Mississippi Affordable College Savings Program

Independent Auditor's Reports and Financial Statements

June 30, 2015

BKD LLP
CPAs & Advisors

Mississippi Affordable College Savings Program
June 30, 2015

Contents

BKD LLP
CPAs & Advisors
190 E. Capitol Street, Suite 500 // Jackson, MS 39201-2190
601.948.6700 // fax 601.948.6000 // bkd.com

Independent Auditor's Report

Board of Directors
College Savings Plans of Mississippi
Mississippi Affordable College Savings Program
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Mississippi Affordable College Savings Program (the Program), which are comprised of a balance sheet as of June 30, 2015, and a statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Affordable College Savings Program as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, the financial statements of the Program are intended to present the fiduciary net position and changes in fiduciary net position only for the portion of the fiduciary activities of the State of Mississippi that is attributable to the transactions of the Program. They do not purport to, and do not present fairly, the fiduciary net position of the State of Mississippi as of June 30, 2015, and the changes in its fiduciary net position for the year then ended, in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in *Note 2* to the financial statements, in 2015 the Program adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB, 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 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.

Report on Summarized Comparative Information

We have previously audited the Program's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2016, on our consideration of the Program'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* in considering the Program's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
March 1, 2016

Mississippi Affordable College Savings Program

Balance Sheet

June 30, 2015
(With Summarized Information for 2014)

	2015				
	3318400000 Trust Fund	3318300000 Administrative Fund	3318500000 Endowment Fund	Total	2014 Total
Assets and Deferred Outflows of Resources					
Cash and cash equivalents	$ -	$ 49,993	$ 1,000	$ 50,993	$ 7,470
Accounts and other receivables	234,008	39	-	234,047	378,188
Investment securities	186,389,419	-	-	186,389,419	180,311,832
Total assets	186,623,427	50,032	1,000	186,674,459	180,697,490
Deferred outflows of resources	-	10,118	-	10,118	-
Total assets and deferred outflows of resources	$ 186,623,427	$ 60,150	$ 1,000	$ 186,684,577	$ 180,697,490
Liabilities, Deferred Inflows of Resources and Fiduciary Net Position					
Liabilities					
Accounts and warrants payable	$ -	$ 10,282	$ -	$ 10,282	$ 6,256
Payable for securities transactions, redemptions and management fees	367,990	-	-	367,990	466,825
Compensated absences	-	6,334	-	6,334	12,411
Net pension liability	-	121,382	-	121,382	-
Total liabilities	367,990	137,998	-	505,988	485,492
Deferred inflows of resources	-	17,595	-	17,595	-
Fiduciary net position	186,255,437	(95,443)	1,000	186,160,994	180,211,998
Total liabilities, deferred inflows of resources and fiduciary net position	$ 186,623,427	$ 60,150	$ 1,000	$ 186,684,577	$ 180,697,490

Mississippi Affordable College Savings Program

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015
(With Summarized Information for 2014)

	2015				
	3318400000 Trust Fund	3318300000 Administrative Fund	3318500000 Endowment Fund	Total	2014 Total
Additions					
Investment earnings					
Interest	$ 283,174	$ 537	$ -	$ 283,711	$ 302,073
Dividends	2,931,340	-	-	2,931,340	2,620,369
Net realized gain and net appreciation/depreciation in fair value of investments	1,048,350	-	-	1,048,350	17,332,028
Customer subscriptions	23,819,910	-	-	23,819,910	22,054,217
Program manager transfers	-	120,000	-	120,000	150,000
Other income	-	-	-	-	100
Total additions	28,082,774	120,537	-	28,203,311	42,458,787
Deductions					
Customer redemptions	21,244,625	-	-	21,244,625	19,021,939
Management fees	770,907	-	-	770,907	695,290
Salaries and travel	-	68,561	-	68,561	115,172
Contractual services	-	43,445	-	43,445	38,693
Commodities and supplies	-	129	-	129	502
Total deductions	22,015,532	112,135	-	22,127,667	19,871,596
Net Increase	6,067,242	8,402	-	6,075,644	22,587,191
Fiduciary Net Position, Beginning of Year, as Previously Reported	180,188,195	22,803	1,000	180,211,998	157,624,807
Cumulative Effect of Change in Accounting Principle (Note 2)	-	(126,648)	-	(126,648)	-
Fiduciary Net Position, Beginning of Year, as Restated	180,188,195	(103,845)	1,000	180,085,350	157,624,807
Fiduciary Net Position, End of Year	$ 186,255,437	$ (95,443)	$ 1,000	$ 186,160,994	$ 180,211,998

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2015

Note 1: Organization

Mississippi Affordable College Savings Program (MACS or the Program) was created by the 2000 Session of the Mississippi Legislature to assist qualified students in financing costs of attending institutions of higher education, to encourage timely financial planning for higher education, provide a savings program for those persons who wish to save to meet post-secondary educational needs beyond the traditional baccalaureate curriculum and to provide a choice of programs to persons who determine that the overall educational needs of their families are best provided by either a savings trust agreement under MACS or a prepaid tuition contract under Mississippi Prepaid Affordable College Tuition Program (MPACT). MACS operates under the provisions of Mississippi Code Ann., Section 37-155-101 through Section 37-155-125. The administration functions of MACS are delegated to the State of Mississippi Treasury Department (State Treasury). The Program is governed by the thirteen-member College Savings Plans of Mississippi Board of Directors (the Board) consisting of the following members: the State Treasurer, the Commissioner of Higher Education, the Executive Director of the Community and Junior College Board, the Department of Finance and Administration Executive Director, one member from each congressional district as appointed by the Governor with the advice and consent of the Senate and four nonvoting advisory members appointed by the Lieutenant Governor and the Speaker of the Mississippi House of Representatives. The Board has authority to appoint investment managers, adopt resolutions for the administration of the Program and establish investment policies for the Program. TIAA-CREF Tuition Financing, Inc. (TFI), a subsidiary of Teachers Insurance and Annuity Association of America (TIAA), and the Board entered into a management agreement under which TFI serves as Program Manager. MACS is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940.

An individual participating in the Program establishes an account in the name of a beneficiary. Throughout the year ended June 30, 2012, the Program consisted of two investment programs: [1] Mississippi Affordable College Savings Direct Program (the Direct Program) and [2] Mississippi Affordable College Savings Advisor Program (the Advisor Program). On May 17, 2013, the Advisor Program was closed and merged into the Direct Program. All unique investment options in the Advisory Program were liquidated and reinvested in the Direct Program investment options.

Contributions to the Direct Program can be made among four investment options: the Managed Allocation Option, the Diversified Equity Option, the Fixed Income Option and the Guaranteed Option. Contributions to the Managed Allocation Option are allocated among nine age bands, based on the age of the beneficiary. Each age band invests in varying percentages in the Bond Index, Emerging Markets Equity Index, Inflation-Linked Bond, Small-Cap Blend Index, International Equity Index, Real Estate Securities, Large-Cap Value Index, Large-Cap Growth Index, Short-Term Bond, and Money Market Funds of the TIAA-CREF Institutional Mutual Funds. The Diversified Equity Option invests in varying percentages in the Real Estate Securities, International Equity Index, Large-Cap Value Index, Large-Cap Growth Index, Small-Cap Equity, Emerging Markets Equity Index, and International Equity Funds of the TIAA-CREF Institutional Mutual Funds. The Fixed Income Option invests in varying percentages in the Inflation-Linked

Bond, Bond Index, and High-Yield Funds of the TIAA-CREF Institutional Mutual Funds. The Guaranteed Option invests in the TIAA-CREF Life Insurance Company Funding Agreement, a guaranteed funding agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA, which guarantees principal and a minimum return of 1.00% per annum. All allocation percentages are determined by the Board and are subject to change.

Teachers Advisors, Inc., an affiliate of TFI, is registered with the Securities and Exchange Commission (the Commission) as an investment advisor and provides investment advisory services to the TIAA-CREF Institutional Mutual Funds. Teachers Personal Investor Services, Inc., an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, Inc., also an affiliate of TFI, both of which are registered with the Commission as broker-dealers and are members of the National Association of Securities Dealers, Inc., provide the telephone counseling, marketing and information services required of TFI.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements contained in this report are prepared using the economic resources measurement focus on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when services or benefits are received. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and standards of the Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in fiduciary net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Program defines cash equivalents as demand deposit accounts and cash in the State Treasury.

Investments

The fair value of the investments in mutual funds is based on the net asset values of the funds as of the close of business on the financial statement date. The value of the TIAA-CREF Life Insurance Company Funding Agreement is based on the principal contributed and interest credited less any amounts withdrawn.

Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Net realized gain and net appreciation in fair value of investments include unrealized and realized gains and losses. Realized gains and losses are based upon the specific identification method.

The Program's assets are invested in various types of investment securities and in different companies and multiple markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the Program's financial statements.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources.

Contributions and Withdrawals

Contributions by a participant are evidenced through the issuance of units in the particular assigned investment option. Contributions received by the Program Manager before the close of trading on the New York Stock Exchange on any business day are credited to the account to which the contribution is made within one business day thereafter. Contributions are invested in units of the assigned investment option on the business day the contribution is credited to the participant's account. Withdrawals are based on the net asset value calculated for such investment option at the end of the business day on which the Program Manager processes the withdrawal request.

Exchanges

For certain investment options, account balances will automatically be exchanged from one portfolio to another more conservative portfolio as the beneficiary gets older. The transfers of funds between portfolios are referred to as exchanges, age band roll or customer age band restructuring. Additionally, the transfer of assets to the Direct Program upon closing the Advisory Program is considered to be an exchange. The amounts of contributions and withdrawals reported in the statement of changes in fiduciary net position do not include these exchanges, as they have no impact on the overall financial position of the Program.

Penalty Fees

The Program does not retain penalty fees on nonqualified withdrawals; however, the account owner may be subject to additional federal income taxes relating to any earnings on nonqualified withdrawals.

Tax Status

MACS is exempt from federal income tax as a qualified state tuition program under Section 529 of the Internal Revenue Code of 1986. Section 1806 of the Small Business Job Protection Act of 1996 added Section 529. This code section provides that a qualified state tuition program is exempt from all federal income taxation except that relating to unrelated business income. The term “qualified state tuition program” is defined generally in Code Section 529 as a program established and maintained by a state or agency and instrumentality thereof under which, among other things, a person may make cash contributions to an account established solely for meeting the qualified higher education expenses of the designated beneficiary of the account. To the extent necessary and applicable, the Program documents include the qualification criteria required by Section 529.

Reporting Entity

MACS is part of the State of Mississippi’s reporting entity and is reported as a private purpose trust fund (fiduciary fund) in the State of Mississippi Comprehensive Annual Financial Report (CAFR). These financial statements and the accompanying notes relate solely to MACS. MPACT issues separate financial statements.

MACS is comprised of the following three fiduciary funds:

- Trust Fund (Fund 3318400000) includes contributions from MACS’ investors and serves to acquire, invest and disburse amounts from account owners pursuant to savings trust agreements.
- Administrative Fund (Fund 3318300000) includes administrative fees from MACS for the purpose of administration and marketing of the Program.
- Endowment Fund (Fund 3318500000) includes contributions and donations to MACS and serves to receive and disburse monies as specified by the Board.

Change in Accounting Principles

MACS adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, (GASB 68) and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71), which revise and establish new accounting and financial reporting requirements for governments that provide their employees with pension benefits. MACS provides its employees with pension benefits through the Mississippi Public Employees’ Retirement System (PERS), a multiple-employer, cost-sharing defined benefit retirement program administered by PERS. GASB 68 requires employers participating in multiple-employer, cost-sharing plans, such as PERS, to record their proportionate share, as defined in GASB 68, of PERS’ unfunded pension liability. MACS has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERS. The cumulative effect of adopting GASB 68 and GASB 71 resulted in a $126,648 restatement of net position as of July 1, 2014. This restatement decreased previously reported net position. Information regarding PERS’ current funding status can be found in their CAFR. Information related to beginning balances for fiscal year 2014 was not available; thus the effects of GASB 68 and GASB 71, including the related pension liability, were not reported on the balance sheet or statement of changes in fiduciary net position for that year.

Note 3: Management Agreements

For its services as Program Manager, TFI and related entities are paid an annual management fee of 0.5% of the average daily net assets of the Program, plus specific investment management fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds. Total management fees earned by TFI and related entities for the years ended June 30, 2015 and 2014, were $1,053,500 and $943,244, respectively, which included $770,907 during 2015 and $695,290 during 2014 of fees on average daily net assets of the Program and $282,593 during 2015 and $247,954 during 2014 of fees on the underlying Program investments in the TIAA-CREF Institutional Mutual Funds. Fees earned by TFI and related entities on the underlying Program investments were not charged to the Program but were paid by participants according to the Program management agreements and are reported in the statement of changes in fiduciary net position as customer redemptions.

Note 4: Investment Securities

As of June 30, 2015 and 2014, investment securities consisted of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
TIAA-CREF Institutional Mutual Funds				
International Equity Fund	$ 5,607,749	$ 7,359,049	$ 5,738,287	$ 7,785,690
High-Yield Fund	7,224,768	6,941,251	229,576	230,407
Inflation-Linked Bond Fund	9,482,705	9,168,985	10,638,792	10,439,984
Bond Index Fund	30,616,266	30,768,521	33,487,282	33,835,165
Large-Cap Value Index Fund	16,943,901	25,843,057	17,643,995	27,064,039
Large-Cap Growth Index Fund	15,508,162	27,010,298	16,594,499	26,855,200
Small-Cap Blend Index Fund	1,607,768	2,124,927	1,505,246	2,020,899
Real Estate Securities Fund	7,688,900	9,528,781	6,874,776	8,517,546
Money Market Fund	2,078,054	2,078,054	1,784,810	1,784,810
Small-Cap Equity Fund	2,402,964	2,964,536	2,097,768	2,817,898
International Equity Index Fund	12,132,988	14,178,977	12,472,083	15,840,376
Emerging Markets Equity Index Fund	5,137,165	4,911,149	3,583,799	3,707,375
Short-Term Bond Fund	15,887,748	15,831,505	9,737,900	9,782,341
TIAA-CREF Life Insurance Company				
Funding Agreement	27,680,312	27,680,329	29,623,848	29,630,102
	$ 159,999,450	$ 186,389,419	$ 152,012,661	$ 180,311,832

At June 30, 2015, the net unrealized appreciation of mutual funds was $26,389,969, consisting of gross unrealized appreciation of $27,269,465 and gross unrealized depreciation of $879,496. At June 30, 2014, the net unrealized appreciation of mutual funds was $28,299,171, consisting of gross unrealized appreciation of $28,497,979 and gross unrealized depreciation of $198,808.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MACS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the government and are held by either the counterparty or the counterparty's trust department or agent. The Mississippi Code of 1972, Section 37-155-115(3) requires that all investments be clearly marked to indicate ownership by MACS and, to the extent possible, be registered in the name of MACS. Investments of the Program are entirely uninsured and are held by third parties in the name of MACS for the benefit of account owners.

For deposits, custodial credit risk is the risk that in the event of a bank failure, MACS' deposits may not be returned to it. Deposits of the Program are entirely insured or collateralized with securities.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Credit ratings of bond funds held by MACS consisted of the following at June 30.

	2015			
	Inflation-Linked Bond Fund	**Short-Term Bond Fund**	**Bond Index Fund**	**High-Yield Fund**
Credit Rating				
AAA	100%	32%	71%	-
AA	-	15%	5%	-
A	-	20%	12%	-
BBB	-	24%	12%	1%
BB	-	6%	-	39%
B or below	-	3%	-	60%
Not rated	-	-	-	-
Total	100%	100%	100%	100%

	2014			
	Inflation-Linked Bond Fund	**Short-Term Bond Fund**	**Bond Index Fund**	**High-Yield Fund**
Credit Rating				
AAA	100%	38%	71%	-
AA	-	17%	5%	-
A	-	17%	12%	-
BBB	-	19%	12%	1%
BB	-	7%	-	48%
B or below	-	2%	-	51%
Not rated	-	-	-	-
Total	100%	100%	100%	100%

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. MACS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Mississippi Affordable College Savings Program

Notes to Financial Statements

June 30, 2015

The maturities of the underlying bonds in the bond funds held by MACS consisted of the following at June 30.

2015

	Inflation-Linked Bond Fund	Short-Term Bond Fund	Bond Index Fund	High-Yield Fund
Maturity				
Less than 1 year	1%	12%	3%	-
1-5	33%	82%	57%	19%
6-10	38%	6%	26%	74%
More than 10	28%	-	14%	7%
Total	100%	100%	100%	100%
Weighted Average Maturity in Years	8.30	2.54	7.41	6.86

2014

	Inflation-Linked Bond Fund	Short-Term Bond Fund	Bond Index Fund	High-Yield Fund
Maturity				
Less than 1 year	3%	14%	2%	-
1-5	34%	83%	50%	17%
6-10	36%	3%	36%	77%
More than 10	27%	-	12%	6%
Total	100%	100%	100%	100%
Weighted Average Maturity in Years	8.32	4.58	7.48	9.21

Foreign Currency Risk

Foreign currency and investment risk is the risk that changes in exchange rates that will adversely affect the fair value of investments in foreign securities. The Program does not have any direct investment in foreign fixed income securities. Certain program options allocate assets to underlying mutual funds that are exposed to foreign currency and investment risk. At June 30, 2015, the International Equity Fund, the Money Market Fund, the International Equity Index Fund and the Emerging Markets Equity Index Fund primarily invested in foreign securities.

Note 5: Program Manager Transfers

Expenditures from the Administrative Fund during 2015 and 2014 were funded through payments to the State Treasury on behalf of MACS by TFI from fees charged to MACS account owners as specified by the Management Agreement.

Note 6: Pension Plan

Plan Description

MACS contributes to PERS, a cost sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing the Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 601.359.3589 or 1.800.444.PERS or online at http://www.pers.ms.gov.

Benefits Provided

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable 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 creditable 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 8 years of membership service (4 years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A cost-of-living adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter.

Contributions

Plan provisions and the PERS Board of Trustees' authority to determine contribution rates are established by Mississippi Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Contribution rates for PERS are established in accordance with actuarial contribution requirements determined through the most recent June 30 annual valuation and adopted by the PERS Board of Trustees. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plan based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan.

Employees are required to contribute 9.00% of their annual pay. The employer's contractually required contribution rate for the year ended June 30, 2015, was 15.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, contributions to the pension plan from MACS were $8,224.

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

At June 30, 2015, MACS reported a liability of $121,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MACS' proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2014, relative to the total employer contributions of participating employers to PERS. At June 30, 2014, MACS' proportion was 0.001%, which was consistent with its proportion measured as of June 30, 2013. MACS actuarially determined pension liability at June 30, 2014 was $138,559. Information related to beginning balances for fiscal year 2014 was not available; thus the effects of GASB 68 and GASB 71, including the related pension liability, were not reported on the balance sheet or statement of changes in fiduciary net position for that year.

For the year ended June 30, 2015, MACS recognized pension expense of $8,221. At June 30, 2015, MACS reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,894	$ -
Net difference between projected and actual earnings on pension plan investments	-	17,595
Contributions subsequent to the measurement date	8,224	-
	$ 10,118	$ 17,595

At June 30, 2015, MACS reported $8,224 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	$ (3,718)
2017	(3,718)
2018	(3,867)
2019	(4,398)
	$ (15,701)

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3.50%
Salary increases	4.25% -19.50%, average, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2012. The experience report is dated June 12, 2013.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%), and that participating employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

MACS' proportionate share of the net pension liability has been calculated using a discount rate of 8.00%. The following presents MACS' proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00%)
Proportionate share of the net pension liability	$ 165,479	$ 121,382	$ 84,598

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR which can be obtained at http://www.pers.ms.gov.

Payable to the Pension Plan

At June 30, 2015, MACS has no amounts payable for outstanding contributions to the pension plan required for the year ended June 30, 2015.

Required Supplementary Information

Mississippi Affordable College Savings Program

Schedule of the Employer's Proportionate Share of the Net Pension Liability

	2015	2014
Employer's proportion of the net pension liability	0.001%	0.001%
Employer's proportionate share of the net pension liability	$ 121,382	$ 138,559
Employer's covered-employee payroll	$ 75,625	$ 66,926
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	160.5%	207.0%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.02%

Information above is presented as of the measurement date.

Information is not currently available for prior years; additional years will be displayed as they become available.

Mississippi Affordable College Savings Program

Schedule of the Employer's Contributions

	2015	2014
Contractually required contribution	$ 8,224	$ 11,911
Contributions in relation to the contractually required contribution	8,224	11,911
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 52,216	$ 75,625
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

Information above is presented as of the employer's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become available.

BKD LLP
CPAs & Advisors

190 E. Capitol Street, Suite 500 // Jackson, MS 39201-2190
601.948.6700 // fax 601.948.6000 // bkd.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
College Savings Plans of Mississippi
Mississippi Affordable College Savings Program
Jackson, Mississippi

We have audited, 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, the financial statements of Mississippi Affordable College Savings Program (the Program), which comprise the balance sheet as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2016, which contained "Emphasis of Matter" paragraphs regarding the entity reflected in the financial statements and a change in accounting principles and "Other Matter" paragraph regarding the omission and inclusion of required supplementary information.

Internal Control Over Financial Reporting

Management of the Program is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Program's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
March 1, 2016

Mississippi Affordable College Savings Program
June 30, 2015

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BKD LLP
CPAs & Advisors

190 E. Capitol Street, Suite 500 // Jackson, MS 39201-2190
601.948.6700 // fax 601.948.6000 // bkd.com

Independent Auditor's Report

Board of Directors
College Savings Plans of Mississippi
Mississippi Affordable College Savings Program
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Mississippi Affordable College Savings Program (the Program), which are comprised of a balance sheet as of June 30, 2015, and a statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Affordable College Savings Program as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, the financial statements of the Program are intended to present the fiduciary net position and changes in fiduciary net position only for the portion of the fiduciary activities of the State of Mississippi that is attributable to the transactions of the Program. They do not purport to, and do not present fairly, the fiduciary net position of the State of Mississippi as of June 30, 2015, and the changes in its fiduciary net position for the year then ended, in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in *Note 2* to the financial statements, in 2015 the Program adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB, 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 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.

Report on Summarized Comparative Information

We have previously audited the Program's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2016, on our consideration of the Program'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* in considering the Program's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
March 1, 2016

Mississippi Affordable College Savings Program

Balance Sheet

June 30, 2015
(With Summarized Information for 2014)

	2015				
	3318400000 Trust Fund	3318300000 Administrative Fund	3318500000 Endowment Fund	Total	2014 Total
Assets and Deferred Outflows of Resources					
Cash and cash equivalents	$ -	$ 49,993	$ 1,000	$ 50,993	$ 7,470
Accounts and other receivables	234,008	39	-	234,047	378,188
Investment securities	186,389,419	-	-	186,389,419	180,311,832
Total assets	186,623,427	50,032	1,000	186,674,459	180,697,490
Deferred outflows of resources	-	10,118	-	10,118	-
Total assets and deferred outflows of resources	$ 186,623,427	$ 60,150	$ 1,000	$ 186,684,577	$ 180,697,490
Liabilities, Deferred Inflows of Resources and Fiduciary Net Position					
Liabilities					
Accounts and warrants payable	$ -	$ 10,282	$ -	$ 10,282	$ 6,256
Payable for securities transactions, redemptions and management fees	367,990	-	-	367,990	466,825
Compensated absences	-	6,334	-	6,334	12,411
Net pension liability	-	121,382	-	121,382	-
Total liabilities	367,990	137,998	-	505,988	485,492
Deferred inflows of resources	-	17,595	-	17,595	-
Fiduciary net position	186,255,437	(95,443)	1,000	186,160,994	180,211,998
Total liabilities, deferred inflows of resources and fiduciary net position	$ 186,623,427	$ 60,150	$ 1,000	$ 186,684,577	$ 180,697,490

Mississippi Affordable College Savings Program

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015
(With Summarized Information for 2014)

	2015				
	3318400000 Trust Fund	3318300000 Administrative Fund	3318500000 Endowment Fund	Total	2014 Total
Additions					
Investment earnings					
Interest	$ 283,174	$ 537	$ -	$ 283,711	$ 302,073
Dividends	2,931,340	-	-	2,931,340	2,620,369
Net realized gain and net appreciation/depreciation in fair value of investments	1,048,350	-	-	1,048,350	17,332,028
Customer subscriptions	23,819,910	-	-	23,819,910	22,054,217
Program manager transfers	-	120,000	-	120,000	150,000
Other income	-	-	-	-	100
Total additions	28,082,774	120,537	-	28,203,311	42,458,787
Deductions					
Customer redemptions	21,244,625	-	-	21,244,625	19,021,939
Management fees	770,907	-	-	770,907	695,290
Salaries and travel	-	68,561	-	68,561	115,172
Contractual services	-	43,445	-	43,445	38,693
Commodities and supplies	-	129	-	129	502
Total deductions	22,015,532	112,135	-	22,127,667	19,871,596
Net Increase	6,067,242	8,402	-	6,075,644	22,587,191
Fiduciary Net Position, Beginning of Year, as Previously Reported	180,188,195	22,803	1,000	180,211,998	157,624,807
Cumulative Effect of Change in Accounting Principle (Note 2)	-	(126,648)	-	(126,648)	-
Fiduciary Net Position, Beginning of Year, as Restated	180,188,195	(103,845)	1,000	180,085,350	157,624,807
Fiduciary Net Position, End of Year	$ 186,255,437	$ (95,443)	$ 1,000	$ 186,160,994	$ 180,211,998

Note 1: Organization

Mississippi Affordable College Savings Program (MACS or the Program) was created by the 2000 Session of the Mississippi Legislature to assist qualified students in financing costs of attending institutions of higher education, to encourage timely financial planning for higher education, provide a savings program for those persons who wish to save to meet post-secondary educational needs beyond the traditional baccalaureate curriculum and to provide a choice of programs to persons who determine that the overall educational needs of their families are best provided by either a savings trust agreement under MACS or a prepaid tuition contract under Mississippi Prepaid Affordable College Tuition Program (MPACT). MACS operates under the provisions of Mississippi Code Ann., Section 37-155-101 through Section 37-155-125. The administration functions of MACS are delegated to the State of Mississippi Treasury Department (State Treasury). The Program is governed by the thirteen-member College Savings Plans of Mississippi Board of Directors (the Board) consisting of the following members: the State Treasurer, the Commissioner of Higher Education, the Executive Director of the Community and Junior College Board, the Department of Finance and Administration Executive Director, one member from each congressional district as appointed by the Governor with the advice and consent of the Senate and four nonvoting advisory members appointed by the Lieutenant Governor and the Speaker of the Mississippi House of Representatives. The Board has authority to appoint investment managers, adopt resolutions for the administration of the Program and establish investment policies for the Program. TIAA-CREF Tuition Financing, Inc. (TFI), a subsidiary of Teachers Insurance and Annuity Association of America (TIAA), and the Board entered into a management agreement under which TFI serves as Program Manager. MACS is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940.

An individual participating in the Program establishes an account in the name of a beneficiary. Throughout the year ended June 30, 2012, the Program consisted of two investment programs:
[1] Mississippi Affordable College Savings Direct Program (the Direct Program) and
[2] Mississippi Affordable College Savings Advisor Program (the Advisor Program). On May 17, 2013, the Advisor Program was closed and merged into the Direct Program. All unique investment options in the Advisory Program were liquidated and reinvested in the Direct Program investment options.

Contributions to the Direct Program can be made among four investment options: the Managed Allocation Option, the Diversified Equity Option, the Fixed Income Option and the Guaranteed Option. Contributions to the Managed Allocation Option are allocated among nine age bands, based on the age of the beneficiary. Each age band invests in varying percentages in the Bond Index, Emerging Markets Equity Index, Inflation-Linked Bond, Small-Cap Blend Index, International Equity Index, Real Estate Securities, Large-Cap Value Index, Large-Cap Growth Index, Short-Term Bond, and Money Market Funds of the TIAA-CREF Institutional Mutual Funds. The Diversified Equity Option invests in varying percentages in the Real Estate Securities, International Equity Index, Large-Cap Value Index, Large-Cap Growth Index, Small-Cap Equity, Emerging Markets Equity Index, and International Equity Funds of the TIAA-CREF Institutional

Mutual Funds. The Fixed Income Option invests in varying percentages in the Inflation-Linked Bond, Bond Index, and High-Yield Funds of the TIAA-CREF Institutional Mutual Funds. The Guaranteed Option invests in the TIAA-CREF Life Insurance Company Funding Agreement, a guaranteed funding agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA, which guarantees principal and a minimum return of 1.00% per annum. All allocation percentages are determined by the Board and are subject to change.

Teachers Advisors, Inc., an affiliate of TFI, is registered with the Securities and Exchange Commission (the Commission) as an investment advisor and provides investment advisory services to the TIAA-CREF Institutional Mutual Funds. Teachers Personal Investor Services, Inc., an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, Inc., also an affiliate of TFI, both of which are registered with the Commission as broker-dealers and are members of the National Association of Securities Dealers, Inc., provide the telephone counseling, marketing and information services required of TFI.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements contained in this report are prepared using the economic resources measurement focus on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when services or benefits are received. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and standards of the Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in fiduciary net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Program defines cash equivalents as demand deposit accounts and cash in the State Treasury.

Investments

The fair value of the investments in mutual funds is based on the net asset values of the funds as of the close of business on the financial statement date. The value of the TIAA-CREF Life Insurance Company Funding Agreement is based on the principal contributed and interest credited less any amounts withdrawn.

Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Net realized gain and net appreciation in fair value of investments include unrealized and realized gains and losses. Realized gains and losses are based upon the specific identification method.

The Program's assets are invested in various types of investment securities and in different companies and multiple markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the Program's financial statements.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources.

Contributions and Withdrawals

Contributions by a participant are evidenced through the issuance of units in the particular assigned investment option. Contributions received by the Program Manager before the close of trading on the New York Stock Exchange on any business day are credited to the account to which the contribution is made within one business day thereafter. Contributions are invested in units of the assigned investment option on the business day the contribution is credited to the participant's account. Withdrawals are based on the net asset value calculated for such investment option at the end of the business day on which the Program Manager processes the withdrawal request.

Exchanges

For certain investment options, account balances will automatically be exchanged from one portfolio to another more conservative portfolio as the beneficiary gets older. The transfers of funds between portfolios are referred to as exchanges, age band roll or customer age band restructuring. Additionally, the transfer of assets to the Direct Program upon closing the Advisory

Program is considered to be an exchange. The amounts of contributions and withdrawals reported in the statement of changes in fiduciary net position do not include these exchanges, as they have no impact on the overall financial position of the Program.

Penalty Fees

The Program does not retain penalty fees on nonqualified withdrawals; however, the account owner may be subject to additional federal income taxes relating to any earnings on nonqualified withdrawals.

Tax Status

MACS is exempt from federal income tax as a qualified state tuition program under Section 529 of the Internal Revenue Code of 1986. Section 1806 of the Small Business Job Protection Act of 1996 added Section 529. This code section provides that a qualified state tuition program is exempt from all federal income taxation except that relating to unrelated business income. The term "qualified state tuition program" is defined generally in Code Section 529 as a program established and maintained by a state or agency and instrumentality thereof under which, among other things, a person may make cash contributions to an account established solely for meeting the qualified higher education expenses of the designated beneficiary of the account. To the extent necessary and applicable, the Program documents include the qualification criteria required by Section 529.

Reporting Entity

MACS is part of the State of Mississippi's reporting entity and is reported as a private purpose trust fund (fiduciary fund) in the State of Mississippi Comprehensive Annual Financial Report (CAFR). These financial statements and the accompanying notes relate solely to MACS. MPACT issues separate financial statements.

MACS is comprised of the following three fiduciary funds:

- Trust Fund (Fund 3318400000) includes contributions from MACS' investors and serves to acquire, invest and disburse amounts from account owners pursuant to savings trust agreements.

- Administrative Fund (Fund 3318300000) includes administrative fees from MACS for the purpose of administration and marketing of the Program.

- Endowment Fund (Fund 3318500000) includes contributions and donations to MACS and serves to receive and disburse monies as specified by the Board.

Change in Accounting Principles

MACS adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27,* (GASB 68) and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71), which revise and establish new accounting and financial reporting requirements for governments that provide their employees with pension benefits. MACS provides its employees with pension benefits through the Mississippi Public Employees' Retirement System (PERS), a multiple-employer, cost-sharing defined benefit retirement program administered by PERS. GASB 68 requires employers participating in multiple-employer, cost-sharing plans, such as PERS, to record their proportionate share, as defined in GASB 68, of PERS' unfunded pension liability. MACS has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERS. The cumulative effect of adopting GASB 68 and GASB 71 resulted in a $126,648 restatement of net position as of July 1, 2014. This restatement decreased previously reported net position. Information regarding PERS' current funding status can be found in their CAFR. Information related to beginning balances for fiscal year 2014 was not available; thus the effects of GASB 68 and GASB 71, including the related pension liability, were not reported on the balance sheet or statement of changes in fiduciary net position for that year.

Note 3: Management Agreements

For its services as Program Manager, TFI and related entities are paid an annual management fee of 0.5% of the average daily net assets of the Program, plus specific investment management fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds. Total management fees earned by TFI and related entities for the years ended June 30, 2015 and 2014, were $1,053,500 and $943,244, respectively, which included $770,907 during 2015 and $695,290 during 2014 of fees on average daily net assets of the Program and $282,593 during 2015 and $247,954 during 2014 of fees on the underlying Program investments in the TIAA-CREF Institutional Mutual Funds. Fees earned by TFI and related entities on the underlying Program investments were not charged to the Program but were paid by participants according to the Program management agreements and are reported in the statement of changes in fiduciary net position as customer redemptions.

Note 4: Investment Securities

As of June 30, 2015 and 2014, investment securities consisted of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
TIAA-CREF Institutional Mutual Funds				
International Equity Fund	$ 5,607,749	$ 7,359,049	$ 5,738,287	$ 7,785,690
High-Yield Fund	7,224,768	6,941,251	229,576	230,407
Inflation-Linked Bond Fund	9,482,705	9,168,985	10,638,792	10,439,984
Bond Index Fund	30,616,266	30,768,521	33,487,282	33,835,165
Large-Cap Value Index Fund	16,943,901	25,843,057	17,643,995	27,064,039
Large-Cap Growth Index Fund	15,508,162	27,010,298	16,594,499	26,855,200
Small-Cap Blend Index Fund	1,607,768	2,124,927	1,505,246	2,020,899
Real Estate Securities Fund	7,688,900	9,528,781	6,874,776	8,517,546
Money Market Fund	2,078,054	2,078,054	1,784,810	1,784,810
Small-Cap Equity Fund	2,402,964	2,964,536	2,097,768	2,817,898
International Equity Index Fund	12,132,988	14,178,977	12,472,083	15,840,376
Emerging Markets Equity Index Fund	5,137,165	4,911,149	3,583,799	3,707,375
Short-Term Bond Fund	15,887,748	15,831,505	9,737,900	9,782,341
TIAA-CREF Life Insurance Company				
Funding Agreement	27,680,312	27,680,329	29,623,848	29,630,102
	$ 159,999,450	$ 186,389,419	$ 152,012,661	$ 180,311,832

At June 30, 2015, the net unrealized appreciation of mutual funds was $26,389,969, consisting of gross unrealized appreciation of $27,269,465 and gross unrealized depreciation of $879,496. At June 30, 2014, the net unrealized appreciation of mutual funds was $28,299,171, consisting of gross unrealized appreciation of $28,497,979 and gross unrealized depreciation of $198,808.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MACS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the government and are held by either the counterparty or the counterparty's trust department or agent. The Mississippi Code of 1972, Section 37-155-115(3) requires that all investments be clearly marked to indicate ownership by MACS and, to the extent possible, be registered in the name of MACS. Investments of the Program are entirely uninsured and are held by third parties in the name of MACS for the benefit of account owners.

For deposits, custodial credit risk is the risk that in the event of a bank failure, MACS' deposits may not be returned to it. Deposits of the Program are entirely insured or collateralized with securities.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Credit ratings of bond funds held by MACS consisted of the following at June 30.

2015

	Inflation-Linked Bond Fund	Short-Term Bond Fund	Bond Index Fund	High-Yield Fund
Credit Rating				
AAA	100%	32%	71%	-
AA	-	15%	5%	-
A	-	20%	12%	-
BBB	-	24%	12%	1%
BB	-	6%	-	39%
B or below	-	3%	-	60%
Not rated	-	-	-	-
Total	100%	100%	100%	100%

2014

	Inflation-Linked Bond Fund	Short-Term Bond Fund	Bond Index Fund	High-Yield Fund
Credit Rating				
AAA	100%	38%	71%	-
AA	-	17%	5%	-
A	-	17%	12%	-
BBB	-	19%	12%	1%
BB	-	7%	-	48%
B or below	-	2%	-	51%
Not rated	-	-	-	-
Total	100%	100%	100%	100%

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. MACS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

The maturities of the underlying bonds in the bond funds held by MACS consisted of the following at June 30.

2015

	Inflation-Linked Bond Fund	Short-Term Bond Fund	Bond Index Fund	High-Yield Fund
Maturity				
Less than 1 year	1%	12%	3%	-
1-5	33%	82%	57%	19%
6-10	38%	6%	26%	74%
More than 10	28%	-	14%	7%
Total	100%	100%	100%	100%
Weighted Average Maturity in Years	8.30	2.54	7.41	6.86

2014

	Inflation-Linked Bond Fund	Short-Term Bond Fund	Bond Index Fund	High-Yield Fund
Maturity				
Less than 1 year	3%	14%	2%	-
1-5	34%	83%	50%	17%
6-10	36%	3%	36%	77%
More than 10	27%	-	12%	6%
Total	100%	100%	100%	100%
Weighted Average Maturity in Years	8.32	4.58	7.48	9.21

Foreign Currency Risk

Foreign currency and investment risk is the risk that changes in exchange rates that will adversely affect the fair value of investments in foreign securities. The Program does not have any direct investment in foreign fixed income securities. Certain program options allocate assets to underlying mutual funds that are exposed to foreign currency and investment risk. At June 30, 2015, the International Equity Fund, the Money Market Fund, the International Equity Index Fund and the Emerging Markets Equity Index Fund primarily invested in foreign securities.

Note 5: Program Manager Transfers

Expenditures from the Administrative Fund during 2015 and 2014 were funded through payments to the State Treasury on behalf of MACS by TFI from fees charged to MACS account owners as specified by the Management Agreement.

Note 6: Pension Plan

Plan Description

MACS contributes to PERS, a cost sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing the Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 601.359.3589 or 1.800.444.PERS or online at http://www.pers.ms.gov.

Benefits Provided

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable 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 creditable 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 8 years of membership service (4 years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A cost-of-living adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter.

Contributions

Plan provisions and the PERS Board of Trustees' authority to determine contribution rates are established by Mississippi Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Contribution rates for PERS are established in accordance with actuarial contribution requirements determined through the most recent June 30 annual valuation and adopted by the PERS Board of Trustees. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plan based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan.

Employees are required to contribute 9.00% of their annual pay. The employer's contractually required contribution rate for the year ended June 30, 2015, was 15.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, contributions to the pension plan from MACS were $8,224.

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

At June 30, 2015, MACS reported a liability of $121,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MACS' proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2014, relative to the total employer contributions of participating employers to PERS. At June 30, 2014, MACS' proportion was 0.001%, which was consistent with its proportion measured as of June 30, 2013. MACS actuarially determined pension liability at June 30, 2014 was $138,559. Information related to beginning balances for fiscal year 2014 was not available; thus the effects of GASB 68 and GASB 71, including the related pension liability, were not reported on the balance sheet or statement of changes in fiduciary net position for that year.

For the year ended June 30, 2015, MACS recognized pension expense of $8,221. At June 30, 2015, MACS reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,894	$ -
Net difference between projected and actual earnings on pension plan investments	-	17,595
Contributions subsequent to the measurement date	8,224	-
	$ 10,118	$ 17,595

At June 30, 2015, MACS reported $8,224 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	$ (3,718)
2017	(3,718)
2018	(3,867)
2019	(4,398)
	$ (15,701)

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3.50%
Salary increases	4.25% -19.50%, average, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2012. The experience report is dated June 12, 2013.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00%), and that participating employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

MACS' proportionate share of the net pension liability has been calculated using a discount rate of 8.00%. The following presents MACS' proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00%)
Proportionate share of the net pension liability	$ 165,479	$ 121,382	$ 84,598

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR which can be obtained at http://www.pers.ms.gov.

Payable to the Pension Plan

At June 30, 2015, MACS has no amounts payable for outstanding contributions to the pension plan required for the year ended June 30, 2015.

Required Supplementary Information

Mississippi Affordable College Savings Program

Schedule of the Employer's Proportionate Share of the Net Pension Liability

	2015	2014
Employer's proportion of the net pension liability	0.001%	0.001%
Employer's proportionate share of the net pension liability	$ 121,382	$ 138,559
Employer's covered-employee payroll	$ 75,625	$ 66,926
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	160.5%	207.0%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.02%

Information above is presented as of the measurement date.

Information is not currently available for prior years; additional years will be displayed as they become available.

Mississippi Affordable College Savings Program

Schedule of the Employer's Contributions

	2015	2014
Contractually required contribution	$ 8,224	$ 11,911
Contributions in relation to the contractually required contribution	8,224	11,911
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 52,216	$ 75,625
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

Information above is presented as of the employer's fiscal year.

Information is not currently available for prior years; additional years will be displayed as they become available.

BKD LLP
CPAs & Advisors

190 E. Capitol Street, Suite 500 // Jackson, MS 39201-2190
601.948.6700 // fax 601.948.6000 // bkd.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
College Savings Plans of Mississippi
Mississippi Affordable College Savings Program
Jackson, Mississippi

We have audited, 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, the financial statements of Mississippi Affordable College Savings Program (the Program), which comprise the balance sheet as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2016, which contained "Emphasis of Matter" paragraphs regarding the entity reflected in the financial statements and a change in accounting principles and "Other Matter" paragraph regarding the omission and inclusion of required supplementary information.

Internal Control Over Financial Reporting

Management of the Program is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Program's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
March 1, 2016