act provides that if the funds appropriated by the Legislature of the State shall be insufficient to pay the principal of and interest on the Series 2013B Bonds as

they become due, the deficiency shall be paid by the State Treasurer from funds in the State Treasury not otherwise appropriated.

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

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

The Amendment does not affect the State's underlying obligation to pay the principal of and interest on the Series 2013B Bonds as they mature and become due nor does it affect the State's obligation to levy a tax sufficient to accomplish that purpose. However, even though it appears that the Amendment was not intended to affect Bondholders' remedies in the event of a payment default, the Amendment potentially prevents Bondholders from obtaining a writ of mandamus to compel the levying of taxes to pay the principal of and interest on the Series 2013B Bonds in a court of the State of Mississippi. It is not certain whether the Amendment would affect the right of a federal court to direct the levy of a tax to satisfy a contractual obligation. Other effective remedies are available to the Bondholders in the event of a payment default with respect to the Series 2013B Bonds.

Redemption Provisions

Optional Redemption. The Series 2013B Bonds will be subject to optional redemption prior to their respective maturities on or after December 1, 2023, either in whole on any date, or in part on any interest payment date, (as selected by the State among maturities and by lot within each maturity) at the principal amount thereof, together with the interest accrued thereon to the date fixed for redemption and without premium.

Selection of Series 2013B Bonds to be Redeemed if Held in Book-Entry Only System. If less than all of the Series 2013B Bonds shall be called for redemption, the State shall notify DTC that the redemption shall be on a pro rata basis in whole multiples of $5,000. While DTC is the registered owner of the Series 2013B Bonds, partial redemptions (including any sinking fund payments) of the Series 2013B Bonds of a particular maturity will be determined in accordance with DTC's pro rata pass-through distribution of principal procedures as in effect at the time of any such partial redemption.

Selection of Series 2013B Bonds to be Redeemed if not Held in Book-Entry Only System. If less than all of the Series 2013B Bonds subject to redemption are called for redemption, the Paying and Transfer Agent shall select the Series 2013B Bonds to be redeemed from the outstanding Series 2013B Bonds subject to redemption and not previously called for redemption by lot in any manner deemed reasonable by the Paying and Transfer Agent, provided that the unredeemed portion of the principal amount of any Series 2013B Bond shall be not less than $5,000.

Notice of Redemption

Notice of the call for any redemption (which may be a conditional notice), identifying the Series 2013B Bonds (or any portions thereof in authorized denominations) to be redeemed, will be given by the State at least 30 days but not more than 45 days prior to the date fixed for redemption by mailing a copy of the redemption notice by registered or certified mail to the Underwriters (as defined herein) and the registered owner of each Series 2013B Bond to be redeemed at the address shown on the records of the Paying and Transfer Agent. Failure to mail such notice to any particular owner of Series 2013B Bonds, or any defect in the notice mailed to any such owner of Series 2013B Bonds, will not affect the validity of any proceeding for the redemption of any other Series 2013B Bonds. So long as DTC or its nominee is the registered owner of the Series 2013B Bonds, notice of the call for any redemption will be given to DTC, and not directly to Beneficial Owners. See the caption, "DESCRIPTION OF THE SERIES 2013B BONDS -- Book-Entry-Only System."

Defeasance

Under the Resolution, Series 2013B Bonds for the payment of which sufficient moneys or, to the extent permitted by the laws of the State, (a) direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America or any of its agencies

("Government Obligations"), or (b) certificates of deposit fully secured by Government Obligations, or (c) evidences of ownership of proportionate interests in future interest or principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the Government Obligations and which Government Obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated, or (d) municipal obligations, the payment of the principal of, interest and redemption premium, if any, on which are irrevocably secured by Government Obligations and which Government Obligations are not subject to redemption prior to the date on which the proceeds attributable to the principal of such obligations are to be used and have been deposited in an escrow account which is irrevocably pledged to the payment of the principal of and interest and redemption premium, if any, on such municipal obligations (all of which collectively, with Government Obligations, "Defeasance Securities"), shall have been deposited with an escrow agent appointed for such purpose, which may be the Paying and Transfer Agent, all to the extent provided in the Resolution, shall be deemed to have been paid, shall cease to be entitled to any lien, benefit or security under the Resolution and shall no longer be deemed to be outstanding thereunder, and the registered owners shall have no rights in respect thereof except to receive payment of the principal of, premium, if any, and interest on such Series 2013B Bonds from the funds held for that purpose. Defeasance Securities shall be considered sufficient under the Resolution if said investments, with interest, mature and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay principal and premium, if any, when due on such Series 2013B Bonds.

Registration

Series 2013B Bonds Subject to the Book-Entry-Only System. For so long as DTC acts as securities depository for the Series 2013B Bonds, the registration and transfer of ownership interests in Series 2013B Bonds shall be accomplished by book entries made by DTC and the Direct Participants and, where appropriate, the Indirect Participants, as described herein under the heading "DESCRIPTION OF THE SERIES 2013B BONDS-Book-Entry-Only System."

Series 2013B Bonds Not Subject to Book-Entry-Only System. Should the Series 2013B Bonds no longer be held in book-entry form, each Series 2013B Bond shall be thereafter evidenced by a bond certificate in fully registered form and transferable only upon the registration records of the State maintained by the Paying and Transfer Agent, by the registered owner thereof or by such registered owner's attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Paying and Transfer Agent, duly executed by the registered owner or such registered owner's duly authorized attorney. Upon the transfer of any Series 2013B Bond, the State shall issue, in the name of the transferee, a new Series 2013B Bond or Series 2013B Bonds of the same interest rate and maturity of like tenor and effect in any authorized denomination equal to the unpaid principal amount of the surrendered Series 2013B Bond.

Series 2013B Bonds, upon surrender thereof at the Office of the State Treasurer with a written instrument of transfer satisfactory to the Paying and Transfer Agent duly executed by the registered owner or his duly authorized attorney, may be exchanged for a principal amount of Series 2013B Bonds of the same interest rate and maturity and of like tenor and effect in any authorized denomination equal to the unpaid principal amount of the surrendered Series 2013B Bonds. The Paying and Transfer Agent will not be required to register the transfer of or exchange any Series 2013B Bond after the mailing of notice calling such Series 2013B Bond for redemption has been given as provided in the Resolution, nor during the period of 15 days next preceding the giving of such notice of redemption.

Book-Entry-Only System

Unless and until the book-entry-only system has been discontinued, the Series 2013B Bonds will be available only in book-entry form in principal amounts of $5,000 or any integral multiple thereof. DTC will initially act as securities depository for the Series 2013B Bonds. The Series 2013B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2013B Bond will be issued for each maturity of the Series 2013B Bonds, and will be deposited with DTC.

The information provided under this caption has been provided by DTC. No representation is made by the State as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2013B Bonds. The Series 2013B Bonds will be initially issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by the authorized representative of DTC. One fully-registered Series 2013B Bond certificate will be issued for the Series 2013B Bonds in the aggregate principal amount of the issue and will be deposited with DTC.

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

Purchases of Series 2013B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2013B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013B Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013B Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2013B Bonds, except in the event that use of the book-entry system for the Series 2013B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013B Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2013B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2013B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2013B Bond documents. For example, Beneficial Owners of Series 2013B Bonds may wish to ascertain that the nominee holding the Series 2013B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices are to be sent to DTC. If less than all of the Series 2013B Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying and Transfer Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and divided payments on the Series 2013B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the State or the Paying and Transfer Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying and Transfer Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying and Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013B Bonds at any time by giving reasonable notice to the State or the Paying and Transfer Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2013B Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2013B Bonds in definitive form will be printed and delivered.

THE STATE CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2013B BONDS (a) PAYMENTS OF PRINCIPAL OR INTEREST ON THE SERIES 2013B BONDS; (b) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2013B BONDS; OR (c) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2013B BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (a) THE SERIES 2013B BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (c) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF AND INTEREST ON THE SERIES 2013B BONDS; (d) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OF THE SERIES 2013B BONDS; OR (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE SERIES 2013B BONDS.

DESCRIPTION OF THE PROJECTS

The Series 2013B Bonds are being issued under and pursuant to the Act and the Resolution for the purpose of providing funds: (a) to pay a portion of the cost of constructing a controlled access interchange at the

intersection of Highway 6 and Jackson Avenue as designed by the Mississippi Department of Transportation ("MDOT") to improve safety and provide access to the University of Mississippi research park, in the amount of $4,000,000, pursuant to the Highway 6/Jackson Avenue Interchange Act, (b) to pay a portion of the cost to purchase a research vessel for the University of Southern Mississippi Gulf Coast Research Laboratory, in the amount of $1,000,000, pursuant to the 2009 IHL Capital Improvements Act, (c) to pay a portion of the cost for the Mississippi Department of Mental Health for Phase II of the construction, furnishing and equipping of a new psychiatric receiving unit and related buildings and facilities at East Mississippi State Hospital, in the amount of $2,000,000, pursuant to the 2010 IHL and State Agencies Capital Improvements Act, (d) to pay a portion of the costs incurred by the Mississippi Transportation Commission and MDOT for improvements to U.S. Highway 49 from one mile south of the South Gate of Camp Shelby to U.S. Highway 98, in the amount of $7,000,000, pursuant to the Camp Shelby Access Improvement Act, (e) to pay a portion of the costs for the University of Southern Mississippi for Phase II of the construction, furnishing and equipping of a building to house the College of Business and repair and the renovation of campus buildings, facilities, infrastructure and the continuation/completion of previously authorized projects for the University of Southern Mississippi, in the amount of $10,000,000, pursuant to the 2011 IHL and State Agencies Capital Improvements Act, (f) to pay the costs of site and infrastructure improvements, general repairs and renovations, weatherization, demolition and roofing, environmental, mechanical, electrical and structural repairs required for state-owned facilities and community and junior colleges, repair and renovation of State-owned facilities and community and junior colleges necessary for compliance with the Americans with Disabilities Act, purchase and installation of necessary furniture and equipment, continuation and completion of previously authorized projects and payment of lease-purchase agreements, in the amount of $2,000,000, pursuant to the 2011 Bureau of Building State-Owned Buildings Discretionary Act, (g) to pay the costs of a project or projects for Mississippi Gulf Coast Community College, in the amount of $3,377, pursuant to the 2011 Community and Junior Colleges Capital Improvements Act, (h) to pay a portion of the costs of (1) the preplanning, to include contracting with consultants with expertise in planning a civil rights museum and in artifact acquisition, storage and relocating of artifacts; exhibit design through construction documents, exhibit fabrication and exhibit installation; and designing, preplanning the construction of, and the construction, furnishing and equipping of the Mississippi Civil Rights Museum on state-owned property adjacent to the new Museum of Mississippi History located in the City of Jackson, Mississippi and (2) the acquisition, and storage and relocating of artifacts, exhibit design through construction, documents, exhibit fabrication and exhibit installation; and designing and preplanning the construction of, the new Museum of Mississippi History on state-owned property located in the City of Jackson, Mississippi; and the construction, furnishing and equipping of Phase I of such museum; and designing and preplanning the construction of a parking garage and related facilities to serve the Mississippi Civil Rights Museum or the new Museum of Mississippi History, in the amount of $22,501,623, pursuant to the 2011 Mississippi Civil Rights Museum and Museum of Mississippi History Construction Act, (i) to assist the City of Hattiesburg, Mississippi, in paying costs associated with restoration, repair, renovation and improvement of the old Eureka High School building and related facilities in Hattiesburg, Mississippi, in the amount of $200,000, pursuant to the 2011 Old Eureka High School Improvements Act, (j) to assist the Hattiesburg Landmark Preservation in paying costs associated with the repair, renovation and improvement of the old Hattiesburg High School building and related facilities in Hattiesburg, Mississippi, the restoration, repair, renovation and improvement of the old Eureka High School building and related facilities in Hattiesburg, Mississippi and/or the construction and development of and improvements and upgrades to downtown trails and related sites in Hattiesburg, Mississippi, in the amount of $750,000, pursuant to the 2011 Old Hattiesburg High School Improvements Act, (k) to pay the costs of capital improvements, renovation and/or repair of existing facilities, furnishings and/or equipping facilities for public facilities on those projects related to the universities under the management and control of the Board of Trustees of State Institutions of Higher Learning for the following described projects, in the amount of $48,200,000, pursuant to the 2013 IHL Capital Improvements Act:

ALCORN STATE UNIVERSITY

Preplanning for construction, furnishing and equipping of a new Academic Technology Building and related facilities	$ 400,000

DELTA STATE UNIVERSITY

Extension and expansion of campus mechanical loop and related facilities	2,000,000

JACKSON STATE UNIVERSITY	
Phase II of repair and renovation of Alexander Hall and related facilities	3,500,000
MISSISSIPPI UNIVERSITY FOR WOMEN	
Phase II of repair, renovation, furnishing, equipping and expansion of and additions to Fant Memorial Library	5,100,000
MISSISSIPPI STATE UNIVERSITY	
Repair and renovation of the historic YMCA building and related facilities	1,000,000
Preplanning for repair, renovation and expansion of and additions to Mitchell Memorial Library	200,000
MISSISSIPPI STATE UNIVERSITY/DIVISION OF AGRICULTURE, FORESTRY AND VETERINARY MEDICINE	
Construction, furnishing and equipping of the Animal Life Sciences Initiative at the Leveck Animal Research Center	2,000,000
MISSISSIPPI VALLEY STATE UNIVERSITY	
Phase II of repair, renovation, furnishing, equipping and expansion of the R.W. Harrison Complex	1,000,000
UNIVERSITY OF MISSISSIPPI	
Repair and renovation of the Music Building and Meek Hall	6,000,000
UNIVERSITY OF MISSISSIPPI MEDICAL CENTER	
Phase I of construction, furnishing and equipping of a new School of Medicine classroom building	10,000,000
UNIVERSITY OF SOUTHERN MISSISSIPPI	
Construction, furnishing and equipping of a new building and related facilities to house the School of Nursing	17,000,000
TOTAL	$ 48,200,000

(l) to pay the costs of the acquisition of real property, the construction of new facilities, the equipping and furnishing of facilities, including furniture and technology equipment and infrastructure, and the addition to or renovation of existing facilities for community and junior college campuses as recommended by the Mississippi Community College Board for the following described projects, in the amount of $16,890,475, pursuant to the 2013 Community and Junior Colleges Capital Improvements Act:

Coahoma	$ 1,234,203
Copiah Lincoln	1,396,966
East Central	1,252,104
Hinds	2,797,195
Holmes	4,468
Jones	1,613,546
Meridian	1,418,026
Mississippi Gulf Coast	2,341,475
Northwest Mississippi	2,078,651
Pearl River	1,588,051
Southwest Mississippi	1,165,790
TOTAL	$16,890,475

(m) to pay a portion of the costs of the construction, furnishing and equipping of new psychiatric receiving units and related buildings and facilities at East Mississippi State Hospital, in the amount of $7,400,000, pursuant to the 2013 Department of Mental Health-East Mississippi State Hospital Capital Improvements Act, (n) to assist in paying costs associated with the repair and renovation of the New Capitol Building in Jackson, Mississippi, including, but not limited to, roof repair and compliance with the Americans With Disabilities Act, in the amount of $1,000,000, pursuant to the 2013 New Capitol Building Repair and Renovation Act, (o) to pay costs associated with the repair and renovation of and upgrades and improvements to the Mississippi Craft Center in Ridgeland, Mississippi, in the amount of $250,000, pursuant to the 2013 Mississippi Craft Center Improvements Act, (p) to assist county governments, municipal governments, school districts and nonprofit organizations that have obtained Section 501(c)(3) tax-exempt status from the United States Internal Revenue Service in helping to pay the costs incurred in preserving, restoring, rehabilitating, repairing or interpreting historic county courthouses, historic school buildings, and/or other historic properties identified by certified local governments, in the amount of $3,250,000, pursuant to the Mississippi Community Heritage Preservation Grant Act, (q) to assist in paying the costs of repairing damage to Lovett Elementary School in Clinton, Mississippi, that occurred as a result of a hailstorm on March 18, 2013, in the amount of $29,525, pursuant to the 2013 Lovett Elementary School Repair Act, (r) to pay the costs of constructing, furnishing and equipping the Marty Stuart Center and Congress of Country Music Hall in Philadelphia, Mississippi, in the amount of $1,000,000, pursuant to the 2013 Marty Stuart Center and Congress of Country Music Hall Act, (s) to pay the costs associated with the repair and renovation of and upgrades and improvements to the Mississippi Children's Museum in Jackson, Mississippi, including, but not limited to, repairing the event facility and adding a literacy garden, in the amount of $750,000, pursuant to the 2013 Mississippi Children's Museum Improvements Act, (t) to pay the costs associated with the repair and renovation of and upgrades and improvements to the Mississippi Armed Forces Museum at Camp Shelby, in the amount of $2,000,000, pursuant to the 2013 Mississippi Armed Forces Museum Improvements Act, (u) to assist the City of Jackson, Mississippi, in paying costs associated with the repair and rehabilitation of the Woodrow Wilson Avenue Bridge in Jackson, Mississippi, in the amount of $1,000,000, pursuant to the 2013 City of Jackson Woodrow Wilson Avenue Bridge Improvements Act, (v) to assist in paying costs associated with the repair and renovation of and upgrades and improvements to the Thalia Mara Hall in Jackson, Mississippi, including, but not limited to, restroom improvements; heating, ventilation and air conditioning improvements; and compliance with the Americans with Disabilities Act, in the amount of $1,000,000, pursuant to the 2013 Thalia Mara Hall Improvements Act, (w) to assist in paying costs associated with upgrades and improvements to Parham Bridges Park in Jackson, Mississippi, including, but not limited to, a new entry and expansion of the walking trail, in the amount of $100,000, pursuant to the 2013 Parham Bridges Park Improvements Act, (x) to pay the costs of reconstruction, repair and renovation of the Maritime and Seafood Industry Museum in Biloxi, Mississippi, in the amount of $1,000,000, pursuant to the 2013 Maritime and Seafood Industry Museum Improvements Act, (y) for the Water Pollution Control Revolving Fund established pursuant to Section 49-17-85 of the Water Pollution Control Act, in the amount of $1,000,000, pursuant to the Water Pollution Control Act, (z) to assist the City of Ridgeland, Mississippi, in paying costs associated with the widening Lake Harbour Drive in Ridgeland, Mississippi, to four lanes with a center turn lane, from North Park Drive to U.S. Highway 51 and costs associated with the construction of a multiuse trail along Lake Harbour Drive from North Park Drive to U.S. Highway 51, in the amount of $1,000,000, State pursuant to the 2013 City of Ridgeland-Lake Harbour Road Improvements Act, (aa) to pay the costs of repairing, renovating and refurbishing the Cotesworth Culture and Heritage Center in Carroll County, Mississippi, and for the purchase of property at such center, in the amount of $2,000,000, pursuant to the 2013 Cotesworth Culture and Heritage Center Act, (bb) to assist the City of Flowood, Mississippi, operating as a local public agency, in paying costs associated with the repair, rehabilitation and resurfacing of Mississippi Highway 25 located in Rankin County in the City of Flowood from its intersection with Mississippi Highway 475 easterly to its intersection with Mississippi Highway 471, the construction and reconstruction, including the widening of and addition of lanes to, said Mississippi Highway 25 from its intersection with Mississippi Highway 475 easterly to its intersection with Mississippi Highway 471, and professional services related thereto, in the amount of $4,900,000, pursuant to the 2013 City of Flowood Mississippi Highway 25 Improvements Act, (cc) to assist the Jackson County Port Authority, in paying the costs of upgrading facilities at the Port of Pascagoula, in the amount of $10,000,000, pursuant to the 2013 Port of Pascagoula Improvement Act, (dd) to provide grants to improve, expand or otherwise enhance military installations in the State, their support areas or military operations, to provide employment opportunities to replace those lost by closure or relocations in operations at the military installation and to support critical studies or investigations authorized by Section 57-75-5(f)(ii) of the Major Economic Impact Act, in the amount of $6,000,000, pursuant to Section 57-75-15(3)(b) of the Major Economic Impact Act, (ee) to assist in paying costs incurred by the Rail Authority of East Mississippi for an environmental impact study and a study to determine economic opportunities for Southeast Mississippi related to the wood pellet industry, in the amount of $1,000,000, pursuant to the 2013

Rail Authority of East Mississippi Act, (paragraphs (a) through (ee) herein collectively, the "Projects"), and (ff) to pay the costs incident to the sale and issuance of the Series 2013B Bonds.

SERIES 2013B BONDS

Contemporaneously with the sale and issuance of the Series 2013B Bonds, the State is planning to issue its $179,940,000 Taxable General Obligation Bonds, Series 2013A (the "Series 2013A Bonds" and together with the Series 2013B Bonds, the "Series 2013 Bonds") for the purpose of providing funds to fund various economic development loans, grants and programs in the State, finance the costs of certain capital improvements within the State and pay the costs incident to the sale and issuance of the Series 2013A Bonds. **The terms and conditions of and the authorization for the issuance of the Series 2013A Bonds is not reflected in this Official Statement.**

SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of proceeds of the Series 2013B Bonds.

SERIES 2013B BONDS

Sources	
Par Amount	$159,225,000.00
Plus Original Issue Premium	15,049,431.65
Total Sources	$174,274,431.65
Uses	
For Costs of the Projects	$159,225,000.00
For Deposit to the Series 2013B Bond and Interest Fund	14,469,650.77
For Costs of Issuance[1]	579,780.88
Total Uses	$174,274,431.65

(1) Includes, among other expenses, underwriters' discount and legal fees. Payment of such fees is contingent upon the issuance of the Series 2013B Bonds.

DEBT STRUCTURE AND CHARACTERISTICS

General

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

Short-Term Indebtedness

The State has never issued tax anticipation notes. The Commission, acting on behalf of the State, is authorized to issue in any given fiscal year general obligation short-term notes in an amount not to exceed 7.5% of the total appropriation made by the Legislature in such fiscal year. Such short-term notes may be issued for the purpose of offsetting any temporary cash flow deficiencies in the State's General Fund and to maintain a working balance therein. No such debt is presently outstanding.

The Commission also has the authority to establish lines of credit to provide temporary financing for certain projects for which the Commission is authorized to issue bonds. In October 2005, the authority to establish a line of credit was expanded by the State legislature so as to provide the Commission with the authority to obtain a line of credit in an amount not to exceed $500,000,000 in the event it is determined by the State Fiscal Officer and the State Treasurer that there are insufficient funds to cover deficiencies in the General Fund, the State is unable to repay its special fund borrowing or there are insufficient funds for disaster support and/or assistance due to Hurricanes Katrina and/or Rita. At present, the Commission has not obtained such a line of credit.

Similarly, the Commission is authorized to provide temporary financing for various capital and economic development projects through the sale and issuance of short-term notes. No such debt is presently outstanding.

Long-Term Indebtedness

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

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

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

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

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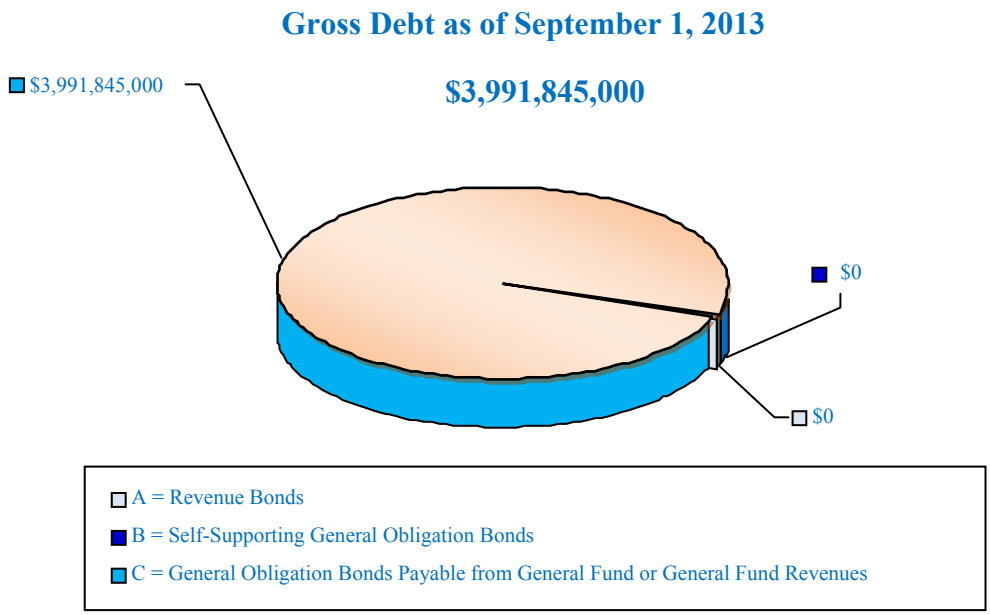

Gross Debt = A+B+C or $3,991,845,000
Gross Direct Debt=Gross Debt - A or $3,991,845,000
Net Direct Debt = Gross Direct Debt - B or $3,991,845,000

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

The following table summarizes the outstanding principal amount of debt.

STATE OF MISSISSIPPI
LONG TERM INDEBTEDNESS
As of September 1, 2013[1]

State of Mississippi Bonds		
General Obligation Bonds Payable from General Fund or General Fund Revenues	$3,991,845,000	
Self-Supporting General Obligation Bonds	0	
Revenue Bonds	$ 0	
GROSS DEBT		$3,991,845,000
DEDUCTIONS:		
Revenue Bonds		
	$ 0	
Subtotal		0
GROSS DIRECT DEBT		$3,991,845,000
Subtotal		3,991,845,000
DIRECT DEBT		$3,991,845,000

[1] Does not include the effects of the Series 2013 Bonds.

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

Outstanding Long Term Indebtedness

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

HISTORICAL SUMMARY OF OUTSTANDING LONG TERM INDEBTEDNESS

As of July 1	Gross Debt	Revenue Bond Debt	Gross Direct Debt	Self-Supporting General Obligation Debt	General Net Direct Debt
2003	$2,693,739,000	$132,820,000	$2,560,919,000	$46,990,000	$2,513,929,000
2004	3,112,850,000	112,810,000	3,000,040,000	43,550,000	2,956,490,000
2005	3,066,040,000	91,995,000	2,974,045,000	39,955,000	2,934,090,000
2006	3,094,325,000	70,320,000	3,024,005,000	36,605,000	2,987,400,000
2007	3,140,150,000	47,880,000	3,092,270,000	34,070,000	3,058,200,000
2008	3,365,750,000	24,460,000	3,341,290,000	31,435,000	3,309,855,000
2009	3,426,630,000	0	3,426,630,000	3,790,000	3,422,840,000
2010	3,480,067,000	0	3,480,067,000	2,885,000	3,477,182,000
2011	3,780,490,000	0	3,780,490,000	1,955,000	3,778,535,000
2012	4,131,465,000	0	4,131,465,000	995,000	4,130,470,000
2013	4,055,890,000	0	4,055,890,000	0	4,055,890,000

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

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

Fiscal Year	General Fund Revenues	General Fund Debt Service	General Obligation Debt Service as a Percent of Revenues
2003	$3,485,864,660	$209,952,370	6.02%
2004	3,602,777,744	211,698,033	5.88
2005	3,930,938,591	207,175,252	5.27
2006	4,332,615,923	331,458,398	7.65
2007	4,789,398,828	212,707,963[2]	4.44
2008	4,936,891,193	289,547,871	5.86
2009	4,729,998,654	289,547,871	6.12
2010	4,453,337,142	347,187,030	7.80
2011	4,580,238,231	360,834,668	7.90
2012	4,850,552,501	369,045,642	7.60
2013	5,083,326,217	376,367,667	7.40

(1) Represents all debt service paid from the State's General Fund for the years provided.

(2) During fiscal year 2007, $100 million of debt service normally funded through General Fund appropriation was funded by the proceeds from the issuance of Gulf Tax Credit Bonds in October 2006.

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

Long Term Debt Ratios

The following table presents the State's long term debt ratios as of September 1, 2013.

As of September 1, 2013	Amount	Debt Per Capita[1]	Debt to Assessed Valuation[2]	Debt to Estimated Full Valuation[3]	Debt to Personal Income[4]
Gross Debt	$3,991,845,000	$1,337.33	25.49%	3.20%	3.97%
Net Direct Debt	3,991,845,000	1,337.33	25.49	3.20	3.97

(1) Based on 2013 estimated population of 2,984,926. Source: U.S. Department of Commerce, Bureau of the Census. www.census.gov/popest/data/state/totals/2011/index.

(2) Based on FY2011 assessed valuation of $15,663,255,998 (Real Property tax roll). Source: Mississippi Department of Revenue, Annual Report FY Ending June 30, 2011. FY2012 assessed valuation information not available until January 2014.

(3) Based on 2011 full valuation of $124,884,122,313 (Real Property tax roll). Source: Mississippi Department of Revenue, Annual Report FY Ending June 30, 2011. FY2012 full valuation information not available until January 2014.

(4) Based on 2012 estimated total personal income of $100,465,005,000 (not adjusted for inflation). Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/bearfacts last updated October 21, 2013.

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The following table presents the recent history of the State's bonded indebtedness as of July 1 of each year.

HISTORICAL GENERAL OBLIGATION BONDED DEBT OUTSTANDING AND DEBT RATIOS SINCE 2004[1]

As of July 1	Outstanding	Debt Per Capita	Debt to Assessed Valuation	Debt to Estimated Full Valuation	Debt to Personal Income
2013					
Gross Debt	$4,055,890,000	$1,366.86	25.89%	3.25%	4.04%
Net Direct Debt	4,055,890,000	1,366.86	25.89	3.25	4.04
2012					
Gross Debt	4,131,465,000	1,392.33	26.38	3.31	4.31
Net Direct Debt	4,130,470,000	1,383.78	26.37	3.31	4.31
2011					
Gross Debt	3,780,490,000	1,274.05	24.89	3.10	4.09
Net Direct Debt	3,778,535,000	1,273.39	24.88	3.10	4.08
2010					
Gross Debt	3,480,067,000	1,223.22	40.60	5.02	5.85
Net Direct Debt	3,477,182,000	1,222.21	40.57	5.01	5.84
2009					
Gross Debt	3,426,630,000	1,204.44	39.98	4.94	5.76
Net Direct Debt	3,422,840,000	1,203.11	39.93	4.94	5.76
2008					
Gross Debt	3,365,750,000	1,183.04	39.27	4.86	5.66
Net Direct Debt	3,309,855,000	1,163.39	38.61	4.78	5.57
2007					
Gross Debt	3,140,150,000	1,103.74	36.60	4.53	5.28
Net Direct Debt	3,058,200,000	1,074.94	35.70	4.41	5.14
2006					
Gross Debt	3,094,325,000	1,087.64	36.10	4.47	5.20
Net Direct Debt	2,987,400,000	1,050.05	34.90	4.31	5.00
2005					
Gross Debt	3,066,040,000	1,077.69	35.77	4.42	5.16
Net Direct Debt	2,934,090,000	1,031.31	34.23	4.23	4.93
2004					
Gross Debt	3,112,850,000	1,094.15	36.32	4.49	5.23
Net Direct Debt	2,956,490,000	1,039.19	34.49	4.27	4.97

[1] 2004 through 2010 debt per capita, debt to assessed valuation, debt to estimated full valuation and debt to personal income information was based on the Census data from 2000, subsequent years based on the Census data from 2010. Source: U.S. Department of Commerce, Bureau of the Census. www.census.gov/popest/data/state/totals/2011/index.

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

Lease Purchase Agreements

Pursuant to the authority granted the State by Section 31-7-10, Mississippi Code of 1972, as amended from time to time (the "Lease Purchase Act"), the Department of Finance and Administration has entered into a master lease purchase agreement to finance new personal property leased by various agencies, boards, departments and commissions of the State (the "Agency Leases"). The Agency Leases require the State to make periodic payments of rent sufficient to pay the principal and interest due thereunder. The lease payments are subject to annual appropriation and are not a full faith and credit obligation of the State. The Commission has authorized the State, through the Department of Finance and Administration, to enter into Agency Leases in an amount not to exceed $65,000,000 to be outstanding at any one time. There was an outstanding balance under the Agency Leases at October 15, 2013 of $32,109,273.80.

Under the Lease Purchase Act, the Department of Finance and Administration is also authorized to enter into lease purchase agreements (the "School Leases" and "Community College Leases") to finance personal property to be subleased by school districts and community colleges in the State (the "Subleases"). The School Leases require the State to make periodic payments of rent sufficient to pay the principal and interest due thereunder (the "Lease Payments"). The Subleases require the school districts and community colleges to make payments to the State sufficient to make the Lease Payments. The Lease Payments are subject to annual

appropriation and are not a full faith and credit obligation of the State. The Commission has authorized the State, through the Department of Finance and Administration, to enter into School Leases and Community College Leases in an amount not to exceed $50,000,000 to be outstanding at any one time. There was an outstanding balance under the School Leases at October 15, 2013 of $2,245,555.93 and an outstanding balance under the Community College Leases of $3,234,589.87.

Certificates of Participation

Pursuant to Senate Bill 2282, Mississippi Legislature, Regular Session 1993, certificates of participation representing fractional and proportionate undivided interests in a Lease and Option to Purchase (the "Rehab Lease") by and between Bank of Mississippi, Jackson, Mississippi, as lessor, and the State, as lessee, in the principal amount of $10,570,000 were issued on August 1, 1993 to finance the acquisition and improvement of a building to be occupied by the State's Department of Rehabilitation Services. In connection with the refunding of outstanding amounts under the Rehab Lease, the Rehab Lease has been amended and restated and assigned to secure the payment of the $7,215,000 Mississippi Development Bank Special Obligation Bonds, Series 2004 (Mississippi Department of Rehabilitation Services Refunding Project), dated May 25, 2004. The Rehab Lease currently expires on July 1, 2014.

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

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

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

House Bill 1878, Local and Private Laws of the 1998 Regular Session of the Mississippi Legislature authorized the Town of Walnut Grove to create the Walnut Grove Correctional Authority (the "Walnut Grove Authority") for the purpose of contracting with MDOC for the private incarceration of inmates of the State. The Walnut Grove Authority entered into a Lease-Purchase Agreement, dated as of November 1, 1999, with MDOC (the "Walnut Grove Lease") in the principal amount of $41,420,000 to finance the construction of a 1000-bed

correctional facility to be located in the Town of Walnut Grove. In 2007, the Walnut Grove Lease was amended to cover a 500 cell expansion of the facility and bonds were issued in the principal amount of $40,000,000 to finance such expansion. In connection with the refunding of the outstanding amounts under the Walnut Grove Lease, the Walnut Grove Lease has been amended and restated and assigned to secure the payment of the $93,580,000 Mississippi Development Bank Special Obligation Bonds, Series 2010C (Mississippi Department of Corrections Walnut Grove Correctional Facility Refunding Bonds Project), dated July 20, 2010. The Walnut Grove Lease currently expires on August 1, 2027.

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

Debt Limitation

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

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

In accordance with current practice and interpretation, revenues included in the foregoing debt limitation are restricted to the following General Fund revenues and Special Fund receipts: taxes; license fees and permits; investment income and rents; service charges, including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of September 1, 2013, the State's Gross Debt was $3,991,845,000. The following table shows the State's constitutional debt limit for the previous eight years and forecasts the State's constitutional debt limit for fiscal year 2014 and the next three fiscal years.

Fiscal Year Ending June 30	Revenues[1]	Constitutional Debt Limit
2005	6,604,380,600	9,906,570,900
2006	7,286,840,900	10,930,261,350
2007	8,006,244,243	12,009,366,365
2008	8,300,739,453	12,451,109,180
2009	7,960,861,538	12,451,109,180
2010	7,698,390,482	12,451,109,180
2011	7,956,269,318	12,451,109,180
2012	8,336,735,857	12,505,103,786
2013	8,549,281,153	12,630,154,824
2014[2]	8,634,773,965	12,756,456,372
2015[2]	8,721,121,705	12,884,020,936
2016[2]	8,808,332,922	13,012,861,145
2017[2]	8,896,416,251	13,142,989,756

[1] Figures represent budgetary basis of revenues.

[2] Assumes a 1.0% growth in Revenue.

Source: Department of Finance and Administration.

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Annual Debt Service Requirements on Gross Direct General Obligation Bonded Debt

The following table shows the annual debt service requirements on the State's Gross Direct Debt as of September 1, 2013.

Fiscal Year Ending June 30	Principal[(1)(2)]	Interest[(1)(2)(3)]	Total Annual Debt Service[(1)(2)(3)]
2014	$ 174,305,000	$ 168,862,654	$ 343,167,654
2015	249,485,000	163,354,274	412,839,274
2016	271,100,000	151,757,594	422,857,594
2017	280,725,000	139,895,303	420,620,303
2018	393,305,000	129,058,415	522,363,415
2019	223,290,000	119,572,179	342,862,179
2020	194,520,000	110,805,185	305,325,185
2021	183,035,000	102,689,974	285,724,974
2022	174,395,000	94,810,163	269,205,163
2023	167,115,000	87,374,224	254,489,224
2024	154,705,000	80,337,805	235,042,805
2025	145,960,000	73,450,253	219,410,253
2026	152,290,000	66,518,114	218,808,114
2027	139,115,000	59,706,986	198,821,986
2028	131,490,000	53,170,479	184,660,479
2029	113,875,000	47,000,371	160,875,371
2030	110,100,000	41,215,679	151,315,679
2031	115,350,000	35,342,481	150,692,481
2032	120,840,000	29,192,421	150,032,421
2033	126,505,000	22,756,900	149,261,900
2034	119,165,000	16,295,704	135,460,704
2035	124,050,000	9,826,976	133,876,976
2036	82,590,000	4,373,801	86,963,801
2037	44,535,000	1,110,950	45,645,950
TOTAL	$3,991,845,000	$1,808,478,880	$5,800,323,880

(1) Of the principal amounts outstanding, $174,935,000 is currently outstanding as floating rate notes with a maturity date in fiscal year 2018. At that time, the State intends to either refinance the notes or convert the balance to fixed rate bonds. The interest due on the floating rate notes is indeterminable at this time and is not reflected in this table.

(2) Does not include the effects of the Series 2013 Bonds.

(3) These amounts do not include any subsidy payments due to the State from the United States Treasury pursuant to and in accordance with Section 1531 of the Title 1 of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 115 (2009)) (the "Recovery and Reinvestment Act") and Sections 54AA(g) and 6431 of the Code (as defined herein). Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under Section 6431 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration. The IRS Office of Tax Exempt Bonds (TEB) has announced that the sequester reduction percentage for payments to issuers of direct pay bonds for FY 2014 will be 7.2 percent. The reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change. The State has made arrangements to pay the additional debt service on bonds issued by it under the Recovery and Reinvestment Act.

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

Moral Obligation Bonds

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

Development Bank on or before January 1 of any year to the Governor of the State and then as required by the Bank Act transmitted by a request from the Governor to the Legislature of the State.

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

As of September 1, 2013, the Development Bank Bonds outstanding carrying a moral obligation pledge of the State totaled $825,860,000. Except for these Development Bank Bonds, no bonds of the State are outstanding as of the date of this Official Statement which carry a pledge of the moral obligation of the State or which contemplate the appropriation by the Legislature of any amount as may be necessary to make up any deficiency in any debt service reserve fund.

Record of No Default

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

Annual Debt Service Requirements

Annual debt service requirements are set forth in detailed schedules for the State's indebtedness, which includes the debt service requirements for the Series 2013B Bonds, commencing on page A-1 of APPENDIX A.

FISCAL OPERATIONS OF THE STATE

The Budgetary Process

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

Operating Budget Preparation. The State operates on a fiscal year beginning July 1 and ending June 30. The budget cycle begins on or about August 1 when all State agencies and institutions requesting appropriations submit budget requests to the Governor's Budget Office and the Legislative Budget Office. Agencies justify their requested budget in hearings held during September and October. At the close of the hearings, the Governor's Budget Office and the Legislative Budget Office receive information prepared by the Department of Revenue, the University Research Center and the respective budget staffs regarding the financial outlook for the upcoming fiscal year. Based on this information, the budget offices adopt a consensus revenue estimate. This action enables both branches to use the same revenue estimate as the basis for their budget recommendations. It is a statutory requirement that both the Governor and Legislature submit balanced budgets for consideration. The Executive Budget is prepared and submitted to the Legislature by November 15, except that every four years (after a statewide election year which last occurred in November 2011), the Executive Budget is prepared and submitted to the Legislature by January 15. The Legislative Budget is submitted to the Legislature at its regular session, which begins on the first Tuesday after the first Monday in January of each year. At the close of each annual regular session, the Legislature will have acted on approximately 150 separate appropriation bills that constitute the budget for the upcoming year beginning July

1. All General Fund, Education Enhancement Fund and most Special Fund expenditures are appropriated annually by the Legislature and those Special Funds that are not appropriated are subject to the approval of the Department of Finance and Administration.

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

In October, the revenue estimate for the next fiscal year is finalized and presented to the Joint Legislative Budget Committee and the Governor's Budget Office. The estimate may be revised if circumstances warrant upon a consensus being reached by the four revenue-estimating agencies. If revenues fall short of projections, the Department of Finance and Administration is empowered to directly cut expenditures. All State agencies receiving general and/or special funds are subject to funding reductions of up to 5%. No agency receives a cut in excess of 5% unless all have been reduced by this percentage. Tax collections for fiscal year 2013 exceeded expectations in excess of $261.4 million or 5.4 percent. For fiscal year 2014, tax collections have exceeded expectations in excess of $46 million or 4.3 percent.

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

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

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

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

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

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

GAAP Accounting

The State prepares its Comprehensive Annual Financial Report of the State ("CAFR") in accordance with Section 27-104-4, Mississippi Code of 1972, as amended from time to time. The CAFR presents information on the financial position and operations of State government as one reporting entity. The various agencies, departments, boards, commissions and funds of State government, which constitute the State reporting entity, are governed by criteria established by the Governmental Accounting Standards Board. This Official Statement also includes financial data that was not prepared according to CAFR specifications but on a budgetary basis. The general purpose financial statements of the State for the fiscal year ended June 30, 2011, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), and the unqualified opinion of the State Auditor are presented in this Official Statement as APPENDIX B. The Government Finance Officers Association of the United States and Canada (the "GFOA") has awarded the State a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal years ended June 30, 1987 through 2012, which is the highest form of recognition in the area of governmental financial reporting.

Investment and Cash Management

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

As revenues are received from various agencies, they are deposited, and funds not immediately needed for payment are invested in overnight repurchase agreements, and then are normally placed into longer-term investments. The funds of the State are primarily invested in certificates of deposit and fully-secured repurchase agreements with Mississippi financial institutions. Pursuant to State law, all public funds are fully collateralized by authorized United States of America and State obligations for amounts in excess of the $250,000 FDIC coverage. Fiscal records of receipts, deposits and disbursements of all State funds, including federal funds received by the State, are maintained in the State Treasury as well as detailed and current records of the State's bonded indebtedness. All payments of bonds and interest due are made by the State Treasurer.

Pursuant to Section 27-105-33, Mississippi Code of 1972, as amended from time to time, it is the duty of the State Treasurer and the Executive Director of the Department of Finance and Administration on or before the tenth (10th) day of each month and at any other time when necessary to analyze the amount of cash in the State's General Fund and in the Special Funds credited to any special purpose designated by the Legislature. They also must determine when the cash in such funds is in excess of the amount needed to meet the current needs and demands on such funds for the next seven days and report the findings to the Governor. The State Treasurer's Office is directed to invest such excess funds in certificates of deposit, United States Treasury Obligations, United States Government agency obligations or in direct security repurchase agreements with approved depositories of the State at a rate of interest numerically equal to the bond equivalent yield on direct obligations of the United States Treasury with a similar length of maturity.

Accounting Systems

The State operates a Statewide Automated Accounting System ("SAAS"), which is a comprehensive centrally controlled, multi-user, agency-discrete, on-line financial management system that meets all GAAP, State budget and other financial management reporting requirements. SAAS consists of the following modules: General Ledger, Accounts Payable, Purchasing, Budget Control, Grant/Project Management Subsystem, Advance Budget Preparation, Labor Data Collection, Travel Subsystem, Performance Measurement, Cost Allocation, Accounts Receivable, Investment Management and Fixed Assets. There is a phased-in conversion of decentralized data entry, which will distribute the transaction entry activity to the agencies and allow them on-line access to the full range of SAAS transactions.

The State has implemented a Statewide Payroll and Human Resource System (SPAHRS) which supports the following human resource business processes: selection and recruitment; occupation and position information; propose wage, salary and fringe benefits; manage contracts; and employment.

The State has also implemented an Executive Resource Information Data Based System (MERLIN). This is a database system, which allows instant access to decision-critical information from a personal computer. The data warehouse that supports the system is consistently refreshed and the integrity is continuously maintained and protected.

Through the use of various funds, the Office of Fiscal Management of the Department of Finance and Administration accounts for operations on a modified cash basis for budgetary purposes and on the modified accrual basis for GAAP purposes. Receipts are recorded at the time money or checks are recorded in the State Treasury and disbursements when payment vouchers are recorded into SAAS. A master inventory of all State-owned land (other than highway right-of-ways), buildings and equipment is maintained by the Inventory Division of the State Department of Audit.

The State is undertaking the MAGIC (Mississippi's Accountability System for Government Information and Collaboration) Project to utilize SAP Public Services Inc. commercial-off-the-shelf Enterprise Resource Planning (ERP) software to implement Financial, Procurement, Human Resource, and Payroll functions into a single, integrated software system. MAGIC will address issues with the State's existing legacy statewide administrative systems to: meet new functional and data requirements; reduce inefficiencies and costs associated with multiple stand-alone systems at the statewide and agency levels; maintain enterprise data on a consistent, "real-time" basis; replace aging, incompatible technology; and use state of the art technology based on best business practices. Once MAGIC is fully implemented, it will replace the following legacy systems: SAAS (Statewide Automated Accounting System); SPAHRS (Statewide Payroll and Human Resource System); WebProcure; MERLIN (Mississippi Executive Resource Library and Information Network); MELMS (Mississippi Enterprise Learning Management System); PATS (Project Accounting and Tracking System); and ACE (Access Channel for Employees). The MAGIC implementation schedule begins in 2014 and concludes in 2015.

Overview of State Funds

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

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

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

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

The General Fund. Revenues of the State for general operating purposes are derived principally from sales, income and use taxes, gaming taxes, plus smaller amounts from other taxes, profits from wholesale sales of alcoholic beverages, interest earned on investments, proceeds from sales of various supplies and services, service charges and license fees. For the fiscal year ended June 30, 2013, sales taxes accounted for 38.3%, individual income taxes for 33% and corporation income and franchise taxes for 10.5% of the total receipts allocated to the General Fund. A comparison of the amounts received by the various revenue sources (budgetary basis) of the General Fund is detailed in the Revenues section of the accompanying table entitled "STATE OF MISSISSIPPI GENERAL FUND - Results of Operations - Budgetary Basis."

The General Fund appropriation is limited to 98% of the official revenue estimate and estimated prior year ending cash balance; however, the 2010 Mississippi Legislature waived this rule for fiscal years 2011 and 2012 and appropriated 100% of the official revenue estimate pursuant to House Bill 1059. For the fiscal year ending June 30, 2014, appropriation for educational purposes accounted for 63.8% of the General Fund Budget.

This includes State contributions to local school and community college districts. However, this percentage does not include certain State contributions such as maintenance funds for local school districts, shared taxes or local assistance. Other principal disbursements include costs related to welfare, public health, health care and hospitals and certain State operations. General Fund (budgetary basis) expenditures are detailed in the Disbursements section of the accompanying table entitled "STATE OF MISSISSIPPI GENERAL FUND - Results of Operations - Budgetary Basis."

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

At each fiscal year end, the General Fund unencumbered cash balance is distributed in the following order: (1) an amount not to exceed $750,000 to the Municipal Revolving Loan Fund; (2) 100% of the remaining balance to the Working Cash Stabilization Reserve Fund until such time as the balance reaches $40,000,000; (3) up to 1% of the prior year appropriation will remain as the General Fund cash beginning balance; (4) 50% of any remaining balance to the Working Cash Stabilization Reserve Fund until the balance reaches 7.5% of the General Fund appropriation; and (5) any remaining amount to the Capital Expense Fund. The Working Cash Stabilization Reserve Fund is required to retain interest earned on investments in the fund until such time as the fund balance reaches 7.5% of the General Fund appropriation for that fiscal year, after which interest earnings are transferred to the General Fund. If it is determined that there is a revenue shortfall in the General Fund, a maximum of $50 million per fiscal year may be transferred from the Working Cash Stabilization Reserve Fund to the General Fund.

As of October 16, 2013, the Working Cash-Stabilization Fund had a fund balance of $126,025,202.31. Pursuant to the appropriate legislation, it is the intent of the Legislature that if any of the budget reductions are restored to Education by the Executive Branch, the monies are to be returned to the Working Cash-Stabilization Fund. These transfers and additional appropriations are reflected on the Special Funds statements.

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

	2008	2009	2010	2011	2012	Unaudited 2013
TAXES:						
Sales	$1,947,283	$1,921,637	$1,781,277	$1,790,784	$1,854,730	$1,911,112
Individual Income	1,542,099	1,474,787	1,339,889	1,382,736	1,489,168	1,650,091
Corporate Income and Franchise	500,696	422,040	402,751	447,979	505,306	524,077
Use and Wholesale Compensating	208,965	199,937	202,174	209,672	215,879	233,462
Tobacco, Beer and Wine	89,709	114,934	186,608	188,366	187,979	181,017
Insurance	159,059	153,176	161,228	175,576	193,045	198,103
Oil and Gas Severance	97,774	84,810	65,853	80,756	89,913	82,796
Alcohol Excise and Privilege	60,171	63,786	64,239	63,234	66,669	70,017
Other	24,879	26,141	21,282	26,477	11,970	12,157
Interest	39,588	28,279	16,714	18,472	14,678	13,151
Auto Privilege, Tax and Title Fees	30,424	27,168	16,314	10,835	8,977	8,716
Gaming Fees	194,040	172,429	155,123	146,976	152,077	139,630
Highway Safety Patrol Fees	24,440	22,513	21,824	20,246	20,774	21,297
Other Fees and Services	9,705	8,794	8,733	8,686	11,266	11,109
Miscellaneous	5,540	6,385	6,362	6,658	4,587	4,499
Court Assessments and Settlements	3,199	3,182	46,477	22,486	20,041	35,228
TOTAL REVENUES	$4,937,571	$4,729,998	$4,496,849	$4,599,939	$4,847,059	$5,096,461
Expenditures by Major Budgetary Function:						
Legislative	24,566	25,028	24,489	23,477	23,931	26,364
Judiciary & Justice	64,380	59,522	57,476	60,469	62,165	62,664
Executive & Adm.	2,943	3,535	3,266	3,180	2,940	3,044
Fiscal Affairs	70,986	92,100	83,462	54,613	54,180	56,320
Public Education[(1)]	2,202,799	2,168,871	1,925,069	1,918,235	2,011,890	2,029,370
Higher Education	835,717	799,105	742,147	694,198	764,001	721,016
Public Health	41,594	31,015	28,749	24,798	26,513	33,117
Hospitals and Hospital Schools	268,697	250,128	199,529	202,883	235,343	210,426
Agriculture, Commerce & Economic Dev.	113,963	106,968	102,646	102,978	104,893	103,303
Conservation and Recreation	55,858	52,521	50,240	46,010	46,035	45,388
Insurance and Banking	0	0	0	0	0	0
Corrections	285,764	252,337	237,831	312,907	310,951	311,739
Social Welfare	519,111	519,496	349,821	395,389	311,284	541,775
Public Protection and Veterans Assistance	100,537	90,649	87,081	87,704	85,433	87,988
Local Assistance	84,021	84,897	77,609	75,109	81,109	81,109
Motor Veh. & Other Regulatory Agencies	5,250	1,629	1,824	44	22	39
Miscellaneous	1,397	1,327	1,313	1,230	1,211	1,212
Public Works	200	0	0	0	0	0
Debt Service	323,548	289,548	347,187	360,242	369,564	375,804
TOTAL EXPENDITURES	5,001,331	4,828,676	4,319,740	4,363,466	4,491,465	4,690,667
Excess of Rev. over (under) expenditures	(70,633)	(108,502)	171,355	227,583	355,594	405,795
Other Financing Sources (Uses)						
Transfers In	23,649	235,119	57,977	8,889	23,534	22,092
Transfers Out	(143,215)	(155,284)	(232,528)	(190,900)	(376,405)	(426,992)
Other Sources (uses) of Cash	(10)	3	(1)	5	24	24
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	(190,209)	(28,664)	(3,197)	45,577	2,747	919
Budgetary Fund Balances, Beginning	$226,948	$36,739	$8,075	$4,878	$50,455	$53,202

(1) Executive & Adm. Included in Fiscal Affairs. Public Education reflects all educational activities. Public Health, Public Protection and Veterans Assistance included in Miscellaneous.

Source: Department of Finance and Administration.

Education Enhancement Fund. Of the total sales tax revenue collected, $1,666,666 each month is paid into the State Public School Building Fund, 2.266% to be credited to the School Ad Valorem Tax Reduction Fund, 9.073% to the Education Enhancement Fund, 18.5% to be allocated to the municipality in which the funds were collected and the remainder to the General Fund.

Of the amount credited to the Education Enhancement Fund, $16 million is to be appropriated to all of the school districts in proportion to attendance, 34.19% must be appropriated for textbooks, educational materials, transportation and maintenance, uniform millage assistance and instructional and computer software, 22.09% for the purpose of supporting institutions of higher learning and 14.41% for the purpose of providing support to community and junior colleges. Of the remaining balance, $25 million is to be credited to the Working Cash-Stabilization Fund until the balance reaches the maximum of 7.5% of the General Fund appropriation for that fiscal year and the remaining balance to remain in the Education Enhancement Fund for appropriation for other educational needs.

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

	2009	2010	2011	2012	2013
RESOURCES:					
Surplus from Prior Year	$ 397.8	$ 244.7	$ 11,963.1	$ 0.0	$ 35,386.1
Sales Tax	261,356.2	245,288.8	248,666.1	260,846.2	268,582.6
Use Tax	23,009.4	23,576.9	24,639.4	26,123.0	28,127.5
Ad Valorem Reduction	0.0	0.0	0.0	81,692.0	46,000.0
Additional EEF from Dept. of Ed.	0.0	0.0	0.0	0.0	4,481.7
Transfer in from General Fund	244.7	0.0	848.9	0.0	0.0
Total Resources Available	$ 285,008.1	$ 269,110.4	$ 286,117.5	$ 368,661.2	$ 382,578.0
DISBURSEMENTS:					
Education, K-12	$ 190,422.9	$ 171,318.3	$ 201,790.1	$ 235,010.1	$ 254,226.3
Community & Jr. Colleges	36,641.0	33,234.6	32,604.2	38,075.8	60,833.4
Institutions of Higher Learning	55,057.8	50,138.2	49,053.6	57,475.8	40,180.1
Other	2,641.7	2,456.2	2,669.6	2,713.3	2,799.2
Total Disbursements	284,763.4	257,147.3	286,117.5	333,275.0	358,039.0
YEAR END SURPLUS	$ 244.7	$ 11,963.1	$ 0.0	$ 35,386.2	$ 24,539.0

Source: Department of Finance and Administration.

Special Funds

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

For the fiscal year ended June 30, 2013, Special Funds received approximately $6,458.4 million from the federal government including $4,320.3 million for public health and welfare, $710.7 million for public education and $561.6 million for highways. In addition, State tax receipts of $1,312.1 million were diverted into Special Funds for particular purposes as provided by State law.

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

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

The 2002 Mississippi Legislature amended the law requiring the annual installments for fiscal years 2003 and 2004 be directed to the Health Care Expendable Fund for appropriation for health care needs. The amended law also provides for repayment to the Health Care Trust Fund in the event that General Fund

revenues in any fiscal year exceed the prior year's revenue by more than 5%. This provision was repealed in the 2006 Legislative Session.

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

Fiscal Year	Annual Transfer
2005	$456,000,000
2006	186,000,000
2007	186,000,000
2008	106,000,000
2009	92,254,000
2010	112,000,000
2011	112,000,000
2012	56,263,438
2013	97,450,332

Source: Department of Finance and Administration.

A board of directors, consisting of thirteen members with the State Treasurer serving as Chairman, is responsible for investing the funds in the Health Care Trust Fund and the Health Care Expendable Fund. The balance as of September 30, 2013 was $2,988,169.53.

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

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

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

As of June 30, 2013, the MPACT Fund had $294 million in assets under management. The plan's funded status is reported annually. The actuarial valuation for fiscal year 2013 will not be available until late November 2013. At the end of fiscal year 2012, the plan was funded at 76.8%. The value of expected liabilities of the trust exceeded the value of the assets, including the value of future payments by contract holders, by $94.4 million. The liability amounts are based on actuarial assumptions approved by the Board. On August 23, 2012, the Board voted to defer the 2012 enrollment effective September 1, 2012 and contract for the performance of an actuarial audit. Results of the audit were communicated to the Board in May 2013 and are being used by the Board as a basis for determining the future direction of the program. As of October 2013, the program remains closed for enrollment.

Budget Contingency Fund. The Budget Contingency Fund is a special fund created by the Legislature to handle non-recurring budget shortfalls. The fund will provide moneys for Fiscal Year 2014 appropriations in the amount of $206,360,310. Additional receipts and disbursements may flow through the

Budget Contingency Fund if the federal government extends the Federal Medical Assistance Percentage participation level.

Education Improvement Trust Fund. The Education Improvement Trust Fund is legally restricted to the extent that only earnings, and not principal, may be used for the purpose of educating elementary and secondary school students and for vocational training in the State. As of October 16, 2013, the Education Improvement Trust Fund had a balance of $47,816,157.55.

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

	2010	2011	2012	2013
TAXES:				
Department of Revenue	$ 705,356.9	$ 749,699.7	$ 794,907.9	$ 752,613.2
Motor Vehicle Division	494,905.7	525,583.8	532,818.4	529,981.6
Other	43,598.9	26,771.7	28,376.2	29,505.9
Licenses, Fees, Permits & Penalties	628,705.7	677,028.7	729,125.0	809,560.6
Interest on Direct Investments	58,386.9	50,673.3	42,579.2	42,795.9
Sales and Services	832,533.3	857,703.5	851,431.3	775,814.0
Federal Grants-In-Aid				
Education	683,020.0	802,017.0	771,122.7	710,666.2
Highways	644,062.2	586,722.8	611,627.7	561,562.9
Public Health & Welfare	4,310,440.0	4,495,410.4	4,092,232.9	4,320,283.7
Federal-State Local Programs	707,037.9	613,139.9	434,517.3	332,720.2
Agricultural & Economic Dev.	5,780.3	14,652.4	9,269.6	7,445.0
Employment Security	122,185.2	93,234.4	79,243.2	82,708.5
Other	817,285.3	843,121.3	552,768.3	443,002.7
Political Subdivisions	167,018.3	120,147.0	87,272.4	146,564.7
Gross Sales of Alcoholic Bev	212,700.3	215,265.0	222,976.1	228,973.6
TOTAL REVENUE RECEIPT	$10,433,016.9	$10,671,170.9	$ 9,837,268.3	$ 9,774,198.7
Bonds, Notes Issued	732,328.7	745,915.7	811,760.4	763,555.3
Trans, Refunds & Other Rec.	2,239,802.3	2,770,365.9	2,760,408.8	2,634,216.0
TOTAL RECEIPTS	$13,405,147.9	$14,187,452.5	$13,409,437.5	$13,171,970.0

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

Source: Department of Finance and Administration.

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

	2010	2011	2012	Unaudited 2013
Legislative	$ 3.0	$ 230.0	$ 808.0	$ 0.0
Judiciary & Justice	56,797.0	54,205.0	53,690.0	65,884.0
Executive & Administrative	15,911.0	16,879.0	50,969.0	20,576.0
Fiscal Affairs	292,855.0	389,228.0	149,591.0	115,895.0
Public Education	1,062,528.0	1,097,954.0	899,741.0	787,847.0
Higher Education	115,491.0	139,052.0	65,993.0	75,362.0
Public Health & Social Welfare	6,219,213.0	6,403,501.0	6,487,583.0	6,625,960.0
Hospitals & Hospital Schools	392,173.0	363,726.0	372,768.0	366,932.0
Agriculture & Economic Development	821,385.0	632,715.0	396,694.0	333,927.0
Conservation & Recreation	433,446.0	452,808.0	320,940.0	257,725.0
Insurance & Banking	79,641.0	63,512.0	48,981.0	56,912.0
Corrections	99,868.0	20,087.0	28,873.0	48,564.0
Interdepartmental Service	40,383.0	41,691.0	48,301.0	46,756.0
Public Protection & Assistance to Veterans	773,234.0	632,775.0	690,168.0	544,601.0
Local Assistance				
Motor Vehicle & Other Regulatory Agencies	23,398.0	24,966.0	27,153.0	30,190.0
Miscellaneous	1,602.0	1,171.0	1,003.0	996.0
Public Works	1,291,757.0	1,294,659.0	1,341,052.0	1,233,866.0
Debt Service	19,834.0	39,145.0	24,063.0	27,036.0
TOTAL DISBURSEMENTS	$11,739,519.0	$11,668,304.0	$11,008,371.0	$10,639,029.0

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

Source: Department of Finance and Administration.

DESCRIPTION OF STATE TAXES

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

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

Use Taxes. Use taxes are imposed at the same rate as sales taxes on acquisitions of personal property from out-of-state sources for use, consumption or storage in the State to the extent sales or use taxes have not been paid to another state at a rate at least equal to the State rate. Exemptions for use taxes are the same as those for sales taxes.

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

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

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

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

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

SUMMARY OF GENERAL FUND RECEIPTS BY MAJOR SOURCES
Fiscal Year Ended June 30
(In Millions)

	2011		2012		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Total General Fund Receipts	$4,599.9	100.0%	$4,870.6	100.0%	$5,118.6	100.0%
Sales Taxes	1,790.8	38.9	1,854.7	38.1	1,911.1	37.3
Individual Income Taxes	1,382.7	30.1	1,489.2	30.6	1,650.1	32.2
Corporate Income & Franchise Taxes	448.0	9.7	505.3	10.4	524.1	10.2
Use Taxes	209.7	4.6	215.9	4.4	233.5	4.6
Gaming Taxes & Fees	147.0	3.2	152.1	3.1	178.0	3.5
Insurance Premium Taxes	175.5	3.8	171.7	3.5	150.6	2.9
All Other Receipts	446.2	9.7	481.7	9.9	471.3	9.2

Source: Department of Finance and Administration.

RETIREMENT SYSTEM

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

The Provisions in Statement 67 are effective for financial statements for the period beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. PERS is reviewing these statements and will provide the necessary information that employers will need to calculate their liability.

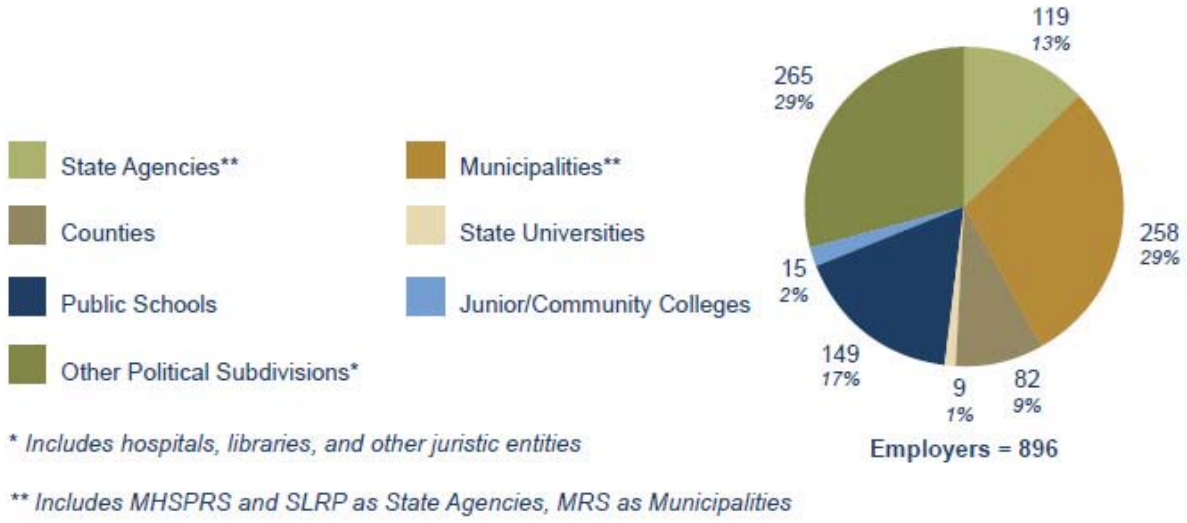
In accordance with State statutes, the Public Employees' Retirement System (the "System") Board of Trustees (the "Board of Trustees") administers 24 programs and plans, including 22 defined benefit plans and two defined contribution plans. The defined benefit plans include the Mississippi Public Employees' Retirement System ("PERS"), a cost-sharing multiple-employer public employee retirement system established in 1952, the

Mississippi Highway Safety Patrol Retirement System ("MHSPRS"), a single-employer public employee retirement system established in 1958, the Supplemental Legislative Retirement Plan ("SLRP"), established in 1989, and the Municipal Retirement Systems ("MRS") made up of 17 fire and police and two municipal employee plans placed under the administration of the System on July 1, 1987. MRS is an agent multiple-employer defined benefit public employees' retirement system.

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

Any political subdivision or judicial entity within the State may elect to have its employees covered by PERS. As of June 30, 2013, the System covered 896 public entities within the State.

Total System Covered Employers as of June 30, 2013



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

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

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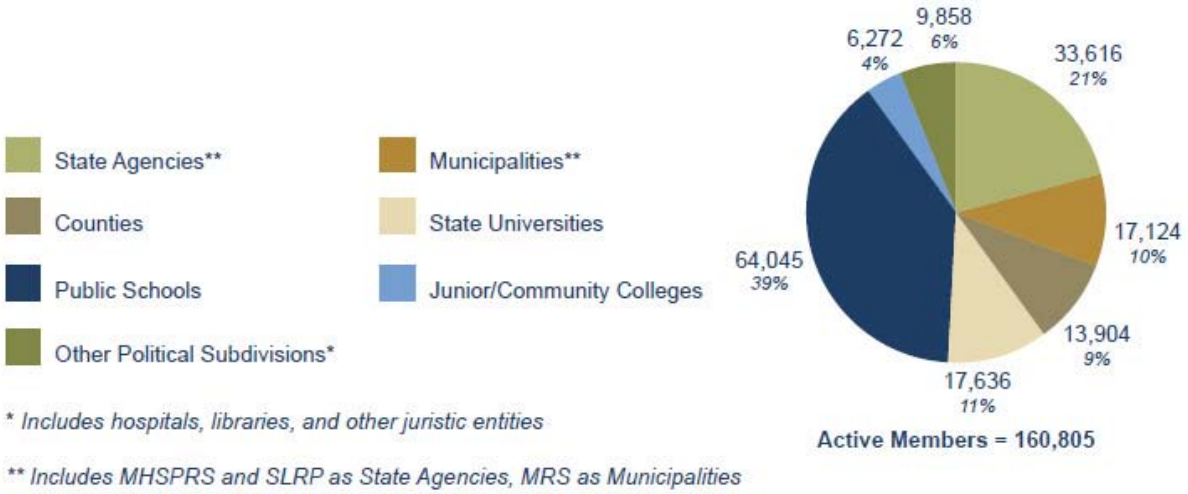
Total System Active Members by Employer Group as of June 30, 2013



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

Membership in PERS is a condition of employment and eligibility is granted upon hiring for all State agency and university employees not participating in ORP. For those employed by political subdivisions and instrumentalities of the State, membership is contingent upon the PERS Board of Trustees' approval of the entity's participation in the plan. If approved, membership is a condition of employment and eligibility is granted upon hiring.

Participating employees who retire at or after age 60 with four years of credited service if hired before July 1, 2007 or for those that were hired on July 1, 2007 or after, who retire at or after age 60 with eight years of credited service or those who retire regardless of age with at least 25 years of credited service if hired prior to July 1, 2011 or 30 years for those that were hired on July 1, 2011 or after are entitled to an annual retirement allowance, payable monthly for life. The retirement allowance is an amount equal to 2% of their average compensation for each year of credited service up to and including 25 years and 2.5 % for each year of credited service over 25 years, if hired prior to July 1, 2011. If hired on July 1, 2011 or after they are entitled to an annual retirement allowance, payable monthly for life, in an amount equal to 2% of their average compensation for each year of credited service up to and including 30 years and 2.5 % for each year of credited service over 30 years. There is an actuarial reduction for each year of creditable service below 30 or for each year of age below age 65, whichever is less for those hired on July 1, 2011 or after. "Average compensation" is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect an option for a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of four years of credited service for those hired prior to June 30, 2007 and vest with completion of eight years of credited service for those hired on or after July 1, 2007. PERS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense. Benefit provisions are established by Section 25-11-1 *et seq.*, Mississippi Code of 1972, as amended, and may be amended from time to time only by the State Legislature.

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

Membership in MHSPRS is a condition of employment and eligibility is granted upon hiring for all officers of the Mississippi Highway Safety Patrol (the "Highway Patrol") who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as uniformed officers of the Highway Patrol. Participating employees in MHSPRS who withdraw from service at

or after age 55 with at least five years of membership service or, after reaching age 45 with at least 20 years of credited service, or with 25 years of credited service at any age are entitled to an annual retirement allowance, payable monthly for life, in an amount equal to 2.5% of their average compensation during the four highest consecutive years of earnings reduced 3% for each year below age 55 or 3% for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense. Benefit provisions for MHSPRS are established by Section 25-13-1 *et seq.*, Mississippi Code of 1972, as amended, and may be amended from time to time only by the State Legislature.

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

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

Actuarial assumptions at June 30, 2013 were:

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

(b) Projected Wage inflation rates 4.25% ;

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

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

(e) Entry age for actuarial cost method; and

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

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

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

PERS Contribution Rate History

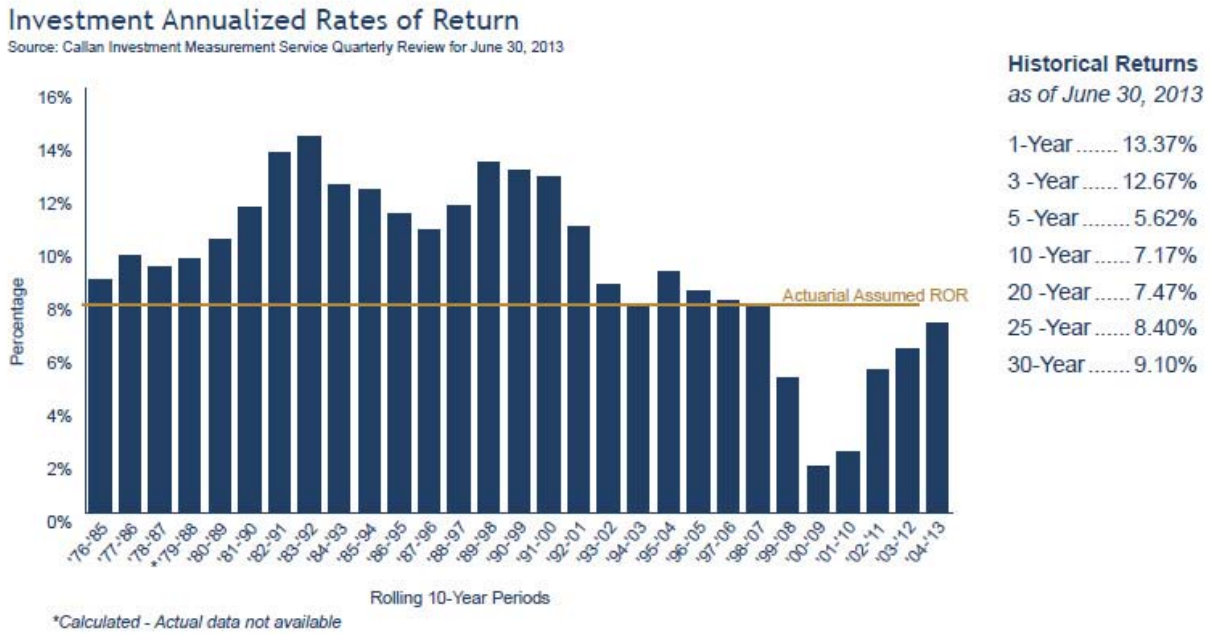
Source: PERS Actuarial Valuation Report

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

The defined benefit plans administered by the System were actuarially funded at an average of 58.0% (62.8% excluding MRS) as of June 30, 2013, a decrease from the comparative average of 58.9% (63.2% excluding MRS) as of June 30, 2012. The decrease in funding percentage was primarily due to recognition of investment losses from 2009, growth in the number of retirees, and the compounding effects of past benefit improvements.

Investment Performance

Source: PERS Investments



The actuarial value of assets is used in determining the funding progress of the System. The actuarial value of assets is based on a smoothed fair value basis in accordance with GASB Statement No. 25. For the June 30, 2013 actuarial valuation, investment asset appreciation and depreciation for PERS, MHSPRS and SLRP was smoothed over a five-year period recognizing 20% of the current year's depreciation. This smoothed actuarial value of assets is used in determining the actuarial funding status of the System and in establishing the contribution rates necessary to accumulate assets to meet benefit obligations when due.

For fiscal year 2013, the combined net assets of all the defined benefit plans administered by PERS increased by $1.9 billion, or 9.6%. This increase was primarily the result of an improvement in overall market performance compared to the fiscal year 2012 market environment.

At June 30, 2013, the plans' unfunded pension benefit obligations were as follows (*in thousands).

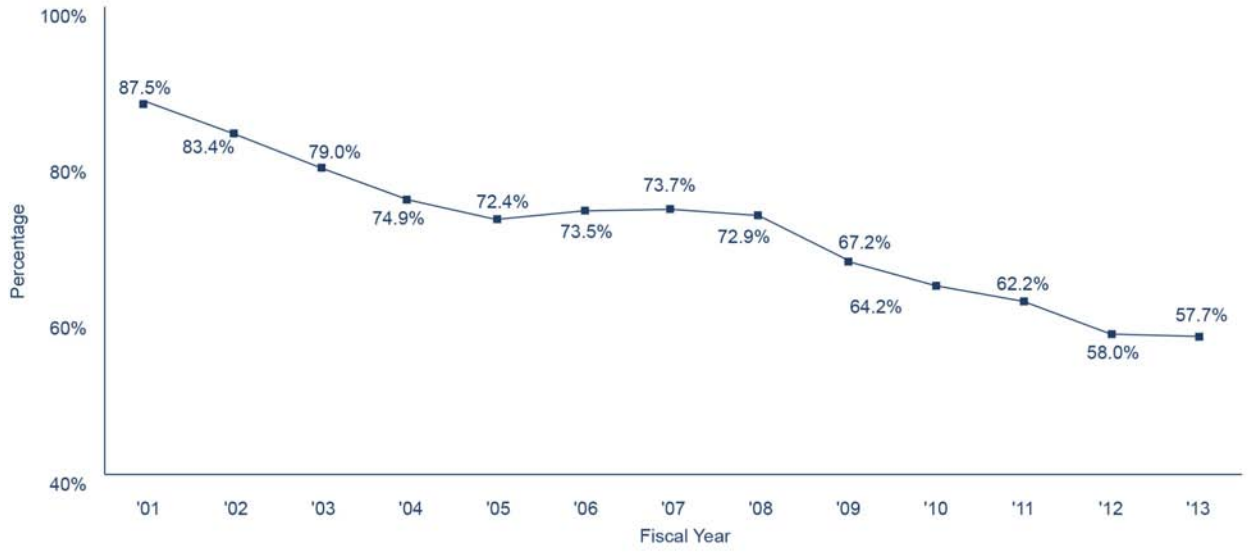
	PERS*	**MHSPRS***	**SLRP**
Total actuarial accrued liability	$35,542,848	$431,575	$19,978
Assets used in valuation	20,490,555	271,097	13,554
Unfunded (overfunded) actuarial accrued liability	$15,052,293	$160,478	$ 6,424

Funding policies for PERS, MHSPRS and SLRP provide for periodic employer contributions at actuarially determined rates that are adequate to accumulate sufficient assets to pay benefits when due. Actuarial valuations prepared as of June 30, 2013, the most recent valuation date, indicate that the unfunded (overfunded) accrued liability amortization periods of PERS, MHSPRS and SLRP are 32.2, 33.0 and 39.6 years, respectively, using an open amortization approach.

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

GASB Statement 67, *Financial Reporting for Pension Plans* in its fiscal year-end 2014 financial reports which will no longer require a 30-year amortization period for the unfunded accrued liability.

PERS Actuarial Accrued Liability and Funded Ratio



PERS Amortization Period of Unfunded Accrued Liability

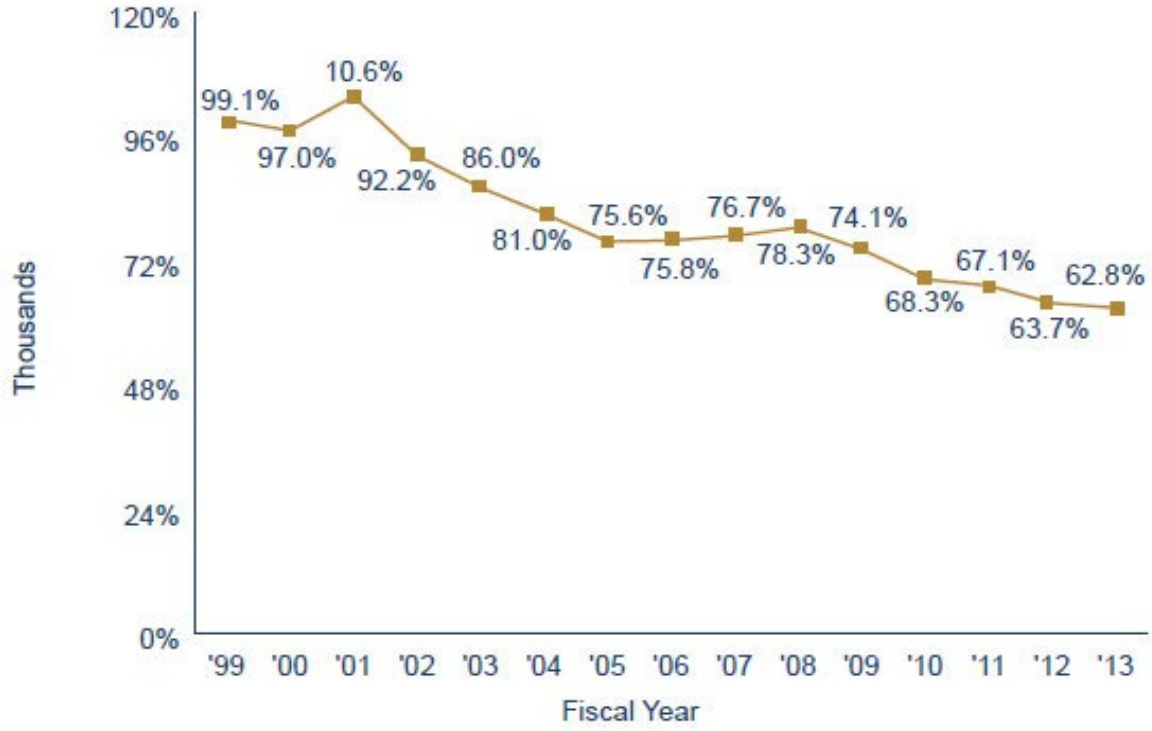
Source: PERS Actuarial Valuation Report

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

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

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

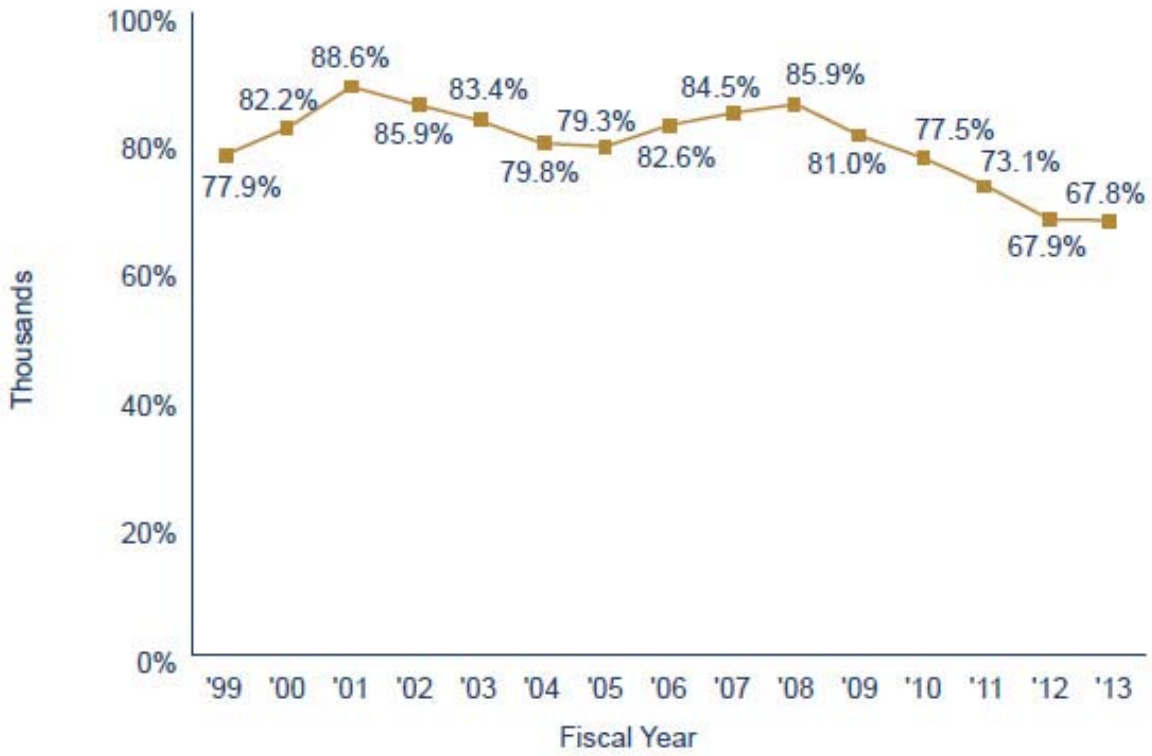
Actuarial Accrued Liability and Funded Ratio



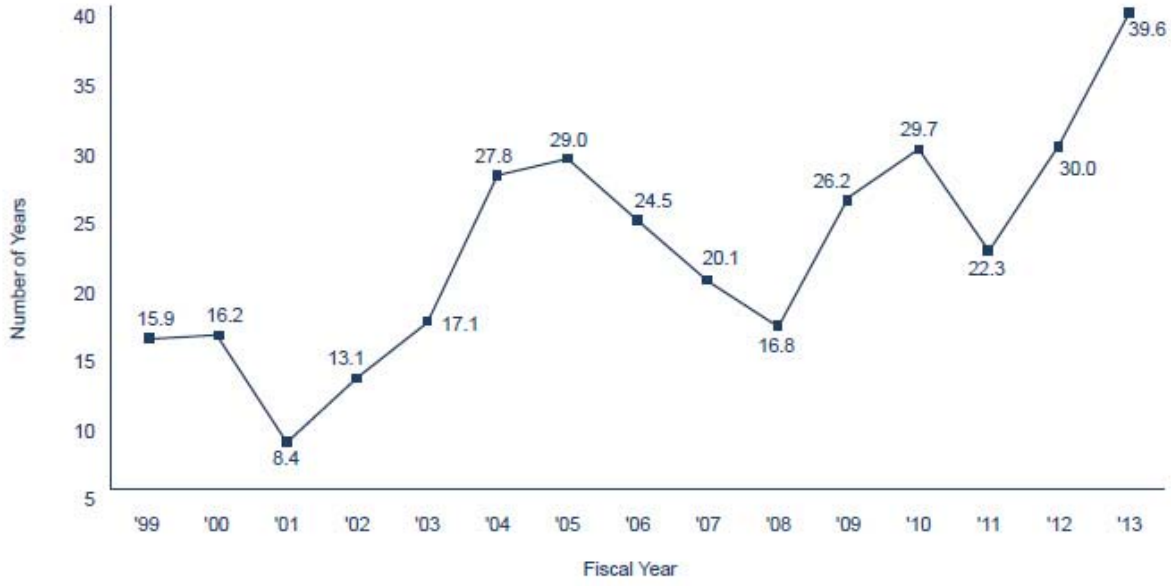
Amortization Period of Unfunded Accrued Liability

Supplemental Legislative Retirement Plan (SLRP)

Actuarial Accrued Liability and Funded Ratio



Amortization Period of Unfunded Accrued Liability



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

	2010	2011	2012	2013
Additions:				
Employee Contribution	$ 527,904	$ 623,043	$ 631,479	$ 626,361
Employer Contributions	762,886	756,134	802,623	915,096
Total Contributions	1,290,790	1,379,177	1,434,102	1,541,457
Investment Income:				
Net Appreciation (Depreciation) in Fair Value Assets	1,792,688	3,911,329	(434,594)	2,244,621
Interest and Dividends	490,676	557,866	534,890	550,856
Interest Income on Securities Lending	41,223	20,552	20,035	17,371
Manager's Fees & Trading Costs	(33,904)	(42,765)	(44,299)	(50,210)
Interest Expense on Reverse Repurchase Agreements	(1,342)	(2,445)	(2,742)	(2,726)
Net Investment Income (Loss)	2,289,341	4,444,537	73,290	2,759,912
Other Revenues	4,595	3,438	3,255	3,462
Total Additions (Reductions)	$ 3,584,116	$ 5,827,152	$1,510,647	$4,304,831
Deductions:				
Retirement Annuities	1,697,234	1,865,929	2,026,376	2,108,559
Refunds to Terminated Employees	73,668	88,438	93,431	108,536
Administrative Expenses	12,349	12,637	13,744	14,106
Loss on Disposal of Equipment	0	0	0	0
Depreciation	446	409	660	772
Total Deductions	$ 1,783,697	$ 1,967,413	$ 2,134,211	$ 2,231,973
Net Increase (Decrease) in Plan Net Assets	1,801,029	3,859,739	(623,564)	2,072,850
Net Assets held in Trust for Pension Benefits Beginning of Year	16,473,083	18,274,112	22,133,851	21,510,287
End of Year	$18,274,112	$22,133,851	$21,510,287	$23,583,145

Source: State Auditor and Public Employees' Retirement System.

ORGANIZATION OF STATE GOVERNMENT

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

Legislative Branch

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

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

Executive Branch

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

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

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

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

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

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

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

Judicial Branch

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

Local Governments

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

EDUCATION

Elementary/Secondary Education

Public Education in Mississippi has seen dramatic changes during the past 30 years, with the 1982 Education Reform Act serving to trigger much of that change. As a result of the Education Reform Act, assistant teachers were provided in grades kindergarten through three, serving to dramatically lower the elementary student-teacher ratio.

A statewide core curriculum has also been established, outlining objectives school districts are expected to include in their instruction. The State has been a leader in developing a performance-based accreditation model, with both schools and districts receiving an annual accreditation level.

In 1994, the State legislature passed the landmark Technology Enhancement Act, which called for the creation of a State technology plan. As part of the plan, all schools have an internet connection, with all schools also linked to each other and the State Department of Education.

The State is also home to the Mississippi School for Mathematics and Science, which was the fourth of its kind nationwide when it opened in 1988. The school provides intensive training in math, science and technology to high school juniors and seniors.

The Mississippi School of Fine Arts opened in the fall of 2003. This school offers high school juniors and seniors training in the various fine arts.

During the 2012-2013 school year, public elementary schools (K-6) enrolled 275,369 students. There were 217,478 secondary students, with a total of 492,847 students. The State's public schools employed 32,175 full time equivalent classroom teachers.

In Mississippi, State and local boards of education are responsible for governing public elementary and secondary education. At the State level, a nine-member State Board of Education administers these responsibilities. The State Superintendent of Education, appointed by the State Board of Education, serves as its secretary and chief operating officer.

In 1984, the Public Lands Division of the Secretary of State's Office began a program to correct abuses of Sixteenth Section School land management by requiring below-market leases to be brought to fair market prices. As a result of these efforts, substantial additional revenues are being generated for the support of elementary/secondary education in the State.

Community Colleges

Being the first state to establish a system of public two-year colleges, the State has 15 community colleges located on 34 campuses and centers in every area of the State. These two-year institutions offer university level courses of study as well as vocational and technical programs. There is a wide variety of specialized programs for industry start-up and industry training, which are offered statewide. Total headcount enrollment (unduplicated) at the public community and junior colleges for 2012-2013 school year was 77,291. Public community colleges are governed by local boards of trustees, with State coordination by a ten member State Board for Community and Junior Colleges.

Universities and Colleges

Eight institutions of higher learning, including a medical center, are supported by the State. These institutions offer courses and programs statewide. The 2012-2013 academic year enrollment in these State supported institutions of higher learning was 81,022. The State's eight institutions of higher learning are administered by a 12 member Board of Trustees of State Institutions of Higher Learning and a Commissioner of Higher Education.

THE ECONOMY

Location and Geography

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

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

The State's Economy

The State's economy appears to be growing at the fastest pace since before the Great Recession. The State came late to the recovery party. While other states experienced growth in 2011, Mississippi went into a brief recession, due in part to severe weather (tornados and flooding). Growth turned positive in the first half of 2012 and accelerated in the second half of the year. Growth has remained relatively strong into 2013, despite a relatively weak national economy.

After a mid-year lull in 2012, the Mississippi Coincident Index has risen sharply for a year now. The Mississippi Leading Index improved in the last half of 2012, but trended down during the first quarter of 2013. This Index has improved in the second quarter with widespread support from the components[1] of the Index.

The State's recovery is most evident in the nonfarm employment data. The State has added almost 19 thousand jobs in the first seven months of 2013 relative to the same period of 2012. This represents a 1.7 percent growth rate -- the strongest growth since before the "Great Recession". These data are subject to revision, and in fact may be overstating the recovery. However, given that both income and retail sales appear to be improving, the case for a recovering State economy seems strong, even if more modest than depicted by the current employment estimates.

Most of the job gains in 2013 have been in the service producing sectors, with administrative and support jobs accounting for the largest number. These are largely temporary jobs. Food services also account for a significant number of the new jobs. The growth of this sector may be due to an improved consumer

[1] The components of the Mississippi Index are MS initial unemployment claims, MS value of residential building permits, MS income tax withholdings, MS Manufacturing Employment Intensity Index, US Index of Consumer Expectations, US ISM Index of manufacturing Activity, and US retail sales.

sentiment as evidenced by national surveys. Construction employment has also risen sharply in 2013. Modest gains for 2013 have been observed in the following sectors: financial activities, trade transportation and utilities, and government. Slight declines were observed in manufacturing and other services.

While the State's economy is improving, conditions remain well below the pre-recession levels. Despite the strong job gains, the State has recovered only 56% of the jobs that were lost in the great recession. The unemployment rate remains relatively high in the State. While there has been considerable talk of an improved national housing market, building permits in Mississippi are up only 3.6% in first half of 2013 compared to the same period in 2010. The 2010 level was almost 73% below the 2007 level. Housing activity has a long way before it is back to the pre-recession level.

State General Funds in FY 2013 were up 4.8% over FY 2012, not taking into account the $35 million of Attorney General Settlements. Individual Income tax transfers to the General Fund were up a strong 10.8% for the fiscal year, helped significantly by a new collection process. Corporate tax transfers were up 3.7%. Sales tax transfers were up.3.0% while use tax transfers were up 8.1%. Gaming tax transfers however, were down 8.2%. The gaming industry revenues have been trending down for several years.

Short-Term Outlook

Real GDP Growth in 2013 is expected to be less than in 2012 for the State. In 2012, the State was recovering from the brief recession of 2011 and managed a growth rate of 2.3%. This was the fastest growth since 2007 when the State was enjoying a boost from Katrina rebuilding. Growth for 2013 is expected to be closer to 2.0 percent, slightly higher than that observed in 2010.

The slow national economy may be the biggest threat to the State's current recovery. Generally, the State does not outpace the nation for very long. The national economy has had mixed economic news lately, but appears to be growing at a modest 1.5 percent pace and is expected to end 2013 with a similar growth rate for the year. The federal spending sequester is expected to be a drag on the national growth in the second half of 2013. Similarly, lower export growth is expected to negatively impact manufacturing activity. These factors will have a dampening effect on growth in Mississippi. Both the national and State economies are expected to gradually improve in 2014 and beyond.

State Economic Structure

Of the State's roughly 1.1 million wage and salary workers, 83% are in the service producing industry. The remaining 18% are employed in the goods producing industries. Almost 78% of the total employment is in the private sector with 22% employed in the government. Nationally, the government represents slightly more 16%. The State is also relatively more dependent on the manufacturing sector than the nation, with a little over 12% of its employment concentrated in that sector. The national average is slightly less than 9%. Because of the strong linkages to the rest of the economy, the manufacturing sector is a driver of significant economic activity in other sectors of the economy as well.

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Leading National and International Companies

The following companies have locations in the State with more than 275 employees:

ACCO Brands Corp.
Advance Auto Parts
Advanced Distributor Products
Aircap Industries Corp.
Albany Industries.
American Furniture Mfg.
America's Catch, Inc.
Ameristar Casino Vicksburg
Anderson-Tully Worldwide
Ashley Furniture Industries
AT & T Store
Avery Dennison Corporation
AW Manufacturing, Inc.
AYRSHIRE Electronics
B&W Power Generation Group
Bauhaus U.S.A.
Baxter Healthcare Corporation
Beau Rivage Resort & Casino
Belden Manufacturing Plant
Boomtown Biloxi
BorgWarner
Boswell Industries
Cameron Part Sales
Caterpillar, Inc
Caye Home Furnishings
Ceco Building Systems
Chevron U.S.A.
Choctaw Resort Dev
Chromcraft Furniture
Clarion-Ledger
Closure Systems Intl.
Coca-Cola Bottling Co.
Cooper Power Systems
Cooper Tire & Rubber
Corinthian
Croft, LLC
Crown Cork & Seal Co.Inc.
D G Foods
Davis Furniture Industries
Delphi – Brookhaven
Diamond Jacks Casino & Hotel
Dollar General
Domtar Paper Co LLC
DuPont DeLisle
Eaton Aerospace Corporation
Entergy Mississippi
Entergy Nuclear
ESCO Corporation
Eutaw Construction Co. Inc.
Faurecia Automotive Seating
Fitzgeralds Casino & Hotel Tunica
Flexsteel Industries, Inc.
Fountain Construction Co.
Franklin Corporation
Garan Manufacturing
Georgia-Pacific Corporation – Monticello
Georgia-Pacific Plywood
Georgia-Pacific Plywood Plant
Golden Moon Hotel & Casino
Golden Manufacturing Co.
Golden Nugget Casino
Grand Casino Resort – Biloxi
Grand Casino Resort – Tunica
Gulf Coast Pre-Stress
H M Richard Mfg. Inc.
Hancock Fabrics, Inc.
Hard Rock Hotel & Casino
Harlow's Casino
Harrah's Tunica
Heartland Catfish Company
Hollywood Casino Bay Saint Louis
Hollywood Casino Resort
Hol-Mac Corp. Plant 1
Hood Industries
Horseshoe Hotel Casino
Howard Industries, Inc.
Howard Lighting Products
Huey Stock Still
Hunter Engineering Co.
Huntington Ingalls Shipbuilding
International Filing Systems
IP Casino Resort
Island View Casino Resort
Isle of Capri Casino
Isle of Capri Casino Resort
Jarden Consumer Solutions
Johnston/Tombigbee Furn.Mfg.
Keesler news
KI Inc.
Kimberly-Clark
Koch Foods, Inc.
Kohler Engines
Kroger
Kuhlman Electric Corp
L C Industries
L-3 Vertex Aerospace, LLC
Lady Luck Casino
Landau Uniforms, Inc.
Lane Furniture Industries, inc
La-Z-Boy South
Leaf River Cellulose
Levi Strauss & Co.
Lowe's Flatbed Distribution
Luvata HTS NA
Magnolia Bluffs Casino
Marathon Cheese
Margaritaville Casino & Rest.
Marshall Durbin Poultry, Co.
Masonite International
Master-Bilt Products
Max Home, LLC
McLane Southern
Merchants Foodservice
Milwaukee Electric Tool Corp.
Mississippi Polymers Inc.
MTD Products – Tupelo
Mueller Copper Tube Co.
Nissan North America, Inc.
Northrop Grumman Elctro Systs
Nucor Steel Jackson, Inc.
Olin Corporation – Windchester Division
OMNOVA Solutions
Palace Casino Resort LLC
Peavey Electronics Corp.
Peco Foods, Inc.
Pepsi Bottling Group
Philips Day-Brite Capri Omega
Pioneer Aerospace Corp.
Plumrose USA
PSL North America, LLC
Quad/Graphics Inc
R R Donnelley
Rainbow Hotel Casino
Raytheon Space & Airborne System
Reed Manufacturing Co.Inc.
Resorts Casino & Hotel
Riverwalk Casino & Hotel
Sam's Town Hotel & Gambling Hall
Sanderson Farms, Inc.
Sanderson Plumbing Products, Inc.
Severstal Columbus
Schulz Xtruded Products LP
Silver Slipper Casino
Simpson Dura-Vent Corporation
Sitel
Southern Hens
Southern Motion
Stennis Space Ctr
Structural Steel Svc Inc.
Super Sagless Corp.
SUPERVALU
Sysco Jackson, LLC
T L Wallace Construction, Inc.
Taylor Machine Works
Tecumseh Products Co.
Thomas & Betts, Corp.
Tiffin Motor Homes, Inc.
Tower Automotive
Toyota Motor Manufacturing Mississippi
Treasure Bay Casino & Hotel
Trinity Yachts
Triton System of Delaware LLC
Tunica Roadhouse Casino
Tyson Foods, Inc.
U.S. Foodservice
Unified Brands Inc.
United Furniture Industries, Inc.
USG Interiors, Inc.
Viking Range Corp.
VT Halter Marine Inc.
Walmart Distribution Center
Walmart Supercenter
Wayne Farms LLC
Weyerhaeuser Company
Yates Services
YRC

Source: Mississippi Development Authority, August 2013.

Economic Development

The Mississippi Development Authority ("MDA") was created to improve the quality of life for Mississippians through the creation of productive employment opportunities and the enhancement of the State's tax base. To accomplish its mandate, MDA concentrates on recruiting new industries into the State, encouraging expansion of existing industries, expanding world markets for Mississippi products, seeking

international business investment, assisting in the development of minority businesses, and providing training and retraining programs for the State's work force to meet the needs of today's business.

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

Banking and Finance

There are 87 financial institutions in Mississippi, consisting of 4 federal thrifts, 15 national banks and 67 state-chartered banks. The total number of branches for these institutions stands at 1,301. Total assets held by Mississippi financial institutions on July 1, 2013, were $61,287,904,000.

The State's largest institution, BancorpSouth, has assets of over $13 billion. There are seven institutions with assets over $1.0 billion and whose combined assets total $39,304,795,000. Of the total deposits in the State, these institutions control approximately 64%.

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

Manufacturing

The manufacturing sector is a leading employer in the State. Approximately 136,000 persons are employed in more than 2,600 manufacturing facilities. About one-fourth of these facilities have 100 or more employees and account for 80 percent of all manufacturing workers. The State has eighteen (18) manufacturing companies with 1,000 or more employees.

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

In November 2000, Nissan North America, Inc. ("Nissan") announced the location of a $930 million automobile manufacturing facility in Madison County, Mississippi. In June 2002, while the original facility was still under construction, Nissan announced that it would expand the facility to 2.5 million square feet with an additional investment of $500 million. When the plant began production, 2,040 people were employed and has grown to present employment of 4,100. The 3.5 million-square-foot plant has a capacity to produce 400,000 vehicles per year.

In March 2007, Toyota Motor Engineering & Manufacturing North America, Inc. ("Toyota") announced its plans to locate a new manufacturing plant near the town of Blue Springs, Mississippi. The plant is expected to bring 2000 new manufacturing jobs and an initial investment of $1.3 billion to the area. The plant is expected to bring 2000 new manufacturing jobs and an initial investment of $1.3 billion to the area. The plant began production during November of 2011, and is at full production today.

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

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

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

Tourism and Gaming

Since 1992, the total capital investment in the State by the gaming industry is $4.5 billion. The gross gaming revenues for the 30 State-licensed casinos in fiscal year 2013 were approximately $2.2 billion. The State's gaming industry has 37,591 State-licensed and casino hotel employees, based on fiscal year 2013 quarterly averages. In addition, the Mississippi Band of Choctaw Indians employs an estimated 3,225 persons at its casino hotels.

According to the Department of Revenue, gross gaming revenues for the first two months of fiscal year 2014 were $371,308,811.43.

Agriculture and Forestry

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

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

Construction

The construction industry plays a powerful role in sustaining economic growth, in addition to producing structures that add to productivity and quality of life. Private non-residential construction spending in the State totaled $2.1 billion in 2012 while nonresidential starts in the State totaled $2.4 billion in 2012. Construction employment in July 2013 totaled 53,000, an increase of 12.3 percent from July 2012 and a decrease of 16 percent from the State's peak in April 2008. When compared to the national average, construction worker's pay in the State averaged $43,700, 24 percent more than all private sector employees in the State.

During the period 2005 through 2012, building permits issued for residential construction averaged 10,493 annually, with an average annual valuation of $1.1 billion. The following chart presents annual data for residential building activity.

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RESIDENTIAL CONSTRUCTION BUILDING ACTIVITY
(Valuation in Millions)

Year	Building Permits(In Thousands)	Privately-Owned Housing Units Valuation (In Millions)	Contract Construction Employment (In Thousands)
1999	12.3	949.1	55.1
2000	11.4	925.7	54.4
2001	9.8	893.7	51.9
2002	11.0	1,015.0	53.9
2003	12.1	1,254.5	51.3
2004	13.6	1,399.3	50.6
2005	13.0	1,535.2	52.1
2006	15.6	1,891.0	53.0
2007	16.3	1,773.0	58.2
2008	10.0	1,119.3	57.5
2009	6.7	807.2	47.8
2010	4.8	646.3	50.2
2011	5.3	724.1	49.6
2012	5.0	709.3	45.8

Source: University Research Center, the U.S. Department of Commerce, Bureau of the Census, Building Permits Branch and the Bureau of Labor Statistics, Associated General Contractors of America.

Transportation

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

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

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

Mississippi has 2,542 miles of mainline railroad providing service between major centers throughout the State. This mileage is comprised of five Class-I Railroads (large rail systems extending from the Gulf of Mexico into Canada) and 24 Class-III Railroads (short intrastate rail systems) utilizing the Mississippi Rail System.

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Population

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

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

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

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

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

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

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

Employment

The service producing industries are the leading employers within the State employing 877,000 people or 80% of total non-agricultural employment as of August 2013. Other large employment sectors are government, trade and transportation, and manufacturing with each employing 242,900, 217,000, and 136,500, respectively as of August 2013. Within the goods producing industry, the durable goods segment of the industry employed 90,000 and the nondurable goods segment employ 46,500. The leading manufacturers by product category are transportation equipment which includes ship building (41,600), food manufacturing (22,000) followed by furniture manufacturing (17,400). Although its importance has declined, agriculture continues to contribute significantly to the State's economy. The total employment in agriculture as of August 2013 was 35,400.

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TEN LARGEST MISSISSIPPI MANUFACTURING EMPLOYERS[1]

Manufacturer	Major Product	2013 Employment
Huntington Ingalls Industries	Ship Building	11,030
Nissan North America	Automobile Manufacturer	5,500
Tyson Foods	Food Processing	3,562
Sanderson Farms	Processed Poultry	3,545
Ashley Furniture	Upholstered Furniture	3,185
Peco Foods of Mississippi	Food Processing	3,184
Koch Foods, Inc.	Food Processing	2,932
Howard Industries	Electronics	2,743
Chevron USA Inc.	Petroleum & Coat Products	1,596

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

Source: Mississippi Development Authority, Existing Industry and Business Division, Priority One Data, August, 2013.

RECENT MISSISSIPPI LABOR FORCE STATISTICS
(In Thousands of People)

Year/ Month	Civilian Labor Force	Total Employed	Unemployment Rate
2000	1,326.4	1,251.1	5.7
2001	1,305.3	1,233.9	5.5
2002	1,298.0	1,209.8	6.8
2003	1,312.1	1,229.0	6.3
2004	1,330.2	1,248.1	6.2
2005	1,343.2	1,237.2	7.9
2006	1,316.5	1,220.5	7.3
2007	1,317.9	1,234.1	6.4
2008	1,326.6	1,234.3	7.0
2009	1,300.3	1,176.8	9.5
2010	1,575.6	1,411.3	10.4
2011	1,344.6	1,203.6	10.5
2012	1,336.9	1,216.3	9.0
2013			
Jan	1,333.0	1,214.3	10.0
Feb	1,332.2	1,215.3	9.6
March	1,321.9	1,216.2	9.0
April	1,320.2	1,216.9	8.8
May	1,313.1	1,219.8	8.7
June	1,305.4	1,217.9	8.8
July	1,295.5	1,184.6	8.6
August	1,291.2[1]	1,181.0[1]	8.5[1]

[1] Preliminary.

Source: U.S. Department of Labor Bureau of Labor Statistics, October 2013.

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MISSISSIPPI ANNUAL EMPLOYMENT STATISTICS
(In Thousands of People)

	2009	2010	2011	2012	August 2013
Civilian labor force	1,283.9	1,313.4	1,344.6	1,336.9	1,291.2
Total employment	1,158.7	1,176.3	1,203.6	1,216.3	1,181.0
Agricultural[1]	34.8	35.3	36.1	36.5	35.4
Non-agricultural	1,105.8	1,089.7	1,089.0	1,092.1	1,122.8
All Other	18.1	51.3	78.5	87.7	23.1
Unemployment Rates					
Mississippi	9.8	10.4	10.5	9.0	8.5
United States	10.0	9.6	9.0	8.1	7.3
By Place of Employment					
Non-Agricultural	1,100.3	1,089.7	1,089.0	1,092.1	1,122.8
Manufacturing	145.0	135.8	134.4	136.2	136.5
Durable goods	93.5	87.2	87.8	89.4	90.0
Wood Product	11.4	8.4	9.3	9.0	8.7
Furniture & Related Products	18.5	18.4	17.5	17.6	17.4
Metal Products	10.7	8.6	8.4	8.3	9.8
Machinery Manufacturing	11.7	9.4	11.1	11.6	12.2
Electrical Equipment & Appliance	12.4	10.2	10.6	10.8	10.7
Transportation Equip[2]	44.2	39.6	40.4	38.8	41.6
Nondurable goods	51.5	49.5	46.6	46.8	46.5
Food	23.6	23.8	23.0	22.4	22.0
Paper	4.4	4.1	3.7	3.6	3.8
Plastics & Rubber	6.8	5.5	5.7	5.7	5.8
Service Producing					
Industries	898.6	886.9	901.9	898.8	877.0
Mining[3]	9.4	8.6	9.2	9.2	9.4
Construction	52.8	48.9	47.2	45.8	54.3
Information	13.0	12.4	11.8	11.8	12.6
Trade & Transportation	257.7	212.7	217.4	215.1	217.0
F.I.R. [4]	43.2	45.0	45.2	44.9	44.7
Government	255.5	248.9	247.9	245.4	242.9
Education & Health Services[5]	133.1	132.3	139.0	138.2	131.3
Leisure & Hospitality	118.3	119.8	113.4	116.2	127.4
Professional & Business	86.3	88.8	93.5	93.2	106.1
Other Services	35.3	34.8	34.2	34.2	37.7

(1) Mississippi Agricultural Statistics.

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

(3) Natural Resources and Mining.

(4) Finance, Insurance, Real Estate and Rental.

(5) Education, Health Care and Social Assistance.

Source: Mississippi Department of Employment Security, State & Metro Trends, October 2013.

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Income

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

COMPARISON OF MISSISSIPPI AND UNITED STATES PER CAPITA INCOME

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

Source: U U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, last updated October 2013. http://www.bea.gov/regional/bearfacts.

MISSISSIPPI PERSONAL INCOME STATISTICS
(Rounded in Millions of Dollars)

	2008	2009	2010	2011	2012
Total Personal Income (by place of residence)	$90,347	$89,743	$92,539	$95,313	$98,722
Earnings by Industry					
Farm	1,199	1,167	1,054	1,130	1,794
Agricultural Services[1]	460	453	496	548	590
Mining	1,166	986	995	894	913
Utilities	701	712	730	746	840
Construction	4,065	3,266	3,147	4,051	4,254
Manufacturing	8,334	7,757	7,749	7,868	8,267
Wholesale Trade	2,444	2,335	2,369	2,243	2,283
Retail Trade	4,385	4,219	4,374	4,637	4,866
Transportation and Warehousing	2,466	2,371	2,450	2,464	2,522
Information	843	804	814	706	764
Finance and Insurance	2,193	2,166	2,132	2,346	2,353
Real Estate, Rental and Leasing	614	594	575	675	664
Professional, Scientific and Technical Services	3,061	2,983	3,020	2775	2,864
Management of Companies and Enterprises	793	814	849	903	967
Administrative and Waste Services	1,719	1,581	1,801	1,891	1,996
Educational Services	547	580	622	658	717
Health Care & Social Assistance	6,066	6,296	6,513	6,911	7,033
Arts, Entertainment and Recreation	399	366	363	328	323
Accommodation and Food Service	2,422	2,315	2,387	2,498	2,548
Other Services except Public Administrative	2,260	2,213	2,272	2,408	2,504
Government and Government Enterprises	14,576	15,113	15,316	15,569	15,715

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. August 2013.

[1] Agricultural services include forestry, fishing and related activities.

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

	2008	2009	2010	2011	2012
Total Personal Income (by place of residence)	12,451.7	11,916.8	12,353.6	12,949.9	13,401.9
Earnings by Industry					
Agricultural, Forestry, Fishing, and Hunting	106.3	91.4	99.8	102.8	99.7
Mining	143.5	75.9	83.1	115.0	119.2
Utilities	78.1	72.8	73.3	75.5	85.8
Construction	574.1	494.0	479.5	498.3	525.4
Manufacturing	987.3	876.9	891.6	943.8	987.2
Wholesale Trade	480.3	447.3	456.2	480.3	504.8
Retail Trade	550.4	537.4	553.5	572.1	601.4
Transportation and Warehousing	302.2	286.9	295.4	314.4	324.9
Information	308.7	288.5	294.3	308.5	322.5
Finance, Insurance, Real Estate, Rental and Leasing	823.6	767.9	795.8	877.3	864.5
Professional and Business Services	1,134.5	1,061.5	1,110.3	1,162.6	1,234.1
Educational Services, Health Care & Social Assistance	1,071.6	1,109.4	1,147.0	1,199.9	1,233.9
Arts, Entertainment, Recreation, Accommodation and Food Services	369.3	355.8	379.8	391.0	410.1
Other Services except Government	322.6	321.1	330.4	345.7	355.6
Government	1,555.1	1,607.5	1,642.7	1,663.6	1,674.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, last revised on February 22, 2013.

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

Industry Group	2008	2009	2010	2011	2012
Automotive	$6,083.9	$5,023.8	$4,864.0	$5,443.9	$5,903.8
Machinery	2,963.0	2,656.0	2,380.9	2,705.0	3,099.3
Food & Beverage	7,503.0	7,658.4	7,712.5	7,889.1	8,193.2
Furniture	960.0	859.0	874.4	864.5	865.4
Gen. Merchant	7,339.2	7,697.2	7,496.0	7,592.4	7,732.8
Lumber	3,423.6	2,870.9	2,510.4	2,587.4	2,574.4
Misc. Retail	3,743.7	3,567.7	3,339.7	3,453.4	3,591.9
Misc. Services	2,823.8	2,829.5	2,580.1	2,796.3	2,719.8
Utilities	4,225.3	4,383.7	4,229.6	4,174.7	4,126.4
Contracting	7,887.5	7,771.2	6,088.3	5,694.5	5,418.9
Wholesale	749.0	763.5	756.6	785.3	800.0
Recreation	134.8	136.4	144.9	145.5	152.7
Total Taxable Sales	$47,836.8	$46,217.2	$43,047.4	$44,132.1	$45,178.7

Source: Mississippi Department of Revenue, Fiscal Years 2008-2012. 2013 Gross Taxable Sales Information not available at the time of this publication.

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RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P") have assigned ratings of "AA+ (negative outlook)," "Aa2 (stable outlook)" and "AA (stable outlook)," respectively, to the Series 2013B Bonds. An explanation of the significance of such ratings may be obtained from the agencies which assigned the ratings.

There is no assurance that present or future ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of any or all of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the Series 2013B Bonds.

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

CONTINUING DISCLOSURE

On November 10, 1994 and May 26, 2010, the Securities and Exchange Commission (the "SEC") amended Rule 15c2-12 (the "Rule") which was originally adopted by the Commission in 1989 under the Securities Exchange Act of 1934 and set forth certain disclosure requirements relating to a primary offering of municipal securities. The amendments to the Rule, the newest of which apply to primary offerings that occur on or after December 1, 2010, add to the existing disclosure obligations relating to municipal securities by requiring that, prior to purchasing or selling municipal securities, brokers, dealers and municipal securities dealers must reasonably determine that the issuer of such municipal securities, together with any other "obligated persons," within the meaning of the Rule, have entered into an undertaking for the benefit of bondholders to make certain information available to bondholders on a continuing basis. The State is an "obligated person" with respect to the Series 2013B Bonds within the meaning of the Rule.

The State will enter into a written undertaking for the benefit of the Bondholders for the Series 2013B Bonds to deliver, or cause to be delivered, to (a) the Municipal Securities Rulemaking Board (the "MSRB") through MSRB's Electronic Municipal Market Assess system at http://emma.msrb.org ("EMMA") in the electronic format then prescribed by the SEC pursuant to the Rule, and (b) any public or private repository or entity designated by the State as a State repository, if any, for the purposes of the Rule, the information described in the undertaking, including, but not limited to, annual financial reports and notices of certain material events, together with any identifying information or other information then required to accompany the applicable filing. This information will be made available free to securities brokers and others through EMMA. For the procedures for all filings and notices due to the MSRB, instructions will be provided on the following website for MSRB: http://emma.msrb.org.

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

Except as described in the following sentence, the State has complied in all material respects with any previous continuing disclosure undertakings under the Rule. There have been some instances in the previous five years in which the State filed its annual undertakings late. In 2008 and 2010, the late filings were the result of the State's CAFR for such fiscal year not being available by the February 1st disclosure date. The other filings, 2007, 2009 and 2011, were filed untimely by no more than seven days after the February 1st disclosure date as a result of the responsible employee being unexpectedly absent. Furthermore, although the State has uploaded all required continuing disclosure documents to its main base cusip 605580 in a timely manner, some of the documents were not tied to the 605579 and 605581 base cusips. All of these documents have now been tied to each of the State's base cusips. The State has taken steps to ensure that it will timely comply with all undertakings in the future. Specifically, the State has approved a "State of Mississippi Debt Management Policy" which provides detailed procedures for the timely filing of continuing disclosure by the State.

LITIGATION

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

It is anticipated, regardless of the ultimate outcome of any litigation, that neither the courts nor the Mississippi Legislature will act inconsistently with the State's financial ability to pay all outstanding bonded indebtedness and the interest thereon. It is not anticipated that the ultimate outcome of any or all of the pending litigation will result in obligations exceeding the financial resources of the State, so that in all events it is reasonable to expect that the State will remain in a sufficiently viable financial position to meet all of these obligations, including, but not limited to, the Series 2013B Bonds provided the same are issued, sold and delivered. To predict with any degree of accuracy the ultimate outcome of any litigation would be conjectural.

UNDERWRITING

The Series 2013B Bonds are initially being purchased for reoffering by the underwriters identified on the cover page of this Official Statement (together, the "Underwriters"). The Underwriters have agreed to purchase the Series 2013B Bonds at a purchase price of $173,899,650.77, representing $159,225,000.00 par amount, less an underwriters' discount of $374,780.88 and plus an original issue premium of $15,049,431.65. The bond purchase agreement pursuant to which the Underwriters expect to purchase the Series 2013B Bonds provides that the Underwriters will purchase all the Series 2013B Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2013B Bonds is subject to various conditions stated in such bond purchase agreement.

The Underwriters may offer and sell the Series 2013B Bonds to other dealers and other purchasers at prices lower than the public offering prices stated on the insider cover page hereto. The initial public offering prices may be changed from time to time by the Underwriters.

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

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

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Loop Capital Markets LLC ("LCM"), one of the Underwriters of the Series 2013B Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS and DBS will purchase Series 2013B Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2013 Bonds that such firm sells.

VALIDATION

Prior to issuance, the Series 2013B Bonds will be validated before the Chancery Court of the First Judicial District of Hinds County, Mississippi, as provided in Sections 31-13-1 *et seq*., Mississippi Code of 1972, as amended.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Series 2013B Bonds are subject to the approving legal opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi

("Bond Counsel"), whose approving legal opinion will be available at the time of delivery of the Series 2013B Bonds (see APPENDIX E, herein). Certain legal matters with respect to the State will be passed upon by the State Attorney General, Jim Hood, Esq. (see APPENDIX D, herein). Certain legal matters will be passed upon for the Underwriters by their counsel, Watkins & Eager PLLC, Jackson, Mississippi.

FINANCIAL ADVISOR

The State has retained Piper Jaffray & Co., Memphis, Tennessee, as independent financial advisor (the "Financial Advisor") in connection with the sale and issuance of the Series 2013B Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the State with respect to the preparation of documents, the preparation for the sale of the Series 2013B Bonds and of the time of the sale, taxable bond market conditions and other factors related to the sale of the Series 2013B Bonds. Although the Financial Advisor performed a role in the drafting of this Official Statement, it has not independently verified any of the information set forth herein.

TAX MATTERS

The Internal Revenue Code of 1986, as amended and supplemented from time to time (the "Code"), includes requirements which the State must continue to meet after the issuance of the Series 2013B Bonds in order that interest on the Series 2013B Bonds not be included in gross income for federal income tax purposes. The State's failure to meet these requirements may cause interest on the Series 2013B Bonds to be included in gross income for federal income tax purposes retroactive to its date of issuance. The State has covenanted in the Resolution to comply with the requirements of the Code in order to maintain the exclusion of interest on the Series 2013B Bonds from gross income for federal income tax purposes.

In the opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi ("Bond Counsel"), assuming compliance by the State with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2013B Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2013B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2013B Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2013B Bonds is exempt from income taxation in the State.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2013B Bonds. Ownership of tax-exempt obligations such as the Series 2013B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2013B Bonds should consult their tax advisors as to the applicability and impact of any such collateral consequences.

Premium Bonds

The initial public offering prices of the Series 2013B Bonds are more than the amounts payable at the maturity dates thereof as set forth on the inside front cover of this Official Statement. Under the Code, the difference between the principal amount of a Series 2013B Bond and the cost basis of such Series 2013B Bond to its owner (other than an owner who holds such a Series 2013B Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is "bond premium." Bond premium is amortized over the term of such a Series 2013B Bond for federal income tax purposes. The owner of a Series 2013B Bond is required to decrease its basis in such Series 2013B Bond by the amount of amortizable bond premium attributable to each taxable year he holds the Series 2013B Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Series 2013B Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Series 2013B Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2013B Bonds.

Future Legislation

The federal government is considering various legislative proposals for reducing the federal budget deficit and the federal debt and promoting economic growth, and some of these proposals, if enacted, could affect the tax-exempt status of state and local bonds, such as the Series 2013B Bonds. Owners of the Series 2013B Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the environmental tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

MISCELLANEOUS

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

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2013B Bonds, the security for the payment of the Series 2013B Bonds and the rights and obligations of the registered owners thereof.

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

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

STATE OF MISSISSIPPI

By: /s/ *Phil Bryant*
Phil Bryant, Governor

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

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

Prepared by:

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

Department of Finance and Administration
1301 Woolfolk Building, Suite A
501 North West Street
Jackson, Mississippi 39201
(601) 359-3160

APPENDIX A

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DEBT SERVICE ON THE SERIES 2013B BONDS

$159,225,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2013B

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2014	$ 0.00	$ 3,936,395.83	$ 3,936,395.83
2015	0.00	7,961,250.00	7,961,250.00
2016	0.00	7,961,250.00	7,961,250.00
2017	0.00	7,961,250.00	7,961,250.00
2018	0.00	7,961,250.00	7,961,250.00
2019	0.00	7,961,250.00	7,961,250.00
2020	0.00	7,961,250.00	7,961,250.00
2021	0.00	7,961,250.00	7,961,250.00
2022	0.00	7,961,250.00	7,961,250.00
2023	0.00	7,961,250.00	7,961,250.00
2024	0.00	7,961,250.00	7,961,250.00
2025	0.00	7,961,250.00	7,961,250.00
2026	0.00	7,961,250.00	7,961,250.00
2027	8,475,000.00	7,749,375.00	16,224,375.00
2028	18,440,000.00	7,076,500.00	25,516,500.00
2029	19,390,000.00	6,130,750.00	25,520,750.00
2030	20,385,000.00	5,136,375.00	25,521,375.00
2031	21,430,000.00	4,091,000.00	25,521,000.00
2032	22,525,000.00	2,992,125.00	25,517,125.00
2033	23,685,000.00	1,836,875.00	25,521,875.00
2034	24,895,000.00	622,375.00	25,517,375.00
TOTAL	$159,225,000.00	$135,106,770.83	$294,331,770.83

DEBT SERVICE REQUIREMENTS

STATE OF MISSISSIPPI
GROSS DIRECT GENERAL OBLIGATION BONDED DEBT
ANNUAL DEBT SERVICE REQUIREMENTS[(1)(2)]

Fiscal Year Ending June 30	Principal[(3)]	Interest[(3)(4)]	Total Annual Debt Service[(3)(4)]
2014	$ 174,305,000	$ 168,862,654	$ 343,167,654
2015	249,485,000	163,354,274	412,839,274
2016	271,100,000	151,757,594	422,857,594
2017	280,725,000	139,895,303	420,620,303
2018	393,305,000	129,058,415	522,363,415
2019	223,290,000	119,572,179	342,862,179
2020	194,520,000	110,805,185	305,325,185
2021	183,035,000	102,689,974	285,724,974
2022	174,395,000	94,810,163	269,205,163
2023	167,115,000	87,374,224	254,489,224
2024	154,705,000	80,337,805	235,042,805
2025	145,960,000	73,450,253	219,410,253
2026	152,290,000	66,518,114	218,808,114
2027	139,115,000	59,706,986	198,821,986
2028	131,490,000	53,170,479	184,660,479
2029	113,875,000	47,000,371	160,875,371
2030	110,100,000	41,215,679	151,315,679
2031	115,350,000	35,342,481	150,692,481
2032	120,840,000	29,192,421	150,032,421
2033	126,505,000	22,756,900	149,261,900
2034	119,165,000	16,295,704	135,460,704
2035	124,050,000	9,826,976	133,876,976
2036	82,590,000	4,373,801	86,963,801
2037	44,535,000	1,110,950	45,645,950
TOTAL	$3,991,845,000	$1,808,478,880	$5,800,323,880

Includes general obligation bonds outstanding which are funded annually either by general fund appropriations or by specific revenue that otherwise would enter the general fund. A partial list of bonds included in this schedule is as follows:

ACE Fund
Archives and History
BB King Museum
Bridge Replacement
Business Investment Act
Capitol Complex
Capital Improvements
Children's Museums
Community Heritage Preservation
County Voting System
Disaster Recovery Funds
Economic Development Highway Act
Existing Industry Productivity Loan
Farish Street Historic District
Farm Reform Act
Gaming Counties Casino Road Improvements
Highway Construction
Institutions of Higher Learning Facilities
Jackson Zoo Improvements
Job Protection
Local Governments Capital Improvements
Local Governments Rail and Freight
Local Governments Water System Improvements
Major Economic Impact Act
Mental Health Improvements
Parks Improvements
Public Health Lab
Refunding Bonds
Rural Impact
Small Enterprise Development Finance Act
Small Municipalities/Limited Population Counties
Soil & Water Commission
State Shipyard
Statewide Wireless Communications
Telecommunications Center
Water Pollution Control

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(1) As of September 1, 2013.

(2) Does not include the effects of the Series 2013 Bonds.

(3) Of the principal amounts outstanding, $174,935,000 is currently outstanding as floating rate notes with a maturity date in fiscal year 2018. At that time, the State intends to either refinance the notes or convert the balance to fixed rate bonds. The interest due on the floating rate notes is indeterminable at this time and is not reflected in this table.

(4) These amounts do not include any subsidy payments due to the State from the United States Treasury pursuant to and in accordance with Section 1531 of the Title 1 of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 115 (2009)) (the "Recovery and Reinvestment Act") and Sections 54AA(g) and 6431 of the Code (as defined herein). Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under Section 6431 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration. The IRS Office of Tax Exempt Bonds (TEB) has announced that the sequester reduction percentage for payments to issuers of direct pay bonds for FY 2014 will be 7.2 percent. The reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change. The State has made arrangements to pay the additional debt service on bonds issued by it under the Recovery and Reinvestment Act.

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013[(1)(2)]

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
General Obligation Net Direct						
101 Capital Centre Improvements	2009 RLS HB 1722	2009	$5,000,000	$5,000,000	$5,000,000	$0
Ace Fund	SB 2804,Laws of 2004; HB 3 3rd SS 2005; HB 1641 Laws of 2008; HB 35 2nd SS 2009; 2011 RLS SB 3100; 2013 RLS SB 2913	2004	$57,450,000	$47,450,000	$41,160,000	$10,000,000
Armed Forces Museum	2013 RLS SB 2913	2013	$2,000,000	$0	$0	$2,000,000
B B King Museum Fund	2006 RLS SB 3111, as amended; RLS 2009 HB 1722	2006	$2,500,000	$2,500,000	$1,715,000	$0
Business Investment	Ch. 419-1986; HB 1641 2008; RLS 2010 HB 1701; 2011 RLS SB 3100; 2013 RLS SB 2913	1986	$341,500,000	$300,677,000	$27,385,000	$40,823,000
Camp Shelby Access Improvement	RLS 2010 SB 3181	2010	$10,000,000	$3,000,000	$3,000,000	$7,000,000
Cap Imp to State Owned Shipyard	Ch. 501; 2006RLS SB 2073	2003	$144,000,000	$144,000,000	$58,435,000	$0
Capital Improvements	Ch. 600	2001	$139,770,000	$139,770,000	$1,475,000	$0
Capital Improvements	Ch. 550-Laws of 2002	2002	$157,770,000	$157,770,000	$3,438,000	$0
Capital Improvements	Ch. 522	2003	$156,234,000	$156,234,000	$12,496,000	$0
Capital Improvements	Ch 1 Third Special Session, Laws 2004; HB 1641 Laws of 2008; 2010 RLS SB 3184	2004	$281,930,000	$281,930,000	$110,114,000	$0
Capital Improvements	2006 RLS HB 1634; SB 3201 2007 RLS	2006	$86,600,000	$86,600,000	$46,345,000	$0
Capital Improvements IHL & CC	2007 RLS HB 246	2007	$122,558,000	$122,558,000	$87,839,000	$0
Capital Improvements State Agencies	2007RLS SB 3201	2007	$84,300,000	$82,550,000	$48,440,000	$1,750,000
Capital Improvements IHL & CC	HB 1641 Laws of 2008	2008	$48,875,000	$48,875,000	$42,305,000	$0
Capital Improvements	2009 RLS HB 1722	2009	$86,250,000	$85,250,000	$85,250,000	$1,000,000
Capital Improvements	RLS 2010 HB 1701	2010	$215,625,000	$213,625,000	$213,625,000	$2,000,000

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Capital Improvements IHL/St. Agencies/CC/BOB Disc.	RLS 2011 SB 3100; RLS 2013 SB 2913	2011	$221,075,000[3]	$199,133,000	$199,133,000	$21,942,000
Capital Improvements IHL	RLS 2013 SB 2913	2013	$96,500,000	$0	$0	$96,500,000
Children's Museums	Ch. 535-Laws of 1997, 2007RLS SB 3201; RLS 2010 HB 1701; RLS 2011 SB 3100; RLS 2013 SB 2913	1997	$10,850,000	$10,100,000	$6,200,000	$750,000
City of Jackson Water and Sewer Loan	RLS 2010 HB 1701	2010	$6,000,000	$6,000,000	$6,000,000	$0
City of Jackson Woodrow Wilson Bridge	2013 RLS SB 2913	2013	$1,000,000	$0	$0	$1,000,000
Coahoma County Higher Ed Center R & R	RLS 2009 HB 1722	2009	$250,000	$250,000	$250,000	$0
Community Heritage Preservation	Ch. 541, As Amended; 2006 RLS HB 1634, 2007RLS SB 3190, 2009 RLS HB 1722; 2010 RLS HB 1701; 2011 RLS SB 3100; 2013 RLS SB 2913	2001	$34,700,000	$27,450,000	$9,995,000	$7,250,000
Community and Junior Colleges Capital Improvements	2013 RLS SB 2913	2013	$25,000,000	$0	$0	$25,000,000
Cotesworth Culture & Heritage Center	2013 RLS SB 2913	2013	$2,000,000	$0	$0	$2,000,000
County Voting System Assistance	2006RLS HB 562	2006	$6,000,000	$6,000,000	$3,630,000	$0
Crime Lab and Medical Examiner Office Construction	RLS 2009 HB 1722	2009	$12,000,000	$12,000,000	$12,000,000	$0
Cultural Development Act	Ch. 541, as amended; 2006 RLS HB 1634, 2007RLS SB 3201	2001	$21,200,000	$21,200,000	$4,000,000	$0
Economic Development Highway	Ch. 463-Laws of 1989; 2006 RLS HB 1506; RLS 2009 HB 1722; 2011 RLS SB 3100	1989	$364,500,000	$258,900,000	$140,660,000	$105,600,000
Energy Infrastructure Revolving Loan Program	2009 RLS HB 1722	2009	$5,000,000[1]	$0	$0	$5,000,000
Farish Street Historic District Loans	CH 465-Laws of 1999; 2010 RLS HB 1701	1999	$6,500,000	$6,500,000	$2,865,000	$0
Farm Reform	Ch. 482-Laws of 1987, As Amended	1987	$128,000,000	$108,000,000	$3,230,000	$20,000,000

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
GRAMMY® Museum	2013 RLS SB 2913	2013	$3,000,000	$0	$0	$3,000,000
Grand Gulf Access Road	2007 RLS SB 3201	2007	$4,000,000	$0	$0	$4,000,000
Greenville Higher Ed Center	2011 RLS SB 3100	2011	$300,000	$300,000	$300,000	$0
Hattiesburg Zoo Improvements	2009 RLS HB 1722	2009	$400,000	$400,000	$400,000	$0
Hinds Comm College FFA Repair	2007 RLS SB 3190	2007	$375,000	$375,000	$244,000	$0
Hinds CC Plumber Trng Ctr	HB 1641 Laws of 2008	2008	$2,000,000	$2,000,000	$1,690,000	$0
Holly Springs Ind Park Road	HB 1665 Laws of 2008	2008	$500,000	$500,000	$500,000	$0
Hwy 6 Controlled Access Interchange	2007 RLS SB 3175	2007	$4,000,000	$0	$0	$4,000,000
Hwy 25 Improvements	2013 RLS SB 2913	2013	$4,900,000	$0	$0	$4,900,000
Infinity Space Science and Ed Center	2006 RLS HB 1634, 2007RLS SB 3190; RLS 2010 HB 1701	2006	$12,500,000	$12,500,000	$12,500,000	$0
Jackson Redevelopment Authority Loan	2006 RLS HB 1495	2006	$2,000,000	$2,000,000	$950,000	$0
Jackson Zoo Improvements	2007 RLS SB 3190	2007	$2,000,000	$2,000,000	$1,285,000	$0
Jackson Zoo Improvements	2009 RLS HB 1722; 2010 RLS HB 1701; 2011 RLS SB 3100; 2013 RLS SB2913	2009	$3,100,000	$2,100,000	$2,100,000	$1,000,000
Kemper County Comm Group Home	2007 RLS SB 3191	2007	$700,000	$100,000	$65,000	$600,000
Lake Harbour Road -City of Ridgeland	2013 RLS SB2913	2013	$1,000,000	$0	$0	$1,000,000
Land Water and Timber Resources	Ch. 538, as amended; HB 1665 Laws of 2008	2001	$38,000,000	$38,000,000	$2,405,000	$0
Loc Syst Bridge Replacement	Ch. 469; 2004 3rd LS SB 2010;2006 RLS SB 3086; 2007 RLS SB 3201; 2008 RLS HB 1665; RLS 2009 HB 1722; 2010 RLS SB 3181; 2011 RLS SB 3100	2003	$175,000,000	$175,000,000	$124,526,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Local Governments Capital Improvements	Ch. 570-Laws of 1994. As Amended	1994	$128,000,000	$115,500,000	$9,070,000	$12,500,000
Local Governments Rail Program	Ch. 563-Laws of 1995.	1995	$18,000,000	$18,000,000	$720,000	$0
Local Governments Water System Improvements	Ch. 521-1995. 2006 RLS SB 2982; SB 3174-2008; RLS 2010 HB 1701; RLS 2011 SB 3100; 2013 RLS SB 2913	1995	$34,843,000	$33,843,000	$10,328,000	$1,000,000
Long Leaf Trace Improvements	2010 RLS HB 1701	2010	$800,000	$700,000	$700,000	$100,000
Lovett Elementary School	2013 RLS SB 2913	2013	$500,000	$0	$0	$500,000
Lynn Meadows Discovery Center	2007 RLS SB 3201	2007	$1,000,000	$1,000,000	$660,000	$0
Major Economic Impact	Ch. 534-1989; HB 1628 HB 1404 and SB 2605-2009; 2013 RLS SB 2913	1989	$1,142,800,000[1]	$1,019,190,000	$413,880,000	$123,610,000
Marine Resources Equip and Facilities	2006 RLS 3071 2007 RLS HB 1126	2006	$30,000,000	$14,000,000	$12,020,000	$16,000,000
Maritime and Seafood Industry Museum Improvements	2009 RLS HB 1722 2013 RLS SB 2913	2009	$1,500,000	$500,000	$500,000	$1,000,000
Marty Stuart Center	2013 RLS SB 2913	2013	$1,000,000	$0	$0	$1,000,000
MDA Workforce Training Fund	2010 2nd SS HB 8; 2013 RLS SB 2913	2010	$8,000,000	$4,000,000	$3,920,000	$4,000,000
Mental Health Facilities	2007 RLS SB 3201 2013 RLS SB 2913	2007	$10,350,000[1]	$0	$0	$10,350,000
Milk Producers Transportation Loan	2007 RLS SB 3199	2007	$3,500,000	$3,500,000	$1,980,000	$0
MS Existing Industry Prod Loan Fund	HB 3 Third Special Session of 2005, as amended; 2009 RLS HB 1722; 2011 RLS SB 3100	2005	$65,000,000	$65,000,000	$60,350,000	$0
MS Craft Center	2011 RLS SB 3100; 2013 RLS SB2913	2011 2013	$350,000	$100,000	$100,000	$250,000
MS FFA Center	2011 RLS 3100	2011	$750,000	$750,000	$750,000	$0
MS Industry Incentive Financing Program	2010 RLS HB 1701; 2010 2nd SS HB 8; 2011 RLS SB 3100; 2011 ELS SB 2001;2013 RLS SB 2913	2010	$468,000,000	$293,000,000	$288,730,000	$175,000,000
MS Job Protection Act Fund	HB 3 3rd SS 2005; 2013 RLS SB 2913	2005	$15,000,000	$12,000,000	$7,185,000	$3,000,000

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
MS Rural Impact Act	Ch. 506; HB 1641 Laws of 2008; 2009 RLS HB 1722; RLS 2010 HB 1701; 2011 RLS SB 3100; 2013 RLS SB 2913	2003	$28,075,000	$26,375,000	$9,260,000	$1,700,000
MS Technology Alliance Program	2007 RLS HB 1724	2007	$4,000,000	$2,000,000	$1,760,000	$2,000,000
Mississippi Museum of Art	Ch 1, Third Special Session, Laws 2004, 2007RLS SB 3190; 2009 RLS HB 1722; RLS 2010 HB 1701	2004	$5,500,000	$5,500,000	$3,227,500	$0
MS Small Business and Existing Forestry Industry Revolving Loan Program	RLS 2010 HB 1701	2010	$30,000,000	$5,000,000	$4,790,000	$25,000,000
MS Civil Rights Museum/Museum of MS History	2009 RLS HB 1722; 2011 RLS HB 1463	2009	$40,000,000	$4,000,000	$4,000,000	$36,000,000
Museum of Natural Science Improvements	2009 RLS HB 1722	2009	$1,000,000	$1,000,000	$1,000,000	$0
New Capitol R & R	2013 RLS SB 2913	2013	$1,000,000	$0	$0	$1,000,000
North Central MS Regional Railroad Authority Grant Program	2010 RLS SB 3181	2010	$15,000,000	$0	$0	$15,000,000
Ohr-O'Keefe Museum of Art Improvements	2009 RLS HB 1722; RLS 2010 HB 1701	2009	$5,000,000	$5,000,000	$5,000,000	$0
Old Capital Repair and Renovation	2006 RLS SB 3070	2006	$14,200,000	$14,200,000	$5,297,500	$0
Old Eureka High School Project	2011 RLS SB 3100	2011	$200,000	$0	$0	$200,000
Old Hattiesburg High School Project	2011 RLS 3100	2011	$750,000	$0	$0	$750,000
Parham Bridges Park	2013 RLS SB 2913	2013	$100,000	$0	$0	$100,000
Parks Improvements	CH. 464 as amended by Ch.386 GL 2000; HB 1351, 2010 RLS	1999	$15,925,000	$13,656,373	$750,000	$2,268,627
Port of Greenville Project	2009 RLS HB 1722	2009	$3,000,000	$3,000,000	$3,000,000	$0
Port of Pascagoula	Ch. 534 Laws of 1998; 2013 RLS SB 2913	1998	$30,000,000	$20,000,000	$0	$10,000,000

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Public Health Laboratory Construction	2006 RLS HB 1541	2006	$25,000,000	$25,000,000	$22,510,000	$0
Public Library Capital Improvements	Ch 1, Third Special Session, Laws of 2004	2004	$1,600,000	$1,600,000	$220,000	$0
Public Safety Improvement Fund	2006 RLS SB 3081	2006	$28,474,000	$28,474,000	$16,077,000	$0
Railroad Authority of East Miss	2013 RLS SB 2913	2013	$1,000,000	$0	$0	$1,000,000
Railroad Improvements Grant Program	2011 RLS SB 3100	2011	$5,000,000	$5,000,000	$5,000,000	$0
Railroad Revitalization and Stimulus	2009 RLS HB 1713	2009	$3,000,000	$1,000,000	$960,000	$2,000,000
Railroad Lines and Bridges Improvement	2006 RLS HB 1492; 2013 RLS SB 2913	2006	$7,500,000	$5,000,000	$4,560,000	$2,500,000
Raspet Flight Research Laboratory	SB 3115 Laws of 2005	2005	$1,200,000	$1,200,000	$165,000	$0
Refunding 2000	Ch. 429	1987		$90,135,000	$10,450,000	$0
Refunding 2001	Ch. 429	1987		$229,980,000	$56,445,000	$0
Refunding 2002A	Ch. 429	1987		$254,915,000	$154,515,000	$0
Refunding 2002D	Ch. 429	1987		$77,340,000	$43,020,000	$0
Refunding 2003A	Ch. 429	1987		$326,150,000	$258,530,000	$0
Refunding 2003B	Ch. 429	1987		$84,505,000	$13,970,000	$0
Refunding 2003D	Ch. 429	1987		$88,105,000	$61,150,000	$0
Refunding 2006B	Ch. 429	1987		$76,135,000	$52,460,000	$0
Refunding 2006C	Ch. 429	2006		$41,355,000	$15,880,000	$0
Refunding 2009A	Ch. 429	2009		$60,380,000	$46,085,000	$0
Refunding 2009B	Ch. 429	2009		$16,080,000	$3,695,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Refunding 2009C	Ch. 429	2009		$25,240,000	$14,205,000	$0
Refunding (Nissan 2003B)	Ch. 429	2009		$69,775,000	$66,655,000	$0
Refunding 2009F	Ch. 429	2009		$64,415,000	$64,415,000	$0
Refunding 2011B	Ch. 429	2011		$38,280,000	$38,280,000	$0
Refunding 2011D	Ch. 429	2011		$37,115,000	$35,290,000	$0
Refunding 2012A	Ch. 429	2012		$57,120,000	$57,120,000	$0
Refunding 2012B	Ch. 429	2012		$43,900,000	$43,900,000	$0
Refunding 2012C LIBOR Index	Ch. 429	2012		$100,490,000	$100,490,000	$0
Refunding 2012D SIFMA Index	Ch. 429	2012		$78,625,000	$74,445,000	$0
Refunding 2012E	Ch. 429	2012		$71,985,000	$70,720,000	$0
Refunding 2012F	Ch. 429	2012		$171,860,000	$170,700,000	$0
Rural Fire Truck Acquisition Fund	Ch1 Third Special Session, Laws of 2004; 2009 RLS HB 1722; RLS 2010 HB 1701; 2011 RLS SB 3100	2004	$17,850,000	$17,250,000	$10,762,000	$600,000
Small Enterprise Development Finance	Ch. 580-Laws of 1988, As Amended	1988	$140,000,000	$215,817,000	$20,945,000	$119,055,000
Small Municipalities and Limited Population Counties	Ch. 451, as amended; HB 1656 2008; 2009 RLS HB 1722; RLS 2010 HB 1701; 2011 RLS SB 3100; 2013 RLS SB 2913	2001	$60,750,000	$55,750,000	$16,200,000	$5,000,000
Soil and Water Commission	Ch. 481-Laws of 1998; HB 1506 Laws of 2008	1998	$6,500,000	$6,500,000	$1,252,000	$0
Southern Arts and Entertainment Center	2006 RLS HB 1634	2006	$4,000,000	$4,000,000	$4,000,000	$0
Southwest MS CC Workforce Training Center	2010 RLS SB 3107	2010	$1,000,000	$1,000,000	$1,000,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
State Fire Academy Improvements	2009 RLS HB 1722	2009	$1,800,000	$1,800,000	$1,800,000	$0
State Highway Bridge Rehabilitation	2010 RLS SB 3181	2010	$100,000,000	$100,000,000	$100,000,000	$0
State Aid Road Fund	2010 RLS SB 3181	2010	$20,000,000	$20,000,000	$20,000,000	$0
State Department of Revenue ITS Modernization	2010 RLS HB 1701	2010	$17,000,000	$17,000,000	$17,000,000	$0
Statewide Tourism Projects	2010 RLS HB 1701	2010	$7,325,000	$7,325,000	$7,295,000	$0
Statewide Wireless Communication	2007 RLS SB 3201; 2009 RLS HB 1722; 2010 RLS SB 3184	2007	$57,000,000	$57,000,000	$52,990,000	$0
Stennis Space Center-Lockheed Martine	Ch 1, Third Special Session, Laws of 2004	2004	$2,570,000	$2,570,000	$345,000	$0
Sustainable Energy Research	2010 2nd SS HB 8	2010	$2,000,000	$1,000,000	$980,000	$1,000,000
Thalia Mara Hall	2013 RLS SB 2913	2013	$1,000,000	$0	$0	$1,000,000
Transportation Highway 278	2007 RLS SB 3201	2007	$4,000,000	$4,000,000	$2,595,000	$0
University Medical Center Cancer Institute	Ch 1, Third Special Session, Laws of 2004	2004	$5,000,000	$5,000,000	$665,000	$0
University Medical Center Equipment Fund	Ch 1, Third Special Session, Laws of 2004	2004	$6,000,000	$6,000,000	$826,000	$0
Vision 21 Highway Projects	RLS 2010 SB 3181	2010	$50,000,000	$50,000,000	$50,000,000	$0
Water Pollution Ctrl Loan Program	Ch. 490-2002, 2004-SB 2742; 2006RLS SB 2982, 2007RLS SB 3201; 2008 SB 3174; 2009 RLS HB 1722; 2010 RLS HB 1701; 2011 RLS SB 3100; 2013 RLS SB 2913	2002	$21,653,000	$20,653,000	$8,690,000	$1,000,000
DWFP Discretionary Fund	2007 RLS SB 3191	2007	$1,000,000	$1,000,000	$660,000	$0
Total General Obligation Net Direct			**$5,859,077,000**	**$7,214,235,373**	**$3,991,845,000**	**$943,598,627**

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2013

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Self-Supporting General Obligation						
Deer Island Project	Ch. 522-Laws of 2002	2002	$10,000,000	$8,800,000	$0	$1,200,000
Total Self-Supporting General Obligation			**$10,000,000**	**$8,800,000**	**$0**	**$1,200,000**
Total			**$5,869,077,000**	**$7,223,035,373**	**$3,991,845,000**	**$944,798,627**

(1) Represents the total amount authorized to be outstanding at any one time.

(2) Does not include the effects of the Series 2013 Bonds.

(3) Represents the net of the original authorization less the amount de-authorized by HB 1049 2013 Regular Legislative Session.

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

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GENERAL FUND CASH FLOW BY MONTHS

January 2006 Through February 2013
(In Millions of Dollars)

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

	Beginning Balance	Receipts	Disbursements	Ending Balance	Borrowing from Special Funds	Borrowing from Working Cash Balance Revolving
2010						
January	131.3	323.1	333.7	120.4	0.0	(0.175)
February	120.4	270.4	360.9	155.0	125.0	0.0
March	155.0	464.6	451.9	117.7	(50.0)	0.0
April	117.7	486.8	323.1	120.9	(160.5)	0.0
May	120.9	356.3	261.6	95.6	(120.0)	0.0
June	95.6	578.1	264.7	98.8	(79.5)	(230.8)
July	98.8	251.9	375.2	125.5	0.0	150.0
August	125.5	337.3	390.5	152.8	0.0	80.5
September	152.8	410.6	419.8	143.6	0.0	0.0
October	143.6	402.3	493.0	52.8	0.0	0.0
November	52.8	326.0	403.1	180.6	178.4	26.5
December	180.6	350.9	296.2	180.9	(54.4)	0.0
2011						
January	180.9	333.1	349.6	164.5	0.0	0.0
February	164.5	234.1	333.4	160.1	95.0	0.0
March	160.1	472.3	403.4	229.1	0.0	0.0
April	229.1	529.2	360.9	177.9	(219.0)	(0.5)
May	177.9	357.3	358.5	176.6	0.0	0.0
June	176.6	597.2	366.9	150.5	(91.0)	(165.5)
July	150.5	245.3	387.2	128.6	0.0	120.0
August	128.6	340.3	416.0	109.4	0.0	56.5
September	109.4	451.7	429.2	131.9	0.0	0.0
October	131.9	423.0	579.9	-25.1	0.0	0.0
November	-25.1	335.2	313.9	256.3	260.0	0.0
December	256.3	363.5	304.1	315.6	0.0	0.0
2012						
January	315.6	349.1	384.1	124.7	(156.0)	0.0
February	124.7	261.8	422.6	128.9	165.0	0.0
March	128.9	517.6	361.1	135.4	(150.0)	0.0
April	135.4	545.3	359.4	121.3	(200.0)	0.0
May	121.3	389.9	357.3	103.9	(7.0)	(43.0)
June	103.9	648.9	512.5	194.9	0.0	(45.5)
July	194.9	268.8	410.4	193.9	40.0	100.6
August	193.9	330.8	420.4	104.4	0.0	0.0
September	104.4	429.8	411.1	123.1	(100.6)	100.6
October	123.1	465.5	498.2	90.4	0.0	0.0
November	90.4	337.2	417.4	260.2	0.0	250.0
December	260.2	384.9	328.7	316.5	0.0	0.0
2013						
January	316.5	365.3	395.4	136.4	(150.0)	0.0
February	136.4	292.2	344.3	84.3	0.0	0.0
March	84.3	506.4	432.8	157.9	0.0	0.0
April	157.9	516.2	435.2	238.3	0.0	(0.5)
May	238.4	554.7	370.9	422.2	0.0	0.0
June	422.2	666.8	362.0	487.0	0.0	(240.1)
July	487.0	275.1	477.3	284.8	0.0	0.0
August	284.8	383.6	464.5	203.9	0.0	0.0
September	203.9	494.9	885.4	94.9	0.0	281.5

Source: Department of Finance and Administration.

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APPENDIX B

EXCERPTS FROM COMPREHENSIVE ANNUAL FINANCE REPORT

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. 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 Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 8% and 38%, respectively, of the assets and revenues of the Governmental Activities;
  - Business-type Activities
    - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board and the Unemployment Compensation Fund which, in the aggregate, represent 96% and 94%, respectively, of the assets and revenues of the Business-type Activities;
  - Component Units
    - the Universities and the nonmajor component units.
- Fund Financial Statements
  - Governmental Funds
    - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Department of Corrections, the Department of Environmental Quality, the

Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Department of Rehabilitation Services, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 22% and 33%, respectively, of the assets and revenues of the General Fund;

- Proprietary Funds

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

- Aggregate Remaining Funds

  – selected nonmajor governmental funds at the Mississippi Emergency Management Agency and the Department of Employment Security;

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

  – nonmajor enterprise funds for 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 97% and 88%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

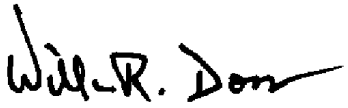
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 on our consideration of the State's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

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

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 - 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information - combining and individual fund financial statements and supporting schedules have 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 other supplementary information – 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 by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance
Audit Division

Jackson, Mississippi
December 20, 2012

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, 2012. 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 of the State exceeded its liabilities at the close of the fiscal year by $14,157,089,000 (reported as "net assets"). Of this amount, a negative $2,904,160,000 was reported as "unrestricted net assets", which means that it would be necessary to convert restricted assets to unrestricted assets if the government's ongoing obligations to citizens and creditors were immediately due and payable. The State had $4,183,888,000 in restricted net assets. Net assets of governmental activities and business-type activities increased by $533,022,000 and $78,358,000, respectively.

Fund Level - At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $4,334,453,000, which is $70,458,000 greater than the previous year. Revenues from taxes increased indicative of improvement in the economy. In response to the conclusion of federal programs related to American Recovery and Reinvestment Act (ARRA), federal government revenues decreased. Expenditures related to health and social services grew over the prior year reflecting a continued rise in medical costs.

Long-term Debt - The total outstanding net long-term bonds and notes were $5,195,012,000 at June 30, 2012. During the year, the State issued $773,163,000 in bonds and notes, net of premiums, discounts and deferred amount on refunding. These bonds and notes were issued primarily for refunding, capital improvements, and the Industry Incentive Financing program.

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 assets 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 assets presents information on all of the State's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets". Over time, increases or decreases in the State's net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

Fund Financial Statements

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

Governmental Funds - Most of the State's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the State's near-term financing requirements. Governmental funds include the General Fund, which is presented separately as a major fund. The capital projects fund, permanent funds, and special revenue funds are combined into a single column on the governmental fund financial statements, with individual fund data provided in the combining financial statements.

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on the government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

Net Assets

The State's combined net assets for governmental and business-type activities increased $611,380,000 in fiscal year 2012. Current year net assets are $14,157,089,000 in contrast to the prior year balance of $13,545,709,000. Business-type activities reported positive balances in all three net asset categories, while governmental activities and the State as a whole continued to reflect a negative balance in unrestricted net assets.

The largest share of net assets, 91 percent, consisted of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets invested in capital assets, net of related debt, increased $815,085,000 from the previous year. Additions to infrastructure for roads, highways, bridges, and building projects provided the majority of the governmental activities' increase of $822,270,000. The business-type activities' decrease of $7,185,000 is directly attributed to moving the Veterans' Memorial Stadium Commission, a nonmajor enterprise fund, to Universities, a major component unit.

Restricted net assets, representing resources that are subject to externally imposed restrictions, comprised 29.6 percent of total net assets, as compared to 28.9 percent in the prior year. The remaining negative balance represented unrestricted net assets of $2,904,145,000. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of $228,423,000 in business-type activities may be used to meet ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

Net Assets
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011 *	2012	2011 *	2012	2011 *
Current and other assets	$ 6,406,761	$ 6,274,146	$ 1,180,930	$ 1,064,610	$ 7,587,691	$ 7,338,756
Capital assets	13,877,365	13,096,646	237,974	248,017	14,115,339	13,344,663
Total Assets	20,284,126	19,370,792	1,418,904	1,312,627	21,703,030	20,683,419
Deferred outflows	58,115	30,827			58,115	30,827
Noncurrent liabilities	5,252,414	4,806,910	388,332	353,529	5,640,746	5,160,439
Other liabilities	1,911,533	1,949,437	51,777	58,661	1,963,310	2,008,098
Total Liabilities	7,163,947	6,756,347	440,109	412,190	7,604,056	7,168,537
Net assets:						
Invested in capital assets, net of related debt	12,667,849	11,845,579	209,497	216,682	12,877,346	12,062,261
Restricted	3,643,013	3,480,202	540,875	433,703	4,183,888	3,913,905
Unrestricted	(3,132,568)	(2,680,509)	228,423	250,052	(2,904,145)	(2,430,457)
Total Net Assets	$ 13,178,294	$ 12,645,272	$ 978,795	$ 900,437	$ 14,157,089	$ 13,545,709

* As restated in Note 2 to the financial statements.

Changes in Net Assets

Operating grants and contributions of $7,282,562,000 and taxes of $6,261,313,000 were the State's major revenue sources. Together, they accounted for 80.8 percent of total revenues. Revenue from taxes increased $340,259,000 over the prior year to improve net assets. Conversely, operating grants and contributions declined sharply by $925,018,000 as American Recovery and Reinvestment Act (ARRA) programs concluded. As in the prior year, the bulk of the State's total expenses were related to the health and social services function at $7,074,781,000 or 43.8 percent. Expenses within this function increased over the prior year by $200,849,000 as the trend of escalating cost in medical services persisted. Expenses in the recreation and resource development function declined by $286,170,000 as several programs were nearing completion. In response to an improving economy, unemployment compensation expenses were down by $112,391,000 as fewer claims were filed.

Changes in Net Assets

(amounts expressed in thousands)

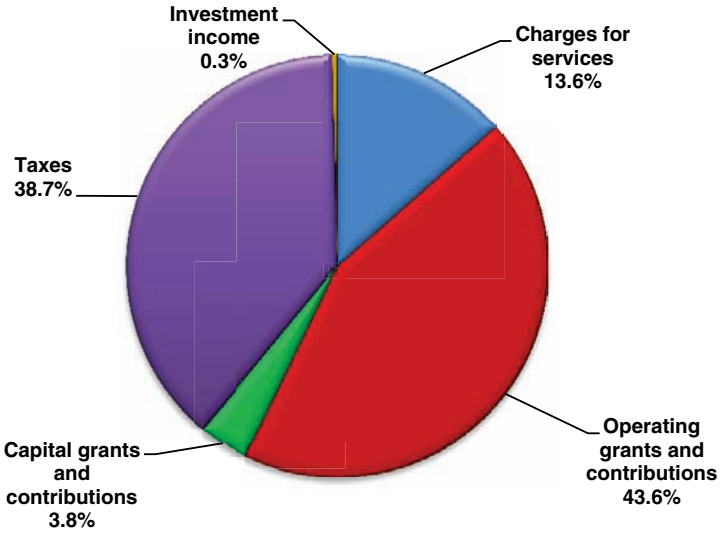
	Governmental Activities		Business-type Activities		Total	
	2012	2011 *	2012	2011 *	2012	2011 *
Revenues:						
Program Revenues:						
Charges for services	$ 2,191,269	$ 2,155,782	$ 339,399	$ 298,208	$ 2,530,668	$ 2,453,990
Operating grants and contributions	7,038,237	7,896,876	244,325	310,704	7,282,562	8,207,580
Capital grants and contributions	612,734	603,098	246	16	612,980	603,114
General Revenues:						
Taxes	6,261,313	5,921,054			6,261,313	5,921,054
Investment income	50,607	91,185	21,800	62,388	72,407	153,573
Total Revenues	16,154,160	16,667,995	605,770	671,316	16,759,930	17,339,311
Expenses:						
General government	1,959,116	1,881,692			1,959,116	1,881,692
Education	4,126,252	4,138,774			4,126,252	4,138,774
Health and social services	7,074,781	6,873,932			7,074,781	6,873,932
Law, justice and public safety	878,668	1,013,451			878,668	1,013,451
Recreation and resource development	722,713	1,008,883			722,713	1,008,883
Regulation of business and professions	37,578	37,457			37,578	37,457
Transportation	555,955	600,224			555,955	600,224
Interest on long-term debt	229,561	223,856			229,561	223,856
Unemployment compensation			408,399	520,790	408,399	520,790
Port Authority at Gulfport			51,950	30,276	51,950	30,276
Prepaid affordable college tuition			56,568	45,754	56,568	45,754
Other business-type			47,009	40,702	47,009	40,702
Total Expenses	15,584,624	15,778,269	563,926	637,522	16,148,550	16,415,791
Excess (deficiency) before Transfers	569,536	889,726	41,844	33,794	611,380	923,520
Transfers	(36,514)	(22,871)	36,514	22,871		
Change in Net Assets	533,022	866,855	78,358	56,665	611,380	923,520
Net Assets - Beginning, as restated	12,645,272	11,778,417	900,437	843,772	13,545,709	12,622,189
Net Assets - Ending	$ 13,178,294	$ 12,645,272	$ 978,795	$ 900,437	$ 14,157,089	$ 13,545,709

* As restated in Note 2 to the financial statements.

Governmental Activities

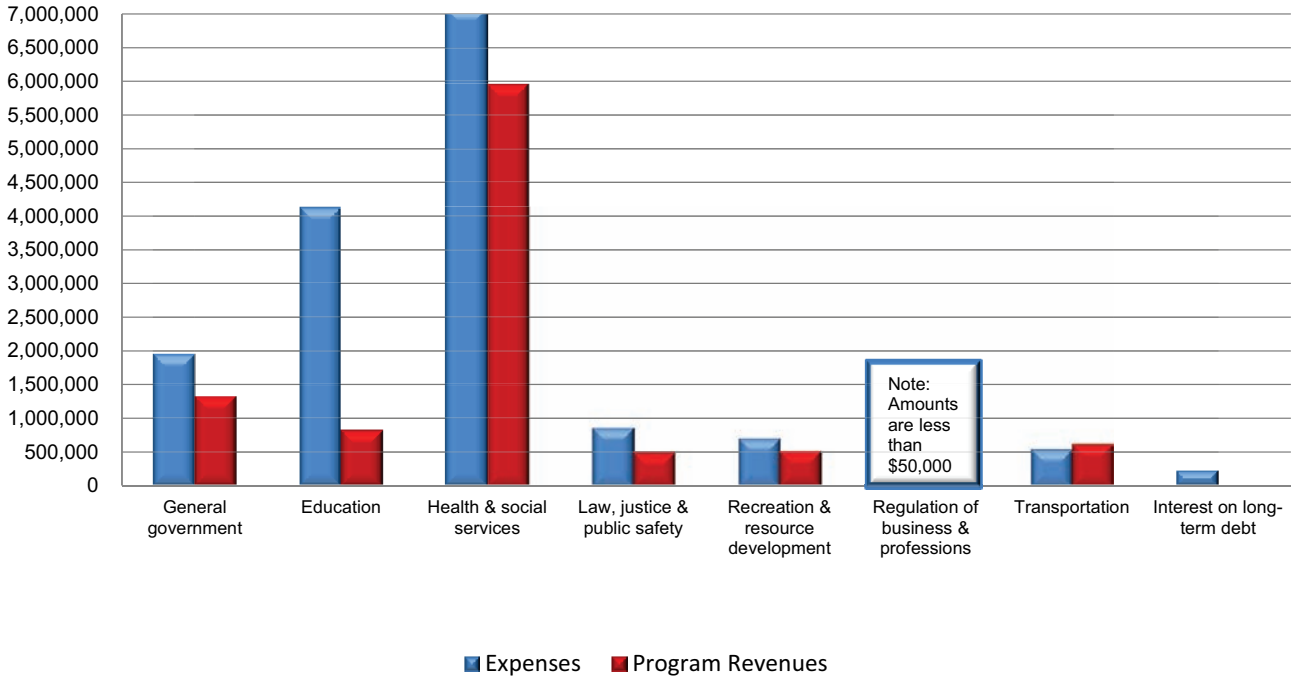
Governmental activities increased the State's net assets by $533,022,000 for fiscal year 2012. The largest source of revenue at 43.6 percent was operating grants and contributions which declined $858,639,000 in comparison to the prior year. Revenues from taxes grew to 38.7 percent of total revenues, up from 35.5 percent in the prior year. The health and social services function continued to dominate both the expenses and program revenues at $7,074,781,000 and $5,951,227,000, respectively. Education expenses of $4,126,252,000 surpassed program revenues of $826,303,000 resulting in a negative $3,299,949,000 to be funded from general revenues.

Governmental Activities - Revenues by Source



Governmental Activities - Expenses and Program Revenues

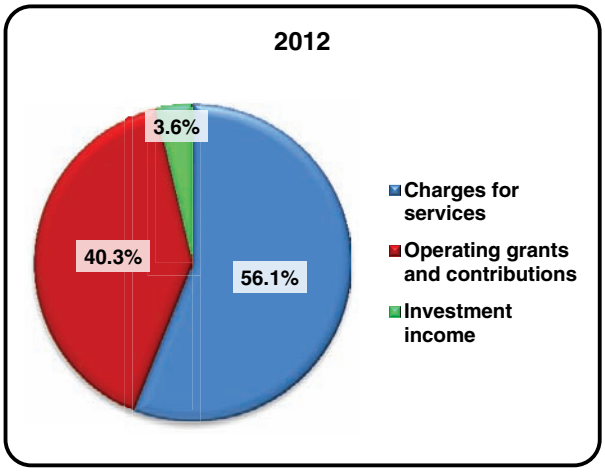
(amounts expressed in thousands)

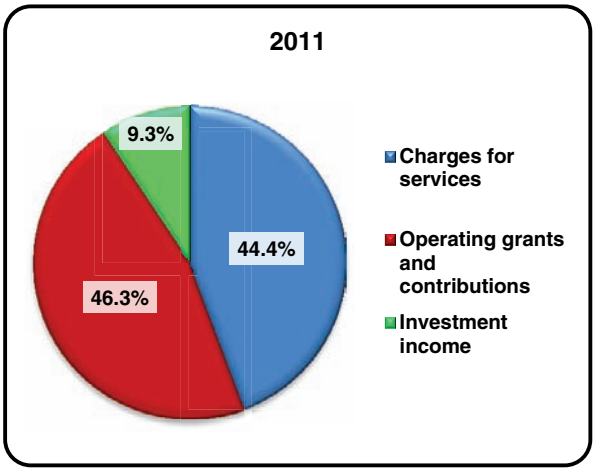


Business-type Activities

Business-type activities increased the State's net assets by $78,358,000. The percentage of revenues by source shifted as operating grants and contributions decreased from $310,704,000 to $244,325,000 and charges for services increased from $298,208,000 to $339,399,000. Investment income had a significant decline from $62,388,000 to $21,800,000 mostly due to a negative change in market value. For the current year, program revenues exceeded expenses in the Unemployment Compensation Fund by $97,649,000 due to fewer people filing for unemployment benefits.

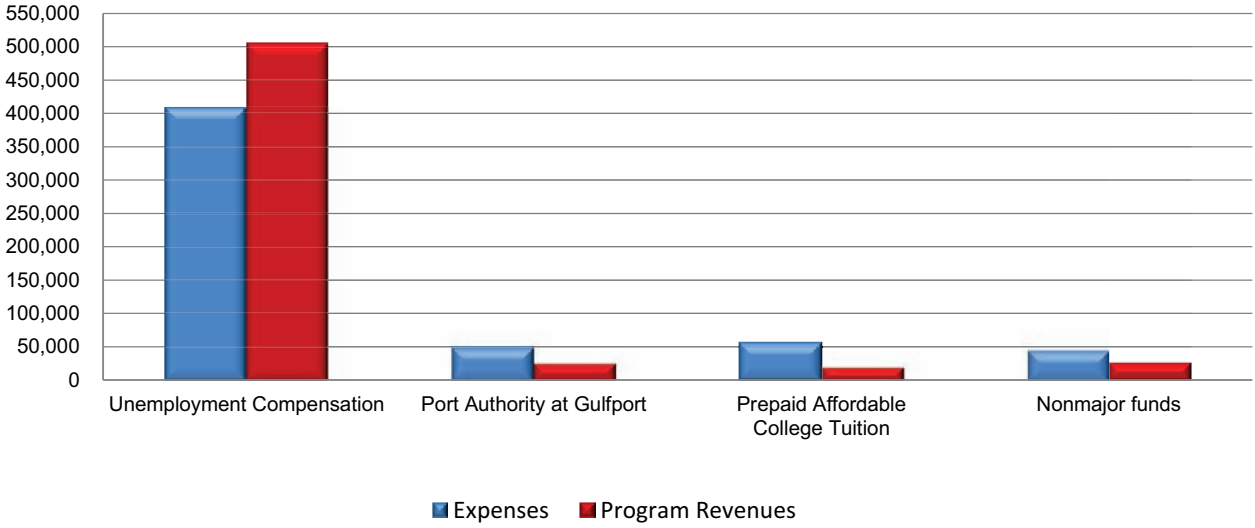
Business-type Activities - Revenues by Source





Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



Financial Analysis of the State's Individual Funds

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

Governmental Funds

At June 30, 2012, the governmental funds reported combined fund balances of $4,334,453,000, reflecting an increase of $70,458,000 over the prior year. Within fund balances, $107,154,000 or 2.5 percent was deemed as nonspendable. The majority of the fund balance, $3,535,859,000 or 81.6 percent was classified as restricted. Committed fund balance equaled $192,939,000 or 4.4 percent of the total. Assigned fund balance comprised 1.1 percent or $45,757,000. The remaining 10.4 percent, or $452,744,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The General Fund increased $76,138,000 from the prior year to an ending fund balance of $3,621,167,000. A $120,838,000 rise in sales and use tax revenues was fueled by an upturn in automobiles sales. Individual income tax revenues increased $142,103,000 reflecting the recovering economy. The huge drop in federal government revenues of $777,395,000 was chiefly due to several programs nearing completion, slightly offset by new programs that are ramping up. The decrease of $245,465,000 in recreation and resources development expenditures related to the winding down of significant programs. The principal portion of the $310,128,000 increase in health and social services expenditures was primarily related to Medicaid and the associated rising cost of medical services.

Proprietary Funds

The Unemployment Compensation Fund experienced an increase in net assets of $107,372,000 as compared to the prior year which had a mere $487,000 increase. Operating expenses decreased by $112,391,000 from the prior year as a result of a drop in claims and benefits expense since fewer people filed for unemployment. The $70,527,000 decline in federal revenue can be directly attributed to this trend.

The Port Authority at Gulfport Fund increased net assets by $2,897,000. While positive, this was less than the $25,880,000 increase reported in the prior year. This was due in part to the Port receiving $12,500,000 in insurance proceeds completing its Hurricane Katrina settlements. Restoration of facilities continued. The Port received $26,471,000 in federal pass through grants from other state agencies as well as $12,578,000 direct federal monies for a combined increase of $11,916,000 over the prior year. A $21,755,000 increase in operating expenses was attributed to these increased monies.

The Prepaid Affordable College Tuition Fund had a $32,423,000 decrease in net assets, after posting a $22,716,000 increase in the prior year. Although tuition receipts increased by $653,000 over the prior year, this did not offset the $10,848,000 increase in claims and benefits expense. Additionally, investment income decreased from the prior year by $45,019,000. The change in market value of investments went from $29,130,000 in 2011 to a negative $6,625,000 in 2012 reflecting the volatility of the financial markets.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2012 General Fund revenues was 1.3 percent. This estimate was revised to sine die, which reflected a zero percent growth rate, then in November 2011 to a 1.3 percent growth rate, and finally revised in March 2012 to a 3.5 percent growth rate. Actual fiscal year 2012 General Fund revenue collections were 6 percent higher than the prior year. Each of these revenue components grew: 3.6 percent in sales tax, 7.7 percent in individual income tax, and 12.8 percent in corporate income and franchise tax.

Actual fiscal year 2012 revenues were $256,010,000 higher than in the prior year. These same revenues were $262,659,000 above estimated amounts. Positive revenue variances occurred in the three largest General Fund revenue components: individual income tax - $100,068,000, corporate income and franchise tax - $73,806,000, and sales tax - $37,830,000. The final expenditure budget was $1,601,000 less than the original budget and actual expenditures were $1,701,000 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

The State's total net capital assets equaled $14,115,339,000 for the year ended June 30, 2012. Governmental activities increased by $780,719,000, or 6.0 percent, for the current fiscal year, while business-type activities decreased by $10,043,000, or 4.0 percent. In the prior fiscal year, both governmental and business-type activities recorded increases of 4.5 percent and 2.8 percent, respectively.

Major capital asset events during fiscal year 2012 included the following:

Governmental activities' infrastructure additions totaled $1,244,426,000, primarily for roads, highways, and bridges. These additions included pavement rehabilitation projects completed in Coahoma, Hinds, Jones, Newton, and Noxubee counties. Emergency relief projects were wrapped up in Hancock, Harrison, and Jackson counties. National Highway System projects were completed in Adams, Harrison, Jackson, and Stone counties. Urban street projects were brought to a close in Forrest, Lowndes, and Union counties. Bridges were constructed in Chickasaw, Hancock and Lauderdale counties. Gaming projects were finalized in Desoto and Harrison counties. Vision 21 projects were finished in Forrest and Warren counties.

Overall, construction in progress for governmental activities decreased by 10.3 percent due to the completion of infrastructure projects. Despite this overall decrease, there were $822,882,000 in additions which included $715,928,000 related to roads, highways, and bridges and $42,334,000 related to the Mississippi Wireless Interoperable Network. Department of Finance and Administration added $15,529,000 for software development and $10,738,000 for building projects, which included the East Mississippi State Hospital Dietary and Laundry Facilities, the Department of Public Safety District Six Substation and Crime Laboratory, and the Department of Health Laboratory. The Military Department contributed $19,588,000 for building projects.

Other significant capital asset events for governmental activities included land additions of $128,827,000 for right-of-way acquisitions and building additions of $116,014,000, including $50,952,000 for the Military Department, $14,921,000 for the Department of Transportation, and $10,593,000 for the Department of Public Safety.

During fiscal year 2012, capital assets for business-type activities decreased by $10,043,000 primarily as a result of moving the assets of the Veterans' Memorial Stadium Commission, a nonmajor enterprise fund, to Universities, a major component unit. The Port Authority at Gulfport increased construction in progress by $7,883,000 for the final phase of the West Pier fill project and additional tenant facilities.

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	
	2012	2011*	2012	2011*	2012	2011*
Land	$ 2,074,915	$ 1,942,310	$ 71,075	$ 71,218	$ 2,145,990	$ 2,013,528
Software	2,002	2,556			2,002	2,556
Buildings	1,446,135	1,368,378	49,220	60,061	1,495,355	1,428,439
Land improvements	127,087	96,456	20,019	19,170	147,106	115,626
Machinery and equipment	189,006	182,950	9,385	10,467	198,391	193,417
Infrastructure	5,918,951	4,909,224	79,971	82,561	5,998,922	4,991,785
Construction in progress	4,119,269	4,594,772	8,304	4,540	4,127,573	4,599,312
Total	$ 13,877,365	$ 13,096,646	$ 237,974	$ 248,017	$ 14,115,339	$ 13,344,663

*As restated in Note 8 to the financial statements.

Debt Administration

As of June 30, 2012, outstanding general obligation debt for the State was $4,212,597,000, net of premiums, discounts and deferred amount on refunding. General Obligation Refunding bonds of $1,495,015,000, Capital Improvements bonds of $1,194,311,000, and Major Economic Impact bonds of $403,358,000 comprise 73.4 percent of this outstanding debt. During the current fiscal year, the State issued $690,425,000 in general obligation bonds which are reported in governmental activities. These bonds were issued for refunding, capital improvements and the Industry Incentive Financing program. Within business-type activities, general obligation bonds decreased by $2,634,000 as the Port Authority at Gulfport continued to repay its long-term debt.

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

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2012, the State had established a constitutional legal debt limit of $12,451,109,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 13 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds and notes	$ 4,191,805	$ 3,813,700	$ 20,792	$ 23,426	$ 4,212,597	$ 3,837,126
Notes payable	982,415	1,016,946			982,415	1,016,946
Total	$ 5,174,220	$ 4,830,646	$ 20,792	$ 23,426	$ 5,195,012	$ 4,854,072

Economic Factors and Next Year's Budget

The State's average unemployment rate for the calendar year 2011 average was 10.6 percent. The average for the twelve months ending October 2012 dropped to 9.3 percent. The national average rates were more favorable at 8.9 percent and 8.2 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2013, the forecast is set for a slow upturn in the economy of the State by late in the year. The initial estimated overall fiscal year 2013 General Fund revenue growth rate was negative one percent, with component revenue growth projections of 1.7 percent in sales tax, negative 0.6 percent in individual income tax and negative 8.4 percent in corporate income and franchise tax. The overall estimate was revised in November 2012 to 1.4 percent. The November component revenue projections were 2.0 percent in sales tax, 4.3 percent in individual income tax and negative 8.4 percent in corporate income and franchise tax. At the end of November, General Fund collections had risen above the estimate by 3.4 percent. Actual component revenue had increased by 0.4 percent in sales tax, 5.9 percent in individual income tax and negative 13.5 percent in corporate income and franchise tax.

Request for Information

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

Basic Financial Statements

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	**Component Units**
Assets				
Current assets:				
Equity in internal investment pool	$ 3,321,640	$ 44,104	$ 3,365,744	$ 17,045
Cash and cash equivalents	383,195	518,059	901,254	385,893
Investments	11,041	8,001	19,042	168,286
Receivables, net	618,622	112,339	730,961	260,427
Restricted assets:				
Cash and cash equivalents		1	1	
Due from other governments, net	537,777	10,694	548,471	280
Internal balances	(24,882)	24,882		
Due from component units	12,318	208	12,526	
Due from primary government				36,733
Inventories	37,236	411	37,647	26,985
Prepaid items		152	152	10,950
Loans and notes receivable, net	42,301	5,540	47,841	34,728
Deferred charges	2,148	17	2,165	
Other assets				2,898
Total Current Assets	4,941,396	724,408	5,665,804	944,225
Noncurrent assets:				
Investments	320,986	294,424	615,410	489,094
Receivables, net	182,952		182,952	
Due from other governments, net	574,059		574,059	
Loans and notes receivable, net	361,773	161,506	523,279	134,057
Deferred charges	25,595	89	25,684	
Restricted assets:				
Cash and cash equivalents		450	450	228,955
Investments				744,658
Capital assets:				
Land and construction in progress	6,194,184	79,379	6,273,563	424,202
Other capital assets, net	7,683,181	158,595	7,841,776	2,802,553
Other assets		53	53	29,701
Total Noncurrent Assets	15,342,730	694,496	16,037,226	4,853,220
Total Assets	20,284,126	1,418,904	21,703,030	5,797,445
Deferred Outflows				
Interest rate swaps	58,115		58,115	
Total Deferred Outflows	$ 58,115	$ 0	$ 58,115	$ 0

(Continued on Next Page)

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	**Component Units**
Liabilities				
Current liabilities:				
Warrants payable	$ 67,410	$ 820	$ 68,230	$
Accounts payable and other liabilities	658,401	20,206	678,607	167,952
Contracts payable	98,030		98,030	
Retainage payable		1,308	1,308	
Income tax refunds payable	206,000		206,000	
Due to other governments	333,930	12,819	346,749	
Due to component units	36,715	18	36,733	
Due to primary government				12,526
Claims and benefits payable	110,210	11,287	121,497	
Deposits		1,668	1,668	281
Unearned revenues	97,768	819	98,587	82,079
Pollution remediation obligation	7,715		7,715	
Bonds and notes payable, net	289,945	2,582	292,527	24,942
Lease obligations payable	5,409	250	5,659	2,275
Other liabilities				70,085
Total Current Liabilities	1,911,533	51,777	1,963,310	360,140
Noncurrent liabilities:				
Due to other governments		9,812	9,812	
Claims and benefits payable	40,388	359,575	399,963	
Derivative instruments	58,115		58,115	
Other postemployment benefits payable	108,636		108,636	
Pollution remediation obligation	34,101		34,101	
Bonds and notes payable, net	4,884,275	18,209	4,902,484	886,491
Lease obligations payable	12,670	131	12,801	19,709
Liabilities payable from restricted assets:				
Deposits		1	1	
Other liabilities	114,229	604	114,833	236,013
Total Noncurrent Liabilities	5,252,414	388,332	5,640,746	1,142,213
Total Liabilities	7,163,947	440,109	7,604,056	1,502,353
Net Assets				
Invested in capital assets, net of related debt	12,667,849	209,497	12,877,346	2,399,995
Restricted for:				
Expendable				
General government	299,548		299,548	
Education	145,716		145,716	
Health and social services	359,786		359,786	
Law, justice and public safety	107,690		107,690	
Recreation and resources development	1,341,765		1,341,765	
Regulation of business and professions	49,933		49,933	
Transportation	535,534		535,534	
Capital projects	389,062		389,062	
Debt service	344,061		344,061	
Unemployment compensation benefits		540,425	540,425	
Other purposes		450	450	445,089
Nonexpendable				
Education	58,144		58,144	626,050
Health and social services	2,025		2,025	
Recreation and resources development	9,749		9,749	
Unrestricted	(3,132,568)	228,423	(2,904,145)	823,958
Total Net Assets	$ 13,178,294	$ 978,795	$ 14,157,089	$ 4,295,092

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

Statement of Activities

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,959,116	$ 1,226,107	$ 101,762	$ 3,577
Education	4,126,252	37,491	788,780	32
Health and social services	7,074,781	659,245	5,288,526	3,456
Law, justice and public safety	878,668	102,689	404,504	6,618
Recreation and resource development	722,713	90,643	443,820	1,437
Regulation of business and professions	37,578	42,229	979	
Transportation	555,955	32,865	9,866	597,614
Interest on long-term debt	229,561			
Total Governmental Activities	15,584,624	2,191,269	7,038,237	612,734
Business-type activities:				
Unemployment compensation	408,399	274,063	231,985	
Port Authority at Gulfport	51,950	15,140	12,340	238
Prepaid affordable college tuition	56,568	22,458		
Other business-type	47,009	27,738		8
Total Business-type Activities	563,926	339,399	244,325	246
Total Primary Government	$ 16,148,550	$ 2,530,668	$ 7,282,562	$ 612,980
Component units:				
Universities	$ 3,005,132	$ 1,501,892	$ 596,408	$ 30,110
Nonmajor	40,031	27,859	2,681	3,113
Total Component Units	$ 3,045,163	$ 1,529,751	$ 599,089	$ 33,223

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

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	**Component Units**
$ (627,670)	$	$ (627,670)	
(3,299,949)		(3,299,949)	
(1,123,554)		(1,123,554)	
(364,857)		(364,857)	
(186,813)		(186,813)	
5,630		5,630	
84,390		84,390	
(229,561)		(229,561)	
(5,742,384)		(5,742,384)	
	97,649	97,649	
	(24,232)	(24,232)	
	(34,110)	(34,110)	
	(19,263)	(19,263)	
	20,044	20,044	
(5,742,384)	20,044	(5,722,340)	
			$ (876,722)
			(6,378)
			(883,100)
3,031,689		3,031,689	
419,811		419,811	
1,572,334		1,572,334	
476,423		476,423	
209,937		209,937	
551,119		551,119	
50,607	21,800	72,407	4,227
			215,237
			766,601
			25,628
(36,514)	36,514		
6,275,406	58,314	6,333,720	1,011,693
533,022	78,358	611,380	128,593
12,645,272	900,437	13,545,709	4,166,499
$ 13,178,294	$ 978,795	$ 14,157,089	$ 4,295,092

Governmental Funds

Balance Sheet

June 30, 2012 (Expressed in Thousands)

	General	Nonmajor Funds	Totals
Assets			
Equity in internal investment pool	$ 2,498,208	$ 573,569	$ 3,071,777
Cash and cash equivalents	233,696	32,239	265,935
Investments	160,881	138,315	299,196
Receivables, net	791,621	9,663	801,284
Due from other governments, net	1,092,413	19,038	1,111,451
Due from other funds	10,161	14,621	24,782
Due from component units	11,431	10	11,441
Inventories	37,236		37,236
Loans receivable, net	404,074		404,074
Total Assets	$ 5,239,721	$ 787,455	$ 6,027,176
Liabilities and Fund Balances			
Liabilities:			
Warrants payable	$ 64,536	$ 2,482	$ 67,018
Accounts payable and accruals	578,047	12,227	590,274
Contracts payable	79,808	18,222	98,030
Income tax refunds payable	206,000		206,000
Due to other governments	330,622	3,308	333,930
Due to other funds	56,662	21,821	78,483
Due to component units	35,547	1,125	36,672
Claims payable	3,352		3,352
Deferred revenues	193,328		193,328
Unearned revenues	70,652	14,541	85,193
Other liabilities		443	443
Total Liabilities	1,618,554	74,169	1,692,723
Fund balances:			
Nonspendable			
Inventories	37,236		37,236
Principal	15,000	54,918	69,918
Restricted			
General government	298,590		298,590
Education	140,314	5,402	145,716
Health and social services	326,146	18,837	344,983
Law, justice and public safety	74,234	26,257	100,491
Recreation and resources development	1,294,649	47,059	1,341,708
Regulation of business and professions		49,933	49,933
Transportation	521,315		521,315
Capital projects	4,023	385,039	389,062
Debt service	342,115	1,946	344,061
Committed			
General government	12,919		12,919
Education	14,278		14,278
Health and social services	36,666	121,452	158,118
Law, justice and public safety		2,443	2,443
Recreation and resources development	5,181		5,181
Assigned			
General government	11,111		11,111
Education	15		15
Health and social services	4,745		4,745
Law, justice and public safety	28,391		28,391
Recreation and resources development	1,495		1,495
Unassigned	452,744		452,744
Total Fund Balances	3,621,167	713,286	4,334,453
Total Liabilities and Fund Balances	$ 5,239,721	$ 787,455	$ 6,027,176

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

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

June 30, 2012 (Expressed in Thousands)

Total fund balances for governmental funds		$ 4,334,453
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excluding amounts for internal service funds' capital assets that are reported in the internal service funds' net reconciling item below):		
Software	$ 5,953	
Land	2,074,915	
Buildings	1,959,949	
Land improvements	233,001	
Machinery and equipment	586,976	
Infrastructure	9,115,233	
Construction in progress	4,119,269	
Accumulated depreciation	(4,225,549)	13,869,747
Derivative instruments reported as deferred outflows in governmental activities are not financial resources and therefore are not reported in the funds.		58,115
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.		193,328
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds and notes	(4,118,233)	
Capital lease obligations	(16,547)	
Accrued compensated absences	(120,710)	
Pollution remediation obligation	(41,816)	
Notes payable	(957,062)	
Unamortized charges	82,692	
Unamortized premiums	(153,875)	
Claims payable	(3,957)	
Other postemployment benefits payable	(108,636)	
Accrued interest payable	(53,463)	
Derivative instruments	(58,115)	(5,549,722)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		272,373
Net assets of governmental activities		$ 13,178,294

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

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General	Nonmajor Funds	Totals
Revenues			
Taxes:			
Sales and use	$ 3,037,136	$	$ 3,037,136
Gasoline and other motor fuel	412,458	3,050	415,508
Individual income	1,551,576		1,551,576
Corporate income and franchise	497,879		497,879
Insurance	209,937		209,937
Other	551,086	33	551,119
Licenses, fees and permits	470,979	62,594	533,573
Federal government	7,313,545	333,551	7,647,096
Investment income	48,250	(1,213)	47,037
Charges for sales and services	328,387	18,865	347,252
Rentals	17,842	9,799	27,641
Court assessments and settlements	45,248	110,915	156,163
Other	495,322	40,178	535,500
Total Revenues	14,979,645	577,772	15,557,417
Expenditures			
Current:			
General government	1,414,395		1,414,395
Education	4,028,786	93,041	4,121,827
Health and social services	6,818,119	246,349	7,064,468
Law, justice and public safety	689,041	244,533	933,574
Recreation and resources development	669,354	46,385	715,739
Regulation of business and professions		37,440	37,440
Transportation	1,204,625		1,204,625
Debt service:			
Principal	290,870		290,870
Interest and other fiscal charges	239,827	1,113	240,940
Capital outlay		68,471	68,471
Total Expenditures	15,355,017	737,332	16,092,349
Excess of Revenues under Expenditures	(375,372)	(159,560)	(534,932)
Other Financing Sources (Uses)			
Bonds and notes issued	373,815	229,215	603,030
Capital leases issued	9,524		9,524
Insurance recovery	329	3	332
Payments on refunded bond anticipation notes	(19,000)		(19,000)
Payments to refunded bond and note escrow agent	(115,002)		(115,002)
Premiums on notes and refunding bonds and notes issued	11,925	28,475	40,400
Refunding bonds and notes issued	123,075		123,075
Transfers in	150,707	46,264	196,971
Transfers out	(83,863)	(150,077)	(233,940)
Net Other Financing Sources (Uses)	451,510	153,880	605,390
Net Change in Fund Balances	76,138	(5,680)	70,458
Fund Balances - Beginning	3,545,029	718,966	4,263,995
Fund Balances - Ending	$ 3,621,167	$ 713,286	$ 4,334,453

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

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, 2012 (Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 70,458
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	$ 1,124,572	
Depreciation expense	(326,115)	798,457
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net income of the internal service funds is reported with governmental activities.		57,707
In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(21,555)
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
Premiums on notes and refunding bonds and notes issued	(40,400)	
Bonds and notes issued	(603,030)	
Refunding bonds and notes issued	(123,075)	
Capital leases issued	(9,524)	
Payments of debt principal	290,870	
Payments on refunded bond anticipation notes	19,000	
Payments to refunded bond and note escrow agent	115,002	
Accrued interest payable	475	
Deferred bond and note issuance costs	4,064	(346,618)
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	2,616	
Change in claims payable	2,103	
Change in compensated absences	(3,618)	
Change in deferred revenues	(2,225)	
Change in other postemployment benefits payable	(26,424)	
Change in pollution remediation obligation	(2,662)	
Amortization of deferred charges and premiums	4,783	(25,427)
Change in net assets of governmental activities		$ 533,022

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

Proprietary Funds

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security		**State Treasurer**
	Unemployment Compensation	**Port Authority at Gulfport**	Prepaid Affordable College Tuition
Assets			
Current assets:			
Equity in internal investment pool	$	$ 743	$ 513
Cash and cash equivalents	453,263	23,195	27,111
Investments		8,001	
Receivables, net	102,216	766	4,809
Restricted assets:			
Cash and cash equivalents		1	
Due from other governments	9,693	943	
Due from other funds	1,482	22,053	
Due from component units	208		
Inventories			
Prepaid items		118	
Loans and notes receivable			
Deferred charges		17	
Total Current Assets	566,862	55,837	32,433
Noncurrent assets:			
Investments		57,442	236,982
Loans and notes receivable			
Deferred charges		89	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets:			
Land and construction in progress		73,307	
Other capital assets, net		126,141	
Other assets		53	
Total Noncurrent Assets		257,482	236,982
Total Assets	$ 566,862	$ 313,319	$ 269,415

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ 42,848	$ 44,104	$ 249,863
14,490	518,059	117,260
	8,001	1,243
4,548	112,339	275
	1	
58	10,694	385
6,118	29,653	30,434
	208	877
411	411	
34	152	
5,540	5,540	
	17	
74,047	729,179	400,337
	294,424	31,588
161,506	161,506	
	89	
	450	
6,072	79,379	
32,454	158,595	7,618
	53	
200,032	694,496	39,206
$ 274,079	$ 1,423,675	$ 439,543

(Continued on Next Page)

Proprietary Funds

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Liabilities			
Current liabilities:			
Warrants payable	$	$ 1	$ 91
Accounts payable and other liabilities	389	12,010	4,195
Retainage payable		1,308	
Due to other governments	12,645		
Due to other funds	1,523	1,886	
Due to component units			
Claims and benefits payable	11,287		
Deposits			
Bonds payable		2,582	
Unearned revenues	593	108	
Lease obligations payable			
Total Current Liabilities	26,437	17,895	4,286
Noncurrent liabilities:			
Due to other governments			
Claims and benefits payable			359,575
Bonds payable		18,209	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		1	
Other liabilities		199	14
Total Noncurrent Liabilities		18,409	359,589
Total Liabilities	26,437	36,304	363,875
Net Assets			
Invested in capital assets, net of related debt		178,657	
Restricted for:			
Expendable			
Unemployment compensation benefits	540,425		
Other purposes		450	
Unrestricted		97,908	(94,460)
Total Net Assets	$ 540,425	$ 277,015	$ (94,460)

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

Enterprise Funds			
	Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
	$ 728	$ 820	$ 392
	3,612	20,206	6,657
		1,308	
	174	12,819	
	1,362	4,771	1,600
	18	18	43
		11,287	105,842
	1,668	1,668	
		2,582	
	118	819	12,575
	250	250	295
	7,930	56,548	127,404
	9,812	9,812	
		359,575	37,447
		18,209	
	131	131	1,237
		1	
	391	604	1,082
	10,334	388,332	39,766
	18,264	444,880	167,170
	30,840	209,497	5,929
		540,425	
		450	
	224,975	228,423	266,444
	$ 255,815	$ 978,795	$ 272,373

Proprietary Funds

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	$	$ 14,190	$
Assessments	274,063		
Investment income			
Federal agencies	231,985		
Rentals			
Fees			842
Tuition receipts			21,616
Other			
Total Operating Revenues	506,048	14,190	22,458
Operating Expenses			
Cost of sales and services			
General and administrative		2,604	238
Contractual services		41,818	1,010
Commodities		321	24
Depreciation		6,315	
Claims and benefits	408,399		55,296
Other			
Total Operating Expenses	408,399	51,058	56,568
Operating Income (Loss)	97,649	(36,868)	(34,110)
Nonoperating Revenues			
Federal grant		12,578	
Revenue from counties		950	
Insurance recovery			
Gain on disposal of capital assets			
Investment income	11,128	311	1,687
Sale of investments			
Total Nonoperating Revenues	11,128	13,839	1,687
Nonoperating Expenses			
Loss on disposal of capital assets			
Interest and other fiscal charges		892	
Other			
Total Nonoperating Expenses		892	
Income (Loss) before Capital Contributions and Transfers	108,777	(23,921)	(32,423)
Capital Contributions			
Transfers In		26,818	
Transfers Out	(1,405)		
Change in Net Assets	107,372	2,897	(32,423)
Total Net Assets - Beginning, as restated	433,053	274,118	(62,037)
Total Net Assets - Ending	$ 540,425	$ 277,015	$ (94,460)

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ 24,464	$ 38,654	$ 832,380
	274,063	
8,037	8,037	
	231,985	
1,827	1,827	
67	909	
	21,616	
1,320	1,320	42
35,715	578,411	832,422
15,015	15,015	
10,639	13,481	14,511
7,221	50,049	66,353
1,974	2,319	747
1,515	7,830	2,472
	463,695	695,903
410	410	
36,774	552,799	779,986
(1,059)	25,612	52,436
	12,578	
	950	
60	60	
30	30	3
507	13,633	3,570
130	130	
727	27,381	3,573
10,232	10,232	
33	925	
		16
10,265	11,157	16
(10,597)	41,836	55,993
8	8	1,259
12,295	39,113	617
(1,194)	(2,599)	(162)
512	78,358	57,707
255,303	900,437	214,666
$ 255,815	$ 978,795	$ 272,373

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Cash Flows from Operating Activities			
Cash receipts from federal agencies	$ 232,174	$	$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		14,214	22,458
Cash receipts from assessments	244,545		
Cash payments to suppliers for goods and services		(38,046)	(1,061)
Cash payments to employees for services		(2,668)	(228)
Cash payments for claims and benefits	(406,649)		(19,065)
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	70,070	(26,500)	2,104
Cash Flows from Noncapital Financing Activities			
Transfers in		16,855	
Transfers out	(1,405)	(12)	
Federal grants received		17,330	
Revenues from counties		950	
Proceeds from other governments			
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,405)	35,123	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(6,813)	
Capital grants received		686	
Proceeds from sales of capital assets			
Principal paid on bonds and capital assets contracts		(2,634)	
Interest paid on bonds and capital assets contracts		(898)	
Proceeds from insurance recovery			
Net Cash Used for Capital and Related Financing Activities		(9,659)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		76,905	78,049
Purchases of investments		(82,712)	(82,336)
Investment income	11,128	369	5,081
Net Cash Provided by (Used for) Investing Activities	11,128	(5,438)	794
Net Change in Cash and Cash Equivalents	79,793	(6,474)	2,898
Cash and Cash Equivalents - Beginning	373,470	30,863	24,726
Cash and Cash Equivalents - Ending	$ 453,263	$ 24,389	$ 27,624

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$	$ 232,174	$
		251,246
23,299	59,971	580,142
	244,545	
(23,796)	(62,903)	(66,707)
(10,604)	(13,500)	(14,441)
	(425,714)	(704,544)
961	961	2
(34)	(34)	
27,577	27,577	
(10,907)	(10,907)	
6,496	52,170	45,698
12,278	29,133	616
(2,011)	(3,428)	(339)
	17,330	
	950	
712	712	
10,979	44,697	277
(1,184)	(7,997)	(1,369)
	686	
30	30	9
(236)	(2,870)	
(33)	(931)	
60	60	
(1,363)	(11,022)	(1,360)
130	155,084	9,738
	(165,048)	(11,593)
507	17,085	3,270
637	7,121	1,415
16,749	92,966	46,030
40,589	469,648	321,093
$ 57,338	$ 562,614	$ 367,123

(Continued on Next Page)

Statement of Cash Flows

For the Year Ended June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	$ 97,649	$ (36,868)	$ (34,110)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		6,315	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(12,341)	(11)	
Due from other governments	(384)	(4)	
Due from other funds	(198)		
Due from component units	(208)		
Inventories			
Prepaid items		(44)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable		1	(18)
Accounts payable and other liabilities	29	4,060	167
Due to other governments	3,916		
Due to other funds	(3,036)	11	(1)
Due to component units			
Claims and benefits payable	841		36,066
Unearned revenues	(16,198)	40	
Total adjustments	(27,579)	10,368	36,214
Net Cash Provided by (Used for) Operating Activities	$ 70,070	$ (26,500)	$ 2,104
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Capital lease			
Gain (loss) on disposal of capital assets			
Change in market value of investments		30	(6,625)

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ (1,059)	$ 25,612	$ 52,436
1,515	7,830	2,472
528	(11,824)	30
(37)	(425)	(64)
(3,969)	(4,167)	(82)
4	(204)	(98)
26	26	
13	(31)	
8,112	8,112	
546	529	(561)
180	4,436	898
(11)	3,905	(7)
599	(2,427)	33
16	16	9
	36,907	(8,554)
33	(16,125)	(814)
7,555	26,558	(6,738)
$ 6,496	$ 52,170	$ 45,698
8	8	1,259
		1,532
(10,202)	(10,202)	3
	(6,595)	330

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	$ 408	$ 24	$ 7,042
Cash and cash equivalents	508,507		62,822
Investments, at fair value:			
Short-term securities	196,352	1,329	
Debt securities	4,998,572	46,656	
Equity securities	13,132,440	59,486	
Private equity	449,172		
Real estate investments	1,477,796	6,001	
Asset allocation fund	61,826		
Fixed rate and variable	546,113		
Life insurance contracts	341	29,351	
Securities lending:			
Short-term securities	1,575,455		
Debt securities	2,022,319		
Receivables, net:			
Employer contributions	60,324		
Employee contributions	43,536		
Investment proceeds	505,999		
Interest and dividends	73,359	224	
Other	1,565	100	549
Commodity inventory			496
Capital assets:			
Land and construction in progress	7,260		
Other capital assets, net	14,930		
Total Assets	25,676,274	143,171	$ 70,909
Liabilities			
Warrants payable	140	1	$ 141
Accounts payable and accruals	568,997	508	36,931
Due to other governments			1,204
Due to other funds	15		
Amounts held in custody for others			32,633
Obligations under securities lending	3,596,835		
Total Liabilities	4,165,987	509	$ 70,909
Net Assets			
Held in trust for pension benefits and trust beneficiaries	$ 21,510,287	$ 142,662	

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

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund
Additions		
Contributions:		
Employer	$ 802,623	$
Plan participant	631,479	117,211
Total Contributions	1,434,102	117,211
Net Investment Income:		
Net change in fair value of investments	(434,594)	(1)
Interest and dividends	534,890	2,894
Securities lending:		
Income from securities lending	20,035	
Interest expense and trading costs from securities lending	(2,742)	
Managers' fees and trading costs	(44,299)	(571)
Net Investment Income	73,290	2,322
Other Additions:		
Administrative fees	655	135
Other	3,255	
Total Other Additions	3,910	135
Total Additions	1,511,302	119,668
Deductions		
Benefits	2,026,376	108,406
Refunds to terminated employees	93,431	
Administrative expenses	14,399	144
Depreciation	660	
Total Deductions	2,134,866	108,550
Change in Net Assets	(623,564)	11,118
Net Assets - Beginning	22,133,851	131,544
Net Assets - Ending	$ 21,510,287	$ 142,662

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

Component Units

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	$ 15,072	$ 1,973	$ 17,045
Cash and cash equivalents	367,901	17,992	385,893
Investments	131,584	36,702	168,286
Receivables, net	257,460	2,967	260,427
Due from other governments		280	280
Due from primary government	36,627	106	36,733
Inventories	25,961	1,024	26,985
Prepaid items	10,737	213	10,950
Notes receivable, net	34,728		34,728
Other assets	2,884	14	2,898
Total Current Assets	882,954	61,271	944,225
Noncurrent assets:			
Investments	489,094		489,094
Notes receivable, net	134,057		134,057
Restricted assets:			
Cash and cash equivalents	228,955		228,955
Investments	737,658	7,000	744,658
Capital assets:			
Land and construction in progress	407,156	17,046	424,202
Other capital assets, net	2,639,864	162,689	2,802,553
Other assets	29,701		29,701
Total Noncurrent Assets	4,666,485	186,735	4,853,220
Total Assets	5,549,439	248,006	5,797,445
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	163,886	4,066	167,952
Due to primary government	11,890	636	12,526
Deposits		281	281
Unearned revenues	81,835	244	82,079
Bonds and notes payable	24,942		24,942
Lease obligations payable	2,233	42	2,275
Other liabilities	70,085		70,085
Total Current Liabilities	354,871	5,269	360,140
Noncurrent liabilities:			
Bonds and notes payable	886,491		886,491
Lease obligations payable	19,481	228	19,709
Other liabilities	235,311	702	236,013
Total Noncurrent Liabilities	1,141,283	930	1,142,213
Total Liabilities	1,496,154	6,199	1,502,353
Net Assets			
Invested in capital assets, net of related debt	2,220,530	179,465	2,399,995
Restricted for:			
Other purposes	440,706	4,383	445,089
Permanent endowments:			
Nonexpendable	619,050	7,000	626,050
Unrestricted	772,999	50,959	823,958
Total Net Assets	$ 4,053,285	$ 241,807	$ 4,295,092

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

Component Units

Statement of Activities

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Universities	Net (Expense) Revenue and Changes in Net Assets: Nonmajor	Net (Expense) Revenue and Changes in Net Assets: Total
Universities	$ 3,005,132	$ 1,501,892	$ 596,408	$ 30,110	$ (876,722)	$	$ (876,722)
Nonmajor	40,031	27,859	2,681	3,113		(6,378)	(6,378)
Total	$ 3,045,163	$ 1,529,751	$ 599,089	$ 33,223	(876,722)	(6,378)	(883,100)
General revenues:							
Investment income					3,377	850	4,227
Other					211,800	3,437	215,237
Payment from State of Mississippi					766,601		766,601
Contributions to permanent endowments					25,628		25,628
Total General Revenues and Contributions					1,007,406	4,287	1,011,693
Change in Net Assets					130,684	(2,091)	128,593
Net Assets - Beginning					3,922,601	243,898	4,166,499
Net Assets - Ending					$ 4,053,285	$ 241,807	$ 4,295,092

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

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June 30, 2012

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. GASB provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of a government unit.

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

Public Employees' Retirement System of Mississippi - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its five pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2012, and their report, dated November 30, 2012, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

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

The State reports the following nonmajor discretely presented component units:

Mississippi Business Finance Corporation - This is a public corporation which is an incorporated certified development company. The Mississippi Business Finance Corporation (MBFC) is a legally separate entity. The primary government is not able to impose its will on MBFC and there is not a financial benefit/burden relationship. However, MBFC and the State work together, providing support, one to the other, in developing the State economically. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi Coast Coliseum Commission - This is a political subdivision of the State. Expenditures are subject to legislative budget approvals. The commission is responsible for establishing, promoting, developing, locating, constructing, maintaining and operating a multi-purpose coliseum and related facilities within Harrison County, Mississippi.

Mississippi Development Bank - This is a legally separate entity created and established as a body corporate and politic. The primary government is not able to impose its will on the bank and there is not a financial benefit/burden relationship. However, the bank and the State work together, providing support, one to the other, in developing the State economically. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi Prison Industries Corporation - This is a non-profit corporation created and established as a body politic and corporate, to lease and manage the prison industry programs of the Mississippi Correctional Industries. The primary government is not able to impose its will on the corporation and there is not a financial benefit/burden relationship. However, because Prison Industries utilizes state inmates for their workforce, leases state property at below market value and may receive state appropriations for funding, it would be misleading not to include the corporation as a discretely presented component unit.

Pat Harrison Waterway District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency is charged with the overall responsibility of providing flood relief along the Pascagoula River and its tributaries and to preserve and protect these waters for future generations, for economic enhancement of the area and its industrial growth.

Pearl River Basin Development District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency was created for the purpose of 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, for flood control, timber development, irrigation, navigation and pollution abatement.

Pearl River Valley Water Supply District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. This agency operates and maintains the Ross Barnett Reservoir and surrounding district lands to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. This agency provides for a plan of conservation, recreation, water control and utilization, agricultural development and industrial and economic advancement within the district.

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

State officials are also responsible for appointing the members of the boards of other related organizations, but the primary government's 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 Assets and 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 Assets is a statement of position, which presents all of the State's nonfiduciary assets and liabilities, with the difference reported as net assets. GAAP requires that net assets be subdivided into three categories:

Invested in capital assets, net of related debt - capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - assets that are not classified as invested in capital assets, net of related debt or restricted net assets.

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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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 State's enterprise funds and business-type activities apply all applicable GASB pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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. Only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The State considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include sales taxes, individual income taxes, corporate income taxes and federal grants. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures and related fund liabilities are recognized upon receipt of goods and services.

The State reports the following major governmental fund:

The General Fund is the principal operating fund of the State. It accounts for transactions related to resources obtained and used for those services traditionally provided by a state government, which are not required to be accounted for in other funds. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

The State reports the following major enterprise funds:

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

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

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

Additionally, the State reports the following fund types:

Governmental Funds:

Special Revenue Funds account for transactions related to resources obtained from specific revenue sources that are restricted or committed to expenditures for specific purposes such as, certain federal grant programs and taxes levied with statutorily defined distributions.

The Capital Projects Fund accounts for transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities and other capital assets. Such resources are derived principally from proceeds of general obligation bond issues and transfers from the General Fund.

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

Proprietary Funds:

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

Internal Service Funds account for the operations of state agencies that render services and provide goods to other state agencies or governmental units on a cost-reimbursement basis. These activities include personnel services, information technology and risk management. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

Fiduciary Funds:

Pension Trust Funds account for transactions, assets, liabilities and net assets available for plan benefits of the State's Public Employee Retirement Systems and the State's Deferred Compensation Plan.

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

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

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

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

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

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

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

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

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

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

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

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

K. Restricted Assets - Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

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

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

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

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

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

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

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

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

O. Deferred and Unearned Revenues - In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental fund financial statements as well as deferred revenues, which are recognized when revenues are unavailable.

P. Net Assets/Fund Balance - The difference between fund assets and liabilities is "Net Assets" on government-wide, proprietary, and fiduciary funds financial statements and "Fund Balance" on governmental funds financial statements. Fund balances of governmental funds are classified as:

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

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

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

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

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

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

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

R. Bond and Note Premiums/Discounts - Bond and note proceeds, premiums and discounts are reported as an other financing source or use in the governmental fund financial statements. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide and proprietary fund financial statements, bond and note premiums and discounts, as well as issuance costs and refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds and notes using the straight-line method. Bonds and notes payable are reported net of the applicable unamortized bond and note premium, discount or refunding charge while bond and note issuance costs are reported as deferred charges.

Note 2 - Other Accounting Disclosures

A. Net Assets Restricted by Enabling Legislation - The State's net assets 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 assets reports $4,183,888,000 of restricted net assets, of which $639,278,000 is restricted by enabling legislation.

B. Deficit Net Assets - At June 30, 2012, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of $94,460,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) has deficit net assets of $29,000, which resulted from legally mandated transfers out of net profit from operations.

C. Working Cash Stabilization Reserve Account - The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches $40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. The Account balance, in excess of $40,000,000, may be permanently transferred to the General Fund to cover deficits up to a maximum of $50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5% maximum is again attained. At June 30, 2012, the Account, as reported in the General Fund, has an unassigned fund balance of $99,900,000.

D. Restatement of Net Assets - During fiscal year 2012, a prior period adjustment was made to decrease beginning net assets by $43,286,000 in Governmental Activities and $2,031,000 in Business-type Activities due to a correction of errors related to capital assets. Included in the Governmental Activities change is a decrease of $177,000 for Internal Service funds. The decrease in Business-type Activities is related to Nonmajor Enterprise funds. The restatement of beginning net assets is summarized as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Net Assets at June 30, 2011, as previously reported	$ 12,688,558	$ 902,468
Prior period adjustments	(43,286)	(2,031)
Net Assets at June 30, 2011, as restated	$ 12,645,272	$ 900,437

Note 3 - Interfund Transactions

At June 30, 2012, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

	Due To						
Due From	General	Nonmajor Governmental	Internal Service	Unemployment Compensation	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:							
General	$	$ 11,207	$ 27,884	$	$ 11,461	$ 6,110	$ 56,662
Nonmajor Governmental	9,043		1,365	820	10,592	1	21,821
Internal Service	683	92	156	662		7	1,600
Proprietary:							
Unemployment Compensation	86	1,437					1,523
Port Authority at Gulfport		1,885	1				1,886
Nonmajor Enterprise	347		1,015				1,362
Fiduciary	2		13				15
Total	$ 10,161	$ 14,621	$ 30,434	$ 1,482	$ 22,053	$ 6,118	$ 84,869

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, 2012, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

	Due To						
	Primary Government				Component Units		
Due From	General	Internal Service	Nonmajor Governmental Funds	Unemployment Compensation	Universities	Nonmajor	Total
Primary Government:							
General	$	$	$	$	$ 35,501	$ 46	$ 35,547
Nonmajor Governmental					1,125		1,125
Internal Service						43	43
Nonmajor Enterprise					1	17	18
Component Units:							
Universities	11,431	241	10	208			11,890
Nonmajor		636					636
Total	$ 11,431	$ 877	$ 10	$ 208	36,627	$ 106	$ 49,259

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, 2012, interfund transfers consisted of (amounts expressed in thousands):

	Transfer To					
Transfer From	General	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:						
General	$	$ 44,135	$ 617	$ 26,816	$ 12,295	$ 83,863
Nonmajor Governmental	149,351	724		2		150,077
Internal Service	162					162
Proprietary:						
Unemployment Compensation		1,405				1,405
Nonmajor Enterprise	1,194					1,194
Total	$ 150,707	$ 46,264	$ 617	$ 26,818	$ 12,295	$ 236,701

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.

The State Legislature directed the State Fiscal Officer to transfer monies to the General Fund for appropriation by the Legislature. Transfers to the General Fund from nonmajor governmental funds are $6,056,000.

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).

Mississippi

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

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

Primary Government Deposits (except for the System)

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

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

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

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

Under the criteria established by the Guaranty Pool Board, an approved guaranty pool member must meet the 105 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian). The agreement provides that if a loss to a public depositor in the guaranty pool is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment against other guaranty pool members on a pro rata basis.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2012, $1,001,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2012, $203,000 was uninsured and uncollateralized, and $83,041,000 was uninsured and collateral held by the pledging financial institution's trust department or agent was not in the government's name.

Primary Government Investment Policies (except for the System)

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

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

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

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

U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by U.S. Government, U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise, not to exceed 50 percent of total

investments with maturities of 30 days or longer. During the year, these investments exceeded the limit imposed by the statute. On September 7, 2008, Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) were placed into conservatorship by the U.S. government, lending an additional level of security to these investments. The Agency bonds purchased over and above the statutory limitation were purchased in lieu of Treasury bonds that were offered at substantially lower yields. As Congress debates possible reforms to FHLMC and FNMA, the risk position of the portfolio will continue to be monitored to ensure that funds are invested in a manner consistent with the risk limitations intended by the statute. Whatever identity FHLMC and FNMA assume post-conservatorship will be evaluated in light of the statute and the appropriate limitations to the asset allocation will be imposed; and

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

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

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

School district bonds of the State;

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

Highway bonds of the State;

Corporate bonds of Grade A or better as rated by Standard & Poor's Corporation (S&P) or by Moody's Investors Service. The Board may invest in corporate bonds of Grade BBB/Baa or better as rated by S&P or by Moody's Investors Service;

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

Primary Government Investments (except for the System)

A. Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Moody's or S&P credit ratings for the primary government's investments as of June 30, 2012 are as follows (amounts expressed in thousands):

	Quality Ratings					
Investment Type	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**	**B/B**	**Not Rated**
Asset backed securities	$ 2,948	$	$	$	$	$
Collateralized mortgage obligations		844				310,327
Corporate bonds	631	3,299	22,182	7,944	195	580
Guaranteed investment contracts			135,573			
Mortgage pass-throughs	630	1,218	925			94,516
Mutual funds	74,213	14,626				47,967
State and local obligations	843	6,124	1,859	1,773	178	
U.S. Government agency obligations	418	1,680,928				
Total	$ 79,683	$ 1,707,039	$ 160,539	$ 9,717	$ 373	$ 453,390

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, 2012, the primary government had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 2,948	$ 1	$ 2,947	$	$
Collateralized mortgage obligations	639,698	734	554	24,617	613,793
Corporate bonds	37,406	3,322	19,465	6,386	8,233
Guaranteed investment contracts	135,573		128,473		7,100
Mortgage pass-throughs	104,358	243	6,765	36,919	60,431
Mutual funds	136,806	90,169	7,533	39,104	
Other pass-through securities	222,796	31	3,413	94,516	124,836
State and local obligations	10,776	943	4,186	1,241	4,406
U.S. Government agency obligations	1,683,413	8,455	1,375,589	292,157	7,212
U.S. Treasury obligations	155,274	6,109	140,089	8,366	710
Zero coupon bonds	3,199		2,261	938	
Total	$ 3,132,247	$ 110,007	$ 1,691,275	$ 504,244	$ 826,721

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

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

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

C. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2012, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities	Total Fair Value
Australian dollar	$	$ 2,831	$ 2,831
British Pound sterling		4,404	4,404
Euro	16	8,868	8,884
Hong Kong dollar		2,430	2,430
Israeli shekel		713	713
Japanese yen		2,708	2,708
Malaysian ringgit		1,311	1,311
New Taiwan dollar	169	801	970
Norwegian krone		281	281
Singapore dollar		1,513	1,513
Swedish krona		386	386
Swiss franc		3,925	3,925
Total	$ 185	$ 30,171	$ 30,356

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	$ 292,559	7.28%
Federal Home Loan Mortgage Corporation	542,486	13.50
Federal National Mortgage Association	1,060,003	26.37

Within the primary government, the General Fund has a significantly greater concentration in the following investments (amounts expressed in thousands):

Natixis	$ 135,573	69.29%

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, 2012, 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.

Mississippi

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State;

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

Highway bonds of the State;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

Interest-bearing bonds or notes that are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the 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;

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

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

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

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

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

System Investments

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

The Moody's or S&P credit ratings for the System's investments as of June 30, 2012 are as follows (amounts expressed in thousands):

	Quality Ratings					
Investment Type	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**	**Ba/BB**	**B/B**
Asset backed securities	$ 820,608	$ 41,159	$ 18,490	$ 18,540	$ 7,633	$ 6,607
Collateralized mortgage obligations	161,307	215,169	56,282	32,469	6,009	13,207
Commercial paper			609,570			
Corporate bonds	44,778	650,850	795,902	673,796	182,514	101,584
Mortgage pass-throughs		561,492				
Repurchase agreements		675,376				
Sovereign agencies debt	15,600	1,345	11,221	2,280	361	
Sovereign governments debt	5,936	16,193	36,670	155,880	98,141	33,986
State and local obligations	765	45,113	46,152	4,715	2,602	
U.S. Government agency obligations	4,011	265,221	1,306			
Yankee/Global bonds	35,477	1,145	5,695	5,701	1,089	
Total	$ 1,088,482	$ 2,473,063	$ 1,581,288	$ 893,381	$ 298,349	$ 155,384

	Quality Ratings							
Investment Type	**Caa/CCC**	**Ca/CC**	**C/C**	**D/D**	**F**	**P**	**WR**	**Not Rated**
Asset backed securities	$ 6,076	$	$ 13	$	$	$	$ 1,184	$
Collateralized mortgage obligations	13,404	1,850	14,984	6,637			280	
Commercial Paper					388,747	109,374		
Corporate bonds	9,334					28,906		1,778
Sovereign governments debt								3,421
State and local obligations								1,586
Yankee/Global bonds								
Total	$ 28,814	$ 1,850	$ 14,997	$ 6,637	$ 388,747	$ 138,280	$ 1,464	$ 6,785

B. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership, and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have $24,460,386,000 in investments at June 30, 2012. Of this amount, $3,600,000,000 was exposed to custodial credit risk. These are cash collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty. This is consistent with the securities lending agreement in place with the custodian.

The fair value of the System's cash collateral securities as of June 30, 2012, consisted of (amounts expressed in thousands):

Investment Type		Fair Value
Commercial paper	$	1,107,690
Repurchase agreements		467,765
Corporate bonds		1,075,186
Asset backed securities		776,013
Sovereign agencies		15,600
U.S. Government agencies		155,520
Total	$	3,597,774

C. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy does not limit foreign currency-denominated investments of the System. The System's exposure to foreign currency risk at June 30, 2012, is as follows (amounts expressed in thousands):

Currency		Cash and Equivalents		Equities and REITs		Debt Securities		Total Fair Value
Australian dollar	$	(5,291)	$	172,646	$	3,221	$	170,576
Brazilian real		(5,871)		168,320		5,579		168,028
British pound sterling		(1,691)		683,832		3,090		685,231
Canadian dollar		4,287		109,111		3,449		116,847
Chilean peso		1		2,741				2,742
Columbian peso		(6,501)		3,056		6,837		3,392
Czechoslovakia koruna		(1,814)				2,560		746
Danish krone		286		30,684				30,970
Egyptian pound				25,038				25,038
Euro		(13,723)		900,823		28,092		915,192
Hong Kong dollar		747		206,494				207,241
Hungarian forint		(707)		13,800		1,404		14,497
Indian rupee		4		65,306				65,310
Indonesian rupiah		140		52,389				52,529
Israeli shekel		91		14,249				14,340
Japanese yen		2,198		549,388		2,328		553,914
Malaysian ringgit		3		8,563				8,566
Mexican peso		(12,174)		41,500		40,836		70,162
New Taiwan dollar		1,489		77,552				79,041
New Turkish lira		(1,236)		63,308		2,190		64,262
New Zealand dollar		(4,458)		5,679		3,325		4,546
Norwegian krone		(3,365)		65,180		4,721		66,536
Pakistani rupee				11,287				11,287
Peruvian nuevo sol		(1,901)				2,143		242
Philippines peso		9		6,322				6,331
Polish zloty		(820)		4,815		2,010		6,005
Singapore dollar		(3,018)		78,689		3,987		79,658
South African rand		(807)		125,039		1,965		126,197
South Korean won		50		175,002				175,052
Swedish krona		(1,719)		57,534		3,154		58,969
Swiss franc		4,642		186,918				191,560
Thailand baht				33,004				33,004
United Arab Emirates dirham				1,501				1,501
Total	$	(51,149)	$	3,939,770	$	120,891	$	4,009,512

D. 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, 2012, the System had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 920,310	$ 786,403	$ 77,231	$ 18,037	$ 38,639
Collateralized mortgage obligations	521,598	46,593	876	12,885	461,244
Commercial paper	1,107,691	1,107,691			
Corporate bonds	2,489,442	559,409	1,049,114	557,569	323,350
Mortgage pass-throughs	638,012		642	18,927	618,443
Repurchase agreements	675,376	675,376			
Sovereign agencies debt	30,807	15,600	11,811	3,396	
Sovereign governments debt	350,227	7,516	99,781	129,515	113,415
State and local obligations	100,933		4,820	11,970	84,143
U.S. Government agency obligations	270,538	7,908	236,206	9,664	16,760
U.S. Treasury obligations	1,596,052	14,112	655,313	586,841	339,786
Yankee/Global bonds	49,107	10,519	25,584	7,577	5,427
Total	$ 8,750,093	$ 3,231,127	$ 2,161,378	$ 1,356,381	$ 2,001,207

During fiscal year 2012, 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 $3,700,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly 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 $521,600,000 in CMOs at June 30, 2012. Of this amount, $181,400,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the $920,300,000 in ABS held at June 30, 2012, $51,000,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2012, the System has invested in $638,000,000 in mortgage pass-through securities issued by the FNMA, FHLMC, and GNMA. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

E. Investment Derivatives - The System's derivatives policy limits foreign currency forwards to no more than 100 percent of the aggregate value of the portfolio securities denominated in the hedged currency. The counterparties of the foreign currency forwards have short term credit ratings of A or better as rated by the nationally recognized statistical rating organizations. The System's general policy requires that the counterparty has a long term credit rating of A or better and a short term credit rating of A1/P1 at a minimum. More specifically, the System's policy requires that all over-the-counter derivatives be rated AA or better by the nationally recognized statistical rating organizations. The counterparties of the to-be-announced securities are rated A or better 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, 2012 are as follows (amounts expressed in thousands):

Investment Type	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2012	
		Classification	Amount	Classification	Amount
Foreign currency forwards	$ 12,379,464	Investment income	$ (839)	Investment	$ (839)
To-be-announced securities	166,820	Investment income	298	Debt securities	178,395

F. Securities Lending Transactions - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2012, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities. At the initiation of a 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 falls to less than 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. In the event the collateral fair value falls below 102 percent for international same-currency transactions or 105 percent for cross-currency transactions, the borrower is required to provide additional collateral. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

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 6 days at June 30, 2012. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, U.S. and Foreign Government agencies, and ABS. The weighted average effective duration of all collateral investments at June 30, 2012, was 29 days with a weighted average maturity of 29 days.

Securities lent at year end for 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 no securities lent for securities collateral as of June 30, 2012. 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, 2012, the aggregate fair value of securities lending holdings, including accrued interest was $3,599,658,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $3,560,647,000. The value of the collateral pledged by borrowers at year end was $3,596,835,000.

Note 5 - Receivables

At June 30, 2012, receivables consisted of (amounts expressed in thousands):

	Governmental Funds				
	General	Nonmajor Funds	Internal Service	Receivables Reclass	Total Governmental Activities
Accounts	$ 198,450	$ 19,471	$ 78	$ 15	$ 218,014
Taxes:					
Sales	453,513				453,513
Income	395,751				395,751
Gasoline	49,185				49,185
Other	76,389				76,389
Interest and dividends	7,902	629	197		8,728
Other	228				228
Gross receivables	1,181,418	20,100	275	15	1,201,808
Allowance for uncollectibles	(389,797)	(10,437)			(400,234)
Receivables, net	$ 791,621	$ 9,663	$ 275	$ 15	$ 801,574
Amounts not scheduled for collection in subsequent year	$ 182,728	$ 224			$ 182,952

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	$ 74,092	$ 703	$ 3,942	$ 3,933	$ 82,670
Assessments	83,651				83,651
Interest and dividends		63	867	644	1,574
Gross receivables	157,743	766	4,809	4,577	167,895
Allowance for uncollectibles	(55,527)			(29)	(55,556)
Receivables, net	$ 102,216	$ 766	$ 4,809	$ 4,548	$ 112,339

	Component Units		
	Universities	Nonmajor	Total
Accounts	$ 2,066,718	$ 2,874	$ 2,069,592
Interest	2,598	93	2,691
Gross receivables	2,069,316	2,967	2,072,283
Allowance for uncollectibles	(1,811,856)		(1,811,856)
Receivables, net	$ 257,460	$ 2,967	$ 260,427

Note 6 - Due From Other Governments

At June 30, 2012, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			
	General	Nonmajor Funds	Internal Service	Total Governmental Activities
Due from other governments	$ 1,092,575	$ 19,038	$ 385	$ 1,111,998
Allowance for uncollectibles	(162)			(162)
Due from other governments, net	$ 1,092,413	$ 19,038	$ 385	$ 1,111,836
Amounts not scheduled for collection in subsequent year	$ 574,059			$ 574,059

Note 7 - Loans and Notes Receivable

At June 30, 2012, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government	Component Units
	Governmental Activities Governmental Funds General	Universities
Loans and notes receivable	$ 404,596	$ 189,799
Allowance for uncollectibles	(522)	(21,014)
Loans and notes receivable, net	$ 404,074	$ 168,785
Amounts not scheduled for collection in subsequent year	$ 361,773	$ 134,057

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2012, was as follows (amounts expressed in thousands):

Governmental Activities:	Beginning Balance as restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,942,310	$ 134,462	$ 1,857	$ 2,074,915
Construction in progress	4,594,772	822,882	1,298,385	4,119,269
Total capital assets not being depreciated	6,537,082	957,344	1,300,242	6,194,184
Capital assets being depreciated:				
Software	5,953			5,953
Buildings	1,846,036	116,014	2,101	1,959,949
Land improvements	191,134	43,700	1,777	233,057
Machinery and equipment	594,943	66,710	49,560	612,093
Infrastructure	8,779,708	1,244,426	907,274	9,116,860
Total capital assets being depreciated	11,417,774	1,470,850	960,712	11,927,912
Less accumulated depreciation for:				
Software	3,397	554		3,951
Buildings	477,658	36,962	806	513,814
Land improvements	94,678	12,139	847	105,970
Machinery and equipment	411,993	44,233	33,139	423,087
Infrastructure	3,870,484	234,699	907,274	3,197,909
Total accumulated depreciation	4,858,210	328,587	942,066	4,244,731
Total capital assets being depreciated, net	6,559,564	1,142,263	18,646	7,683,181
Governmental activities capital assets, net	$ 13,096,646	$ 2,099,607	$ 1,318,888	$ 13,877,365

Business-type Activities:	Beginning Balance as restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 71,218	$	$ 143	$ 71,075
Construction in progress	4,540	8,850	5,086	8,304
Total capital assets not being depreciated	75,758	8,850	5,229	79,379
Capital assets being depreciated:				
Buildings	84,102		16,085	68,017
Land improvements	39,350	2,582	486	41,446
Machinery and equipment	21,634	252	1,578	20,308
Infrastructure	123,214	1,422		124,636
Total capital assets being depreciated	268,300	4,256	18,149	254,407
Less accumulated depreciation for:				
Buildings	24,041	1,348	6,592	18,797
Land improvements	20,180	1,422	175	21,427
Machinery and equipment	11,167	1,048	1,292	10,923
Infrastructure	40,653	4,012		44,665
Total accumulated depreciation	96,041	7,830	8,059	95,812
Total capital assets being depreciated, net	172,259	(3,574)	10,090	158,595
Business-type activities capital assets, net	$ 248,017	$ 5,276	$ 15,319	$ 237,974

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

Governmental Activities:		
General government	$	15,693
Education		4,326
Health and social services		15,189
Law, justice and public safety		28,160
Recreation and resources development		9,547
Regulation of business and profession		245
Transportation		252,955
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		2,472
Total depreciation expense - governmental activities	$	328,587
Business-type Activities:		
Port Authority at Gulfport	$	6,315
Other business-type		1,515
Total depreciation expense - business-type activities	$	7,830

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

		Project Authorization		Expended To Date		Outstanding Commitment
Governmental Activities:						
Department of Transportation	$	5,801,125	$	3,763,394	$	2,042,050
Information Technology Services		35,524		33,666		242
Wireless Communication Commission		116,651		81,886		34,765
Department of Public Safety		75,174		36,235		28,559
Department of Employment Security		58,672		37,062		21,610
Department of Finance and Administration		127,820		55,949		57,254
Department of Health		33,389		31,861		254
Department of Revenue		32,646		7,759		24,750
Department of Wildlife, Fisheries and Parks		20,600		15,240		3,864
Military Department		18,650		14,323		4,708
Department of Rehabilitation Services		17,755		1,621		10,452
East MS State Hospital		16,790		10,839		2,440
Other projects less than $10 million		36,078		29,434		1,132
Total governmental activities		6,390,874		4,119,269		2,232,080
Business-type Activities:						
Port Authority at Gulfport		71,133		7,337		63,796
Other projects less than $10 million		2,269		967		1,302
Total business-type activities		73,402		8,304		65,098
Total construction in progress	$	6,464,276	$	4,127,573	$	2,297,178

Component Units

At June 30, 2012, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	$ 80,185	$ 16,406	$ 96,591
Construction in progress	326,971	640	327,611
Total capital assets not being depreciated	407,156	17,046	424,202
Capital assets being depreciated:			
Buildings	2,851,544	160,982	3,012,526
Land improvements	288,121	64,851	352,972
Machinery and equipment	1,030,033	45,630	1,075,663
Total capital assets being depreciated	4,169,698	271,463	4,441,161
Less accumulated depreciation	1,529,834	108,774	1,638,608
Total capital assets being depreciated, net	2,639,864	162,689	2,802,553
Component units capital assets, net	$ 3,047,020	$ 179,735	$ 3,226,755

Note 9 - Long-term General Obligation Bonds

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

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development and capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to currently refund or advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2012, relating to a portion of capital improvement and major economic impact projects 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, 2012, no arbitrage rebate liability existed.

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

Refunding and Defeased Bonds

During fiscal year 2012, the State issued two general obligation refunding bonds.

The State issued $38,280,000 of general obligation refunding bonds to currently refund or advance refund and defease all or a portion of four issues reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 8 years by $500,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of $1,551,000.

The State issued $37,115,000 of general obligation refunding bonds to advance refund and defease a portion of one issue reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 7 years by $2,139,000 and to obtain and economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of $2,040,000.

The net proceeds of 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 bonds and related trust accounts are not included in the financial statements. At June 30, 2012, $143,890,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

During fiscal year 2012, the State issued $19,000,000 of general obligation bonds, which are reported in governmental activities, to refund general obligation bond anticipation notes.

Demand Bonds

Variable rate demand bonds (VRDBs) are long-term bonds with rates of interest that re-set weekly and can fluctuate based on market or market index changes. VRDBs offer bondholders a "put" or tender feature and are supported by standby liquidity facilities provided by commercial banks. These Standby Bond Purchase Agreements (SBPAs) require the applicable bank to purchase any bonds that are tendered or not successfully remarketed in accordance with the indentures.

The bondholders may tender these bonds on specified dates at a price equal to principal plus accrued interest on seven days notice and delivery to the applicable remarketing agent. The State's remarketing agents are authorized to use their best efforts to sell the repurchased bonds at face value by adjusting the interest rate on a weekly basis. The designated remarketing agent will determine the interest rate borne by each series of bonds not to exceed 11%, which is the maximum allowed under state law. The State pays the remarketing agents a fee for this service. In the event that the VRDBs cannot be remarketed, they will be purchased by the respective liquidity provider as specified by and subject to certain conditions set forth in the SBPA.

Outstanding General Obligation VRDBs included in long-term debt at June 30, 2012 and selected SBPA terms are:

Series	Outstanding Amount	Liquidity Provider	Scheduled Termination Date	Commitment Fee	Remarketing Agent
Capital Improvements 2005	$ 39,180,000	Bank of America	7/5/2012	0.67%	Morgan Stanley
Capital Improvements 2007	43,050,000	Bank of America	7/5/2012	0.67	Bank of America
Major Economic Impact 2003A	111,170,000	Bank of America	7/5/2012	0.67	Citigroup
Major Economic Impact 2003B	49,995,000	Bank of America	7/5/2012	0.67	Morgan Stanley
Major Economic Impact 2003C	56,700,000	Bank of America	7/5/2012	0.67	Bank of America

The outstanding SBPA's for the bonds listed above were extended by Bank of America until October 3, 2012 in order to help facilitate the restructuring of the State's variable rate debt portfolio. The State allowed these SBPA's to mature due to the terms of the newly restructured bonds. SBPA's are no longer required on the current variable rate debt portfolio.

If a tender advance occurs under the Capital Improvements 2005 SBPA, interest accrues at the bank's base rate (the prime lending rate minus 1%) for the first 60 days, the bank's prime lending rate for the period from 61 to 89 days after the purchase date, and the bank's prime lending rate plus 1% beginning 90 days after the purchase date. If the tender advance is in default, interest accrues at the bank's prime rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within 90 days of the purchase date, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's prime rate plus 1%. If the take-out agreement is exercised because the entire issue of $39,180,000 of demand bonds cannot be resold, the State will be required to pay monthly installments of $852,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Capital Improvements 2007 SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $43,050,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $5,711,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003A SBPA, interest accrues at the bank's base rate (one-month LIBOR) plus .35%. If the underlying rating on the bonds is decreased by Moody's Investor Service to a rating of "A", the interest rate will increase and become the bank's base rate plus .45%. If the rating from Moody's Investor Service falls below "A", the rate becomes equal to the default rate. If the tender advance is in default, interest accrues at the bank's base rate plus 2%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $111,170,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $14,749,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003B SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $49,995,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $6,633,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003C SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $56,700,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $7,522,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

Derivative Instruments

The State entered into interest rate swap agreements in connection with $182,230,000 of outstanding variable rate debt in order to hedge changes in cash flows. At June 30, 2012, the State had the following pay-fixed interest rate swap derivative instruments reported in governmental activities:

Associated Bonds	Notional Amount	Effective Date	Final Maturity Date	Terms	Counterparty Credit Rating
2003A	$ 25,005,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A/A2/A
2003A	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A/A3/A
2003B	24,995,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A/A2/A
2003B	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A/A3/A
2005	39,180,000	Oct. 2004	Sept. 2025	Pay 4.037%; receive SIFMA swap index	A-/Baa1/A
2007	43,050,000	May 2005	Sept. 2027	Pay 3.980%; receive SIFMA swap index	A-/Baa1/A

Fair Value - The fair values for the swap transactions were determined 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 swaps. The fair values were provided by a third party consultant based on information in the Interest Rate Swap Confirmations supplied by the swap counterparties. Based on that information and the swap market conditions prevailing on June 30, 2012, the third party consultant calculated the estimated market value. The fair values may vary throughout the terms of the swap agreements as a result of fluctuations in the applicable market interest rates. The fair value balances at June 30, 2012 and the changes in fair value of derivative instruments reported in governmental activities are:

Associated Bonds	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2012	
		Classification	Amount	Classification	Amount
2003A	$ 25,005,000	Deferred Outflow	$ (5,781,000)	Derivative Instrument	$ (11,972,000)
2003A	25,000,000	Deferred Outflow	(4,706,000)	Derivative Instrument	(9,316,000)
2003B	24,995,000	Deferred Outflow	(5,778,000)	Derivative Instrument	(11,967,000)
2003B	25,000,000	Deferred Outflow	(4,706,000)	Derivative Instrument	(9,316,000)
2005	39,180,000	Deferred Outflow	(2,702,000)	Derivative Instrument	(7,189,000)
2007	43,050,000	Deferred Outflow	(3,615,000)	Derivative Instrument	(8,355,000)

Hedged Debt and Derivative Instrument Payments - The interest and net swap payments shown assume that interest rates at year end will remain unchanged for the term of the bonds and the hedges. As interest rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on long-term general obligation debt reported for the primary government is presented at the end of this note. At June 30, 2012, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Payment	Total
2013	$ 4,015	$ 445	$ 8,252	$ 12,712
2014	4,180	435	8,093	12,708
2015	4,375	424	7,926	12,725
2016	4,550	412	7,753	12,715
2017	4,755	401	7,572	12,728
2018 - 2022	27,085	1,801	34,862	63,748
2023 - 2027	93,440	1,085	22,276	116,801
2028 - 2029	39,830	77	1,705	41,612
	$ 182,230	$ 5,080	$ 98,439	$ 285,749

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, 2012, as all swap agreements are in a liability position.

Basis Risk - The swap agreements expose the State to basis risk because the applicable interest rates under the swap agreements are based on LIBOR and the SIFMA swap index, which may differ from the interest rates set by the remarketing agents for the State's variable rate bonds. As of June 30, 2012, the weighted average variable interest rate paid on the bonds was .24919%, while the SIFMA swap index was .18% and one-month LIBOR was .24575%.

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

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

Foreign Currency Risk - The swap agreements and the hedged bonds do not have terms denominated in a foreign currency. Therefore, the State is not exposed to foreign currency risk on the swap agreements.

Mississippi

At June 30, 2012, the primary government's outstanding general obligation bonds as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Deer Island Project	$ 995	3.6% - 3.75%	Nov. 2012	$ 8,800
Franklin County Lake and Recreation Complex Road Construction	305	4.88% - 5%	Sept. 2013	1,250
Land, Water, and Timber Resources	5,655	4% - 4.83%	Nov. 2014	28,000
Local Governments Rail Program	1,055	4.28% - 4.4%	Nov. 2014	3,000
Milk Producers	2,315	4.7% - 5.17%	Dec. 2017	3,500
Technology Alliance	855	5% - 5.25%	Oct. 2023	1,000
Farish Street Historic District	1,474	.85% - 5.25%	Nov. 2023	4,500
Heritage, History, and Culture Tourism	685	.85% - 4.35%	Nov. 2023	700
Railroad Lines and Bridges Improvement	2,267	.85% - 5.25%	Nov. 2023	2,500
Small Business and Existing Forestry Industry	4,895	1.8% - 4.05%	Nov. 2023	5,000
State Railroad Revitalization	980	.85% - 4.35%	Nov. 2023	1,000
Sustainable Energy	490	.85% - 4.35%	Nov. 2023	500
Workforce Training	1,960	.85% - 4.35%	Nov. 2023	2,000
Job Protection	4,895	5% - 5.5%	Dec. 2025	6,000
Local Governments Capital Improvements	13,010	5% - 5.5%	Dec. 2025	15,500
Raspet Flight Research Laboratory	884	4.25% - 5%	Dec. 2025	1,200
State Shipyard Improvements	89,365	4.25% - 5.5%	Dec. 2025	156,000
Stennis Space Center	8,293	4% - 5.17%	Dec. 2025	12,350
Industry Incentive Financing	290,865	.85% - 4.35%	Oct. 2027	293,000
Small Enterprise Development Finance	32,920	3.25% - 6.5%	July 2028	99,385
ACE Fund	31,875	.65% - 5.55%	Oct. 2029	34,950
Existing Industry	40,355	.85% - 5.55%	Oct. 2029	41,500
Rural Impact	11,264	.85% - 5.55%	Oct. 2029	23,000
Statewide Wireless Communication System	44,493	1.8% - 5.54%	Oct. 2029	47,000
Major Economic Impact *	403,358	.25% - 6.09%	Oct. 2032	602,300
Farm Reform	4,477	2.13% - 5.67%	Oct. 2034	7,000
Small Municipalities and Limited Population Counties	23,095	.85% - 5.67%	Oct. 2034	45,750
Business Investment	29,344	.65% - 5.55%	Nov. 2034	64,900
Economic Development Highway	135,100	1.8% - 5.54%	Nov. 2034	155,000
Capital Improvements *	1,194,311	1.8% - 5.67%	Oct. 2036	1,490,150
General Obligation Refunding Bonds	1,474,223	.45% - 7.35%	Oct. 2036	2,040,112
Local Governments Water System Improvement	11,593	4.25% - 5.25%	Oct. 2036	13,843
Local System Bridge Replacement and Rehabilitation	118,509	3.75% - 5.25%	Oct. 2036	147,200
Rural Fire Truck Acquisition	15,108	4.25% - 5.67%	Oct. 2036	17,250
Transportation	116,965	4.35% - 5.45%	Oct. 2036	117,500
Total	4,118,233			5,492,640
Premiums	121,601			
Deferred Amount on Refunding	(48,029)			
Total Governmental Activities	4,191,805			5,492,640
Business-type Activities:				
General Obligation Refunding Bonds	20,792	3.07% - 5.5%	Nov. 2022	27,367
Total General Obligation Bonds	$ 4,212,597			$ 5,520,007

* Interest on $117,865,000 of outstanding general obligation bonds for Major Economic Impact is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with $82,230,000 of outstanding variable rate general obligation bonds for Capital Improvements where the State pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA swap index. Additionally, interest rate swap agreements have been entered into in connection with $100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2012, 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
2013	$ 239,548	$ 188,673	$ 2,582	$ 817
2014	247,763	177,048	2,707	727
2015	255,927	165,400	2,833	622
2016	257,566	153,769	2,974	505
2017	267,493	142,042	3,022	379
2018 - 2022	980,607	569,525	6,638	357
2023 - 2027	808,439	375,954	36	1
2028 - 2032	576,435	201,048		
2033 - 2037	484,455	54,171		
Total	4,118,233	2,027,630	20,792	3,408
Premiums	121,601			
Deferred Amount on Refunding	(48,029)			
Total Debt Service, Net	$ 4,191,805	$ 2,027,630	$ 20,792	$ 3,408

Note 10 - Bonds Authorized But Unissued

At June 30, 2012, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds:		
ACE Fund	$ 47,450	$ 12,500
Business Investment Act	331,500	42,823
Capital Improvements	740,025	180,731
Deer Island Project	10,000	1,200
Economic Development Highway	364,500	115,600
Energy Infrastructure Revolving Loan	20,000	20,000
Existing Industry Productivity Loan	65,000	5,000
Farm Reform	128,000	20,000
Industry Incentive Financing	468,000	175,000
Local Governments Capital Improvements	128,000	12,500
Major Economic Impact	1,188,800	169,610
North Central Mississippi Regional Railroad Grant	15,000	15,000
Old Capitol Green	20,000	20,000
Railroad Improvements Grant	5,000	5,000
Railroad Revitalization and Stimulus	3,000	2,000
Rural Fire Truck Acquisition	17,850	600
Rural Impact	26,375	1,500
Small Business and Existing Forestry Industry Revolving Loan	30,000	25,000
Small Enterprise Development Finance	140,000	107,565
State Highway Bridge Rehabilitation	100,000	40,500
State Port Improvement (Gulfport)	80,000	80,000
Sustainable Energy Research	2,000	1,500
Technology Alliance	4,000	2,000
Transportation - Access Roads	18,000	15,000
Vision 21 Highway Projects	50,000	19,000
Workforce Training	4,000	2,000
	$ 4,006,500	$ 1,091,629

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, 2012, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	$ 890,473	1% - 6.84%	Dec. 2041	$ 1,014,052
Notes	20,960	0% - 6%	Sept. 2039	25,654
Total Component Units	$ 911,433			$ 1,039,706

At June 30, 2012, future revenue bond and note debt service requirements are (amounts expressed in thousands):

	Component Units	
Year Ending June 30	Principal	Interest
2013	$ 24,942	$ 42,813
2014	27,918	41,787
2015	28,988	40,681
2016	29,928	39,463
2017	31,285	38,198
2018 - 2022	160,796	170,110
2023 - 2027	170,724	131,949
2028 - 2032	183,036	89,508
2033 - 2037	160,015	43,443
2038 - 2042	93,801	10,098
	$ 911,433	$ 648,050

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2012 is $121,906,000 for governmental activities and $629,000 for business-type activities. Internal service compensated absences of $1,196,000 are included in governmental activities. The component units' liability for compensated absences is $108,647,000, of which $107,713,000 is for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-N).

B. Pollution Remediation Obligation - As of June 30, 2012, six Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

At June 30, 2012, the primary government's pollution remediation obligation is $41,816,000. This estimate is based on professional judgment, experience, historical cost data, and the use of the expected cash flow technique. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time. Estimated costs will vary due to changes in technology, fluctuation in prices, changes in potential responsible parties, and changes in regulations.

C. Notes Payable - At June 30, 2012, 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	$ 139,565	5% - 5.45%	Jul. 2019	$ 189,860
Energy efficiency	16,237	4.15% - 5.73%	Apr. 2026	22,406
Buildings	220,290	2% - 5.37%	Jul. 2031	226,985
Roads and bridges	580,970	2% - 6.59%	Jan. 2040	686,541
Total	957,062			1,125,792
Premiums	32,274			
Deferred Amount on Refunding	(6,921)			
Total Notes Payable, Net	$ 982,415			$ 1,125,792

Refunding and Defeased Notes- During fiscal year 2012, the State issued $28,680,000 of refunding notes to advance refund notes payable reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next thirteen years by $2,219,000 and obtain an economic gain (the difference between the present value of the debt service payments for the refunded and refunding notes) of $1,963,000.

The net proceeds of the refunding issue were deposited into an irrevocable trust 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 account are not included in the financial statements. At June 30, 2012, $57,495,000 of outstanding notes (including prior years' refunding) are considered defeased.

At June 30, 2012, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2013	$ 43,351	$ 50,486
2014	45,366	48,998
2015	38,620	46,787
2016	45,307	43,289
2017	53,403	40,968
2018 - 2022	252,263	165,313
2023 - 2027	232,207	108,610
2028 - 2032	121,915	58,045
2033 - 2037	90,110	25,666
2038 - 2040	34,520	4,489
Total	957,062	592,651
Premiums	32,274	
Deferred Amount on Refunding	(6,921)	
Total Debt Service, Net	$ 982,415	$ 592,651

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, 2012, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	$	$ 700
Machinery and Equipment	40,688	1,238
Accumulated Depreciation	(18,310)	(433)
Total	$ 22,378	$ 1,505

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of $1,473,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of $11,004,000.

At June 30, 2012, 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
2013	$ 5,993	$ 269	$ 6,262	$ 3,200
2014	5,001	135	5,136	1,927
2015	3,575		3,575	2,133
2016	2,808		2,808	1,620
2017	1,703		1,703	1,617
2018 - 2022	391		391	6,058
2023 - 2027				5,396
2028 - 2032				5,399
2033 - 2037				5,400
2038 - 2042				2,148
Total Minimum Lease Payments	19,471	404	19,875	34,898
Less Interest	1,392	23	1,415	12,914
Present Value of Minimum Lease Payments	$ 18,079	$ 381	$ 18,460	$ 21,984

Internal service future minimum lease payments of $1,647,000 less interest of $115,000 are included in the governmental activities column.

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2012 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	$ 3,764,424	$ 690,425	$ 336,616	$ 4,118,233	$ 239,548
Premiums/Discounts (Note 9)	98,166	34,536	11,101	121,601	11,380
Deferred Amount on Refunding (Note 9)	(48,890)	5,918	5,057	(48,029)	(6,152)
Notes Payable (Note 12)	992,210	35,680	70,828	957,062	43,351
Premiums (Note 12)	28,806	5,864	2,396	32,274	2,813
Deferred Amount on Refunding (Note 12)	(4,070)	740	3,591	(6,921)	(995)
Total Bonds and Notes	4,830,646	773,163	429,589	5,174,220	289,945
Derivative Instruments (Note 9)	30,827	27,288		58,115	
Capital Lease Obligations (Note 12)	13,935	11,056	6,912	18,079	5,409
Accrued Compensated Absences (Note 12)	118,289	62,920	59,303	121,906	8,120
Pollution Remediation Obligation (Note 12)	39,154	15,942	13,280	41,816	7,715
	$ 5,032,851	$ 890,369	$ 509,084	$ 5,414,136	$ 311,189
Business-type Activities:					
General Obligation Bonds (Note 9)	$ 23,426	$	$ 2,634	$ 20,792	$ 2,582
Accrued Compensated Absences (Note 12)	628	102	101	629	24
Capital Lease Obligations (Note 12)	618		237	381	250
	$ 24,672	$ 102	$ 2,972	$ 21,802	$ 2,856

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The ending balance of governmental activities capital lease obligation includes $1,532,000 of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include $1,197,000 and $1,196,000, respectively, of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund and special revenue funds.

Within the governmental activities, the reduction of $336,616,000 in general obligation bonds and notes includes $93,760,000 in refundings. The reduction of $70,828,000 in notes payable includes $29,725,000 in refundings.

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

Note 14 - Short-term Financing

During fiscal year 2012, the State issued $80,000,000 in general obligation notes to provide short-term financial assistance for an economic development project. The notes were paid off in October 2011 and carried an interest rate of 1.45%. At June 30, 2012, there were no outstanding short-term notes. Changes in short-term note activity recorded in governmental activities during fiscal year 2012 are as follows (amounts expressed in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 45,000	$ 80,000	$ 125,000	$ 0

Note 15 - Retirement Plans

Plan Description

A. General

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.

B. 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.

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

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2012, the total annual COLA payments for PERS were $402,515,000.

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. 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, 2012, the total annual COLA payments for MHSPRS were $7,116,000.

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

Regardless of age, participating employees who retire with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service beyond 20 years, not to exceed 66.67 percent of average monthly compensation, except as may otherwise be provided through local and private legislation. Average monthly compensation for the two Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of credited service. MRS plans also provide certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee 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 additional payments, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to an additional payment. 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 an annual adjustment 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, 2012, the total additional annual payments for MRS plans were $5,271,000.

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.

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. 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 additional amounts calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2012, the total additional annual payments for SLRP were $200,000.

C. Actuarial Asset Valuation

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2012. An actuarial valuation of MRS is required to be performed at least once in each four-year period as of September 30, with the most recent being September 30, 2011. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

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

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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	12.93% ****	35.21%	N/A	7.4%
Other employers	N/A	N/A	1.49 - 8.26 mills	N/A
Plan members	9%	7.25%	7% - 10%	3% **
Annual pension cost	$ 735,022	$ 12,257	$ 18,576	$ 504
Employer contributions made	$ 768,914	$ 12,044 ***	$ 23,449	$ 490
Actuarial valuation date	June 30, 2012	June 30, 2012	Sept. 30, 2011	June 30, 2012
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	30 years	30 years	23 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8%	8%	8%	8%
Wage inflation rate	4.25%	4.25%	4.25%	4.25%
Projected salary increases	4.5% - 20%	5% - 10.52%	4.5% - 6%	4.5%
Increases in benefits after retirement	3% ~	3% @	2% - 3.75% #	3% ~
Proposed annual employer contribution rates for fiscal year 2014 based on the PERS Board of Trustees' revised funding policy	15.75%	37% *	-	7.4%

* MHSPRS Administrative Board has not yet confirmed a new employer contribution rate therefore, the latest approved rate was used (fiscal year 2013).

** In addition to 9% required by PERS.

@ Calculated 3% simple interest to age 60, compounded each fiscal year thereafter.

~ Calculated 3% simple interest to age 55, compounded each fiscal year thereafter.

Varies depending on municipality.

*** Includes fees authorized by the State Legislature, which are reported as other additions in the pension trust funds. Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of $3,500,000 (14.1 percent of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2012 was $3,246,000.

**** Based on the June 30, 2010 Annual Required Contribution rate, set two years in advance, the PERS Board of Trustees approved an employer contribution rate increase from 12% to 12.93% for PERS. Due to a request by the leadership of the Mississippi Legislature, the Board took action to delay the contribution rate increases until January 1, 2012. In addition, the Board approved employer contribution rate increases for MHSPRS from 30.3% to 35.21%, and SLRP from 6.65% to 7.4%. These increases were also delayed until January 1, 2012. 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 establishes a goal to be 80% funded by 2042 and sets PERS employer rate at 15.75% while continuing the SLRP rate at 7.4%. An increase in the employer contribution rate for MHSPRS remains under consideration.

E. Three-Year Trend Information

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

	PERS	MHSPRS*	MRS**	SLRP
Contributions:				
2010	$ 731,544	$ 12,598	$ 16,891	446
2011	723,836	11,494	21,429	457
2012	768,914	12,044	22,793	490

* Includes fees authorized by the State Legislature that are reported as other additions in the pension trust funds.
** Information furnished for MRS is for the years ended September 30, 2009, 2010, and 2011 respectively.

The annual pension cost was equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met or exceeded the required contributions except for MRS where the percent contributed was 114.4%, 120.8% and 122.7% of the required contributions for the years ended September 30, 2009, 2010, and 2011, respectively. The State makes no contributions to the MRS; therefore, any NPO would belong to the respective municipal entity. For the years ended September 30, 2009, 2010, and 2011, the MRS net pension obligation or net pension asset was not significant.

F. Funded Status and Funding Progress

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

	PERS	MHSPRS	MRS	SLRP
Actuarial Valuation Date	June 30, 2012	June 30, 2012	Sept. 30, 2011	June 30, 2012
Actuarial Value of Assets	$ 19,992,797	$ 268,424	$ 167,604	$ 13,268
Actuarial Accrued Liability (AAL) Entry Age	$ 34,492,873	$ 421,415	$ 363,604	$ 19,537
Unfunded AAL	$ 14,500,076	$ 152,991	$ 196,000	$ 6,269
Percent Funded	58.0%	63.7%	46.1%	67.9%
Annual Covered Payroll	$ 5,857,789	$ 25,670	$ 1,357	$ 6,872
Unfunded AAL as a Percentage of Annual Covered Payroll	247.5%	596.0%	14,443.6%	91.2%

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

Note 16 - Other Postemployment Benefits

Plan Description

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

Funding Policy

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

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his State retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2012, retiree premiums range from $190 to $1,472 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2012. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $46,131,000 is 1.07 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2012 (amounts expressed in thousands):

Annual required contribution	$ 46,131
Interest on prior year net OPEB obligation	3,700
Adjustment to annual required contribution	(2,837)
Annual OPEB cost	46,994
Contributions made	(20,570)
Increase in net OPEB obligation	26,424
Net OPEB obligation – Beginning of year	82,212
Net OPEB obligation – End of year	$ 108,636

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$ 56,277	62.5%	$ 48,335
2011	52,242	35.2	82,212
2012	46,994	43.8	108,636

Funded Status and Funding Progress

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

Actuarial Valuation Date	June 30, 2012
Actuarial Value of Assets	$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	$ 664,738
Unfunded AAL (UAAL)	$ 664,738
Funded Ratio	0.0%
Annual Covered Payroll	$ 4,312,956
UAAL as a Percentage of Annual Covered Payroll	15.4%

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

Actuarial Methods and Assumptions

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

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Projected salary increases**	4.5% - 15.0%
Healthcare cost trend rate*	8.5%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2017
* Includes price inflation at	3.5%
** Includes wage inflation at	4.25%

Note 17 - Commitments

A. Operating Leases

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

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, 2012 are as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2013	18,638
2014	16,148
2015	11,176
2016	9,032
2017	5,956
2018 - 2022	6,871
2023 - 2027	586
2028 - 2032	461
2033 - 2037	309
2038 - 2042	176
2043 - 2047	121
Thereafter	1
Total Minimum Commitments	$ 69,475

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2012 amounted to $21,764,000.

B. Contracts

At June 30, 2012, the Department of Transportation had contracts outstanding of approximately $880,392,000 with performance continuing during fiscal year 2013. Of this amount $33,795,000 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 65 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline taxes.

The State Aid Road Division had contracts of $23,661,000 outstanding at June 30, 2012 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 55 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of $181,358,000 at June 30, 2012. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately $4,708,000 at June 30, 2012. Approximately 74 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately $63,796,000 at June 30, 2012. 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 $86,259,000 at June 30, 2012. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system including enhancements which add broadband data capabilities. Approximately 95 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

C. Encumbrances

Encumbrances represent executed but unperformed purchase orders that are reported within governmental funds as restricted, committed, or assigned fund balance. At June 30, 2012, the encumbrance amounts in the General Fund and nonmajor governmental funds were $31,462,000 and $5,548,000, respectively.

Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2011 and 2012 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2011	$ 173,311	$ 702,621	$ 714,552	$ 161,380
2012	161,380	701,281	712,063	150,598

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

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

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

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

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

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

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

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

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

Note 19 - Contingencies

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

B. **Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the State and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed $7,500,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the State.

C. **Loan Guarantees** - The State has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program on behalf of local governments. The program provides operational funding to help local governments, or other political subdivisions of the State, that have incurred a significant loss in revenue, due to a presidentially declared disaster, that has adversely affected their ability to provide essential governmental services. At June 30, 2012, outstanding Community Disaster loan guarantees totaled $50,766,000.

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 $2,284,308,000 at June 30, 2012. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 - Endowments

The State of Mississippi Board of Trustees of the Institutions of Higher Learning (IHL) has established an investment policy regarding endowment funds in accordance with Section 79-11-601 through 79-11-617, Miss. Code Ann. (1972), otherwise known as the Uniform Management of Institutional Funds Act (UMIFA). The UMIFA allows the board to appropriate for expenditure for the uses and purposes for which an endowment fund is established, the portion of the net appreciation, realized and unrealized, in the fair value of the assets over the historic dollar value of the fund(s) as is prudent under the facts and circumstances prevailing at the time of the action or decision. In so doing, the law states in part, "they shall consider long and short-term needs of the institution in carrying out its educational, religious, charitable or other eleemosynary purposes, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions."

In addition to an investment otherwise authorized by law or by applicable gift instrument, and without restriction to investments a fiduciary may make, the IHL Board, subject to any specific limitations as set forth in the applicable gift instrument or in the applicable law other than law relating to investments by a fiduciary, may invest the funds in any other pooled or common fund available for investment, including shares or interests in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts or similar organizations in which funds are commingled and investment determinations are made by persons other than the IHL Board.

The net appreciation of investments of donor-restricted endowments available for expenditure approximated $37,611,000 at June 30, 2012, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Note 21 - Subsequent Events

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of $33,528,000 from the Working Cash Stabilization Reserve Account and $357,034,000 from budgetary special funds as of December 20, 2012. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State entered into a financing agreement on October 31, 2012 to provide funding for a highway construction project. This agreement resulted in notes payable totaling $163,000,000 payable beginning in year 2013 through 2028 with interest rates ranging from 2% to 5%

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

Taxable General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012A, totaling $57,120,000 dated August 1, 2012. These bonds were issued for the purpose of converting the unhedged portion of the $140,000,000 (original principal amount) Taxable Variable Rate General Obligation Bonds (Nissan North America, Inc. Project), Series 2003A from a weekly interest rate to fixed interest rates through a current refunding of the 2003A Nissan Bonds. The bonds mature serially beginning in year 2015 through 2022 with interest rates ranging from 0.78% to 2.4%.

General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012B, totaling $43,900,000 dated August 1, 2012. These bonds were issued for the purpose of converting the unhedged portion of the $83,500,000 (original principal amount) General Obligation Bonds (Nissan North America, Inc. Project), Series 2003C (Variable Rate Securities) from a weekly interest rate to fixed interest rates through a current refunding of the 2003C Nissan Bonds that are presently outstanding. These bonds will mature serially beginning in year 2015 through 2023 with interest rates ranging from 1.5% to 5%.

Taxable General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012C (LIBOR Index), totaling $100,490,000 dated August 1, 2012. These bonds were issued for the purpose of effecting the conversion of the 2003 Refunded Swap Bonds (consisting of the hedged portion of the Taxable Series 2003A and Series 2003B Nissan North America, Inc. Project Bonds) from a weekly interest rate to a LIBOR Index interest rate by currently refunding the 2003 Refunded Swap Bonds. The Series 2012C Bonds will bear interest at a per annum rate equal to 100% of one month LIBOR plus 0.7% for the Initial Interest Period, reset monthly for each Interest Reset Period commencing on or after September 1, 2012. One month LIBOR will be determined by the Calculation Agent. The Series 2012C Bonds will mature on November 1, 2017.

General Obligation Refunding Bonds (Capital Improvements Projects), Series 2012D (SIFMA Index), totaling $78,625,000 dated August 1, 2012. These bonds were issued for the purpose of effecting the conversion of the Refunded Capital Improvements Bonds (consisting of the hedged Series 2005 and Series 2007 Capital Improvements Bonds) from a weekly interest rate to an Adjusted SIFMA Rate by currently refunding the Refunded Capital Improvements Bonds. The Series 2012D Bonds will bear interest at the Adjusted SIFMA Rate (the SIFMA Rate plus 0.53% for the initial Adjusted SIFMA Rate). Except for the initial Adjusted SIFMA Rate, the Adjusted SIFMA Rate will be determined by the Calculation Agent. The Series 2012D Bonds will mature serially beginning in year 2014 through 2018.

Taxable General Obligation Refunding Bonds, Series 2012E, totaling $71,985,000 dated August 28, 2012. The Series 2012E Bonds were issued for the purpose of advance refunding and defeasing the following Taxable Refunding Bonds: $97,070,000 (original principal amount) Taxable General Obligation Bonds (Local Governments Capital Improvements, 2004 Shipyard Improvements, Development Infrastructure Improvements, Small Municipalities Grant Program, Emerging Crops Fund, Major Economic Program, Rural Impact Program, Business Incubator Program, Existing Industry Program, Job Protection, ACE Fund, Museum Program, Children's Museum Program, 2004-2005 IHL Improvements and Series 2005D Refunding Projects), dated as of December 1, 2005. These bonds mature serially beginning in year 2012 through 2025 with interest rates ranging from 0.38% to 3.027%.

General Obligation Refunding Bonds, Series 2012F (Tax-Exempt), totaling $171,860,000 dated August 28, 2012. The Series 2012F Bonds were issued for the purpose of advance refunding and defeasing the following Tax-Exempt Refunded Bonds: $150,235,000 (original principal amount) General Obligation Bonds (Watershed Repair and Rehabilitation Cost-Share Program, Moon Lake State Park, Public Libraries Capital Improvements, DFA Projects, Local System Bridge Replacement and the Rehabilitation Fund, the Rural Fire Truck Act and Refunding Series 2005C Notes Projects), Series 2005, dated as of December 1, 2005; $167,315,000 (original principal amount) General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B.B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt) Project), Series 2006D, dated as of November 1, 2006; $299,020,000 (original principal amount) General

Obligation Bonds (Capital Improvements Issue), Series 2007B, dated December 1, 2007. These bonds mature serially beginning in year 2012 through 2025 with interest rates ranging from 1% to 5%.

Taxable General Obligation Bonds, Series 2012G, totaling $39,740,000 dated October 30, 2012. The Series 2012G Bonds were issued for the purpose of providing funds for the following: Existing Industry Program, ACE Fund, Rural Impact Program, Economic Development Highway Program, Sustainable Energy Program, Railroad Improvement Fund, MDA Workforce Training, 2011 IHL and State Agencies Capital Improvements Act and 2011 Community and Junior Colleges Capital Improvements Act. These bonds mature serially beginning in year 2013 through 2019 with interest rates ranging from 0.36% to 1.9%.

General Obligation Bonds, Series 2012H (Tax-Exempt), totaling $136,680,000 dated October 30, 2012. The Series 2012H Bonds were issued for the purpose of providing funds for the following: 2010 IHL and State Agencies Capital Improvements Act, 2010 Bureau of Building State-Owned Buildings Discretionary Act, 2011 Community and Junior Colleges Capital Improvements Act, 2011 IHL and State Agencies Capital Improvements Act, 2011 Bureau of Building State-Owned Buildings Discretionary Act, Marine Resources Equipment and Facilities Act, State Highway Bridge Rehabilitation Act and Vision 21 High Priority Projects Act. These bonds mature serially beginning in year 2019 through 2032 with interest rates ranging from 2.875% to 5%.

Novation of swaps associated with Nissan 2003A and Nissan 2003B from Citibank to the Bank of New York Mellon. On September 24, 2012 (the novation date), the State transferred swaps associated with Citibank (the original counterparty) to the Bank of New York Mellon (new counterparty). In the transaction, $25,000,000 related to the Nissan 2003A swaps were novated along with the $25,000,000 related to the Nissan 2003B swaps. The new agreement (the ISDA Master Agreement) is also dated as of September 24, 2012. The terms and conditions, including the rate, with the Bank of New York Mellon will remain the same as the terms and conditions entered into with Citibank in March 6, 2007 and March 8, 2007, respectively.

Required Supplementary Information

Required Supplementary Information

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	$ 1,816,900	$ 1,816,900	$ 1,854,730	$ 37,830
Individual income tax	1,389,100	1,389,100	1,489,168	100,068
Corporate income and franchise taxes	431,500	431,500	505,306	73,806
Use and wholesale compensating taxes	194,000	194,000	215,879	21,879
Tobacco, beer and wine taxes	194,200	194,200	187,979	(6,221)
Insurance tax	191,400	191,400	193,045	1,645
Oil and gas severance taxes	68,000	68,000	89,913	21,913
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	64,800	64,800	66,669	1,869
Other taxes	7,400	7,400	11,970	4,570
Interest	20,000	20,000	14,678	(5,322)
Auto privilege, tag and title fees	9,000	9,000	8,977	(23)
Gaming fees	159,800	159,800	152,077	(7,723)
Highway Safety Patrol fees	21,100	21,100	20,774	(326)
Other fees and services	12,900	12,900	11,266	(1,634)
Miscellaneous	4,300	4,300	4,587	287
Court assessments and settlements			20,041	20,041
Special Fund revenues				
Total Revenues	4,584,400	4,584,400	4,847,059	262,659
Expenditures by Major Budgetary Function				
Legislative	25,797	24,271	23,931	(340)
Judiciary and justice	62,268	62,268	62,165	(103)
Executive and administrative	2,955	2,955	2,940	(15)
Fiscal affairs	54,224	54,224	54,180	(44)
Public education	2,012,381	2,011,931	2,011,890	(41)
Higher education	763,887	764,012	764,001	(11)
Public health	26,522	26,522	26,513	(9)
Hospitals and hospital schools	235,348	235,348	235,343	(5)
Agriculture, commerce and economic development	104,929	104,929	104,893	(36)
Conservation and recreation	45,790	46,040	46,035	(5)
Insurance and banking				
Corrections	311,000	311,000	310,951	(49)
Interdepartmental service				
Social welfare	312,056	312,056	311,284	(772)
Public protection and veterans assistance	85,684	85,684	85,433	(251)
Local assistance	81,109	81,109	81,109	
Motor vehicle and other regulatory agencies	40	40	22	(18)
Miscellaneous	1,213	1,213	1,211	(2)
Public works				
Debt service	369,564	369,564	369,564	
Total Expenditures	4,494,767	4,493,166	4,491,465	(1,701)
Excess of Revenues over (under) Expenditures	89,633	91,234	355,594	264,360
Other Financing Sources (Uses)				
Transfers in	17,200	17,200	23,534	6,334
Transfers out			(376,405)	(376,405)
Investments purchased, net				
Other sources of cash			24	24
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	106,833	108,434	2,747	(105,687)
Budgetary Fund Balances - Beginning	50,455	50,455	50,455	
Budgetary Fund Balances - Ending	$ 157,288	$ 158,889	$ 53,202	$ (105,687)

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)
$ 227,561	$ 236,068	$ 260,264	$ 24,196	$	$	$	$
21,172	23,168	26,056	2,888				
		13	13				
		2	2				
				12,384,724	14,444,003	10,924,704	(3,519,299)
248,733	259,236	286,335	27,099	12,384,724	14,444,003	10,924,704	(3,519,299)
				14	848	808	(40)
				54,177	68,978	53,690	(15,288)
				13,947	54,531	50,969	(3,562)
				103,304	198,338	149,591	(48,747)
237,148	237,148	237,115	(33)	914,084	1,024,376	899,741	(124,635)
92,586	92,586	92,544	(42)	102,454	102,605	65,993	(36,612)
				386,358	408,168	323,819	(84,349)
				391,917	412,168	372,768	(39,400)
2,966	2,966	2,966		1,129,230	1,130,555	396,694	(733,861)
125	125	125		364,387	528,136	320,940	(207,196)
				50,049	81,551	48,981	(32,570)
				20,737	30,725	28,873	(1,852)
				42,890	55,878	48,301	(7,577)
				6,450,274	7,235,078	6,163,764	(1,071,314)
				964,451	1,392,651	690,168	(702,483)
				28,822	31,215	27,153	(4,062)
450	450	449	(1)	1,620	1,760	1,003	(757)
				1,263,200	1,583,633	1,341,052	(242,581)
				102,809	102,809	24,063	(78,746)
333,275	333,275	333,199	(76)	12,384,724	14,444,003	11,008,371	(3,435,632)
(84,542)	(74,039)	(46,864)	27,175			(83,667)	(83,667)
		81,947	81,947			922	922
						(63,146)	(63,146)
						(1,990)	(1,990)
(84,542)	(74,039)	35,083	109,122			(147,881)	(147,881)
		394	394			1,291,219	1,291,219
$ (84,542)	$ (74,039)	$ 35,477	$ 109,516	$ 0	$ 0	$ 1,143,338	$ 1,143,338

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

For the Year Ended June 30, 2012

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

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2012 is presented below (amounts expressed in thousands):

Budgetary Funds	**General**	**Education Enhancement**	**Special**
Financial Statement Major Fund	**General**		
Net Change in Budgetary Fund Balances	$ 2,747	$ 35,083	$ (147,881)
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	(91,850)	(35,083)	126,933
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			20,948
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	216,227		
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(344,435)		
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	293,449		
Net Change in GAAP Fund Balances	$ 76,138	$ 0	$ 0

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2012 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b – a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b – a) / c)
Public Employees' Retirement System of Mississippi						
2010	$ 20,143,426	$ 31,399,988	$ 11,256,562	64.2%	$ 5,763,556	195.3%
2011	20,315,165	32,654,465	12,339,300	62.2	5,684,624	217.1
2012	19,992,797	34,492,873	14,500,076	58.0	5,857,789	247.5
Mississippi Highway Safety Patrol Retirement System						
2010	$ 281,088	$ 411,277	130,189	68.3%	$ 26,353	494.0%
2011	278,265	414,432	136,167	67.1	24,872	547.5
2012	268,424	421,415	152,991	63.7	25,670	596.0
Municipal Retirement Systems *						
2009	$ 191,179	381,036	189,857	50.2%	$ 1,608	11,807.0%
2010	175,988	372,897	196,909	47.2	1,425	13,818.2
2011	167,604	363,604	196,000	46.1	1,357	14,443.6
Supplemental Legislative Retirement Plan						
2010	$ 13,241	17,081	3,840	77.5%	$ 6,605	58.1%
2011	13,606	18,605	4,999	73.1	6,810	73.4
2012	13,268	19,537	6,269	67.9	6,872	91.2

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2012, does not differ materially from the value as of September 30, 2011.

Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2012 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2012 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b – a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b – a) / c)
June 30, 2010	$ 0	$ 727,711	$ 727,711	0.0%	$ 4,470,558	16.3%
June 30, 2011	0	652,304	652,304	0.0	4,238,716	15.4%
June 30, 2012	0	664,738	664,738	0.0	4,312,956	15.4%

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the State of Mississippi (the "Issuer" or the "State") in connection with the issuance of the $159,225,000 State of Mississippi General Obligation Bonds, Series 2013B, dated as of the date of their delivery (the "Series 2013B Bonds"). The Series 2013B Bonds are being issued pursuant to a resolution of the State Bond Commission of the State dated October 31, 2013 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Series 2013B Bonds and the beneficial owners of the Series 2013B Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5)(i)(C).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Bond Advisory Division of the Department of Finance and Administration, an agency of the State and any successors thereto.

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

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

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

"Participating Underwriters" shall mean any of the original underwriters of the Series 2013B Bonds required to comply with the Rule.

"Repository" shall mean the MSRB and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5)(i)(C) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report. If the audited financial statements of the Issuer are unavailable on February 1 of each year, the Issuer agrees to provide unaudited financial statements with the Annual Report and to provide audited financial statements if and when available.

If the Issuer is unable to provide the Repositories an Annual Report by the date required in subsection (a) above, the Issuer shall send a notice to each Repository.

The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall be the Comprehensive Annual Financial Report of the State prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and a recent Official Statement of the State, containing substantially the same information as the Official Statement relating to the Series 2013B Bonds.

If in any year the Issuer is unable to provide a current Official Statement of the State and the Issuer's Comprehensive Annual Financial Report does not contain operating data and financial information substantially similar to that contained in the Official Statement relating to the Series 2013B Bonds, the Issuer agrees to provide such operating data and financial information not contained in its Comprehensive Annual Financial Report.

SECTION 5. Reporting of Significant Events.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events in a timely manner not in excess of ten (10) business days after the occurrence thereof, if material. All fifteen (15) events mandated by the Rule are listed below; however, some may not apply to the Series 2013B Bonds:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

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

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

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

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

(7) Modification to rights of security holders;

(8) Bond calls;

(9) Tender offers;

(10) Defeasances;

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

(12) Rating changes;

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Series 2013B Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a substitute Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

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

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

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of a Series 2013B Bonds or the Participating Underwriter may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an "event of default" under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2013B Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters, holders from time to time of the Series 2013B Bonds, and beneficial owners of the Series 2013B Bonds and shall create no rights in any other person or entity.

SECTION 13. Prior Disclosure. Except as described in the following sentence, the State has complied in all material respects with any previous continuing disclosure undertakings under the Rule. There have been some instances in the previous five (5) years in which the State filed its annual undertakings late. In 2008 and 2010, the late filings were the result of the State's CAFR for such fiscal year not being available by the February 1st disclosure date. The other filings, 2007, 2009 and 2011, were filed untimely by no more than seven (7) days after the February 1st disclosure date as a result of the responsible employee being unexpectedly absent. Furthermore, although the State has uploaded all required continuing disclosure documents to its main base cusip 605580 in a timely manner, some of the documents were not tied to the 605579 and 605581 base cusips. The State has taken steps to ensure that it will timely comply with all undertakings in the future.

Date: December 3, 2013

STATE OF MISSISSIPPI

By: _____
Governor and Ex officio Chairman of the
State Bond Commission

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APPENDIX D

FORM OF OPINION OF ATTORNEY GENERAL

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STATE OF MISSISSIPPI

OFFICE OF THE ATTORNEY GENERAL
OFFICIAL ATTORNEY GENERAL'S OPINION

[FORM OF OPINION OF ATTORNEY GENERAL]

JIM HOOD
ATTORNEY GENERAL

State Bond Commission
State of Mississippi
Jackson, Mississippi

Re: $159,225,000 State of Mississippi General Obligation Bonds, Series 2013B, dated as of the date of their delivery

Gentlemen:

The opinion as hereinafter set forth is submitted regarding several matters pertaining to the sale and issuance of the above described bond issue (the "Series 2013B Bonds") of the State of Mississippi (the "State").

There are three members of the State Bond Commission (the "Commission") and, in addition to being a member of the Commission, the Attorney General is legal advisor to the Commission. The Commission is authorized to issue the Series 2013B Bonds under the provisions Section 1 of Senate Bill 3175, 2007 Regular Session of the State Legislature, as amended by Senate Bill 2923, 2011 Regular Session of the State Legislature, Section 1(2) of House Bill 1722, 2009 Regular Session of the State Legislature, as amended by Senate Bill 2728, 2013 Regular Session of the State Legislature, Section 1(2) and (6)(b)(i) of House Bill 1701, 2010 Regular Session of the State Legislature, Section 3(4) and (6) of Senate Bill 3181, 2010 Regular Session of the State Legislature, as amended by Section 39 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 1(2) and (7)(b) of Senate Bill 3100, 2011 Regular Session of the State Legislature, as amended by Section 38 of Senate Bill 2913, Regular Session of the State Legislature, Section 1(3) and (7)(b)(ii) of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 1(6) and (7)(b)(v) of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 2 of House Bill 1463, 2011 Regular Session of the State Legislature, Section 28 of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 29 of Senate Bill 3100, 2011 Regular Session of the State Legislature, as amended by Section 7 of House Bill 1049, 2013 Regular Session of the State Legislature, Section 1 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 3 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 23 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 21 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 6 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Sections 49 and 50 of House Bill 1701, 2010 Regular Session of the State Legislature, Sections 30 and 31 of Senate Bill 3100, 2011 Regular Session of the State Legislature, Sections 4 and 5 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 8 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 12 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 16 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 22 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 15 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 19 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 24 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 20 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 36 of Senate Bill 2913, 2013 Regular Session of the State Legislature and Section 49-17-85, Mississippi Code of 1972, as

amended and supplemented from time to time, Section 14 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 13 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 17 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 29 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 57-75-15(3)(b) of Sections 57-75-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, and Section 18 of Senate Bill 2913, 2013 Regular Session of the State Legislature (collectively, the "Act") and a resolution adopted by the State Bond Commission of the State on October 31, 2013 (the "Resolution").

The existing State Constitution is the Mississippi Constitution of 1890. Protection for the contractual obligations owed holders of the Series 2013B Bonds arising from the issuance of the Series 2013B Bonds is expressed in the provisions of Section 16 of the Constitution:

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

I am of the opinion that when the Series 2013B Bonds are validated, issued and delivered, such Series 2013B Bonds shall constitute a contract as contemplated by Section 16, supra, and shall enjoy the full protection thereof.

The Series 2013B Bonds have been subjected to validation by a competent State court. Validation procedure is prescribed by statue and requires that the submission for validation shall be accompanied by the written opinion of the State's Bond Attorney, an attorney appointed by the Governor of the State and who shall possess the same qualifications for office as the Attorney General.

Section 31-13-7, Mississippi Code of 1972, as amended from time to time, provides that when a decree shall be entered confirming and validating bonds and there shall be no appeal from the decree, or if on appeal the Supreme Court enters its decree confirming and validating such bonds, the validity of such bonds shall never be called in question in any court in the State.

A Certificate of Non-litigation shall be rendered by the Attorney General certifying the finality of validation prior to delivery of the Series 2013B Bonds.

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

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

It is my opinion that the Series 2013B Bonds have been duly and validly authorized, issued, executed and delivered by and on behalf of the State, that the Series 2013B Bonds constitute valid and binding general obligations of the State enforceable in accordance with the terms thereof (except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity), and that for the payment thereof, the full faith, credit and taxing power of the State is irrevocably pledged.

In connection with the sale and issuance of the Series 2013B Bonds, the State will deliver its Continuing Disclosure Certificate dated as of the date of the issuance and delivery of the Series 2013B Bonds. The Continuing Disclosure Certificate will be delivered by the State for the benefit of the holders of the Series 2013B Bonds and in order to assist the participating underwriters in complying with SEC Rule 15c2-12(b)(5).

It is my opinion that the Continuing Disclosure Certificate has been duly and validly authorized, executed and delivered by and on behalf of the State and constitutes a valid and binding obligation of the State enforceable in accordance with the terms thereof (except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity).

The Mississippi Legislature enacted Section 11-46-1 *et seq.*, Mississippi Code of 1972, as amended, to address the tort liability of the State and its political subdivisions. This act creates an immunity and then waives this immunity except in certain situations up to a maximum of two hundred fifty thousand dollars ($250,000.00) per occurrence before July 1, 2001 and up to a maximum of five hundred thousand dollars ($500,000.00) per occurrence on or after July 1, 2001.

When the Attorney General of the State shall give his opinion in writing to an officer, board, commission, department or person authorized to require such written opinion, there shall be no liability, civil or criminal, accruing to or against such body or person who in good faith follows the direction of such opinion and acts in accordance therewith, unless a court of competent jurisdiction, after a full hearing, shall publicly declare that such opinion is manifestly wrong and without any substantial support.

This opinion is being rendered in connection with the issuance of the Series 2013B Bonds and in anticipation that it will be relied upon by the parties purchasing the Series 2013B Bonds and by Bond Counsel, in rendering their opinion with respect to the Series 2013B Bonds, and such reliance is hereby specifically authorized.

Very truly yours,

_____

JIM HOOD, Attorney General

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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FORM OF OPINION OF BOND COUNSEL

State Bond Commission
State of Mississippi
Jackson, Mississippi

Gentlemen:

We have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Section 1 of Senate Bill 3175, 2007 Regular Session of the State Legislature, as amended by Senate Bill 2923, 2011 Regular Session of the State Legislature, Section 1(2) of House Bill 1722, 2009 Regular Session of the State Legislature, as amended by Senate Bill 2728, 2013 Regular Session of the State Legislature, Section 1(2) and (6)(b)(i) of House Bill 1701, 2010 Regular Session of the State Legislature, Section 3(4) and (6) of Senate Bill 3181, 2010 Regular Session of the State Legislature, as amended by Section 39 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 1(2) and (7)(b) of Senate Bill 3100, 2011 Regular Session of the State Legislature, as amended by Section 38 of Senate Bill 2913, Regular Session of the State Legislature, Section 1(3) and (7)(b)(ii) of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 1(6) and (7)(b)(v) of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 2 of House Bill 1463, 2011 Regular Session of the State Legislature, Section 28 of Senate Bill 3100, 2011 Regular Session of the State Legislature, Section 29 of Senate Bill 3100, 2011 Regular Session of the State Legislature, as amended by Section 7 of House Bill 1049, 2013 Regular Session of the State Legislature, Section 1 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 3 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 23 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 21 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 6 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Sections 49 and 50 of House Bill 1701, 2010 Regular Session of the State Legislature, Sections 30 and 31 of Senate Bill 3100, 2011 Regular Session of the State Legislature, Sections 4 and 5 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 8 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 12 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 16 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 22 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 15 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 19 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 24 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 20 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 36 of Senate Bill 2913, 2013 Regular Session of the State Legislature and Section 49-17-85, Mississippi Code of 1972, as amended and supplemented from time to time, Section 14 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 13 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 17 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 29 of Senate Bill 2913, 2013 Regular Session of the State Legislature, Section 57-75-15(3)(b) of Sections 57-75-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, and Section 18 of Senate Bill 2913, 2013 Regular Session of the State Legislature (collectively, the "Act"), and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution on October 31, 2013 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$159,225,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION BONDS,
SERIES 2013B

dated the date of delivery thereof and maturing in such amounts and at such times, bearing interest and subject to redemption, all as set forth in the Resolution (the "Series 2013B Bonds"). The Series 2013B Bonds are being issued for the purpose of financing the costs of certain capital improvements and projects within the State and paying the costs incident to the sale, issuance and delivery of the Series 2013B Bonds, all as authorized by the Act.

As to questions of fact material to our opinion, we have relied upon such certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent

investigation. We have also examined one of the Series 2013B Bonds as executed and assume that all other Series 2013B Bonds have been similarly executed.

Based on the foregoing, we are of the opinion that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Series 2013B Bonds by the State pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The Series 2013B Bonds have been duly authorized, executed and delivered under the provisions of the Resolution and are entitled to the pledge and security of the Resolution.

3. The Series 2013B Bonds are legal, valid and binding general obligations of the State and, under the provisions of the Act, for the payment thereof the full faith and credit of the State are pledged. The Act provides that if the funds appropriated by the Legislature of the State shall be insufficient to pay the principal of and interest on the Series 2013B Bonds as they become due, the deficiency shall be paid by the State Treasurer from funds in the State Treasury not otherwise appropriated.

4. Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated below, interest on the Series 2013B Bonds is excluded from gross income for federal income tax purposes. Furthermore, interest on the Series 2013B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2013B Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2013B Bonds. In rendering the opinion contained in this paragraph 4, we have assumed continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met after the issuance of the Series 2013B Bonds in order that interest on the Series 2013B Bonds not be included in gross income for federal income tax purposes. The failure to meet such requirements may cause interest on the Series 2013B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013B Bonds. The State has covenanted to comply with or to require compliance with the requirements of the Code in order to maintain the exclusion of interest on the Series 2013B Bonds from gross income for federal income tax purposes. Owners of the Series 2013B Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the environmental tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences

5. Under and pursuant to the Act, the Series 2013B Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

It is to be understood that the rights of the holders of the Series 2013B Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereinafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, PC

STATE OF MISSISSIPPI • GENERAL OBLIGATION BONDS, SERIES 2013

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