

Mississippi



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

Mississippi



Fiscal Year Ended June 30, 2009

Department of Finance and Administration

Post Office Box 267
Jackson, MS 39205

Kevin J. Upchurch
Executive Director



This book has been printed on recycled materials.



HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI OFFICE OF THE GOVERNOR



December 18, 2009

To the Members of the Legislature and Citizens of Mississippi:

As Governor of the State of Mississippi, I present the Comprehensive Annual Financial Report for the year ending June 30, 2009. This report gives an overview of state government fiscal activity and reflects the difficult recessionary period our state and nation have entered.

Since I became Governor in 2004, we have worked hard—and succeeded—in moving Mississippi in the right direction. By making responsible and oftentimes tough decisions, together, we dug out of a \$720 million budget hole. We filled our rainy day fund, which is allowing us to use this savings account as Mississippi moves forward through this economic downturn.

Although our state endured the worst natural disaster in American history, Mississippi continues to rebound from Hurricane Katrina. We've made tremendous progress since the storm, but our work is not finished. I remain convinced that the strong, resilient spirit of our people is paving the way for a South Mississippi and Gulf Coast that's bigger and better than ever.

For more than a year, we have seen revenue collections fall below expectations; unfortunately, I do not expect this pattern to reverse in the next year, as, historically, state government coffers recover from recessionary periods more slowly than private businesses. I believe the state's revenue shortfall provides an extraordinary opportunity to review and change how state government functions, with an eye on ways to save taxpayer dollars. As we look to next year's budget, we must strike a balance between funding priority services for our citizens and protecting our state's fiscal integrity.

As this report shows, this is not business as usual. We must continue working to move Mississippi forward through smart policies that create jobs and foster economic growth. Despite the current economic conditions, I'm optimistic about our future because I know that with strong leadership and good policies, we can give our children and grandchildren a greater opportunity than my generation ever dreamed.

Sincerely,

A handwritten signature in dark ink, reading "Haley Barbour".

Haley Barbour

Mississippi

Table of Contents

INTRODUCTION

Letter of Transmittal.....	4
Officials of State Government.....	8
Organization Chart.....	9
Certificate of Achievement for Excellence in Financial Reporting	10

FINANCIAL SECTION

Auditor's Report.....	13
Management's Discussion and Analysis.....	16

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Assets.....	26
Statement of Activities.....	28

Governmental Funds Financial Statements	
Balance Sheet.....	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	31
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	32
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	33

Proprietary Funds Financial Statements	
Statement of Net Assets.....	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets	38
Statement of Cash Flows	40

Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets	44
Statement of Changes in Fiduciary Net Assets	45

Component Units Financial Statements	
Statement of Net Assets.....	46
Statement of Activities.....	47

Notes to the Financial Statements	
Note 1 - Significant Accounting Policies	49
Note 2 - Other Accounting Disclosures.....	55
Note 3 - Interfund Transactions	56
Note 4 - Deposits and Investments.....	57
Note 5 - Receivables	66
Note 6 - Due From Other Governments	67
Note 7 - Loans and Notes Receivable	67
Note 8 - Capital Assets.....	68
Note 9 - Long-term General Obligation Bonds and Notes	71
Note 10 - Bonds Authorized But Unissued	77
Note 11 - Revenue Bonds and Notes	78
Note 12 - Other Long-term Liabilities.....	78
Note 13 - Changes in Long-term Liabilities.....	83
Note 14 - Short-term Financing	83
Note 15 - Retirement Plans	84
Note 16 - Other Postemployment Benefits	87
Note 17 - Commitments.....	89
Note 18 - Risk Management.....	90
Note 19 - Contingencies.....	91
Note 20 - Endowments	91
Note 21 - Subsequent Events.....	92

Mississippi

Required Supplementary Information

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds and Notes.....	94
Schedule of Funding Progress - Pension Trust Funds and Notes	97
Schedule of Funding Progress - Other Postemployment Benefits	98

Supplementary Information - Combining and Individual Fund Financial Statements and Supporting Schedules

Nonmajor Governmental Funds	
Descriptions.....	101
Combining Balance Sheet	102
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	104
Proprietary Funds	
Nonmajor Enterprise Funds	
Descriptions	107
Combining Statement of Net Assets.....	108
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	110
Combining Statement of Cash Flows	112
Internal Service Funds	
Descriptions	117
Combining Statement of Net Assets.....	118
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	119
Combining Statement of Cash Flows	120
Fiduciary Funds	
Descriptions.....	123
Pension Trust Funds	
Combining Statement of Fiduciary Net Assets	124
Combining Statement of Changes in Fiduciary Net Assets	126
Agency Funds	
Combining Statement of Fiduciary Net Assets	128
Combining Statement of Changes in Assets and Liabilities.....	129
Nonmajor Component Units	
Descriptions.....	131
Combining Statement of Net Assets.....	132
Combining Statement of Activities	134

STATISTICAL SECTION

Statistical Section	137
Table 1 - Net Assets by Component.....	138
Table 2 - Changes in Net Assets	140
Table 3 - Fund Balances of Governmental Funds	144
Table 4 - Changes in Fund Balances of Governmental Funds	146
Table 5 - Taxable Sales by Industry	150
Table 6 - Sales Tax Revenue Payers by Industry.....	150
Table 7 - Ratios of Outstanding Debt by Type.....	152
Table 8 - Legal Debt Margin	154
Table 9 - Demographic and Economic Statistics	155
Table 10 - Employment by Industry	155
Table 11 - Public School Enrollment.....	156
Table 12 - Community and Junior College Enrollment.....	156
Table 13 - University Enrollment.....	156
Table 14 - Capital Asset Statistics by Function.....	158
Table 15 - State Government Employees by Function	160
Table 16 - Operating Indicators by Function	162

Mississippi

Introduction



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

KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR



December 18, 2009

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

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2009 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the auditor's report.

Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

Mississippi has not been hit as hard by the current recession as have states where the housing, auto, or financial crises have been concentrated. Still, the drop in output and employment in the state has been close to the U.S. average. Payroll employment in the first three quarters of 2009 was down 3.0% in comparison to the same period in 2008 and the rate of unemployment averaged 9.5%. A 3.1% drop in employment and a 2.5% drop in output is estimated for the year. The recovery is expected to be well underway by the spring of 2010.

Recent indicators appear to show that the recession has bottomed out here, as in the rest of the country. The value of residential building permits issued has been gradually increasing, retail sales and gaming revenues are stabilizing, and the rate of job loss is slowing. The Mississippi Purchasing Managers Index has been improving and was above the Southeastern average in September, with half of respondents expecting higher production over the next six months.

In 2008, the Mississippi economy performed better than that of the rest of the nation. Gross state product rose 1.4% and personal income grew 3.5%, while employment was down 0.5%. Jobs in service-providing industries posted a slight 0.3% gain, while goods-producing jobs fell 2.6%. Nationally, gross domestic product rose only 0.4% and personal income 2.9%.

State revenue collections grew 3.0% in FY 2008, but were affected by the worsening national slump and decreased 4.0% in FY 2009, necessitating budget cuts. In FY 2010, revenues through November were down 7.38% in comparison to the same period last year. Funds received under the American Recovery and Reinvestment Act of 2009 are reducing the size of budget cuts required because of revenue shortfalls.

In addition, several major investment projects and post-Katrina reconstruction are boosting economic activity. Among the current projects are a \$1.3 billion Toyota auto plant which is nearing completion, a \$1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), a \$950 million expansion at Keesler Air Force Base, a \$570 million port restoration at Gulfport, and expansions at both Severstal and Chevron. Start-up and completion dates on some of these projects, however, have been postponed.

The only sectors showing positive growth year-to-date through September have been educational and health services, which added 1,600 jobs, and government, which added 5,400 jobs - largely at the local level. Telecommunications, general merchandise but not department stores, and food services were subsectors that increased employment.

The drop in employment has been greatest in manufacturing and in business and professional services, which includes temporary workers and employment services. Manufacturing employment in September 2009 was 7.2% lower than in the same month a year ago, a loss of 11,400 jobs. Electrical equipment, wood products and motor vehicle parts were among the hardest-hit manufacturing industries. The number employed in the business and professional services sector was down by 9,000 jobs, a drop of 9.5%. Other sectors that suffered job losses of 5% or more included wholesale trade, construction, transportation, and financial services.

Mississippi's housing market has fared better than that of other areas. Home construction post-Katrina insulated the state from the huge decline in housing starts seen elsewhere in 2007, and construction employment in the state rose a surprisingly strong 3.1% in 2008. This year, however, the number of persons employed in construction was down 5.4%.

The State's mortgage delinquency rate has historically been high in comparison to the rest of the nation. But these high delinquency rates have not translated into foreclosures, which remain below the national average. In the second quarter of 2009, the state ranked 32nd in the nation in foreclosures. The median price of existing homes in the spring of 2009 was just 5% below the spring 2007 value, versus an average drop of 22% for the U.S. as a whole.

Coastal counties, which account for about 15% of the state's employment and population, continue to recover from the effects of Hurricane Katrina. Employment on the coast was at pre-Katrina levels by 2008, although with a shift towards the construction and government sectors. Recovery in coastal counties stalled in 2009 due to the nationwide decline. Manufacturing employment was 5.2% lower this past September than in the same month a year ago, while leisure and hospitality employment slipped 6%. Hurricane recovery efforts continue, with Katrina-related federal aid continuing to support the on-going rebuilding of the area. There was a drop-off in revenues at both coastal and Mississippi River casinos in 2009. Gross gaming revenues year-to-date through September, were \$1.9 billion, down 9.5% compared to last year.

Eighty percent of wage and salary employment in Mississippi is in service-providing industries, with the remaining 20% in the goods-producing industries of manufacturing, construction and natural resources/mining. Despite the dominance of services, goods-producing industries, and manufacturing in particular, are crucial to the State's economy. In the U.S. as a whole, manufacturing provides 9% of total jobs, but in Mississippi the figure is 13%.

Manufacturing also sustains many of the State's service jobs in transportation, business services, finance and agriculture. Within manufacturing, which employs 146,000 workers, the percentage of employees in furniture and in wood products is more than twice the corresponding percentage for the U.S. These industries, along with food products, account for 37% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 37% of manufacturing employment here.

The largest employers in the service-providing sectors, each employing more than 100,000 persons, are: local government, retail trade, health care and social assistance, and accommodation and food services. The leisure and hospitality industry, which includes accommodation and food services, rapidly increased its share in total employment after the advent of gaming in 1992 and now accounts for over 10% of total payroll employment.

Long-term Financial Planning

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. In fiscal year 2009, the Account had the required \$40,000,000 balance. The entire 50% of unencumbered ending cash totaling \$43,000 was deposited into the Account.

If at the end of October, or any month thereafter, General Fund revenue collections for the fiscal year fall below 98% of the sine die estimate, the Department of Finance and Administration is required to balance the General Fund budget. One action that may be taken is to reduce allotted expenditure authority to general fund agencies by the amount necessary so that expenditures do not exceed the actual General Fund receipts for the fiscal year. In addition, the Account balance, in excess of \$40,000,000, may be permanently transferred to the General Fund to cover such 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.

State revenue estimates have persistently outpaced actual collections. Revenue projections for the next two years do not show signs of significant recovery. In response to the revenue shortfalls of FY 2010, most state agencies have had their budgets cut in the first allotment period. Additional budget cuts are expected in order to close FY 2010 with a balanced budget. The state executive budget recommendation for FY 2011 continues to address revenues estimated at a level below FY 2010 appropriations. The recommendation includes additional reductions in operational costs through various entity consolidations, shared service scenarios, and various cost cutting measures.

Major Initiatives

Despite tough economic times for the State, the focus remains on education and workforce training. Mississippi sees both of these areas as paramount to the future success of the state. While budgets have required cuts, education continues to make up over 60% of the budgetary general funds.

Health care is vital to the citizens of our state. Upon completion, a construction project for a \$30 million health lab will provide additional quality health care services. In addition, Mississippi continues to invest in public safety by beginning site work and planning for a new crime lab. Work began in FY 2009 and will continue until the completion of a new \$40 million state-of-the-art facility.

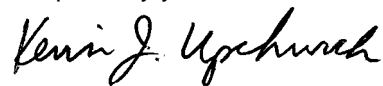
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the twenty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully yours,



Kevin J. Upchurch

Mississippi

Officials of State Government

Executive Branch

Governor
Haley Barbour

Lieutenant Governor
Phil Bryant

Secretary of State
Delbert Hosemann

State Auditor
Stacey Pickering

State Treasurer
Tate Reeves

Attorney General
Jim Hood

Commissioner of Agriculture and Commerce
Lester Spell, Jr.

Commissioner of Insurance
Mike Chaney

Transportation Commissioners
Dick Hall
Wayne Brown
Bill Minor

Public Service Commissioners
Brandon Presley
Lynn Posey
Leonard Bentz

State Fiscal Officer
Kevin J. Upchurch

Legislative Branch

Speaker of the House of Representatives
William J. McCoy

Speaker Pro Tempore of the House of Representatives
J. P. Compretta

President Pro Tempore of the Senate
Billy Hewes

Secretary of Senate
Tressa Guynes

Clerk of the House of Representatives
Don Richardson

Legislative Budget Office
Lee Lindell, Director

Joint Legislative Committee on Performance Evaluation and Expenditure Review
Max K. Arinder, Director

Judicial Branch

Supreme Court of Mississippi

Chief Justice
William L. Waller, Jr.

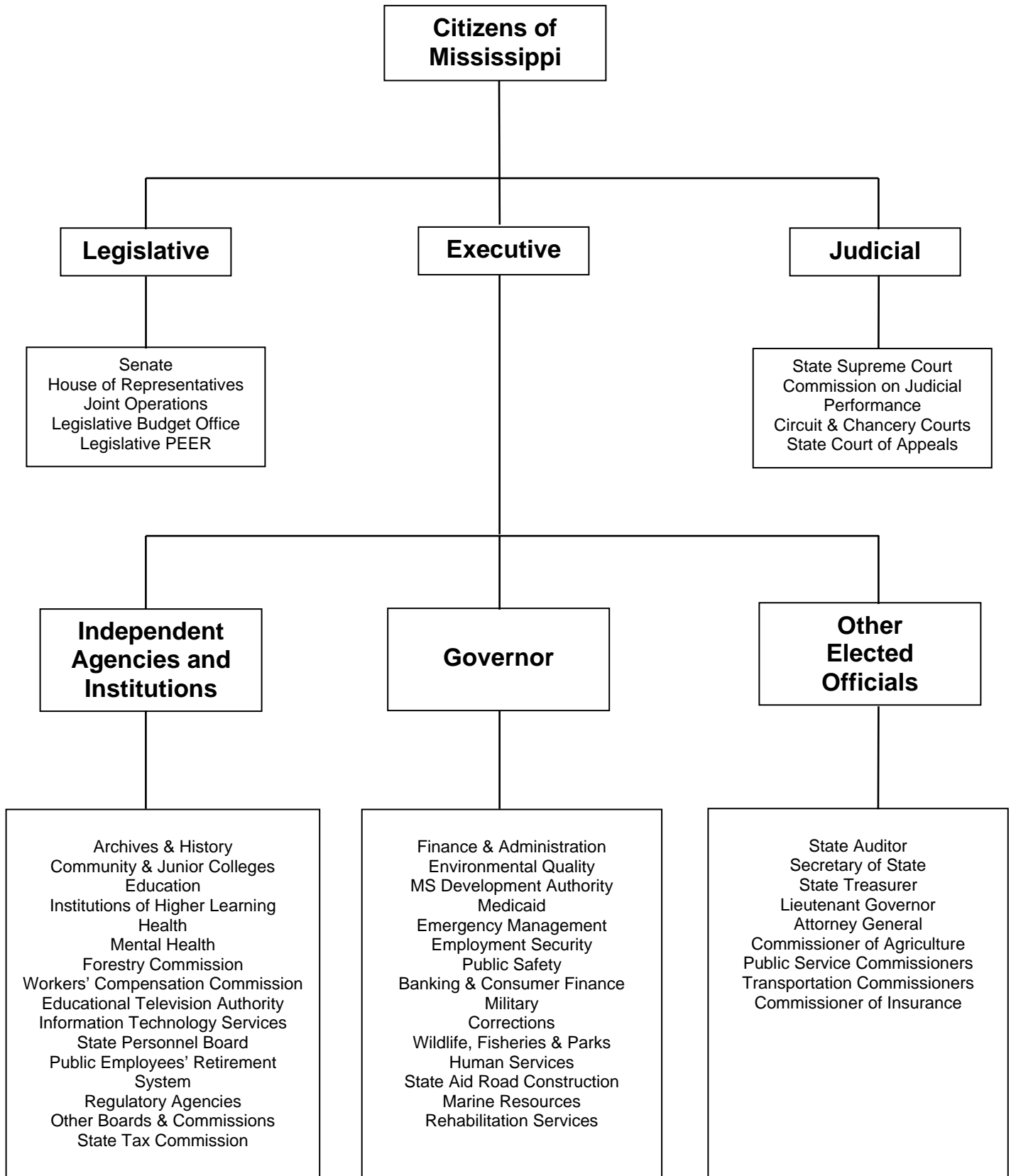
Presiding Justices
George C. Carlson, Jr.
James E. Graves, Jr.

Justices
Jess H. Dickinson
Michael K. Randolph
Ann H. Lamar
James W. Kitchens
David A. Chandler
Randy G. Pierce

Clerk of the Supreme Court
Kathy Gillis

Mississippi

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, likely belonging to the President of the GFOA.

President

A handwritten signature in black ink, reading "Jeffrey R. Enser".

Executive Director

Mississippi

Financial Section

(This page left blank intentionally)



**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, as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of:

▪ Government-wide Financial Statements

• Governmental Activities

- the Health Care Trust Fund, 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 Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 9% and 31%, 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 AbilityWorks, Inc. within the Department of Rehabilitation Services which, in the aggregate, represent 48% and 17%, 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 Office of the Governor - Division of Medicaid, the Department of Corrections and the Department of Wildlife, Fisheries and Parks which represent 24% and 32%, respectively, of the assets and revenues of the General Fund;

- the Health Care Trust Fund which represents 98% and 99%, respectively, of the assets and revenues of the Health Care major governmental fund;
- Proprietary Funds
 - the Port Authority at Gulfport and the Mississippi Prepaid Affordable College Tuition Program which are considered major enterprise funds;
- Aggregate Remaining Funds
 - selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks;
 - the State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;
 - nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc.;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

all of which represent 94% and 78%, 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 the above mentioned entities, 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. The financial statements of the University of Mississippi Foundation, the Mississippi State University Foundation, Inc., the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Tort Liability Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, the University of Mississippi Medical Center Educational Building Corporation and the University of Mississippi Educational Building Corporation, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.s., the State adopted the provisions of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* as of July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 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.

The accompanying 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 included in this report are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. The supplementary information - combining and individual fund financial statements and supporting schedules has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections listed in the accompanying table of contents 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 express no opinion on them.



STACEY E. PICKERING
State Auditor



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

Jackson, Mississippi
December 18, 2009

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, 2009. 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 \$12,197,368,000 (reported as "net assets"). Of this amount, a negative \$204,745,000 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. Net assets of governmental activities decreased by \$144,385,000 and net assets of business-type activities fell by \$146,165,000.

Fund Level - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3,439,671,000, which is a decrease of \$497,021,000 from the previous year. Falling tax revenues paired with health and social services expenditures exceeding related revenues were the primary reasons for the negative change in fund balances.

Long-term Debt - During fiscal year 2009, the State issued \$484,314,000 of bonds and notes, net of premiums and deferred amount on refunding, bringing the total outstanding net long-term bonds and notes to \$4,337,849,000. These bonds and notes were issued primarily for economic development, for capital improvements, and for a statewide wireless communication system.

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, coliseum and stadium 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.

Mississippi

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 and the Health Care Fund, which are presented separately as major funds. The capital projects fund, permanent funds, and nonmajor 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.

Mississippi

Government-wide Financial Analysis

Net Assets

For the year ended June 30, 2009, the State's combined net assets (governmental and business-type activities) totaled \$12,197,368,000 reflecting a decrease of \$290,550,000 from the previous fiscal year. Business-type activities report positive balances in all three net asset categories, while governmental activities and the State as a whole reflect a negative balance in unrestricted net assets.

The largest share of net assets, 91.5 percent, consists 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 \$358,323,000 from the previous year. Additions to land and construction in progress for roads, highways, right-of-ways, bridges, and building projects provided the majority of the governmental activities' increase of \$324,296,000. Most of the business-type activities' increase of \$34,027,000 was the result of additions to construction in progress for the continued restoration of the Port Authority at Gulfport after Hurricane Katrina. Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 10.2 percent of total net assets. The remaining negative balance represents unrestricted net assets of \$204,745,000 as of the close of the year. 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 \$192,005,000 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	
	2009	2008 *	2009	2008	2009	2008 *
Current and other assets	\$ 5,538,514	\$ 6,201,420	\$ 1,116,237	\$ 1,283,541	\$ 6,654,751	\$ 7,484,961
Capital assets	12,053,829	11,603,019	225,453	194,135	12,279,282	11,797,154
Total Assets	17,592,343	17,804,439	1,341,690	1,477,676	18,934,033	19,282,115
Noncurrent liabilities	4,006,732	4,022,504	308,452	304,805	4,315,184	4,327,309
Other liabilities	2,390,407	2,442,346	31,074	24,542	2,421,481	2,466,888
Total Liabilities	6,397,139	6,464,850	339,526	329,347	6,736,665	6,794,197
Net assets:						
Invested in capital assets,						
net of related debt	10,966,780	10,642,484	195,171	161,144	11,161,951	10,803,628
Restricted	625,174	667,456	614,988	778,010	1,240,162	1,445,466
Unrestricted	(396,750)	29,649	192,005	209,175	(204,745)	238,824
Total Net Assets	\$ 11,195,204	\$ 11,339,589	\$ 1,002,164	\$ 1,148,329	\$ 12,197,368	\$ 12,487,918

* As restated in Note 2 to the financial statements.

Mississippi

Changes in Net Assets

Operating grants and contributions provided \$6,988,074,000 or 44.6 percent of the State's total revenues, which is a significant rise from 40.9 percent in the prior year as the State benefitted from the American Recovery and Reinvestment Act. Taxes provided \$5,857,538,000 or 37.4 percent, a 2.2 percent decline from the prior year reflecting the slowdown in the economy. These two components comprise 82 percent of the State's total revenues. The health and social services function uses the largest share of the State's net assets at 38.5 percent. This function surged from \$5,609,247,000 in the prior year to \$6,149,731,000. The increase relates to rising cost for medical assistance and additional program payments. As the employment rate dropped, eligible recipients of unemployment benefits rose as indicated by the dramatic increase in unemployment compensation expenses from \$143,013,000 in the prior year to \$422,764,000.

Changes in Net Assets (amounts expressed in thousands)

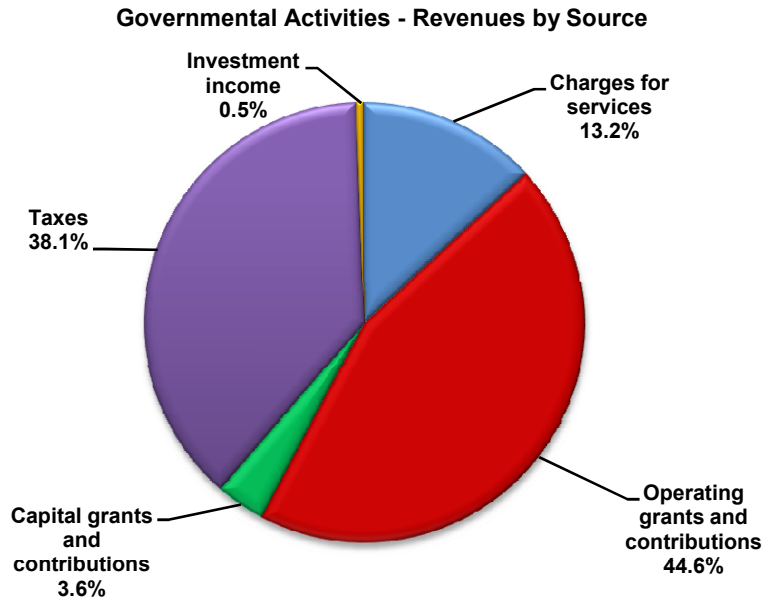
	Governmental Activities		Business-type Activities		Total	
	2009	2008 *	2009	2008	2009	2008 *
Revenues:						
Program Revenues:						
Charges for services	\$ 2,023,686	\$ 1,936,810	\$ 165,072	\$ 178,052	\$ 2,188,758	\$ 2,114,862
Operating grants and contributions	6,847,036	6,462,823	141,038	10,069	6,988,074	6,472,892
Capital grants and contributions	556,571	795,572	954	1,838	557,525	797,410
General Revenues:						
Taxes	5,857,538	6,263,283			5,857,538	6,263,283
Investment income	83,119	145,465	2,843	21,433	85,962	166,898
Total Revenues	15,367,950	15,603,953	309,907	211,392	15,677,857	15,815,345
Expenses:						
General government	2,113,851	2,000,778			2,113,851	2,000,778
Education	4,093,018	4,163,587			4,093,018	4,163,587
Health and social services	6,149,731	5,609,247			6,149,731	5,609,247
Law, justice and public safety	1,055,032	1,173,359			1,055,032	1,173,359
Recreation and resource development	1,127,670	1,261,268			1,127,670	1,261,268
Regulation of business and professions	37,215	36,318			37,215	36,318
Transportation	683,663	643,867			683,663	643,867
Interest on long-term debt	209,516	196,277			209,516	196,277
Unemployment compensation			422,764	143,013	422,764	143,013
Port Authority at Gulfport			15,239	12,614	15,239	12,614
Prepaid affordable college tuition			20,316	40,972	20,316	40,972
Other business-type			40,392	34,204	40,392	34,204
Total Expenses	15,469,696	15,084,701	498,711	230,803	15,968,407	15,315,504
Excess (deficiency) before Transfers	(101,746)	519,252	(188,804)	(19,411)	(290,550)	499,841
Transfers	(42,639)	(2,786)	42,639	2,786		
Change in Net Assets	(144,385)	516,466	(146,165)	(16,625)	(290,550)	499,841
Net Assets - Beginning, as restated	11,339,589	10,823,123	1,148,329	1,164,954	12,487,918	11,988,077
Net Assets - Ending	\$ 11,195,204	\$ 11,339,589	\$ 1,002,164	\$ 1,148,329	\$ 12,197,368	\$ 12,487,918

* As restated in Note 2 to the financial statements.

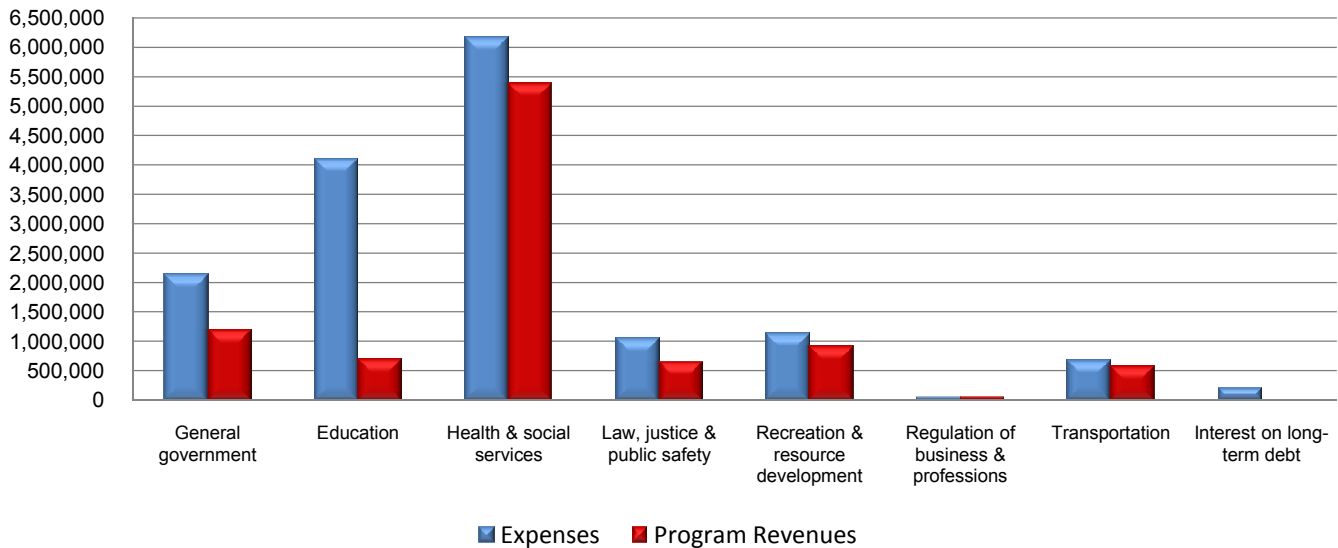
Mississippi

Governmental Activities

Governmental activities decreased the State's net assets by \$144,385,000 as compared to a \$516,466,000 increase in the prior year. General revenues were down by \$468,091,000 as the State is feeling the effects of the economic downturn in both taxes and investment income. Operating grants and contributions increased by \$384,213,000 mainly due to higher federal match rates for medical assistance and increased disproportionate share payments for Medicaid. Health and social services expenses grew by \$540,484,000 over the prior year with Medicaid expenses leading the way with a \$469,289,000 increase.



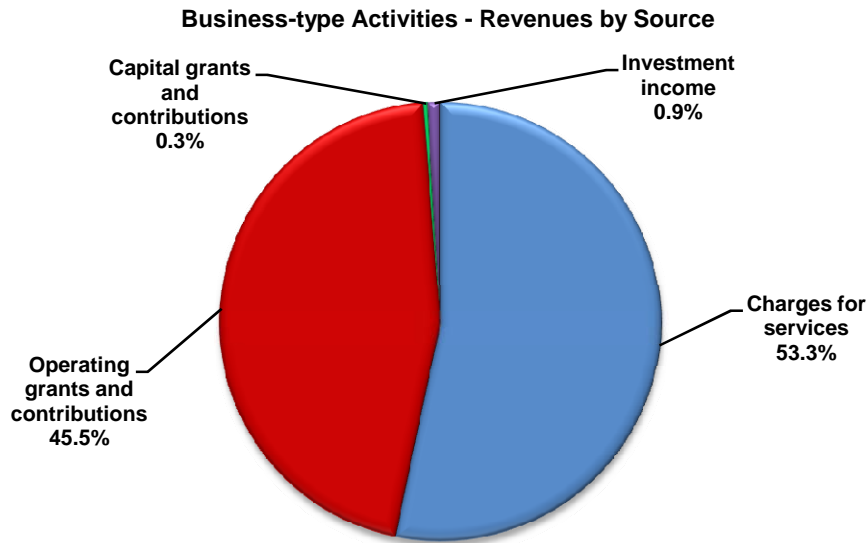
Governmental Activities - Expenses and Program Revenues
(amounts expressed in thousands)



Mississippi

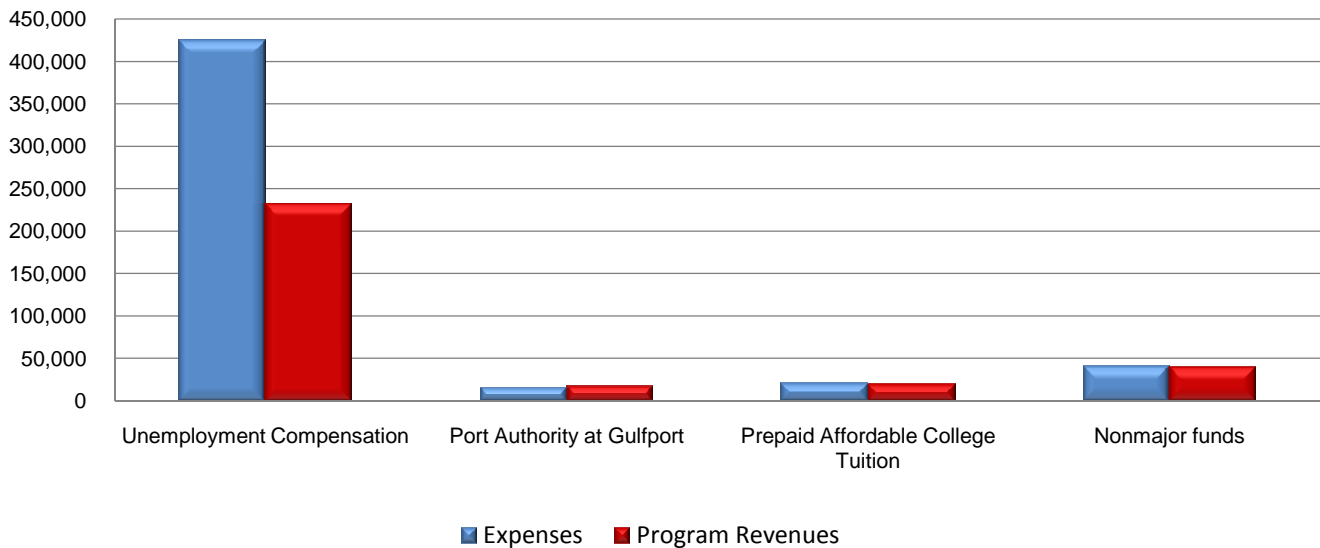
Business-type Activities

Business-type activities considerably decreased the State's net assets by \$146,165,000 as compared to a prior year decrease of \$16,625,000. The Unemployment Compensation fund reported a \$162,734,000 decline in net assets as a consequence of increased demand for unemployment benefits. In contrast, the net assets of the Port Authority at Gulfport fund increased by \$40,309,000 due largely to transfers from state agencies of federal monies intended for the restoration of the Port's facilities. The Prepaid Affordable College Tuition fund experienced an investment loss of \$30,530,000 due in part to a \$19,699,000 decline in the fair value of investments, which coincides with the current economic recession.



Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



Mississippi

Financial Analysis of the State's Individual Funds

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

Governmental Funds

The governmental funds reported combined fund balances of \$3,439,671,000 as of June 30, 2009, a decrease of \$497,021,000 as compared to the prior year. Of this total amount, \$2,293,209,000 or 66.7 percent constituted unreserved fund balance. A portion of the unreserved balance, \$1,863,547,000, was not available for new spending because it was designated through internally imposed limitations for specific purposes such as debt service, road and highway construction, future capital projects, and health care.

The General Fund is the chief operating fund of the State. The General Fund decreased \$466,735,000 from the prior year to an ending fund balance of \$2,189,599,000. This decrease is attributed to a combination of declining tax revenues and rising health and social services expenditures. All major tax revenues fell in the wake of the crippling economy by a cumulative \$334,845,000. Sales tax was negatively impacted by consumer spending on cars, lumber and building materials and other taxable goods and services. Health and social services expenditures increased by \$568,041,000 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments. However, federal government revenues increased \$444,905,000 mainly in conjunction with a temporary increase in federal match rates which provided unplanned relief for the Fund.

The Health Care Fund reported a decrease in fund balance of \$48,830,000 from the previous fiscal year. As a reflection of the deteriorating market, the Fund posted an investment loss of \$55,657,000. Expenditures fell by \$58,582,000 from the prior year because less money was allocated by the legislature to cover medical services.

Proprietary Funds

The Unemployment Compensation Fund experienced a significant decrease in net assets of \$162,734,000 as compared to a decrease of merely \$6,348,000 in the prior year. The State received a boost from two 100% federally funded programs under the American Recovery and Reinvestment Act: the Emergency Unemployment Compensation program and the Federal Additional Compensation program. Benefits paid under these programs increased the corresponding federal revenue received by \$136,658,000. Not only were benefits extended under the Act but, the number of eligible workers increased due to the climb in unemployment during the year causing claims to rise by \$279,751,000.

The Port Authority at Gulfport Fund reported an increase in net assets of \$40,309,000. The Port continued restoration of the facilities affected by Hurricane Katrina with \$36,870,000 in transfers from other state agencies of federal monies intended for this purpose. Revenues from Insurance Recovery were down \$5,164,000. However, the Port continues to settle insurance claims related to the disaster.

The Prepaid Affordable College Tuition Fund registered a reduction in net assets of \$31,472,000. Investment income continues to decrease as a result of the volatile economic climate. The decline in market value of investments of \$19,699,000 contributed to the investment loss reported of \$30,530,000.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2009 General Fund revenues was 2.9 percent. This estimate was revised to a sine die estimate of 3.5 percent. Actual fiscal year 2009 General Fund revenue collections were 4.2 percent below the prior year. Each of these revenue components declined: 1.3 percent in sales tax, 4.4 percent in individual income tax, and 15.7 percent in corporate income and franchise tax.

Actual fiscal year 2009 revenues were \$372,126,000 below estimated amounts. The largest revenue variances were a negative \$142,213,000 in individual income tax collections, a negative \$106,360,000 in corporate income and franchise tax collections, and a negative \$97,663,000 in sales tax collections. The final expenditure budget was \$132,818,000 under the original budget. Actual expenditures were under the final budget by \$3,523,000.

Mississippi

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for governmental and business-type activities as of June 30, 2009 amounted to \$16,609,684,000, less accumulated depreciation of \$4,330,402,000, resulting in a net book value of \$12,279,282,000. Governmental activities posted a smaller net increase than business-type activities, with 3.9 percent versus 16.1 percent for the current year. The prior fiscal year yielded a net increase of 8.2 percent and 12.8 percent, respectively. Depreciation expense for fiscal year 2009 totaled \$413,377,000 for governmental and business-type activities.

Major capital asset events during fiscal year 2009 included the following:

Construction in progress additions for governmental activities included \$579,128,000 related to roads, highways, and bridges; \$50,608,000 related to Department of Finance and Administration building projects such as the Information Technology Services Data Center, the Sillers Building Pedestrian Mall, and the Department of Public Safety District 8 Complex; \$43,387,000 related to Military Department buildings; and \$21,698,000 for the Mississippi Wireless Interoperable Network.

Infrastructure additions for roads, highways, and bridges reported in governmental activities totaled \$443,721,000. Pavement rehabilitation projects were completed in Copiah, Hinds, and Jasper counties and bridges were replaced in Greene and Harrison counties. In addition, Four Lane Highway Program projects were finished in Covington, Greene, Jefferson, Jefferson Davis, Lauderdale, Lawrence, Lowndes, Marshall, and Wayne counties. Interstate projects were completed in Lauderdale (I-59), Madison (I-55), and Warren (I-20) counties. Gaming industry projects were concluded in Desoto and Harrison counties. An urban street project was finished in Washington county.

Within governmental activities, land additions totaled \$184,977,000, of which \$171,170,000 was for right-of-way acquisitions. Building additions of \$70,079,000 included \$20,717,000 for Sillers Building tenant work and \$27,603,000 for Military Department readiness centers, vehicle storage, and an armory.

Capital assets, net of accumulated depreciation, for business-type activities increased by \$31,318,000. The Port Authority at Gulfport reported a net increase in capital assets of \$32,449,000 as rebuilding of facilities destroyed by Hurricane Katrina continues. Additions to construction in progress for the Port Authority at Gulfport totaled \$26,176,000 for terminal expansion, yard development, and rehabilitation of berth facilities. Purchase of two gantry cranes for \$7,818,000 by the Port Authority at Gulfport made up the majority of the \$9,312,000 additions to machinery and equipment for business-type activities.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 17 covers 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	
	2009	2008 *	2009	2008	2009	2008 *
Land	\$ 994,077	\$ 809,621	\$ 42,514	\$ 39,734	\$ 1,036,591	\$ 849,355
Buildings	1,197,907	1,164,341	66,660	65,320	1,264,567	1,229,661
Land improvements	96,545	90,133	20,207	20,583	116,752	110,716
Machinery and equipment	288,085	310,094	12,983	5,017	301,068	315,111
Infrastructure	5,279,735	5,148,143	35,798	36,720	5,315,533	5,184,863
Construction in progress	4,197,480	4,080,687	47,291	26,761	4,244,771	4,107,448
Total	<u>\$ 12,053,829</u>	<u>\$ 11,603,019</u>	<u>\$ 225,453</u>	<u>\$ 194,135</u>	<u>\$ 12,279,282</u>	<u>\$ 11,797,154</u>

* As restated in Note 8 to the financial statements

Mississippi

Debt Administration

Outstanding general obligation debt for the State as of June 30, 2009 was \$3,485,838,000, net of premiums and deferred amount on refunding. General Obligation Refunding Bonds (\$1,269,704,000), Capital Improvements (\$927,099,000), and Major Economic Impact bonds (\$400,341,000) comprise 74.5 percent of this outstanding debt. During fiscal year 2009, the State issued \$439,180,000 in general obligation bonds and notes which are reported in governmental activities. These bonds and notes were issued for capital improvements, for grants to local governments, for economic development, and for the statewide wireless communication system. Within business-type activities, general obligation bonds decreased by \$2,833,000 as the Port Authority at Gulfport continues to extinguish its long-term debt.

Mississippi has a rating of "AA" from Standard & Poor's, a division of The McGraw Hill Companies, "AA" from Fitch IBCA Inc., and "Aa3" from Moody's Investors Service. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and its 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, 2009, the State had established a constitutional legal debt limit of \$12,518,778,000, 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds and notes	\$ 3,456,607	\$ 3,452,073	\$ 29,231	\$ 32,064	\$ 3,485,838	\$ 3,484,137
Limited obligation bonds		24,460				24,460
Notes payable	852,011	882,049			852,011	882,049
Total	<u>\$ 4,308,618</u>	<u>\$ 4,358,582</u>	<u>\$ 29,231</u>	<u>\$ 32,064</u>	<u>\$ 4,337,849</u>	<u>\$ 4,390,646</u>

Economic Factors and Next Year's Budget

The State's average unemployment rate increased from the calendar year 2008 average of 6.9 percent to an average of 9.1 percent for the twelve months ending October 2009. The national rates were 5.8 percent and 8.8 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2010, the State economy is expected to experience some growth, but at a slow pace. The initial estimated overall fiscal year 2010 General Fund revenue growth rate was 3.6 percent, with component revenue growth projections of 0.1 percent in sales tax and 4.1 percent in individual income tax. The overall estimate was revised in November 2009 to a negative 3.8 percent. The November component revenue projections were negative 5.9 percent in sales tax and negative 6.1 percent in individual income tax. At the end of November, General Fund collections fell below the estimate by 7.38 percent, with an actual component revenue decline of 7.86 percent, 8.06 percent, and 6.59 percent in sales tax, individual income tax, and gaming fees, respectively.

In accordance with the State's statutory balanced budget requirement, the State Fiscal Officer must determine at the end of October that sufficient funds will be available within the period for which the fiscal year 2010 budget is drawn. In order to keep expenditures within the sum of actual General Fund receipts, the Governor instructed selected state agencies, institutions and commissions to reduce allocations of general funds and state-source special funds in September and December 2009 for a total of \$223,832,000. Further adjustments may be necessary if General Fund collections continue to fall below the revenue estimate.

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, Bureau of Financial Reporting, P. O. Box 1060, Jackson, MS 39215.

Mississippi

Basic Financial Statements

Mississippi

Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	\$ 2,818,189	\$ 14,512	\$ 2,832,701	\$ 21,663
Cash and cash equivalents	401,311	629,331	1,030,642	387,858
Investments	64,147	42,092	106,239	217,068
Receivables, net	557,824	32,595	590,419	243,683
Restricted assets:				
Cash and cash equivalents		1	1	
Due from other governments, net	626,697	6,005	632,702	2,490
Internal balances	(48,128)	48,128		
Due from component units	307	239	546	
Due from primary government				32,283
Inventories	43,513	374	43,887	22,687
Prepaid items	163	99	262	12,269
Loans and notes receivable, net	30,701	5,378	36,079	28,674
Deferred charges	1,280	17	1,297	
Other assets				12,089
Total Current Assets	4,496,004	778,771	5,274,775	980,764
Noncurrent assets:				
Investments	255,313	168,641	423,954	315,631
Receivables, net	84,886		84,886	
Due from other governments, net	509,374		509,374	
Loans and notes receivable, net	178,240	168,131	346,371	142,298
Deferred charges	14,697	140	14,837	
Restricted assets:				
Cash and cash equivalents		450	450	182,733
Investments				565,853
Capital assets:				
Land and construction in progress	5,191,557	89,805	5,281,362	521,800
Other capital assets, net	6,862,272	135,648	6,997,920	2,152,591
Other assets		104	104	12,046
Total Noncurrent Assets	13,096,339	562,919	13,659,258	3,892,952
Total Assets	\$ 17,592,343	\$ 1,341,690	\$ 18,934,033	\$ 4,873,716

(Continued on Next Page)

Mississippi

Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Warrants payable	\$ 106,906	\$ 1,188	\$ 108,094	\$
Accounts payable and other liabilities	779,059	9,303	788,362	162,872
Contracts payable	102,819		102,819	
Retainage payable		2,121	2,121	
Income tax refunds payable	219,000		219,000	
Due to other governments	301,005	7,560	308,565	
Due to component units	32,273	10	32,283	
Due to primary government				546
Claims and benefits payable	154,959	5,059	160,018	
Deposits		1,522	1,522	504
Unearned revenues	122,509	760	123,269	44,756
Pollution remediation obligation	8,447		8,447	
Bonds and notes payable, net	556,681	2,755	559,436	23,396
Certificates of participation	155		155	
Lease obligations payable	6,594	796	7,390	8,206
Other liabilities				63,002
Total Current Liabilities	2,390,407	31,074	2,421,481	303,282
Noncurrent liabilities:				
Due to other governments		9,757	9,757	
Claims and benefits payable		270,784	270,784	
Other postemployment benefits payable	87,057		87,057	
Pollution remediation obligation	36,300		36,300	
Bonds and notes payable, net	3,751,937	26,476	3,778,413	652,788
Certificates of participation	1,890		1,890	
Lease obligations payable	10,637	840	11,477	16,359
Liabilities payable from restricted assets:				
Deposits		1	1	
Other liabilities	118,911	594	119,505	215,861
Total Noncurrent Liabilities	4,006,732	308,452	4,315,184	885,008
Total Liabilities	6,397,139	339,526	6,736,665	1,188,290
Net Assets				
Invested in capital assets, net of related debt	10,966,780	195,171	11,161,951	1,978,174
Restricted for:				
Capital projects	372,566		372,566	
Debt service	197,131		197,131	
Other purposes	174	450	624	540,142
Permanent trusts:				
Expendable	5,142		5,142	
Nonexpendable	50,161		50,161	491,417
Unemployment compensation benefits		614,538	614,538	
Unrestricted	(396,750)	192,005	(204,745)	675,693
Total Net Assets	\$ 11,195,204	\$ 1,002,164	\$ 12,197,368	\$ 3,685,426

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

Mississippi

Statement of Activities

For the Year Ended June 30, 2009 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,113,851	\$ 1,149,464	\$ 39,368	\$ 315
Education	4,093,018	29,721	664,081	1,945
Health and social services	6,149,731	563,917	4,805,676	467
Law, justice and public safety	1,055,032	103,178	506,318	34,249
Recreation and resource development	1,127,670	84,984	822,137	144
Regulation of business and professions	37,215	40,727	655	24
Transportation	683,663	51,695	8,801	519,427
Interest on long-term debt	209,516			
Total Governmental Activities	15,469,696	2,023,686	6,847,036	556,571
Business-type activities:				
Unemployment compensation	422,764	90,301	141,038	
Port Authority at Gulfport	15,239	16,865		247
Prepaid affordable college tuition	20,316	19,374		
Other business-type	40,392	38,532		707
Total Business-type Activities	498,711	165,072	141,038	954
Total Primary Government	\$ 15,968,407	\$ 2,188,758	\$ 6,988,074	\$ 557,525
Component units:				
Universities	\$ 2,624,010	\$ 1,159,879	\$ 551,914	\$ 67,404
Nonmajor	35,517	28,168	40,743	34
Total Component Units	\$ 2,659,527	\$ 1,188,047	\$ 592,657	\$ 67,438

General revenues:

Taxes:

Sales and use

Gasoline and other motor fuel

Individual income

Corporate income and franchise

Insurance

Other

Investment income (loss)

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			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (924,704)	\$	\$ (924,704)	
(3,397,271)		(3,397,271)	
(779,671)		(779,671)	
(411,287)		(411,287)	
(220,405)		(220,405)	
4,191		4,191	
(103,740)		(103,740)	
(209,516)		(209,516)	
(6,042,403)		(6,042,403)	
	(191,425)	(191,425)	
	1,873	1,873	
	(942)	(942)	
	(1,153)	(1,153)	
	(191,647)	(191,647)	
(6,042,403)	(191,647)	(6,234,050)	
			\$ (844,813)
			33,428
			(811,385)
2,961,865		2,961,865	
411,729		411,729	
1,415,091		1,415,091	
420,739		420,739	
187,050		187,050	
461,064		461,064	
83,119	2,843	85,962	(80,074)
			134,670
			820,780
			25,415
(42,639)	42,639		
5,898,018	45,482	5,943,500	900,791
(144,385)	(146,165)	(290,550)	89,406
11,339,589	1,148,329	12,487,918	3,596,020
\$ 11,195,204	\$ 1,002,164	\$ 12,197,368	\$ 3,685,426

Mississippi

Governmental Funds

Balance Sheet

June 30, 2009 (Expressed in Thousands)

	General	Health Care	Nonmajor Funds	Totals
Assets				
Equity in internal investment pool	\$ 1,771,850	\$ 31,799	\$ 717,206	\$ 2,520,855
Cash and cash equivalents	354,263	6,964	29,946	391,173
Investments	24,314	181,249	85,608	291,171
Receivables, net	628,143	52,247	12,008	692,398
Due from other governments, net	957,713		178,181	1,135,894
Due from other funds	44,536	187	20,104	64,827
Due from component units	142			142
Inventories	41,578		1,935	43,513
Prepaid items			163	163
Loans receivable, net	206,465		2,476	208,941
Loans to other funds		240,000		240,000
Total Assets	\$ 4,029,004	\$ 512,446	\$ 1,047,627	\$ 5,589,077
Liabilities and Fund Balances				
Liabilities:				
Warrants payable	\$ 84,529	\$ 16	\$ 20,812	\$ 105,357
Accounts payable and accruals	723,871	1,948	41,270	767,089
Contracts payable	81,910		20,909	102,819
Income tax refunds payable	219,000			219,000
Due to other governments	258,479		42,526	301,005
Due to other funds	20,149	2,432	93,570	116,151
Due to component units	31,796		475	32,271
Claims payable	4,842			4,842
Deferred revenues	89,958	50,082		140,040
Unearned revenues	84,871		35,628	120,499
Loans from other funds	240,000			240,000
Other liabilities			333	333
Total Liabilities	1,839,405	54,478	255,523	2,149,406
Fund balances:				
Reserved for:				
Ayers Endowment Trust	15,000			15,000
Distribution to local governments	6,694			6,694
Education and vocational training			42,257	42,257
Ellisville State School			2,025	2,025
Encumbrances	85,457	290	15,540	101,287
Inventories	41,578		1,935	43,513
Loans to other funds		240,000		240,000
Long-term portion of due from other governments	504,177		5,197	509,374
Long-term portion of loans receivable	176,757		1,483	178,240
Prepaid items			163	163
Scholarships and books	25			25
Wildlife conservation			7,884	7,884
Unreserved - designated, reported in:				
General fund	1,115,835			1,115,835
Special revenue funds		217,678	154,766	372,444
Capital project funds			375,268	375,268
Unreserved - undesignated, reported in:				
General fund	244,076			244,076
Special revenue funds			180,467	180,467
Permanent funds			5,119	5,119
Total Fund Balances	2,189,599	457,968	792,104	3,439,671
Total Liabilities and Fund Balances	\$ 4,029,004	\$ 512,446	\$ 1,047,627	\$ 5,589,077

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

Mississippi

Governmental Funds

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

June 30, 2009 (Expressed in Thousands)

Total fund balances for governmental funds	\$ 3,439,671
---	---------------------

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):

Land	\$ 994,077	
Buildings	1,610,901	
Land improvements	162,445	
Machinery and equipment	647,937	
Infrastructure	8,670,952	
Construction in progress	4,197,480	
Accumulated depreciation	<u>(4,235,083)</u>	12,048,709

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.

140,040

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	(3,405,434)	
Capital lease obligations	(17,188)	
Accrued compensated absences	(123,770)	
Pollution remediation obligation	(44,747)	
Notes payable	(834,083)	
Certificates of participation	(2,045)	
Unamortized charges	76,900	
Unamortized premiums	(130,024)	
Claims payable	(2,448)	
Other postemployment benefits payable	(87,057)	
Accrued interest payable	<u>(47,707)</u>	(4,617,603)

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.

184,387

Net assets of governmental activities	\$ <u>11,195,204</u>
--	-----------------------------

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

Mississippi

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2009 (Expressed in Thousands)

	General	Health Care	Nonmajor Funds	Totals
Revenues				
Taxes:				
Sales and use	\$ 3,008,042	\$	\$	\$ 3,008,042
Gasoline and other motor fuel	403,406		8,800	412,206
Individual income	1,441,141			1,441,141
Corporate income and franchise	420,482			420,482
Insurance	187,050			187,050
Other	455,034		6,030	461,064
Licenses, fees and permits	435,881		91,218	527,099
Federal government	6,002,035		1,400,172	7,402,207
Investment income (loss)	93,577	(55,657)	31,805	69,725
Charges for sales and services	325,357		26,261	351,618
Rentals	15,966		8,042	24,008
Court assessments and settlements	10,052	120,710		130,762
Other	343,835	415	66,095	410,345
Total Revenues	13,141,858	65,468	1,638,423	14,845,749
Expenditures				
Current:				
General government	1,392,656			1,392,656
Education	4,008,182		82,789	4,090,971
Health and social services	5,816,821	89,461	223,715	6,129,997
Law, justice and public safety	617,108		452,597	1,069,705
Recreation and resources development	367,949		770,082	1,138,031
Regulation of business and professions			36,450	36,450
Transportation	1,134,357			1,134,357
Debt service:				
Principal	419,820		153	419,973
Interest and other fiscal charges	210,346		308	210,654
Capital Outlay			80,378	80,378
Total Expenditures	13,967,239	89,461	1,646,472	15,703,172
Excess of Revenues under Expenditures	(825,381)	(23,993)	(8,049)	(857,423)
Other Financing Sources (Uses)				
Bonds and notes issued	247,035		115,685	362,720
Capital leases issued	10,759			10,759
Insurance recovery	466		8,372	8,838
Payments to bond escrow agent	(1,992)			(1,992)
Payments to refunded bond escrow agent	(82,265)			(82,265)
Premiums on bonds and refunding bonds issued	6,404		7,512	13,916
Refunding bonds issued	76,460			76,460
Transfers in	213,782	72	121,202	335,056
Transfers out	(112,003)	(24,909)	(226,178)	(363,090)
Net Other Financing Sources (Uses)	358,646	(24,837)	26,593	360,402
Net Change in Fund Balances	(466,735)	(48,830)	18,544	(497,021)
Fund Balances - Beginning	2,656,334	506,798	773,560	3,936,692
Fund Balances - Ending	\$ 2,189,599	\$ 457,968	\$ 792,104	\$ 3,439,671

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

Mississippi

Governmental Funds

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (497,021)

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	\$ 960,814	
Depreciation expense	(404,922)	555,892

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net loss of the internal service funds is reported with governmental activities. (20,328)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (58,710)

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. (106,053)

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 bonds and refunding bonds issued	(13,916)	
Bonds and notes issued	(362,720)	
Refunding bonds issued	(76,460)	
Capital leases issued	(10,759)	
Payments of debt principal	419,973	
Payments to bond escrow agent	1,992	
Payments to refunded bond escrow agent	82,265	
Accrued interest payable	(16,727)	
Deferred issuance costs	716	24,364

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

Donations of equipment	1,103	
Change in claims payable	(760)	
Change in compensated absences	(8,279)	
Change in other postemployment benefits payable	(43,430)	
Change in pollution remediation obligation	5,000	
Amortization of deferred charges, premiums and discounts	3,837	(42,529)

Change in net assets of governmental activities \$ (144,385)

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

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Assets			
Current assets:			
Equity in internal investment pool	\$	\$ 745	\$ 345
Cash and cash equivalents	595,335	9,949	14,175
Investments		42,092	
Receivables, net:			
Accounts	5,227	731	998
Assessments	20,654		
Interest and dividends		130	682
Restricted assets:			
Cash and cash equivalents		1	
Due from other governments	5,696	268	
Due from other funds	745	46,477	
Due from component units	225		4
Inventories			
Prepaid items		55	
Loans and notes receivable			
Deferred charges		17	
Total Current Assets	627,882	100,465	16,204
Noncurrent assets:			
Investments			168,641
Loans and notes receivable			
Deferred charges		140	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets, net		167,057	
Other assets		104	
Total Noncurrent Assets		167,751	168,641
Total Assets	\$ 627,882	\$ 268,216	\$ 184,845

Enterprise Funds

				Governmental Activities - Internal Service Funds
Nonmajor Funds		Totals		
\$	13,422	\$	14,512	\$ 297,334
	9,872		629,331	10,138
			42,092	5,566
	3,510		10,466	22
			20,654	
	663		1,475	356
			1	
	41		6,005	177
	1,996		49,218	4,400
	10		239	165
	374		374	
	44		99	
	5,378		5,378	
			17	
	35,310		779,861	318,158
			168,641	22,723
	168,131		168,131	
			140	
			450	
	58,396		225,453	5,120
			104	
	226,527		562,919	27,843
\$	261,837	\$	1,342,780	\$ 346,001

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

(Continued from Previous Page)

Business-type Activities -

	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Liabilities			
Current liabilities:			
Warrants payable	\$	\$	\$ 181
Accounts payable and other liabilities	243	5,157	684
Retainage payable		2,121	
Due to other governments	7,555		
Due to other funds	299		
Due to component units			
Claims and benefits payable	5,059		
Deposits			
Bonds payable		2,755	
Unearned revenues	188	198	
Lease obligations payable		586	
Total Current Liabilities	13,344	10,817	865
Noncurrent liabilities:			
Due to other governments			
Claims and benefits payable			270,784
Bonds payable		26,476	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		1	
Other liabilities		163	11
Total Noncurrent Liabilities		26,640	270,795
Total Liabilities	13,344	37,457	271,660
Net Assets			
Invested in capital assets, net of related debt		137,826	
Restricted for other purposes		450	
Restricted for unemployment compensation benefits	614,538		
Unrestricted		92,483	(86,815)
Total Net Assets	\$ 614,538	\$ 230,759	\$ (86,815)

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

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 1,007	\$ 1,188	\$ 1,549	
3,219	9,303	7,961	
	2,121		
5	7,560		
791	1,090	1,188	
10	10	2	
	5,059	147,669	
1,522	1,522		
	2,755		
374	760	2,010	
210	796	21	
7,138	32,164	160,400	
9,757	9,757		
	270,784		
	26,476		
840	840	22	
	1		
420	594	1,192	
11,017	308,452	1,214	
18,155	340,616	161,614	
57,345	195,171	5,031	
	450		
	614,538		
186,337	192,005	179,356	
\$ 243,682	\$ 1,002,164	\$ 184,387	

Mississippi

Proprietary Funds

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	\$	\$ 13,045	\$
Assessments	90,121		
Investment income			
Federal agencies	136,839		
Rentals			
Fees			699
Tuition receipts			18,675
Other	180		
Total Operating Revenues	227,140	13,045	19,374
Operating Expenses			
Cost of sales and services			
General and administrative		1,932	179
Contractual services		7,087	1,132
Commodities		187	35
Depreciation		4,223	
Claims and benefits	422,764		18,970
Other			
Total Operating Expenses	422,764	13,429	20,316
Operating Loss	(195,624)	(384)	(942)
Nonoperating Revenues			
Federal grant	4,199		
Revenue from counties		973	
Insurance recovery		2,847	
Gain on disposal of capital assets			
Investment income (loss)	31,265	1,566	(30,530)
Other			
Total Nonoperating Revenues	35,464	5,386	(30,530)
Nonoperating Expenses			
Loss on disposal of capital assets		239	
Interest		1,514	
Other		57	
Total Nonoperating Expenses		1,810	
Income (Loss) before Capital Contributions and Transfers	(160,160)	3,192	(31,472)
Capital Contributions		247	
Transfers In		36,870	
Transfers Out	(2,574)		
Change in Net Assets	(162,734)	40,309	(31,472)
Total Net Assets - Beginning	777,272	190,450	(55,343)
Total Net Assets - Ending	\$ 614,538	\$ 230,759	\$ (86,815)

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

Enterprise Funds

				Governmental Activities - Internal Service Funds	
Nonmajor Funds		Totals			
\$	26,228	\$	39,273	\$	787,293
			90,121		
	8,477		8,477		
			136,839		
	1,984		1,984		
	54		753		
			18,675		
	1,689		1,869		15
	38,432		297,991		787,308
	15,128		15,128		
	11,406		13,517		15,677
	8,696		16,915		75,955
	2,023		2,245		698
	2,418		6,641		1,814
			441,734		712,547
	59		59		
	39,730		496,239		806,691
	(1,298)		(198,248)		(19,383)
			4,199		
			973		
			2,847		
	235		235		
	542		2,843		13,394
	100		100		
	877		11,197		13,394
	59		298		27
	59		1,573		3
	779		836		
	897		2,707		30
	(1,318)		(189,758)		(6,019)
	707		954		296
	9,840		46,710		888
	(1,497)		(4,071)		(15,493)
	7,732		(146,165)		(20,328)
	235,950		1,148,329		204,715
\$	243,682	\$	1,002,164	\$	184,387

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Cash Flows from Operating Activities			
Cash receipts from federal agencies	\$ 135,755	\$	\$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		12,995	19,369
Cash receipts from assessments	92,942		
Cash payments to suppliers for goods and services		(2,629)	(1,252)
Cash payments to employees for services		(1,914)	(172)
Cash payments for claims and benefits	(418,735)		(14,069)
Other operating cash receipts			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(190,038)	8,452	3,876
Cash Flows from Noncapital Financing Activities			
Other cash receipts			
Transfers in		3,016	
Transfers out	(2,574)		
Federal grants received	4,369	4	
Revenues from counties		973	
Net Cash Provided by (Used for) Noncapital Financing Activities	1,795	3,993	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(36,211)	
Capital grants received		247	
Proceeds from sales of capital assets			
Cash payment for disposal of capital asset		(57)	
Proceeds from sale of bonds for capital related financing		25,240	
Bond issuance costs for capital related financing		(157)	
Principal paid on bonds and capital assets contracts		(28,186)	
Interest paid on bonds and capital assets contracts		(1,741)	
Proceeds from insurance recovery		6,970	
Net Cash Used for Capital and Related Financing Activities		(33,895)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		80,550	73,165
Purchases of investments		(52,959)	(65,800)
Investment income	31,265	2,078	(12,172)
Net Cash Provided by (Used for) Investing Activities	31,265	29,669	(4,807)
Net Increase (Decrease) in Cash and Cash Equivalents	(156,978)	8,219	(931)
Cash and Cash Equivalents - Beginning	752,313	2,926	15,451
Cash and Cash Equivalents - Ending	\$ 595,335	\$ 11,145	\$ 14,520

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$	\$	135,755	\$
			219,718
27,843	60,207		565,338
	92,942		
(27,128)	(31,009)		(76,632)
(11,303)	(13,389)		(15,565)
	(432,804)		(702,484)
1,410	1,410		11
22,098	22,098		
(22,238)	(22,238)		
(9,318)	(187,028)		(9,614)
100	100		
9,831	12,847		857
(1,495)	(4,069)		(1,331)
	4,373		
	973		
8,436	14,224		(474)
(352)	(36,563)		(1,434)
	247		
277	277		
	(57)		
	25,240		
	(157)		
(748)	(28,934)		(20)
(47)	(1,788)		(3)
	6,970		
(870)	(34,765)		(1,457)
	153,715		17,293
	(118,759)		(16,026)
545	21,716		13,424
545	56,672		14,691
(1,207)	(150,897)		3,146
24,501	795,191		304,326
\$	\$	\$	\$
23,294	644,294	307,472	

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2009 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation	Prepaid Affordable College Tuition	
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities			
Operating loss	\$ (195,624)	\$ (384)	\$ (942)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation		4,223	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	(126)	(130)	
Assessments receivable	6,500		
Interest receivable			
Due from other governments	(4,273)	80	
Due from other funds	(473)		
Due from component units	(70)		(4)
Inventories			
Prepaid items		(5)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			(62)
Accounts payable and other liabilities	135	4,668	(189)
Due to other governments	4,116		
Due to other funds	(2,473)		
Due to component units			
Claims and benefits payable	2,250		5,073
Unearned revenues			
Total adjustments	5,586	8,836	4,818
Net Cash Provided by (Used for) Operating Activities	\$ (190,038)	\$ 8,452	\$ 3,876
Noncash Noncapital Financing, Capital and Related Financing, and Investing Activities			
Payback provision repealed on loans to other funds			
Capital contributions			
New capital leases		700	
Gain (loss) on disposal of capital assets		(239)	
Change in market value of investments		(164)	(19,699)

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

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ (1,298)	\$ (198,248)	\$	(19,383)
2,418	6,641		1,814
(226)	(482)		29
	6,500		
(70)	(70)		
62	(4,131)		(155)
(330)	(803)		(501)
(5)	(79)		(102)
100	100		
(5)	(10)		
(9,436)	(9,436)		
637	575		(186)
356	4,970		316
(94)	4,022		
(1,445)	(3,918)		493
(1)	(1)		(6)
	7,323		9,593
19	19		(1,526)
(8,020)	11,220		9,769
\$ (9,318)	\$ (187,028)	\$	(9,614)

2	2	14,162
707	707	296
332	1,032	
176	(63)	(27)
	(19,863)	43

Mississippi

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2009 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	\$ 829	\$ 134	\$ 12,734
Cash and cash equivalents	342,541	478	16,221
Investments, at fair value:			
Short-term securities	83,112	4,864	
Long-term debt securities	4,408,631	22,132	
Equity securities	10,775,257	37,953	
Private equity	12,816		
Absolute return strategy	10,863		
Real estate investments	668,847	2,854	
Asset allocation fund	35,601		
Fixed rate and variable	478,603		
Life insurance contracts	335	12,367	
Securities lending:			
Short-term securities	949,070		
Long-term debt securities	1,450,900		
Receivables, net:			
Employer contributions	51,010		
Employee contributions	33,616		
Investment proceeds	597,744		
Interest and dividends	76,151		
Other	1,504	76	487
Commodity inventory			981
Capital assets:			
Land	508		
Other capital assets, net	15,306		
Total Assets	19,993,244	80,858	\$ 30,423
Liabilities			
Warrants payable	225	4	\$ 7,197
Accounts payable and accruals	1,083,534	127	1,776
Due to other governments			1,330
Due to other funds	16		
Amounts held in custody for others	1,138		20,120
Obligations under securities lending	2,435,248		
Total Liabilities	3,520,161	131	\$ 30,423
Net Assets			
Held in trust for pension benefits and trust beneficiaries	\$ 16,473,083	\$ 80,727	

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

Mississippi

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund
Additions		
Contributions:		
Employer	\$ 741,017	\$
Plan participant	519,230	29,278
Total Contributions	1,260,247	29,278
Net Investment Income:		
Net decrease in fair value of investments	(4,485,581)	(16,312)
Interest and dividends	556,466	2,317
Securities lending:		
Income from securities lending	64,625	
Interest expense and trading costs from securities lending	(32,192)	
Managers' fees and trading costs	(26,574)	(467)
Net Investment Loss	(3,923,256)	(14,462)
Other Additions:		
Administrative fees	657	136
Other	3,208	
Total Other Additions	3,865	136
Total Additions (Reductions)	(2,659,144)	14,952
Deductions		
Benefits	1,580,431	21,009
Refunds to terminated employees	70,143	
Administrative expenses	12,480	156
Depreciation	500	
Total Deductions	1,663,554	21,165
Change in Net Assets	(4,322,698)	(6,213)
Net Assets - Beginning	20,795,781	86,940
Net Assets - Ending	\$ 16,473,083	\$ 80,727

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

Mississippi

Component Units

Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	\$ 19,792	\$ 1,871	\$ 21,663
Cash and cash equivalents	369,570	18,288	387,858
Investments	188,320	28,748	217,068
Receivables, net	240,813	2,870	243,683
Due from other governments		2,490	2,490
Due from primary government	32,168	115	32,283
Inventories	22,114	573	22,687
Prepaid items	12,048	221	12,269
Notes receivable, net	28,674		28,674
Other assets	12,061	28	12,089
Total Current Assets	925,560	55,204	980,764
Noncurrent assets:			
Investments	315,631		315,631
Notes receivable, net	142,298		142,298
Restricted assets:			
Cash and cash equivalents	182,733		182,733
Investments	558,836	7,017	565,853
Capital assets:			
Land and construction in progress	444,299	77,501	521,800
Other capital assets, net	2,066,366	86,225	2,152,591
Other assets	12,046		12,046
Total Noncurrent Assets	3,722,209	170,743	3,892,952
Total Assets	4,647,769	225,947	4,873,716
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	158,744	4,128	162,872
Due to primary government	523	23	546
Deposits		504	504
Unearned revenues	43,662	1,094	44,756
Bonds and notes payable	23,074	322	23,396
Lease obligations payable	8,206		8,206
Other liabilities	63,002		63,002
Total Current Liabilities	297,211	6,071	303,282
Noncurrent liabilities:			
Bonds and notes payable	652,438	350	652,788
Lease obligations payable	16,359		16,359
Other liabilities	215,512	349	215,861
Total Noncurrent Liabilities	884,309	699	885,008
Total Liabilities	1,181,520	6,770	1,188,290
Net Assets			
Invested in capital assets, net of related debt	1,815,121	163,053	1,978,174
Restricted for:			
Other purposes	527,502	12,640	540,142
Permanent endowments:			
Nonexpendable	491,417		491,417
Unrestricted	632,209	43,484	675,693
Total Net Assets	\$ 3,466,249	\$ 219,177	\$ 3,685,426

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

Mississippi

Component Units

Statement of Activities

For the Year Ended June 30, 2009 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Universities	Nonmajor	Total
Universities	\$ 2,624,010	\$ 1,159,879	\$ 551,914	\$ 67,404	\$ (844,813)	\$	\$ (844,813)
Nonmajor	35,517	28,168	40,743	34		33,428	33,428
Total	\$ 2,659,527	\$ 1,188,047	\$ 592,657	\$ 67,438	(844,813)	33,428	(811,385)
General revenues:							
Investment income (loss)					(81,739)	1,665	(80,074)
Other					132,209	2,461	134,670
Payment from State of Mississippi					820,780		820,780
Contributions to permanent endowments					25,415		25,415
Total General Revenues and Contributions					896,665	4,126	900,791
Change in Net Assets					51,852	37,554	89,406
Net Assets - Beginning					3,414,397	181,623	3,596,020
Net Assets - Ending					\$ 3,466,249	\$ 219,177	\$ 3,685,426

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

(This page left blank intentionally)

Notes to the Financial Statements

June 30, 2009

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, 2009, and their report, dated November 25, 2009, 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

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.

Mississippi

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 funds:

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 Health Care Fund accounts for monies received from the settlement of a lawsuit against tobacco companies by the State. The principal and income derived from investments are expended exclusively for health care purposes by various agencies.

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.

Mississippi

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 legally restricted to expenditures for specific purposes such as, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

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

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

Mississippi

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. Operating 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 reclassified 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, 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 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 8 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.

Mississippi

- 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 that are legally restricted to a specific future use or that are not available for appropriation or expenditure are reported as reservations of fund balances. Examples include reserves for encumbrances and long-term portion of due from other governments. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund.

Designations of unreserved fund balances of governmental funds are established to reflect tentative plans for future utilization of current financial resources. These balances are not available for appropriation by the State Legislature unless enabling legislation is approved. Examples include debt service, special treasury accounts and Working Cash Stabilization Reserve Account.

- 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.

- S. Changes in Accounting Standards** - The State implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* in the current fiscal year. The provisions of these standards have been incorporated in Note 1F and Note 12.

Mississippi

Note 2 - Other Accounting Disclosures

- A. Fund Balances** - Fund balances, unreserved - designated on the Governmental Funds Balance Sheet are explained as follows (amounts expressed in thousands):

	Governmental Funds			Totals
	General	Health Care	Nonmajor Funds	
Fund balances, unreserved - designated:				
Debt service	\$ 194,429	\$	\$ 2,702	\$ 197,131
Disaster recovery			137,000	137,000
Energy programs			4,887	4,887
Future capital projects			372,566	372,566
Future loans	78,732		12,879	91,611
Health care		217,678		217,678
Port improvements	558			558
Road and highway construction	430,559			430,559
Special treasury accounts	99,854			99,854
Working cash stabilization reserve	311,703			311,703
Total	<u>\$ 1,115,835</u>	<u>\$ 217,678</u>	<u>\$ 530,034</u>	<u>\$ 1,863,547</u>

- B. 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 \$1,240,162,000 of restricted net assets, of which \$55,405,000 is restricted by enabling legislation.
- C. Deficit Net Assets** - At June 30, 2009, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of \$86,815,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts, and a decline in investment income. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) has deficit net assets of \$10,000, which resulted from legally mandated transfers out of net profit from operations.
- D. Restatements of Net Assets** - During fiscal year 2009, the State implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The provisions of this standard require the measurement of pollution remediation liabilities as of the beginning of the reporting period. By recording this liability, the net assets within governmental activities were reduced.

A prior period adjustment was made to decrease beginning net assets of governmental activities due to an overstatement of land in the amount of \$8,568,000. In addition, capital assets were reclassified to land (\$602,770,000) from construction in progress (\$554,700,000) and infrastructure (\$48,070,000).

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

	Governmental Activities
Net Assets at June 30, 2008, as previously reported	\$ 11,397,904
Implementation of GASB Statement No. 49	(49,747)
Prior period adjustment	(8,568)
Net Assets at June 30, 2008, as restated	<u>\$ 11,339,589</u>

Mississippi

Note 3 - Interfund Transactions

At June 30, 2009, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To							Total
	General	Health Care	Nonmajor Governmental	Internal Service	Unemployment Compensation	Port Authority at Gulfport	Nonmajor Enterprise	
Governmental:								
General	\$	\$ 187	\$ 15,811	\$ 3,942	\$	\$	\$ 209	\$ 20,149
Health Care	2,432							2,432
Nonmajor Governmental	41,532		3,352	425		46,477	1,784	93,570
Internal Service	310		121	12	745			1,188
Proprietary:								
Unemployment Compensation	261		38					299
Nonmajor Enterprise			782	6			3	791
Fiduciary	1			15				16
Total	\$ 44,536	\$ 187	\$ 20,104	\$ 4,400	\$ 745	\$ 46,477	\$ 1,996	\$ 118,445

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.

During fiscal year 2005, the State Legislature authorized the Health Care Fund to loan \$240,000,000 to the General Fund for funding medical and administrative services provided by the Division of Medicaid. In subsequent legislative sessions, the loan repayment period has been postponed. As of fiscal year 2009, repayments of \$38,000,000 per year are scheduled for fiscal years 2011 through 2017 with the balance to be paid in 2018 plus interest at the rate of 5% per annum.

At June 30, 2009, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To								
	Primary Government					Component Units			
	General	Internal Service	Unemployment Compensation	Prepaid Affordable	Nonmajor Enterprise	Universities	Nonmajor	Total	
				College Tuition					
Primary Government:									
General	\$	\$	\$	\$	\$	\$	31,682 \$	114 \$	31,796 \$
Nonmajor Governmental							475		475
Internal Service							1	1	2
Nonmajor Enterprise							10		10
Component Units:									
Universities	141	143	225	4	10				523
Nonmajor	1	22							23
Total	\$ 142	\$ 165	\$ 225	\$ 4	\$ 10	\$ 32,168	\$ 115	\$ 32,829	

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.

Mississippi

At June 30, 2009, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To						Total
	General	Health Care	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	
Governmental:							
General	\$	\$ 72	\$ 100,952	\$ 888	\$ 1,571	\$ 8,520	\$ 112,003
Health Care	24,909						24,909
Nonmajor Governmental	174,526		15,033		35,299	1,320	226,178
Internal Service	14,280		1,213				15,493
Proprietary:							
Unemployment Compensation			2,574				2,574
Nonmajor Enterprise	67		1,430				1,497
Total	\$ 213,782	\$ 72	\$ 121,202	\$ 888	\$ 36,870	\$ 9,840	\$ 382,654

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 authorized transfers of \$8,500,000 from the General Fund to Emergency Management (a nonmajor governmental fund) to cover insufficiencies in disaster support and assistance.

The State Legislature directed the State Fiscal Officer to transfer monies to the General Fund from certain state agencies. The Health Care fund transferred \$4,133,000 and nonmajor governmental funds transferred \$7,581,000 to the General Fund for appropriation by the Legislature.

During fiscal year 2004, the State Legislature directed the State Treasurer to transfer monies to the General Fund for appropriation by the Legislature. Based on the legislative provision for repayment, the monies were considered loans. The legislative provision for repayment was repealed. For fiscal year 2009, these interfund loans were reclassified as permanent transfers to the General Fund from nonmajor governmental funds (\$3,089,000), internal service funds (\$14,162,000), and nonmajor enterprise funds (\$2,000).

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).

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.

Mississippi

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 1/2 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 may meet its 105 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian) equal to at least 75 percent of the average daily balance of the public funds on deposit in excess of the portion insured by the FDIC and entering into an agreement of contingent liability with the State Treasurer for the remaining 30 percent. 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, 2009, \$43,459,000 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, 2009, \$220,000 was uninsured and uncollateralized.

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

Mississippi

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 of Mississippi, or of any county, city, or supervisor's district of any county of the State of Mississippi;

School district bonds of the State of Mississippi;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board of Mississippi, not to exceed 5 percent of total investments;

Highway bonds of the State of Mississippi;

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

Mississippi

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 primary government's exposure to credit risk as of June 30, 2009 is as follows (amounts expressed in thousands):

Investment Type	S & P Quality Ratings						
	AAA	AA	A	BBB	BB	CC	Not Rated
Asset backed securities	\$ 2,783	\$	\$	\$ 329	\$	\$	\$
Collateralized mortgage obligations	1,089		224	593			785,324
Corporate bonds	5,344	4,666	19,234	5,258	1,458	320	69
Mortgage pass-throughs							216,070
Mutual funds	329,584						123
Repurchase agreements							25,252
State and local obligations	662	5,124	1,975	526			88
U.S. Government agency obligations							
	535,037	1,273	105				225
Total	\$ 874,499	\$ 11,063	\$ 21,538	\$ 6,706	\$ 1,458	\$ 320	\$ 1,027,151

- 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, 2009, the primary government had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset backed securities	\$ 3,112	\$	\$ 1,080	\$ 1,703	\$ 329
Collateralized mortgage obligations	842,765		13,731	79,496	749,538
Corporate bonds	37,112	6,079	20,440	4,865	5,728
Mortgage pass-throughs	220,611	20,954	5,042	49,716	144,899
Mutual funds	329,707	329,707			
Other pass-through securities	336,544		820	124,559	211,165
Repurchase agreements	25,252	25,252			
State and local obligations	8,375	473	4,415	1,010	2,477
U.S. Government agency obligations	541,546	89,979	441,237	6,874	3,456
U.S. Treasury obligations	26,328	5,950	16,773	3,605	
Zero coupon bonds	2,564			2,271	293
Total	\$ 2,373,916	\$ 478,394	\$ 503,538	\$ 274,099	\$ 1,117,885

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 Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are backed by mortgage loans in which the borrowers have the option of prepaying.

Mississippi

- 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, 2009, is as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 1,974
Brazilian real	778
Canadian dollar	620
Danish krone	477
Euro	23,302
Hong Kong dollar	2,103
Japanese yen	10,226
Malaysian ringgit	887
Norwegian krone	228
Pound sterling	12,550
Singapore dollar	2,084
Swedish krona	829
Swiss franc	6,439
Taiwan dollar	1,190
Thailand baht	769
Total	<u>\$ 64,456</u>

- 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 5 percent of net investments (amounts expressed in thousands):

Federal Home Loan Mortgage Corporation	\$ 900,109	26.81%
Federal National Mortgage Association	\$ 564,482	16.81%

Within the primary government, the General Fund and nonmajor governmental funds have significantly greater concentration in the following investments (amounts expressed in thousands):

General Fund		
Federal National Mortgage Association	\$ 4,306	19.53%
Federal Home Loan Bank	\$ 2,621	11.89%
Nonmajor governmental funds		
Federal Home Loan Mortgage Corporation	\$ 57,168	41.90%

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, where possible, the types of collateral securing deposits are 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, 2009, the System had no deposits in foreign demand deposit accounts.

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. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any bank of the U.S. 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. As of June 30, 2009, the System had cash equivalents of \$344,998,000 that were uninsured and collateral held by the custodial bank was not in the System's name.

Mississippi

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State of Mississippi;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board of Mississippi, not to exceed 5 percent of total investments;

Highway bonds of the State of Mississippi;

Corporate bonds of investment grade as rated by Standard & Poor's Corporation 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 Standard & Poor's Corporation 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.;

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;

Bonds, 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. 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;

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. Such investments shall at no time exceed 10 percent of total investments. 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 which 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

Types of investments not specifically authorized 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 approved by the Board of Trustees, provided that the total book value of these investments at no time exceed ten percent of the total book value of all investments of the System.

Mississippi

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 Standard and Poor's or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by Standard and Poor's 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 A1P1. 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 Standard and Poor's. The lending agent is permitted to purchase only AAA asset-backed securities for the cash collateral fund.

The System's exposure to credit risk as of June 30, 2009 is as follows (amounts expressed in thousands):

Investment Type	S & P Quality Ratings						
	AAA	AA	A	BBB	BAA	BB	B
Asset backed securities	\$ 627,968	\$ 76,435	\$ 4,463	\$ 7,902	\$	\$	\$ 59,075
Collateralized mortgage obligations	437,754	7,774	9,194	9,916	4,220	1,782	11,771
Commercial paper			789,402				
Corporate bonds	167,057	662,885	614,503	324,333		67,073	
Mortgage pass-throughs	1,173,692						
Repurchase agreements	214,729						
State and local obligations	12,727	38,258	21,356	5,702	2,098		
U.S. Government agency obligations	213,921						
Yankee/Global bonds	14,782	3,348	25,820	5,719			
Total	\$ 2,862,630	\$ 788,700	\$ 1,464,738	\$ 353,572	\$ 6,318	\$ 68,855	\$ 70,846

Investment Type	S & P Quality Ratings				
	CCC	CC	C	D	Not Rated
Asset backed securities	\$	\$ 246	\$	\$ 143	\$ 1,098
Collateralized mortgage obligations	1,734		289		
Corporate bonds	218	1,092	14		727
State and local obligations					2,742
Total	\$ 1,952	\$ 1,338	\$ 303	\$ 143	\$ 4,567

- 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 \$18,874,035,000 in investments at June 30, 2009. Of this amount, \$2,399,970,000 was exposed to custodial rate 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, 2009, consisted of (amounts expressed in thousands):

Investment Type	Fair Value
Commercial paper	\$ 789,402
Repurchase agreements	159,668
Corporate bonds	863,783
Asset backed securities	587,117
Total	\$ 2,399,970

Mississippi

- 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 limits non-U.S. investments to 16 percent of total investments. At June 30, 2009, the current position is 21 percent. The System's exposure to foreign currency risk at June 30, 2009, is as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 133,507
Brazilian real	101,480
Canadian dollar	68,045
Czech koruna	2,832
Danish krone	14,221
Egyptian pound	27,458
Euro	905,655
Hong Kong dollar	101,964
Hungarian forint	329
Indian rupee	41,964
Indonesian rupiah	19,310
Japanese yen	475,420
Malaysian ringgit	9,099
Mexican peso	5,297
New Israeli shekel	24,973
New Turkish lira	45,479
New Zealand dollar	1,175
Norwegian krone	19,770
Pakistani rupee	5,070
Polish zloty	445
Pound sterling	529,450
Singapore dollar	31,356
South African rand	87,052
South Korean won	76,315
Swedish krona	51,688
Swiss franc	183,208
Taiwan dollar	31,574
Thailand baht	14,720
Total	\$ 3,008,856

- 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, 2009, the System had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset backed securities	\$ 777,330	\$ 626,803	\$ 9,351	\$ 15,162	\$ 126,014
Collateralized mortgage obligations	505,889	40,728	7,021	15,641	442,499
Commercial paper	789,402	789,402			
Corporate bonds	1,837,901	885,609	330,697	375,808	245,787
Mortgage pass-throughs	1,231,056	12	1,652	36,970	1,192,422
Repurchase agreements	214,729	214,729			
State and local obligations	82,883		5,599		77,284
U.S. Government agency obligations	213,921	16,643	134,244	54,774	8,260
U.S. Treasury obligations	1,121,386		503,535	374,481	243,370
Yankee/Global bonds	49,669		17,213	19,884	12,572
Total	\$ 6,824,166	\$ 2,573,926	\$ 1,009,312	\$ 892,720	\$ 2,348,208

Mississippi

During fiscal year 2009, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, principal-only (PO) strips, collateralized mortgage obligations (CMOs) and asset-backed securities (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 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 \$11,000 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 \$505,889,000 in CMOs at June 30, 2009. Of this amount, \$166,000,000 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 \$777,330,000 in ABS held at June 30, 2009, \$141,000,000 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, 2009, the System has invested in \$1,231,056,000 in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. 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. 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, 2009, 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 (domestic equities and bonds) and 105 percent (international equities) of the fair value and accrued income of the securities lent. In the event the collateral fair value falls to less than 102 or 105 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. 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 lent. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 4.5 days at June 30, 2009. Cash collateral is invested in repurchase agreements, commercial paper, corporate bonds, and asset backed securities. The weighted average final duration of all collateral investments at June 30, 2009, was 154 days with a weighted average maturity of 32 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, 2009. 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, 2009, the aggregate fair value of securities lending holdings, including accrued interest was \$2,402,157,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$2,360,643,000. The value of the collateral pledged by borrowers at year end was \$2,435,248,000.

Mississippi

Note 5 - Receivables

At June 30, 2009, receivables consisted of (amounts expressed in thousands):

	Governmental Funds				Receivables Reclass/ Elimination	Total Governmental Activities
	General	Health Care	Nonmajor Funds	Internal Service		
Accounts	\$ 188,653	\$ 1,732	\$ 17,034	\$ 22	\$ 16	\$ 207,457
Taxes:						
Sales	309,592					309,592
Income	208,197					208,197
Gasoline	33,654					33,654
Other	65,178					65,178
Interest and dividends	17,207	50,515	1,934	356	(50,082)	19,930
Other	262					262
Gross receivables	822,743	52,247	18,968	378	(50,066)	844,270
Allowance for uncollectibles	(194,600)		(6,960)			(201,560)
Receivables, net	\$ 628,143	\$ 52,247	\$ 12,008	\$ 378	\$ (50,066)	\$ 642,710
Amounts not scheduled for collection in subsequent year	\$ 84,553	\$ 50,082	\$ 333		\$ (50,082)	\$ 84,886

	Business-type Activities					
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total	
Accounts	\$ 36,667	\$ 731	\$ 998	\$ 3,644	\$ 42,040	
Assessments	30,876				30,876	
Interest and dividends		130	682	663	1,475	
Gross receivables	67,543	861	1,680	4,307	74,391	
Allowance for uncollectibles	(41,662)			(134)	(41,796)	
Receivables, net	\$ 25,881	\$ 861	\$ 1,680	\$ 4,173	\$ 32,595	

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 2,413,817	\$ 2,683	\$ 2,416,500
Interest	3,090	187	3,277
Gross receivables	2,416,907	2,870	2,419,777
Allowance for uncollectibles	(2,176,094)		(2,176,094)
Receivables, net	\$ 240,813	\$ 2,870	\$ 243,683

Mississippi

Note 6 - Due From Other Governments

At June 30, 2009, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			Total
	General	Nonmajor Funds	Internal Service	Governmental Activities
Due from other governments	\$ 958,434	\$ 178,181	\$ 177	\$ 1,136,792
Allowance for uncollectibles	(721)			(721)
Due from other governments, net	\$ 957,713	\$ 178,181	\$ 177	\$ 1,136,071
Amounts not scheduled for collection in subsequent year	\$ 504,177	\$ 5,197		\$ 509,374

Note 7 - Loans and Notes Receivable

At June 30, 2009, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government			Component Units
	Governmental Funds			
	General	Nonmajor Funds	Total Governmental Activities	Universities
Loans and notes receivable	\$ 206,465	\$ 2,999	\$ 209,464	\$ 191,412
Allowance for uncollectibles		(523)	(523)	(20,440)
Loans and notes receivable, net	\$ 206,465	\$ 2,476	\$ 208,941	\$ 170,972
Amounts not scheduled for collection in subsequent year	\$ 176,757	\$ 1,483	\$ 178,240	\$ 142,298

Mississippi

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2009, was as follows (amounts expressed in thousands):

Governmental activities:	Beginning Balance as restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 809,621	\$ 184,977	\$ 521	\$ 994,077
Construction in progress	4,080,687	720,188	603,395	4,197,480
Total capital assets not being depreciated	4,890,308	905,165	603,916	5,191,557
Capital assets being depreciated:				
Buildings	1,549,516	70,079	8,694	1,610,901
Land improvements	151,582	10,863		162,445
Machinery and equipment	662,762	58,875	54,241	667,396
Infrastructure	8,297,258	444,181	68,860	8,672,579
Total capital assets being depreciated	10,661,118	583,998	131,795	11,113,321
Less accumulated depreciation for:				
Buildings	385,175	30,243	2,424	412,994
Land improvements	61,449	4,451		65,900
Machinery and equipment	352,668	59,453	32,810	379,311
Infrastructure	3,149,115	312,589	68,860	3,392,844
Total accumulated depreciation	3,948,407	406,736	104,094	4,251,049
Total capital assets being depreciated, net	6,712,711	177,262	27,701	6,862,272
Governmental activities capital assets, net	\$ 11,603,019	\$ 1,082,427	\$ 631,617	\$ 12,053,829

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 39,734	\$ 2,780	\$	\$ 42,514
Construction in progress	26,761	26,223	5,693	47,291
Total capital assets not being depreciated	66,495	29,003	5,693	89,805
Capital assets being depreciated:				
Buildings	84,287	3,212		87,499
Land improvements	35,498	776		36,274
Machinery and equipment	15,088	9,312	2,546	21,854
Infrastructure	67,685	1,689		69,374
Total capital assets being depreciated	202,558	14,989	2,546	215,001
Less accumulated depreciation for:				
Buildings	18,967	1,872		20,839
Land improvements	14,915	1,152		16,067
Machinery and equipment	10,071	1,006	2,206	8,871
Infrastructure	30,965	2,611		33,576
Total accumulated depreciation	74,918	6,641	2,206	79,353
Total capital assets being depreciated, net	127,640	8,348	340	135,648
Business-type activities capital assets, net	\$ 194,135	\$ 37,351	\$ 6,033	\$ 225,453

Mississippi

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

Governmental activities:

General government	\$	10,562
Education		4,703
Health and social services		15,567
Law, justice and public safety		37,323
Recreation and resources development		9,196
Regulation of business and profession		224
Transportation		327,347
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		1,814
Total depreciation expense - governmental activities	\$	<u>406,736</u>

Business-type activities:

Port Authority at Gulfport	\$	4,223
Other business-type		2,418
Total depreciation expense - business-type activities	\$	<u>6,641</u>

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental activities:			
Department of Transportation	\$ 4,963,912	\$ 3,891,335	\$ 1,075,402
Information Technology Services	26,701	19,192	7,299
Wireless Communication Commission	151,998	30,097	121,901
Department of Finance and Administration	93,637	66,495	17,670
Mississippi Development Authority	78,025	71,481	5,287
Military Department	82,543	52,342	30,201
Department of Health	29,554	4,234	23,425
Department of Public Safety	29,047	16,402	11,575
Department of Wildlife, Fisheries and Parks	16,161	9,481	5,073
East MS State Hospital	13,325	71	257
Boswell Regional Center	10,500	192	
Educational Television	10,132	10,132	
Other projects less than \$10 million	38,674	26,026	1,551
Total governmental activities	<u>5,544,209</u>	<u>4,197,480</u>	<u>1,299,641</u>
Business-type activities:			
Port Authority at Gulfport	80,599	46,795	33,803
Other projects less than \$10 million	496	496	
Total business-type activities	<u>81,095</u>	<u>47,291</u>	<u>33,803</u>
Total construction in progress	<u>\$ 5,625,304</u>	<u>\$ 4,244,771</u>	<u>\$ 1,333,444</u>

Mississippi

Component Units

At June 30, 2009, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 59,575	\$ 15,778	\$ 75,353
Construction in progress	384,724	61,723	446,447
Total capital assets not being depreciated	444,299	77,501	521,800
Capital assets being depreciated:			
Buildings	2,197,597	77,353	2,274,950
Land improvements	238,162	56,275	294,437
Machinery and equipment	863,890	41,439	905,329
Total capital assets being depreciated	3,299,649	175,067	3,474,716
Less accumulated depreciation	1,233,283	88,842	1,322,125
Total capital assets being depreciated, net	2,066,366	86,225	2,152,591
Component units capital assets, net	\$ 2,510,665	\$ 163,726	\$ 2,674,391

Mississippi

Note 9 - Long-term General Obligation Bonds and Notes

Bond indebtedness incurred by the State of Mississippi 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, 2009, 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, 2009, 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 these funds, the State remains contingently liable for its payment. In accordance with Mississippi state law, the State serves as the guarantor for the general obligation bonds of the Greater Port of Pascagoula. The port is not considered part of the reporting entity; however, if the port's resources are insufficient to make the debt service payments on the outstanding bonds, the deficiency must be paid by the State. As of June 30, 2009, the Port of Pascagoula's outstanding general obligation bonds are \$275,000.

Bond Anticipation Notes

During fiscal year 2009, the State issued \$241,100,000 of general obligation notes in anticipation of the issuance of bonds for major economic impact projects, existing industry projects, the statewide wireless communication system, and to rollover short-term General Obligation Notes, Series 2007A and 2007B. These notes were redeemed from the proceeds of Taxable General Obligation Bonds, Series 2009D and 2009E dated October 29, 2009. The Series 2009D Bonds mature annually through 2029 with interest rates ranging from .55% to 5.539%. The Series 2009E Bonds mature annually beginning in year 2029 through 2032 with an interest rate of 6.089%. The bond anticipation notes meet the long-term financing criteria and were in fact redeemed subsequent to year end with proceeds of long-term bonds; and therefore, are reported as long-term debt rather than as a fund liability.

Refunding and Defeased Bonds

During fiscal year 2009, the State issued three general obligation refunding bonds.

The State issued \$60,380,000 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 11 years by \$2,756,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$2,753,000.

The State issued \$16,080,000 of general obligation refunding bonds to currently refund three issues reported in governmental activities. The current refunding was undertaken to reduce debt service payments over the next five years by \$1,005,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$997,000.

The State issued \$25,240,000 of general obligation refunding bonds to currently refund one issue reported in business-type activities. The current refunding was undertaken to reduce debt service payments over the next ten years by \$879,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$873,000.

The net proceeds of the refunding issues were deposited in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2009, \$489,640,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

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.

Mississippi

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.

At June 30, 2009, the General Obligation VRDBs outstanding included in long-term debt and selected SBPA terms are:

Series	Outstanding Amount	Liquidity Provider	Scheduled Termination Date	Commitment Fee	Remarketing Agent
Capital Improvements 2003	\$ 76,510,000	Dexia Credit Local	11/25/2009	0.12 %	Morgan Keegan
Capital Improvements 2005	44,940,000	Bank of America	10/19/2010	0.105	Morgan Stanley
Capital Improvements 2007	48,375,000	Bank of America	7/5/2010	0.67	Bank of America
Major Economic Impact 2003A	123,095,000	Bank of America	11/25/2010	0.65	Citigroup
Major Economic Impact 2003B	123,085,000	Bank of America	11/18/2010	0.65	Morgan Stanley
Major Economic Impact 2003C	67,650,000	Bank of America	7/5/2010	0.67	Bank of America

During fiscal year 2009, draws were made on the SBPA for the Major Economic Impact 2003B bonds due to a failed remarketing. However, these bonds were subsequently remarketed. Tender advances or draws have not been necessary to purchase any unremarketed bonds under the other SBPAs. At June 30, 2009, there were no outstanding tender advances or draws.

If a tender advance occurs under the Capital Improvements 2003 SBPA, interest accrues at the bank's base rate (the federal funds rate plus one half of 1%) for the first 90 days, the bank's base rate plus one half of 1% for the second 90 days, and thereafter the bank's base rate plus 1%. 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 Dexia Credit Local under the SBPA, the State has an agreement with Dexia Credit Local to redeem the bonds over a seven-year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the agreement is exercised because the entire issue of \$76,510,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$7,978,000 through the term of the loan assuming an 11% interest rate with no pre-payment penalty. Subsequent to year end, \$4,000,000 of the outstanding Capital Improvements 2003 demand bonds were redeemed and \$72,510,000 of the outstanding Capital Improvements 2003 demand bonds were converted to long-term fixed rate bonds and the SBPA with Dexia Credit Local was terminated.

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 \$44,940,000 of demand bonds cannot be resold, the State will be required to pay monthly installments of \$977,000 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 \$48,375,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$6,418,000 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 \$123,095,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$16,331,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

Mississippi

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 \$123,085,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$16,329,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty. Subsequent to year end, \$3,725,000 of the outstanding Major Economic Impact 2003B demand bonds were redeemed and \$69,365,000 of the outstanding Major Economic Impact 2003B demand bonds were converted to long-term fixed rate debt.

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 \$67,650,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$8,975,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

Interest Rate Exchange Agreements (Swaps)

As a means to mitigate the State's exposure to fluctuating interest rates, the State entered into forward interest rate swap agreements in connection with \$193,315,000 of currently outstanding variable rate debt.

Terms

2003A Swap Agreements - The State executed swap agreements in July 2006 and March 2007 with two different counterparties in connection with \$50,005,000 of \$123,095,000 outstanding 2003A variable rate bonds. The 2003A bonds have final maturities occurring from November 2009 through November 2028, while the final maturities on the related swaps range from November 2022 to November 2028. Under the 2003A swap agreements, the State pays the counterparties a fixed rate payment ranging from 5.248% to 5.708% and receives a variable rate payment based on one-month LIBOR.

2003B Swap Agreements - The State executed swap agreements in July 2006 and March 2007 with two different counterparties in connection with \$49,995,000 of \$123,085,000 outstanding 2003B variable rate bonds. The 2003B bonds have final maturities occurring from November 2009 through November 2028, while the final maturities on the related swaps range from November 2022 to November 2028. Under the 2003B swap agreements, the State pays the counterparties a fixed rate payment ranging from 5.248% to 5.708% and receives a variable rate payment based on one-month LIBOR.

2005 Swap Agreement - The \$44,940,000 of 2005 variable rate bonds and the related swap have final maturities occurring from September 2009 through September 2025. Under the 2005 swap, executed October 2004, the State pays the counterparty a fixed rate payment of 4.037% and receives a variable rate payment based on the SIFMA Municipal Swap Index.

2007 Swap Agreement - The \$48,375,000 of 2007 variable rate bonds and the related swap have final maturities occurring from September 2009 through September 2027. Under the 2007 swap, executed May 2005, the State pays the counterparty a fixed rate payment of 3.98% and receives a variable rate payment based on the SIFMA Municipal Swap Index.

Fair Value - As of June 30, 2009, the aggregate fair value of the swaps was negative \$25,211,000 determined using the zero-coupon method. The fair value was provided by a third party consultant based on the 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, 2009, the third party consultant calculated the estimated market value. The fair value may vary throughout the life of the swap agreements due to swap market conditions.

Mississippi

Associated Debt - The variable rate bonds are subject to the interest rate exchange agreements. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on all debt, reported under governmental activities and business-type activities, is presented at the end of this note. At June 30, 2009, future debt service requirements on the bonds subject to the swap agreements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2010	\$ 3,540	\$ 1,217	\$ 8,470	\$ 13,227
2011	3,695	1,202	8,336	13,233
2012	3,850	1,187	8,195	13,232
2013	4,015	1,170	8,049	13,234
2014	4,180	1,153	7,897	13,230
2015 - 2019	23,815	5,478	36,961	66,254
2020 - 2024	44,665	4,828	31,492	80,985
2025 - 2029	105,555	1,846	11,955	119,356
	<u>\$ 193,315</u>	<u>\$ 18,081</u>	<u>\$ 121,355</u>	<u>\$ 332,751</u>

Interest Rate Risk - Although the interest rate is synthetically fixed on the bonds under the interest rate exchange agreements, interest payments on the variable rate bonds subject to the interest rate exchange agreements and the net swap payments 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 from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), also require that should the 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 contract of the authorized insurer and shall be deposited as directed by the State. Additionally, the swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The State has executed swap transactions with three counterparties. Each counterparty had a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories as of June 30, 2009.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the SIFMA Municipal Swap Index or the LIBOR and the variable rate bonds vary, which changes the synthetic rate on the bonds. As of June 30, 2009, the SIFMA rate was .34714% and the interest rate on the 2005 and 2007 variable rate bonds ranged from .32% to .5%. The one-month LIBOR was .31625% and the interest rate on the 2003A and 2003B variable rate bonds ranged from .7% to 1%. The relationship between these rates will vary over time, and any variation will result in an adjustment to the intended synthetic interest rate.

Termination Risk - The swaps 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 swaps may be terminated if either the State's or a 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 is terminated, the related variable rate bonds would no longer be hedged and the State would no longer effectively be paying a synthetic fixed rate with respect to these bonds. Also, if at the time of termination the swaps have a negative fair value, the State would incur a loss and would be required to settle with the other party at the swaps' fair value. If the swaps have a positive fair value at the time of termination, the State would realize a gain that the counterparty would be required to pay. In either case the State would become subject to the variable interest rates that were previously hedged to fixed rates.

Market-Access Risk or Rollover Risk - The State's swap agreements are for the term (maturity) of the corresponding variable rate bonds and, therefore, there is no market-access risk or rollover risk.

Mississippi

At June 30, 2009, the primary government's outstanding general obligation bonds and notes as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Bonds				
Small Business Assistance	\$ 746	5.05% - 5.5%	Sept. 2010	\$ 3,000
Spillway Road	1,240	6.25%	Feb. 2011	4,950
Gaming Highway Improvement	66,855	5%	Oct. 2011	200,000
Telecommunication Conference and Training Center	695	3.75% - 5%	Nov. 2011	2,000
Ayers Settlement - Allstate Building	1,175	5.4% - 5.6%	June 2012	3,300
Single Family Residential Housing	1,765	5.4% - 5.6%	June 2012	5,000
Deer Island Project	3,790	5% - 5.25%	Nov. 2012	8,800
Franklin County Lake and Recreation Complex Road Construction	780	4.5% - 5%	Sept. 2013	1,250
Land, Water, and Timber Resources	18,005	3.75% - 5.55%	Nov. 2014	38,000
Local Governments Rail Program	5,520	5.13% - 5.6%	Nov. 2014	13,000
Milk Producers	3,225	4.5% - 5%	Dec. 2017	3,500
Farish Street Historic District	3,070	3.75% - 5.25%	Aug. 2018	4,000
Disaster Assistance	730	5.13% - 5.55%	Nov. 2019	5,000
Economic Development Highway	42,860	4.5% - 7%	Oct. 2023	72,000
Railroad Lines and Bridges Improvement	1,500	5% - 5.25%	Oct. 2023	1,500
Statewide Wireless Communication System	10,000	5% - 5.25%	Oct. 2023	10,000
Technology Alliance	1,000	5% - 5.25%	Oct. 2023	1,000
ACE Fund	12,820	4.25% - 5.55%	Dec. 2025	13,450
Business Investment Act	43,239	3.75% - 7.13%	Dec. 2025	77,870
Existing Industry	3,190	4.25% - 5%	Dec. 2025	3,500
Farm Reform	6,108	3.75% - 5.5%	Dec. 2025	11,000
Job Protection	5,565	4.25% - 5.25%	Dec. 2025	6,000
Local Governments Capital Improvements	15,300	4.25% - 5.75%	Dec. 2025	20,500
Raspert Flight Research Laboratory	1,083	4.25% - 5%	Dec. 2025	1,200
Rural Impact Act	16,185	3.75% - 5.25%	Dec. 2025	20,000
Small Municipalities and Limited Population Counties	31,660	3.75% - 5.25%	Dec. 2025	48,000
State Shipyard Improvements	125,295	4.25% - 5.55%	Dec. 2025	156,000
Stennis Space Center	19,036	3.75% - 5.6%	Dec. 2025	51,750
General Obligation Refunding Bonds	1,244,464	1.44% - 7.35%	Nov. 2026	1,665,255
Transportation	3,875	4.5% - 5%	Dec. 2027	4,000
Small Enterprise Development Finance	50,705	3.25% - 6.5%	July 2028	133,260
Capital Improvements *	927,099	.75% - 5.75%	Oct. 2028	1,672,527
Local Governments Water System Improvement	10,149	5% - 7.13%	Oct. 2028	14,743
Local System Bridge Replacement and Rehabilitation Fund	75,955	3.75% - 5.25%	Oct. 2028	85,000
Rural Fire Truck Acquisition	9,309	4.25% - 5.25%	Oct. 2028	10,000
Major Economic Impact *	400,341	.32% - 7%	Nov. 2028	485,450
Total Bonds	<u>3,164,334</u>			<u>4,855,805</u>
Notes				
Existing Industry	15,000	2.87%	Oct. 2009	15,000
Major Economic Impact	216,100	2.87% - 5.1%	Oct. 2009	216,100
Statewide Wireless Communication System	10,000	2.87%	Oct. 2009	10,000
Total Notes	<u>241,100</u>			<u>241,100</u>
Premiums	110,951			
Deferred Amount on Refunding	(59,778)			
Total Governmental Activities	<u>3,456,607</u>			<u>5,096,905</u>
Business-type Activities:				
General Obligation Refunding Bonds	25,240	1.44% - 4.65%	Sept. 2018	25,240
State Port Improvement (Gulfport)	3,991	5.37% - 5.9%	Nov. 2022	12,362
Total Business-type Activities	<u>29,231</u>			<u>37,602</u>
Total General Obligation Bonds and Notes	<u>\$ 3,485,838</u>			<u>\$ 5,134,507</u>

Mississippi

* Interest on \$76,510,000 and \$213,830,000 of outstanding general obligation bonds for Capital Improvements and Major Economic Impact, respectively, 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 \$93,315,000 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 Municipal 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, 2009, 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
2010	\$ 514,530	\$ 152,443	\$ 2,755	\$ 1,003
2011	270,820	129,400	3,050	984
2012	261,096	116,470	2,634	898
2013	238,303	104,484	2,582	817
2014	235,764	93,054	2,707	727
2015 - 2019	998,570	308,935	15,194	1,839
2020 - 2024	578,411	134,771	309	25
2025 - 2029	307,940	31,853		
Total	3,405,434	1,071,410	29,231	6,293
Premiums	110,951			
Deferred Amount on Refunding	(59,778)			
Total Debt Service, Net	\$ 3,456,607	\$ 1,071,410	\$ 29,231	\$ 6,293

Mississippi

Note 10 - Bonds Authorized But Unissued

At June 30, 2009, 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	\$ 37,450	\$ 24,000
Business Investment Act	316,000	49,123
Capital Improvements	853,411	227,101
Deer Island Project	10,000	1,200
Disaster Matching Funds	61,000	51,000
Economic Development Highway	216,500	77,600
Energy Infrastructure Revolving Loan	20,000	20,000
Existing Industry Productivity	55,000	36,500
Farish Street Historic District	6,000	2,000
Farm Reform	111,000	5,000
Holly Springs Industrial Park Access Road	500	500
Infinity Space, Science and Education Center	10,000	10,000
Job Protection	12,000	6,000
Local Governments Capital Improvements	128,000	12,500
Local System Bridge Replacement	135,000	50,000
Major Economic Impact	1,174,700	324,210
Municipal Port Improvement	3,000	3,000
Old Capitol Green	20,000	20,000
Railroad Lines and Bridges Improvements	5,000	3,500
Railroad Revitalization and Stimulus	16,000	16,000
Rural Fire Truck Acquisition	13,900	3,900
Rural Impact	22,875	2,875
Small Enterprise Development Finance	140,000	90,600
Small Municipalities and Limited Population Counties	53,000	5,000
Southern Arts and Entertainment Center	4,000	4,000
State Port Improvement (Gulfport)	80,000	80,000
Technology Alliance Program	4,000	3,000
Transportation - Highways	8,000	8,000
	<u>\$ 3,516,336</u>	<u>\$ 1,136,609</u>

Mississippi

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, 2009, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	\$ 667,867	1% - 6.55%	Aug. 2038	\$ 885,825
Notes	7,645	0% - 8.2%	Nov. 2023	10,249
Nonmajor Component Units:				
Notes	672	3.137% - 4.22%	Jan. 2018	2,892
Total Component Units	<u>\$ 676,184</u>			<u>\$ 898,966</u>

At June 30, 2009, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units	
	Principal	Interest
2010	\$ 23,396	\$ 29,822
2011	22,088	29,625
2012	24,538	28,776
2013	24,478	27,314
2014	26,610	24,518
2015 - 2019	146,725	100,617
2020 - 2024	149,599	69,775
2025 - 2029	125,691	42,302
2030 - 2034	101,809	19,836
2035 - 2039	31,250	2,814
	<u>\$ 676,184</u>	<u>\$ 375,399</u>

Note 12 - Other Long-term Liabilities

- A. Compensated Absences** - The State's liability for compensated absences at June 30, 2009 is \$125,028,000 for governmental activities and \$624,000 for business-type activities. Internal service compensated absences of \$1,258,000 are included in governmental activities. The component units' liability for compensated absences is \$92,440,000, of which \$91,653,000 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, 2009, four 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, 2009, the primary government's pollution remediation obligation is \$44,747,000. 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.

Mississippi

C. Notes Payable and Certificates of Participation - At June 30, 2009, the primary government's outstanding notes payable and certificates of participation as presented in governmental activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Notes Payable:				
Utility restoration	\$ 178,850	5% - 5.45%	Jul. 2019	\$ 189,860
Energy efficiency	14,964	4.15% - 5.73%	Apr. 2023	19,872
Buildings*	224,996	3.36% - 5.33%	May 2028	227,855
Roads and bridges**	415,273	1.55% - 5%	Jan. 2035	441,550
Total	834,083			879,137
Premiums	19,073			
Deferred Amount on Refunding	(1,145)			
Total Notes Payable	\$ 852,011			\$ 879,137
Certificate of Participation:				
Buildings	\$ 2,045	5.1% - 5.4%	Oct. 2017	\$ 3,215

* Interest rate swap agreements have been entered into in connection with \$166,250,000 of outstanding variable rate notes for purchases of buildings where the State pays the counterparties fixed rate payments ranging from 3.36% to 3.49%, and receives variable rate payments computed based on USD-LIBOR-BBA multiplied by 67%.

** Interest on \$22,613,000 of outstanding notes payable to accelerate construction of roads and bridges is variable rate and is reset weekly at the New York prime rate plus 2%, never to exceed 13%.

At June 30, 2009, future debt service requirements for notes payable and certificates of participation are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities			
	Certificates of Participation		Notes Payable	
	Principal	Interest	Principal	Interest
2010	\$ 155	\$ 105	\$ 36,529	\$ 37,591
2011	160	96	39,768	35,848
2012	170	88	41,470	33,976
2013	175	79	43,620	32,006
2014	185	69	45,642	29,959
2015 - 2019	1,200	160	248,198	115,310
2020 - 2024			203,526	61,538
2025 - 2029			147,110	19,594
2030 - 2034			22,945	4,626
2035			5,275	251
Total	2,045	597	834,083	370,699
Premiums			19,073	
Deferred Amount on Refunding			(1,145)	
Total Debt Service, Net	\$ 2,045	\$ 597	\$ 852,011	\$ 370,699

Interest Rate Exchange Agreements (Swaps)

2009 Swap Agreement - As a means to mitigate the State's exposure to fluctuating interest rates, the State entered into a forward interest rate swap agreement in connection with \$58,000,000 of variable rate notes to be issued in the year 2009 for a highway construction project.

Terms - The 2009 notes and the related swap agreement will have maturities occurring from January 2011 through January 2029. Under the 2009 swap agreement, which was executed in December 2005, the State will, upon issuance of the 2009 notes, pay to the counterparty fixed interest payments at 4.606% and will receive from the counterparty variable interest payments computed based on the SIFMA Municipal Swap Index.

Mississippi

Fair Value - The fair value of the 2009 swap agreement at June 30, 2009 was negative \$6,874,000, estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap agreement, 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 notes due on the date of each future net settlement under the swap agreement.

Associated Debt - The 2009 notes to which the swap agreement relates have not yet been issued by the State.

Interest Rate Risk - Although the interest rate is synthetically fixed on the 2009 notes under the interest rate swap agreement, interest payments on the variable rate notes subject to the interest rate swap agreement and the net swap payments will vary as interest rates change.

Credit Risk - The swap agreement requires that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the Standard & Poor's Ratings Group rating of "BBB-" or the Moody's Investors Services, Inc. rating of "Baa3", 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, with a net market value of at least 102% of the net market value of the contract of the authorized issuer and shall be deposited as directed by the State. Additionally, the swap agreement requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The counterparty met the required rating as of June 30, 2009.

Basis Risk - The interest rate swap agreement exposes the State to basis risk as the relationship between the SIFMA Municipal Swap Index and the variable rate notes vary, which changes the synthetic rate of the notes. The relationship between these rates will vary over time and any variation will result in an adjustment to the synthetic interest rate.

Termination Risk - The swap agreement is 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 agreement may be terminated if either the State's or a counterparty's credit rating falls below certain levels. The State or the counterparty may terminate the swap agreement if the other party fails to perform under the terms of the agreement. If the swap agreement is terminated, the related variable rate notes would no longer be hedged and the State would no longer be effectively paying a synthetic fixed rate with respect to these notes. Also, if at the time of termination the swap agreement has a negative fair value, the State would incur a loss and would be required to settle with the counterparty at the swap agreement's fair value. If the swap agreement has a positive fair value at the time of termination, the State would realize a gain that the counterparty would be required to pay. In either case, the State would become subject to the variable interest rate of the notes that was previously hedged to a fixed rate.

Market Access Risk or Rollover Risk - The State's swap agreement is for the same term as the 2009 variable rate notes and, therefore, there is no market-access risk or rollover risk related to the swap agreement.

2008A and 2008B Swap Agreements - The State entered into interest rate swap agreements in connection with its \$96,390,000 refunding notes (2008A Notes) and \$69,860,000 refunding notes (2008B Notes) both issued in 2008. These refunding notes were issued to refund notes for correctional facilities and the swap agreements were entered into to mitigate the State's exposure to fluctuating interest rates.

Terms - The 2008A notes and its related swap have final maturities occurring from August 2010 through August 2027. Under the 2008A swap agreement, executed April 2008, the State pays the counterparty a fixed payment of 3.361% and until September 30, 2008 receives a variable rate payment computed based on the SIFMA Municipal Swap Index. After September 30, 2008, the State will receive a variable payment based on 67% of the USD-LIBOR-BBA. The 2008B notes and its related swap have final maturities occurring from August 2010 through August 2027. Under the 2008B swap agreement, executed April 2008, the State pays the counterparty a fixed payment of 3.49% and until September 30, 2008 receives a variable rate payment computed based on the SIFMA Municipal Swap Index. After September 30, 2008, the State will receive a variable rate payment based on 67% of the USD-LIBOR-BBA.

Fair Value - The fair values of the 2008A and 2008B swap agreements at June 30, 2009 were negative \$8,034,000 and negative \$6,760,000, respectively. The fair values were based upon mid-market quotations for the swap transactions on June 30, 2009. The fair value may vary throughout the life of the swap agreements due to swap market conditions.

Mississippi

Associated Debt - The 2008A and 2008B variable rate notes are subject to the interest rate exchange agreements. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate notes and the net swap payments will change. The future debt service requirements on notes payable and certificates of participation are presented at the beginning of this note. At June 30, 2009, future debt service requirements on the notes subject to the swap agreements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2010	\$	\$ 532	\$ 5,334	\$ 5,866
2011	1,735	527	5,283	7,545
2012	1,800	521	5,225	7,546
2013	2,280	514	5,153	7,947
2014	2,375	506	5,078	7,959
2015 - 2019	33,885	2,284	22,898	59,067
2020 - 2024	55,760	1,479	14,835	72,074
2025 - 2028	68,415	431	4,321	73,167
	<u>\$ 166,250</u>	<u>\$ 6,794</u>	<u>\$ 68,127</u>	<u>\$ 241,171</u>

Interest Rate Risk - Although the interest rate is synthetically fixed on the 2008A and 2008B notes under the interest rate exchange agreements, interest payments on the variable rate notes subject to the interest rate exchange agreements and the net swap payments will vary as interest rates change.

Credit Risk - The swap agreements require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories. All of the swap agreements require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the counterparty transfer the agreement to an entity that meets the required rating. The State has executed swap transactions with two counterparties. The counterparties met the required rating as of June 30, 2009.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the LIBOR and the variable rate notes vary, which changes the synthetic rate on the notes. As of June 30, 2009, the one-month LIBOR was .31625% and the interest rates on the 2008A and 2008B variable rate notes were .32%. The relationship between these rates will vary over time and any variation will result in an adjustment to the intended synthetic interest rate.

Termination Risk - The swaps 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 swaps may be terminated if either the State's or a 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 is terminated, the related variable rate notes would no longer be hedged and the State would no longer effectively be paying a synthetic fixed rate with respect to these notes. Also, if at the time of termination the swaps have a negative fair value, the State would incur a loss and would be required to settle with the other party at the swaps' fair value. If the swaps have a positive fair value at the time of termination, the State would realize a gain that the counterparty would be required to pay. In either case, the State would become subject to the variable interest rates that were previously hedged to fixed rates.

Market-Access Risk or Rollover Risk - The State's 2008A and 2008B swap agreements are for the term (maturity) of the corresponding variable rate notes and, therefore, there is no market-access risk or rollover risk.

Mississippi

- 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, 2009, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	\$	\$ 700
Machinery and equipment	25,685	1,202
Less accumulated depreciation	(9,755)	(96)
Total	<u>\$ 15,930</u>	<u>\$ 1,806</u>

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$6,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$29,352,000.

At June 30, 2009, 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
2010	\$ 7,335	\$ 855	\$ 8,190	\$ 9,210
2011	6,005	270	6,275	8,659
2012	3,998	269	4,267	5,314
2013	853	269	1,122	1,743
2014	531	135	666	459
2015	72		72	1,257
Total Minimum Lease Payments	18,794	1,798	20,592	26,642
Less Interest	1,563	162	1,725	2,077
Present Value of Net Minimum Lease Payments	<u>\$ 17,231</u>	<u>\$ 1,636</u>	<u>\$ 18,867</u>	<u>\$ 24,565</u>

Internal service future minimum lease payments of \$46,000 less interest of \$3,000 are included in the governmental activities column.

Mississippi

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2009 are summarized below (amounts expressed in thousands):

	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	\$ 3,408,791	\$ 439,180	\$ 442,537	\$ 3,405,434	\$ 514,530
Premiums/Discounts (Note 9)	107,426	13,916	10,391	110,951	10,237
Deferred Amount on Refunding (Note 9)	(64,144)	5,889	1,523	(59,778)	(5,964)
Limited Obligation Bonds	24,460		24,460	0	
Notes Payable (Note 12)	862,771		28,688	834,083	36,529
Premiums (Note 12)	20,512		1,439	19,073	1,438
Deferred Amount on Refunding (Note 12)	(1,234)	89		(1,145)	(89)
Total Bonds and Notes	4,358,582	459,074	509,038	4,308,618	556,681
Capital Lease Obligations (Note 12)	12,555	10,759	6,083	17,231	6,594
Accrued Compensated Absences (Note 12)	116,760	68,153	59,885	125,028	6,448
Pollution Remediation Obligation (Note 12)	49,747	507	5,507	44,747	8,447
Certificates of Participation (Note 12)	2,190		145	2,045	155
	<u>\$ 4,539,834</u>	<u>\$ 538,493</u>	<u>\$ 580,658</u>	<u>\$ 4,497,669</u>	<u>\$ 578,325</u>
Business-type Activities:					
General Obligation Bonds (Note 9)	\$ 32,064	\$ 25,240	\$ 28,073	\$ 29,231	\$ 2,755
Accrued Compensated Absences (Note 12)	577	214	167	624	30
Capital Lease Obligations (Note 12)	926	923	213	1,636	796
	<u>\$ 33,567</u>	<u>\$ 26,377</u>	<u>\$ 28,453</u>	<u>\$ 31,491</u>	<u>\$ 3,581</u>

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The beginning and ending balances of governmental activities capital lease obligations include \$63,000 and \$43,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,269,000 and \$1,258,000, 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 \$442,537,000 in general obligation bonds and notes includes \$81,920,000 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

Credit Agreements - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to \$150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2009 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	\$ 40,000	\$ 130,000	\$ 155,000	\$ 15,000

Mississippi

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; eligibility is granted upon hiring for all 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 the plan by the System's Board of Trustees. If approved, membership is a condition of employment and eligibility is granted upon hiring. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest.

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of credited service 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 through 25 years, plus 2 1/2 percent for each year of credited service over 25 years. 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 retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who entered the System prior to July 1, 2007, benefits vest upon completion of four years of membership service. For members who entered the System on or after July 1, 2007, benefits vest upon completion of eight years of membership service. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2009, the total additional annual payments were \$312,471,000.

Mississippi Highway Safety Patrol Retirement System: Membership in MHSPRS is a condition of employment; eligibility is 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 of Mississippi. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest.

Participating employees 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 1/2 percent of their 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. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

Mississippi

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 60, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 60. For the year ended June 30, 2009, the total additional annual payments were \$5,982,000.

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, firefighters, 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. Employees hired after these periods automatically become members of PERS. MRS were fully closed to new members July 1, 1987. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions.

Participating employees who retire regardless of age 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 over 20 years not to exceed 66.67 percent of average monthly compensation. Average monthly compensation for the two Municipal Retirement Systems and for 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 also provide certain death and disability benefits. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Annotated (1972) and annual local and private legislation. Statutes may be amended only by the State Legislature.

The retirees and beneficiaries of Municipal 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 not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain Municipal plans may adopt an annual adjustment other than one linked to the change in the Consumer Price Index. These additional payments will only be made when funded by the employers. For the year ended June 30, 2009, the total additional annual payments were \$5,053,000.

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 the SLRP became effective on 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. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Annotated (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, 2009, the total additional annual payments were \$276,000.

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, 2009. 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, 2008. 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.

Mississippi

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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	11.85%	30.30%	N/A	6.65%
Other employers	N/A	N/A	.71 – 8.79 mills	N/A
Plan members	7.25%	7.25%	7.00% - 10.00%	3.00% *
Annual pension cost	\$ 713,569	\$ 12,274	\$ 15,219	\$ 458
Employer contributions made	\$ 713,569	\$ 12,274 ***	\$ 16,132	\$ 458
Actuarial valuation date	June 30, 2009	June 30, 2009	Sept. 30, 2008	June 30, 2009
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level	Level	Level	Level
	percent open	percent open	dollar closed	percent open
Remaining amortization period	30.0 years	29.3 years	26.0 years	26.2 years
Asset valuation method	5-year	5-year	5-year	5-year
	smoothed market	smoothed market	smoothed market	smoothed market
Actuarial assumptions:				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Wage inflation rate	4.25%	4.25%	4.00%	4.25%
Projected salary increases	4.50% - 15.00%	5.00% - 10.52%	4.50% - 6.00%	4.50%
Increases in benefits after retirement	3.00% ~	3.00% @	2.00% - 3.75% #	3.00% ~
Proposed annual employer contribution rates for fiscal year 2011	13.56% **	30.30%	-	6.65%

* In addition to 7.25% required by PERS.

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

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

Varies depending on municipality.

** In 2007, the PERS' consulting actuary recommended an employer contribution rate of 11.85 percent of covered wages in order to comply with GASB Statements No. 25 and No. 27. The PERS Board of Trustees adopted the contribution rate which provided a sufficient funding level to keep the unfunded accrued liability period less than 30 years. In the June 30, 2008 and 2009 valuation reports, the consulting actuary recommended employer contribution rates of 12.00 percent beginning July 1, 2009, and 13.56 percent beginning July 1, 2010, respectively.

*** Includes fees authorized by the State Legislature which are reported as other additions in the pension trust funds.

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:				
2007	\$ 610,888	\$ 10,616	\$ 15,628	\$ 432
2008	683,189	12,409	14,979	449
2009	713,569	12,274	16,132	458

* Includes fees authorized by the State Legislature which are reported as other additions in the pension trust funds.

** Information furnished for MRS is for the years ended September 30, 2006, 2007, and 2008 respectively.

The annual pension cost is 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 101.5%, 97.1%, and 106.0% of the required contributions for the years ended September 30, 2006, 2007, and 2008, 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, 2006, 2007, and 2008, the MRS net pension obligation or net pension asset was not significant.

Mississippi

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, 2009	June 30, 2009	Sept. 30, 2008	June 30, 2009
Actuarial Value of Assets	\$ 20,597,581	\$ 292,322	\$ 208,479	\$ 13,386
Actuarial Accrued Liability (AAL) Entry Age	\$ 30,594,546	\$ 394,630	\$ 368,131	\$ 16,535
Unfunded AAL	\$ 9,996,965	\$ 102,308	\$ 159,652	\$ 3,149
Percent Funded	67.3%	74.1%	56.6%	81.0%
Annual Covered Payroll	\$ 5,831,864	\$ 26,390	\$ 1,713	\$ 6,803
Unfunded AAL as a Percentage of Annual Covered Payroll	171.4%	387.7%	9,320.0%	46.3%

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

No contributions towards other postemployment benefits (OPEB) are made. 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, 2009, retiree premiums range from \$162 to \$1,354 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, 2009. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$43,025,000 is .93 percent of annual covered payroll.

Mississippi

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2009 (amounts expressed in thousands):

Annual required contribution	\$ 43,025
Interest on prior year net OPEB obligation	1,963
Adjustment to annual required contribution	(1,558)
Annual OPEB cost	43,430
Contributions made	0
Increase in net OPEB obligation	43,430
Net OPEB obligation – Beginning of year	43,627
Net OPEB obligation – End of year	<u>\$ 87,057</u>

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 43,627	0.0%	\$ 43,627
2009	43,430	0.0	87,057

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, 2009
Actuarial Value of Assets	\$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	\$ 755,328
Unfunded AAL (UAAL)	\$ 755,328
Funded Ratio	0.0%
Annual Covered Payroll	\$ 4,613,682
UAAL as a Percentage of Annual Covered Payroll	16.4%

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, 2009
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*	10.5%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2016
* Includes price inflation at	3.5%
** Includes wage inflation at	4.25%

Mississippi

Note 17 - Commitments

A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2009 are as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2010	\$ 19,779
2011	16,801
2012	12,667
2013	9,661
2014	8,022
2015 - 2019	21,052
2020 - 2024	1,307
2025 - 2029	582
2030 - 2034	440
2035 - 2039	323
Thereafter	268
Total Minimum Commitments	<u>\$ 90,902</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2009 amounted to \$19,796,000.

B. Contracts

At June 30, 2009, the Department of Transportation had contracts outstanding of approximately \$765,556,000 with performance continuing during fiscal year 2010. Of this amount \$17,295,000 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 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 funded by specific gasoline and gaming taxes.

The State Aid Road Division had contracts of \$55,105,000 outstanding at June 30, 2009 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 40 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 \$154,308,000 at June 30, 2009. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately \$30,201,000 at June 30, 2009. Approximately 99 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 \$33,803,000 at June 30, 2009. These contracts were primarily for construction costs related to terminal expansion, yard expansion, and rehabilitating berth facilities. These contracts will be paid from Port Authority at Gulfport's revenues and bonds.

The Department of Information Technology Services had contracts outstanding of approximately \$121,901,244 at June 30, 2009. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system. Approximately 88 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 capital projects funds.

Mississippi

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 2008 and 2009 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2008	\$ 129,201	\$ 634,839	\$ 620,157	\$ 143,883
2009	\$ 143,883	\$ 720,720	\$ 709,644	\$ 154,959

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.

Mississippi

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 \$2,538,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the State.
- C. **Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized to provide loan guarantees on behalf of rural businesses for the purpose of promoting business and economic development in rural areas of the state. At June 30, 2009, outstanding MDA loan guarantees totaled \$350,000.

The State of Mississippi 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, 2009, outstanding Community Disaster loan guarantees totaled \$176,364,000.

- 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 \$2,478,354,000 at June 30, 2009. 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 \$10,810,000 at June 30, 2009, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Mississippi

Note 21 - Subsequent Events

The State Fiscal Officer is required by statute to reduce allotments of appropriations to general funds and state-source special funds when General Fund revenues collected by the end of October, or any month thereafter of the fiscal year, fall below 98% of the estimate adopted by the Legislative Budget Office, at the date of sine die adjournment, in order to keep expenditures within the actual General Fund receipts. To be in compliance, the Governor ordered expenditure cuts of \$169,558,000 and \$54,274,000 in September and December 2009, respectively. Additional budget cuts may be necessary if revenue shortfalls persist.

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 \$231,000,000 from the Working Cash Stabilization Reserve Account and \$415,000,000 from budgetary special funds as of December 18, 2009. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State entered into two financing agreements on August 26, 2009 to accelerate the construction of a highway project. These agreements resulted in notes payable totaling \$72,785,000 payable beginning in year 2010 through year 2035 with interest rates ranging from 2% to 6.5897%.

The *2009 Swap Agreement*, in connection with \$58,000,000 of variable rate notes to be issued in year 2009 for a highway project, was terminated at the option of the State on August 27, 2009. It had a negative fair value at the time of termination and the State paid \$8,815,000 to the Swap Counterparty.

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

Taxable General Obligation Bonds, Series 2009D totaling \$335,675,000 dated October 29, 2009. These bonds provided funding for ACE Fund, Existing Industry, Economic Development Highway, Farm Reform, Rural Impact, Major Economic Impact, Statewide Wireless Communication System, the refinancing of a portion of general obligation bond anticipation notes, and the current refunding of a portion of Major Economic Impact bonds from variable rate to fixed rate debt. The bonds mature serially through year 2029 with interest rates ranging from .55% to 5.539%.

Taxable General Obligation Bonds, Series 2009E totaling \$120,000,000 dated October 29, 2009. These bonds provided funding for a Major Economic Impact project and the refinancing of a portion of general obligation bond anticipation notes. The bonds mature serially beginning in year 2029 through year 2032 with an interest rate of 6.089%.

Tax-exempt General Obligation Refunding Bonds, Series 2009F totaling \$64,415,000 dated October 29, 2009. These bonds currently refunded a portion of Capital Improvement bonds from variable rate to fixed rate debt. The bonds mature serially beginning in year 2020 through year 2023 with interest rates ranging from 3.85% to 5.25%.

Taxable General Obligation Build America Bonds, Series 2009G totaling \$98,300,000 dated October 29, 2009. These bonds provided funding for Municipal Port Improvements, Rural Fire Truck Acquisition, Capital Improvements, Farm Reform, and Small Municipalities and Limited Population Counties. The bonds mature serially beginning in year 2029 through year 2034 with an interest rate of 5.669%.

Taxable General Obligation Note, Series 2009B totaling \$21,875,000 dated November 18, 2009. This note provided funding for Business Investment, Existing Industry, Job Protection, Rural Impact, Railroad Lines Improvements, Farish Street Historic District, and Mississippi Technology Alliance Program. The note will mature November 17, 2010 with interest payable at maturity at a rate of .54%.

Tax-exempt General Obligation Note, Series 2009C totaling \$40,252,000 dated November 18, 2009. This note provided funding for Holly Springs Industrial Park Access Road, Southern Arts and Entertainment Center, and Capital Improvements. The note will mature November 17, 2010 with interest payable at maturity at a rate of 1.25%.

Mississippi

Required Supplementary Information

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 2,019,300	\$ 2,019,300	\$ 1,921,637	\$ (97,663)
Individual income tax	1,617,000	1,617,000	1,474,787	(142,213)
Corporate income and franchise taxes	528,400	528,400	422,040	(106,360)
Use and wholesale compensating taxes	207,700	207,700	199,937	(7,763)
Tobacco, beer and wine taxes	90,100	90,100	114,934	24,834
Insurance tax	164,500	164,500	153,176	(11,324)
Oil and gas severance taxes	92,700	92,700	84,810	(7,890)
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	61,800	61,800	63,777	1,977
Other taxes	23,000	23,000	18,634	(4,366)
Interest	25,000	25,000	28,279	3,279
Auto privilege, tag and title fees	16,900	16,900	16,407	(493)
Gaming fees	207,800	207,800	172,429	(35,371)
Highway Safety Patrol fees	22,700	22,700	22,513	(187)
Other fees and services	12,000	12,000	11,977	(23)
Miscellaneous	3,400	3,400	4,833	1,433
Court assessments and settlements			10,004	10,004
Special Fund revenues				
Total Revenues	5,092,300	5,092,300	4,720,174	(372,126)
Expenditures by Major Budgetary Function				
Legislative	25,636	25,704	25,028	(676)
Judiciary and justice	61,250	59,951	59,522	(429)
Executive and administrative	3,772	3,588	3,535	(53)
Fiscal affairs	70,644	92,104	92,100	(4)
Public education	2,230,446	2,169,554	2,168,871	(683)
Higher education	849,013	799,112	799,105	(7)
Public health	34,107	31,076	31,015	(61)
Hospitals and hospital schools	264,529	251,303	250,128	(1,175)
Agriculture, commerce and economic development	112,569	106,989	106,968	(21)
Conservation and recreation	55,177	52,551	52,521	(30)
Insurance and banking				
Corrections	265,954	252,656	252,337	(319)
Interdepartmental service				
Social welfare	520,902	519,519	519,496	(23)
Public protection and veterans assistance	95,453	90,673	90,649	(24)
Local assistance	83,900	84,900	84,897	(3)
Motor vehicle and other regulatory agencies	710	1,634	1,629	(5)
Miscellaneous	1,407	1,337	1,327	(10)
Public works				
Debt service	289,548	289,548	289,548	
Total Expenditures	4,965,017	4,832,199	4,828,676	(3,523)
Excess of Revenues over (under) Expenditures	127,283	260,101	(108,502)	(368,603)
Other Financing Sources (Uses)				
Transfers in	17,600	17,600	235,119	217,519
Transfers out			(155,284)	(155,284)
Investments purchased, net				
Other sources of cash			3	3
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	144,883	277,701	(28,664)	(306,365)
Budgetary Fund Balances - Beginning	36,739	36,739	36,739	
Budgetary Fund Balances - Ending	\$ 181,622	\$ 314,440	\$ 8,075	\$ (306,365)

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)
\$ 253,611	\$ 248,729	\$ 261,356	\$ 12,627	\$	\$	\$	\$
23,403	22,822	23,009	187				
		58	58				
		14	14				
				12,363,987	14,924,260	10,623,684	(4,300,576)
277,014	271,551	284,437	12,886	12,363,987	14,924,260	10,623,684	(4,300,576)
				22	22	16	(6)
				47,859	62,489	51,617	(10,872)
				15,323	21,029	16,856	(4,173)
				72,922	94,910	84,153	(10,757)
202,751	195,170	184,758	(10,412)	957,111	969,346	786,177	(183,169)
93,648	88,965	83,970	(4,995)	99,322	98,520	80,982	(17,538)
				376,015	403,029	306,694	(96,335)
				367,706	404,480	376,756	(27,724)
3,224	3,063	2,885	(178)	2,453,591	2,461,796	767,968	(1,693,828)
126	123	123		239,560	948,757	293,818	(654,939)
				66,612	68,943	61,558	(7,385)
				81,008	98,244	95,481	(2,763)
				44,342	44,927	39,906	(5,021)
				4,706,999	5,916,031	5,423,281	(492,750)
				1,321,765	1,626,681	699,506	(927,175)
				25,496	26,133	22,265	(3,868)
450	428	404	(24)	1,048	3,339	2,994	(345)
				1,228,466	1,409,764	1,227,569	(182,195)
				258,820	265,820	55,628	(210,192)
300,199	287,749	272,140	(15,609)	12,363,987	14,924,260	10,393,225	(4,531,035)
(23,185)	(16,198)	12,297	28,495			230,459	230,459
		(12,450)	(12,450)			1,248	1,248
						(211,561)	(211,561)
						(634)	(634)
(23,185)	(16,198)	(153)	16,045			19,512	19,512
		398	398			971,951	971,951
\$ (23,185)	\$ (16,198)	\$ 245	\$ 16,443	\$ 0	\$ 0	\$ 991,463	\$ 991,463

Mississippi

Required Supplementary Information

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

For the Year Ended June 30, 2009

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, 2009 is presented below (amounts expressed in thousands):

<u>Budgetary Funds</u>	<u>General</u>	<u>Education Enhancement</u>	<u>Special</u>
<u>Financial Statement Major Funds</u>	<u>General</u>		<u>Health Care</u>
Net Change in Budgetary Fund Balances	\$ (28,664)	\$ (153)	\$ 19,512
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	1,334	153	(1,487)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			(19,316)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	(334,338)		(42,697)
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(313,072)		(8,291)
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	208,005		3,449
Net Change in GAAP Fund Balances	\$ (466,735)	\$ 0	\$ (48,830)

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2009 (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						
2007	\$ 19,791,564	\$ 26,862,636	\$ 7,071,072	73.7 %	\$ 5,196,295	136.1 %
2008	20,814,720	28,534,694	7,719,974	72.9	5,544,705	139.2
2009	20,597,581	30,594,546	9,996,965	67.3	5,831,864	171.4
Mississippi Highway Safety Patrol Retirement System						
2007	\$ 284,626	\$ 371,233	\$ 86,607	76.7 %	\$ 27,037	320.3 %
2008	298,630	381,578	82,948	78.3	29,597	280.3
2009	292,322	394,630	102,308	74.1	26,390	387.7
Municipal Retirement Systems *						
2006	\$ 213,553	\$ 383,355	\$ 169,802	55.7 %	\$ 2,223	7,638.4 %
2007	213,432	379,584	166,152	56.2	1,953	8,507.5
2008	208,479	368,131	159,652	56.6	1,713	9,320.0
Supplemental Legislative Retirement Plan						
2007	\$ 12,722	\$ 15,054	\$ 2,332	84.5 %	\$ 6,554	35.6 %
2008	13,412	15,615	2,203	85.9	6,753	32.6
2009	13,386	16,535	3,149	81.0	6,803	46.3

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2009, does not differ materially from the value as of September 30, 2008.

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 2009 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2009 (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, 2008	\$ 0	\$ 570,248	\$ 570,248	0.0%	\$ 4,348,942	13.1%
June 30, 2009	0	755,328	755,328	0.0	4,613,682	16.4

(This page left blank intentionally)

Nonmajor Governmental Funds

Nonmajor Governmental Funds Descriptions

Nonmajor Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The numerous special revenue funds used by the state are combined into specific functions.

Health and Social Services - accounts for federal and state monies used to provide vocational rehabilitation services, alcohol abuse treatment and rehabilitation programs, determination of disability eligibility, and administration of the Unemployment Compensation Act.

Law, Justice and Public Safety - accounts for federal and state monies used to provide an alternative to incarceration, to oversee criminal justice and highway safety, to provide training for military troops and maintenance of training sites, and to provide for emergency management programs and their administration.

Recreation and Resources Development - accounts for revenues and expenditures related to programs that promote the rice and soybean industries, promote community development including job development and training, promote efficient and environmentally acceptable use of energy, promote preservation and protection of the state's wildlife and marine resources, and operate the state parks.

Regulation of Business and Professions - accounts for revenues and expenditures related to programs that regulate telecommunications, electric, gas, water and sewer utilities, regulate banks and small loan organizations, regulate oil and gas production, regulate various professions controlled by boards and commissions, and administer the provisions of the Mississippi Workers' Compensation Law.

Capital Projects Fund

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

Permanent Funds

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government, such as, funds received in royalties and lease of state-owned land that will be used for education improvement, and wildlife endowment funds to be used to acquire land.

Mississippi

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2009 (Expressed in Thousands)

	Nonmajor Special Revenue					Totals
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions		
Assets						
Equity in internal investment pool	\$ 38,372	\$ 197,414	\$ 67,467	\$ 45,158	\$	348,411
Cash and cash equivalents	12,293	9,775	5,789	110		27,967
Investments	140	1,664	8,359			10,163
Receivables:						
Interest	8	74	1,095	4		1,181
Other	8,674	310	385	684		10,053
Due from other governments	9,554	83,701	84,645	281		178,181
Due from other funds	1,916	850	12,309	37		15,112
Inventories		1,685	250			1,935
Prepaid items			163			163
Loans receivable, net			2,476			2,476
Total Assets	\$ 70,957	\$ 295,473	\$ 182,938	\$ 46,274	\$	595,642
Liabilities						
Warrants payable	\$ 1,912	\$ 4,623	\$ 13,610	\$ 609	\$	20,754
Accounts payable and accruals	10,543	7,878	22,300	500		41,221
Contracts payable						
Due to other governments	353	24,005	18,154	14		42,526
Due to other funds	13,224	53,577	26,186	142		93,129
Due to component units	34	212	229			475
Unearned revenues	7,905	25,398	2,325			35,628
Other liabilities				333		333
Total Liabilities	33,971	115,693	82,804	1,598		234,066
Fund Balances						
Reserved for:						
Education and vocational training						
Ellisville State School	2,025					2,025
Encumbrances	663	10,935	3,645	297		15,540
Inventories		1,685	250			1,935
Long-term portion of due from other governments			5,197			5,197
Long-term portion of loans receivable			1,483			1,483
Prepaid items			163			163
Wildlife conservation						
Unreserved:						
Designated for disaster recovery		137,000				137,000
Designated for energy programs			4,887			4,887
Designated for future capital projects						
Designated for future loans			12,879			12,879
Undesignated	34,298	30,160	71,630	44,379		180,467
Total Fund Balances	36,986	179,780	100,134	44,676		361,576
Total Liabilities and Fund Balances	\$ 70,957	\$ 295,473	\$ 182,938	\$ 46,274	\$	595,642

Capital Projects	Permanent	Totals
\$ 368,242	\$ 553	\$ 717,206
	1,979	29,946
22,903	52,542	85,608
131	621	1,933
	22	10,075
		178,181
4,992		20,104
		1,935
		163
		2,476
<u>\$ 396,268</u>	<u>\$ 55,717</u>	<u>\$ 1,047,627</u>
\$ 53	\$ 5	\$ 20,812
	49	41,270
20,909		20,909
		42,526
38	403	93,570
		475
		35,628
		333
<u>21,000</u>	<u>457</u>	<u>255,523</u>
	42,257	42,257
		2,025
		15,540
		1,935
		5,197
		1,483
		163
	7,884	7,884
		137,000
		4,887
375,268		375,268
		12,879
	5,119	185,586
<u>375,268</u>	<u>55,260</u>	<u>792,104</u>
<u>\$ 396,268</u>	<u>\$ 55,717</u>	<u>\$ 1,047,627</u>

Mississippi

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Nonmajor Special Revenue				Totals
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions	
Revenues					
Taxes:					
Gasoline and other motor fuel	\$	\$	\$ 8,800	\$	\$ 8,800
Other	5,898		132		6,030
Licenses, fees and permits	19,317	9	31,411	40,070	90,807
Federal government	143,792	475,038	780,687	655	1,400,172
Investment income	1,699	7,047	3,614	381	12,741
Charges for sales and services	2,118	2,016	22,070	57	26,261
Rentals	32	85	7,910	15	8,042
Other	33,959	20,270	2,518	588	57,335
Total Revenues	206,815	504,465	857,142	41,766	1,610,188
Expenditures					
Current:					
Education					
Health and social services	223,715				223,715
Law, justice and public safety		452,597			452,597
Recreation and resources development			770,073		770,073
Regulation of business and professions				36,450	36,450
Debt service:					
Principal		91	62		153
Interest and other fiscal charges	65	129	49		243
Capital outlay					
Total Expenditures	223,780	452,817	770,184	36,450	1,483,231
Excess of Revenues over (under) Expenditures	(16,965)	51,648	86,958	5,316	126,957
Other Financing Sources (Uses)					
Bonds and notes issued					
Insurance recovery		7,729	3		7,732
Premiums on bonds issued					
Transfers in	49,575	24,629	14,748	48	89,000
Transfers out	(25,340)	(74,145)	(96,957)	(514)	(196,956)
Net Other Financing Sources (Uses)	24,235	(41,787)	(82,206)	(466)	(100,224)
Net Change in Fund Balances	7,270	9,861	4,752	4,850	26,733
Fund Balances - Beginning	29,716	169,919	95,382	39,826	334,843
Fund Balances - Ending	\$ 36,986	\$ 179,780	\$ 100,134	\$ 44,676	\$ 361,576

Capital Projects	Permanent	Totals
\$	\$	\$
		8,800
		6,030
	411	91,218
		1,400,172
16,685	2,379	31,805
		26,261
		8,042
8,139	621	66,095
24,824	3,411	1,638,423
82,677	112	82,789
		223,715
		452,597
	9	770,082
		36,450
		153
65		308
80,378		80,378
163,120	121	1,646,472
(138,296)	3,290	(8,049)
115,685		115,685
640		8,372
7,512		7,512
32,202		121,202
(28,222)	(1,000)	(226,178)
127,817	(1,000)	26,593
(10,479)	2,290	18,544
385,747	52,970	773,560
\$ 375,268	\$ 55,260	\$ 792,104

(This page left blank intentionally)

Nonmajor Enterprise Funds

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

Nonmajor Enterprise Funds Descriptions

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

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

Veterans' Memorial Stadium Commission - The **Veterans' Memorial Stadium Commission Fund** accounts for operations of the Veterans' Memorial Stadium in Jackson. Funding is provided by admission fees and concessions.

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

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

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

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

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

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

Department of
Rehabilitation
Services

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Assets					
Current assets:					
Equity in internal investment pool	\$ 2,509	\$ 9,481	\$ 516	\$	
Cash and cash equivalents	58	47	2	2,273	6,903
Receivables, net:					
Accounts	152	2	26	66	2,406
Interest		663			
Due from other governments					
Due from other funds	207		3		1,626
Due from component units	7				3
Inventories					151
Prepaid items		15		18	11
Loans and notes receivable		5,328		50	
Total Current Assets	2,933	15,536	547	2,407	11,100
Noncurrent assets:					
Loans and notes receivable		167,976		155	
Capital assets, net	20,173	1,526	10,948	17,172	
Total Noncurrent Assets	20,173	169,502	10,948	17,327	
Total Assets	23,106	185,038	11,495	19,734	11,100
Liabilities					
Current liabilities:					
Warrants payable	32	841	52		
Accounts payable and other liabilities	327	10	22	29	1,965
Due to other governments			5		
Due to other funds	4	1	1		
Due to component units	10				
Deposits		1,522			
Unearned revenues	105				269
Lease obligations payable					
Total Current Liabilities	478	2,374	80	29	2,234
Noncurrent liabilities:					
Due to other governments				9,757	
Lease obligations payable					
Other liabilities	73	61	22	29	
Total Noncurrent Liabilities	73	61	22	9,786	
Total Liabilities	551	2,435	102	9,815	2,234
Net Assets					
Invested in capital assets, net of related debt	20,173	1,526	10,948	17,172	
Unrestricted	2,382	181,077	445	(7,253)	8,866
Total Net Assets	\$ 22,555	\$ 182,603	\$ 11,393	\$ 9,919	\$ 8,866

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections		
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary		Prison Agricultural Enterprises
						Totals
\$	69	\$	290	\$	557	\$ 13,422
	27			562		9,872
			3	855		3,510
			41			663
					160	41
						1,996
	26		25		172	10
						374
						44
						5,378
	122		359	1,417	889	35,310
						168,131
	4,403		586	96	3,492	58,396
	4,403		586	96	3,492	226,527
	4,525		945	1,513	4,381	261,837
	8		8		66	1,007
	22		18	741	85	3,219
			3	782		5
						791
						10
						1,522
						374
					210	210
	30		29	1,523	361	7,138
						9,757
					840	840
	39		34		162	420
	39		34		1,002	11,017
	69		63	1,523	1,363	18,155
	4,403		586	96	2,441	57,345
	53		296	(106)	577	186,337
\$	4,456	\$	882	\$ (10)	\$ 3,018	\$ 243,682

Mississippi

Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

					Department of Rehabilitation Services
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Operating Revenues					
Charges for sales and services	\$ 5,292	\$	\$ 1,743	\$ 1,083	\$ 6,393
Investment income		8,477			
Rentals		47	279	902	
Fees		54			
Other	300	3	152		1,198
Total Operating Revenues	5,592	8,581	2,174	1,985	7,591
Operating Expenses					
Cost of sales and services	128				6,237
General and administrative	1,476	837	466	550	6,243
Contractual services	3,640	242	1,085	556	1,983
Commodities	472	26	254	49	37
Depreciation	564	37	422	918	
Other	3		17		38
Total Operating Expenses	6,283	1,142	2,244	2,073	14,538
Operating Income (Loss)	(691)	7,439	(70)	(88)	(6,947)
Nonoperating Revenues					
Gain on disposal of capital assets				235	
Investment income		429	8	35	46
Other		100			
Total Nonoperating Revenues		529	8	270	46
Nonoperating Expenses					
Loss on disposal of capital assets			10		
Interest				11	
Other				766	
Total Nonoperating Expenses			10	777	
Income (Loss) before Capital Contributions and Transfers	(691)	7,968	(72)	(595)	(6,901)
Capital Contributions			8	110	
Transfers In	82		100		7,991
Transfers Out	(1)		(63)		
Change in Net Assets	(610)	7,968	(27)	(485)	1,090
Total Net Assets - Beginning	23,165	174,635	11,420	10,404	7,776
Total Net Assets - Ending	\$ 22,555	\$ 182,603	\$ 11,393	\$ 9,919	\$ 8,866

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections		
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary		Prison Agricultural Enterprises
						Totals
\$	148	\$	579	\$	9,617	\$ 1,373
						\$ 26,228
	378					8,477
						1,984
	10				15	54
						1,689
	536		579		9,632	1,762
						38,432
	72				7,292	1,399
	386		422		453	573
	371		136		509	174
	98		37		218	832
	143		61		31	242
	1					59
	1,071		656		8,503	3,220
						39,730
	(535)		(77)		1,129	(1,458)
						(1,298)
						235
			6		18	542
						100
			6		18	877
			23			26
						48
						13
						59
						59
						779
			23			87
						897
	(535)		(94)		1,147	(1,545)
	408		181			(1,318)
	383					707
			(64)		(1,369)	1,284
						9,840
						(1,497)
	256		23		(222)	(261)
						7,732
	4,200		859		212	3,279
						235,950
\$	4,456	\$	882	\$	(10)	\$ 3,018
						\$ 243,682

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2009 (Expressed in Thousands)

Department of Rehabilitation Services

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Cash Flows from Operating Activities					
Cash receipts from customers	\$ 5,550	\$ 103	\$ 1,996	\$ 1,944	\$ 5,665
Cash payments to suppliers for goods and services	(4,267)	(241)	(1,324)	(609)	(8,024)
Cash payments to employees for services	(1,485)	(820)	(462)	(527)	(6,241)
Other operating cash receipts		24	152		1,198
Principal and interest received on program loans		22,098			
Issuance of program loans		(22,238)			
Net Cash Provided by (Used for) Operating Activities	(202)	(1,074)	362	808	(7,402)
Cash Flows from Noncapital Financing Activities					
Other cash receipts		100			
Transfers in	82		100		7,991
Transfers out	(1)		(61)		
Net Cash Provided by (Used for) Noncapital Financing Activities	81	100	39		7,991
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(116)		(71)	(47)	
Proceeds from sale of capital assets				275	
Principal paid on bonds and capital assets contracts				(540)	
Interest paid on bonds and capital assets contracts				(11)	
Net Cash Used for Capital and Related Financing Activities	(116)		(71)	(323)	
Cash Flows from Investing Activities					
Investment income		432	8	35	46
Net Cash Provided by Investing Activities		432	8	35	46
Net Increase (Decrease) in Cash and Cash Equivalents	(237)	(542)	338	520	635
Cash and Cash Equivalents - Beginning	2,804	10,070	180	1,753	6,268
Cash and Cash Equivalents - Ending	\$ 2,567	\$ 9,528	\$ 518	\$ 2,273	\$ 6,903

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections				
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary		Prison Agricultural Enterprises		Totals
\$	526	\$	757	\$	9,551	\$	1,751	\$ 27,843
	(521)		(235)		(9,468)		(2,439)	(27,128)
	(383)		(406)		(441)		(538)	(11,303)
	10				15		11	1,410
								22,098
								(22,238)
	(368)		116		(343)		(1,215)	(9,318)
	383						1,275	100
			(64)		(1,369)			9,831
								(1,495)
	383		(64)		(1,369)		1,275	8,436
			(62)		(33)		(23)	(352)
					2			277
							(208)	(748)
							(36)	(47)
			(62)		(31)		(267)	(870)
			6		18			545
			6		18			545
	15		(4)		(1,725)		(207)	(1,207)
	81		294		2,287		764	24,501
\$	96	\$	290	\$	562	\$	557	\$ 23,294

(Continued on Next Page)

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2009 (Expressed in Thousands)

(Continued from Previous Page)

					Department of Rehabilitation Services
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ (691)	\$ 7,439	\$ (70)	\$ (88)	\$ (6,947)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	564	37	422	918	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable, net	(10)		(23)	165	(296)
Interest receivable		(70)			
Due from other governments					
Due from other funds	(43)		(3)		(395)
Due from component units	(7)				2
Inventories					35
Prepaid items				(7)	2
Loans and notes receivable		(9,231)		(205)	
Increase (decrease) in liabilities:					
Warrants payable	(60)	697	30		
Accounts payable and other liabilities	39	53	1	25	197
Due to other governments	(16)		5		
Due to other funds	4	1			
Due to component units	(1)				
Unearned revenues	19				
Total adjustments	489	(8,513)	432	896	(455)
Net Cash Provided by (Used for) Operating Activities	\$ (202)	\$ (1,074)	\$ 362	\$ 808	\$ (7,402)

Noncash Noncapital Financing and Capital and Related Financing Activities

Payback provision repealed on loans to other funds	2	
Capital contributions	8	110
New capital leases		
Gain (loss) on disposal of capital assets	(10)	235

<u>Department of Agriculture and Commerce</u>	<u>Department of Finance and Administration</u>	<u>Department of Corrections</u>		
Agriculture and Forestry Museum	Office of Surplus Property	Restaurants and Commissary	Prison Agricultural Enterprises	Totals
\$ (535)	\$ (77)	\$ 1,129	\$ (1,458)	\$ (1,298)
143	61	31	242	2,418
	4	(66)		(226)
	62			(70)
	111			62
				(330)
				(5)
9	50	7	(1)	100
				(5)
				(9,436)
	(81)		51	637
15	10	65	(49)	356
		(83)		(94)
	(24)	(1,426)		(1,445)
				(1)
				19
167	193	(1,472)	243	(8,020)
\$ (368)	\$ 116	\$ (343)	\$ (1,215)	\$ (9,318)

408	181		2
			707
		332	332
	(23)	(26)	176

(This page left blank intentionally)

Internal Service Funds

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

Internal Service Funds Descriptions

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

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

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

Mississippi

Internal Service Funds

Combining Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

			Department of Finance and Administration	
	Personnel Board	Information Technology Services	Risk Management	Totals
Assets				
Current assets:				
Equity in internal investment pool	\$ 3,808	\$ 8,126	\$ 285,400	\$ 297,334
Cash and cash equivalents			10,138	10,138
Investments			5,566	5,566
Receivables:				
Accounts	4	18		22
Interest			356	356
Due from other governments	1	169	7	177
Due from other funds	24	3,685	691	4,400
Due from component units	1	141	23	165
Total Current Assets	3,838	12,139	302,181	318,158
Noncurrent assets:				
Investments			22,723	22,723
Capital assets, net	9	5,027	84	5,120
Total Noncurrent Assets	9	5,027	22,807	27,843
Total Assets	3,847	17,166	324,988	346,001
Liabilities				
Current liabilities:				
Warrants payable	85	1,384	80	1,549
Accounts payable and other liabilities	146	681	7,134	7,961
Due to other funds	20		1,168	1,188
Due to component units			2	2
Claims and benefits payable			147,669	147,669
Unearned revenues			2,010	2,010
Lease obligations payable		21		21
Total Current Liabilities	251	2,086	158,063	160,400
Noncurrent liabilities:				
Lease obligations payable		22		22
Other liabilities	262	783	147	1,192
Total Noncurrent Liabilities	262	805	147	1,214
Total Liabilities	513	2,891	158,210	161,614
Net Assets				
Invested in capital assets, net of related debt	9	4,938	84	5,031
Unrestricted	3,325	9,337	166,694	179,356
Total Net Assets	\$ 3,334	\$ 14,275	\$ 166,778	\$ 184,387

Mississippi

Internal Service Funds

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

				Department of Finance and Administration	
	Personnel Board	Information Technology Services	Risk Management		Totals
Operating Revenues					
Charges for sales and services/premiums	\$ 5,946	\$ 34,039	\$ 747,308	\$	787,293
Other		10	5		15
Total Operating Revenues	5,946	34,049	747,313		787,308
Operating Expenses					
General and administrative	3,489	10,365	1,823		15,677
Contractual services	1,557	20,970	53,428		75,955
Commodities	243	345	110		698
Depreciation	3	1,801	10		1,814
Claims and benefits			712,547		712,547
Total Operating Expenses	5,292	33,481	767,918		806,691
Operating Income (Loss)	654	568	(20,605)		(19,383)
Nonoperating Revenues					
Investment income			13,394		13,394
Total Nonoperating Revenues			13,394		13,394
Nonoperating Expenses					
Loss on disposal of assets		27			27
Interest		3			3
Total Nonoperating Expenses		30			30
Income (Loss) before Capital Contributions and Transfers	654	538	(7,211)		(6,019)
Capital Contributions		296			296
Transfers In		380	508		888
Transfers Out	(33)	(1,335)	(14,125)		(15,493)
Change in Net Assets	621	(121)	(20,828)		(20,328)
Total Net Assets - Beginning	2,713	14,396	187,606		204,715
Total Net Assets - Ending	\$ 3,334	\$ 14,275	\$ 166,778	\$	184,387

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	\$ 6,016	\$ 31,707	\$ 181,995	\$ 219,718
Cash receipts/premiums from customers	67	1,000	564,271	565,338
Cash payments to suppliers for goods and services	(1,794)	(22,234)	(52,604)	(76,632)
Cash payments to employees for services	(3,444)	(10,328)	(1,793)	(15,565)
Cash payments for claims and benefits			(702,484)	(702,484)
Other operating cash receipts		10	1	11
Net Cash Provided by (Used for) Operating Activities	845	155	(10,614)	(9,614)
Cash Flows from Noncapital Financing Activities				
Transfers in		380	477	857
Transfers out		(1,213)	(118)	(1,331)
Net Cash Provided by (Used for) Noncapital Financing Activities		(833)	359	(474)
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets		(1,434)		(1,434)
Principal paid on capital assets contracts		(20)		(20)
Interest paid on capital assets contracts		(3)		(3)
Net Cash Used for Capital and Related Financing Activities		(1,457)		(1,457)
Cash Flows from Investing Activities				
Proceeds from sales of investments			17,293	17,293
Purchases of investments			(16,026)	(16,026)
Investment income			13,424	13,424
Net Cash Provided by Investing Activities			14,691	14,691
Net Increase (Decrease) in Cash and Cash Equivalents	845	(2,135)	4,436	3,146
Cash and Cash Equivalents - Beginning	2,963	10,261	291,102	304,326
Cash and Cash Equivalents - Ending	\$ 3,808	\$ 8,126	\$ 295,538	\$ 307,472

(Continued on Next Page)

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2009 (Expressed in Thousands)

(Continued from Previous Page)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 654	\$ 568	\$ (20,605)	\$ (19,383)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3	1,801	10	1,814
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable		8	21	29
Due from other governments		(151)	(4)	(155)
Due from other funds	138	(1,116)	477	(501)
Due from component units	(1)	(88)	(13)	(102)
Increase (decrease) in liabilities:				
Warrants payable	(9)	1,018	(1,195)	(186)
Accounts payable and other liabilities	49	(1,844)	2,111	316
Due to other funds	18	(41)	516	493
Due to component units	(7)		1	(6)
Claims and benefits payable			9,593	9,593
Unearned revenues			(1,526)	(1,526)
Total adjustments	191	(413)	9,991	9,769
Net Cash Provided by (Used for) Operating Activities	\$ 845	\$ 155	\$ (10,614)	\$ (9,614)

Noncash Noncapital Financing, Capital and Related Financing, and Investing Activities

Payback provision repealed on loans to other funds	33	122	14,007	14,162
Capital contributions		296		296
Loss on disposal of capital assets		27		27
Change in market value of investments			43	43

(This page left blank intentionally)

Fiduciary Funds

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

Fiduciary Funds Descriptions

Pension Trust Funds

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

Agency Funds

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

Mississippi

Pension Trust Funds

Combining Statement of Fiduciary Net Assets

June 30, 2009 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	\$ 829	\$	\$
Cash and cash equivalents	331,119	4,693	3,190
Investments, at fair value:			
Short-term securities	57,805	820	557
Long-term debt securities	4,264,722	60,504	41,120
Equity securities	10,142,309	143,890	97,790
Private equity	12,510	177	121
Absolute return strategy	10,604	150	102
Real estate investments	652,863	9,262	6,295
Asset allocation fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	926,333	13,176	8,954
Long-term debt securities	1,416,141	20,142	13,689
Receivables:			
Employer contributions	50,553		457
Employee contributions	30,635		10
Investment proceeds	583,458	8,279	5,626
Interest and dividends	74,121	1,052	715
Other	490	1,009	5
Capital assets:			
Land	508		
Other capital assets, net	15,306		
Total Assets	18,570,306	263,154	178,631
Liabilities			
Warrants payable	225		
Accounts payable and accruals	1,057,543	14,972	10,179
Due to other funds	7		9
Amounts held in custody for others	1,138		
Obligations under securities lending	2,376,906	33,808	22,976
Total Liabilities	3,435,819	48,780	33,164
Net Assets			
Held in trust for pension benefits	\$ 15,134,487	\$ 214,374	\$ 145,467

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$	\$	\$
216	3,323	829
		342,541
38	23,892	83,112
2,789	39,496	4,408,631
6,632	384,636	10,775,257
8		12,816
7		10,863
427		668,847
	35,601	35,601
	478,603	478,603
	335	335
607		949,070
928		1,450,900
		51,010
	2,971	33,616
381		597,744
48	215	76,151
		1,504
		508
		15,306
12,081	969,072	19,993,244
		225
691	149	1,083,534
		16
		1,138
1,558		2,435,248
2,249	149	3,520,161
\$	\$	\$
9,832	968,923	16,473,083

Mississippi

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	\$ 713,569	\$ 9,066	\$ 17,415
Employee	434,081	2,166	154
Total Contributions	1,147,650	11,232	17,569
Net Investment Income:			
Net decrease in fair value of investments	(4,245,528)	(60,386)	(41,039)
Interest and dividends	522,792	7,436	5,054
Securities lending:			
Income from securities lending	63,077	897	610
Interest expense and trading costs from securities lending	(31,420)	(447)	(304)
Managers' fees and trading costs	(25,937)	(369)	(251)
Net Investment Loss	(3,717,016)	(52,869)	(35,930)
Other Additions:			
Administrative fees	657		
Other		3,208	
Total Other Additions	657	3,208	
Total Reductions	(2,568,709)	(38,429)	(18,361)
Deductions			
Retirement annuities	1,465,500	23,098	35,848
Refunds to terminated employees	70,050	72	12
Administrative expenses	11,823	181	467
Depreciation	500		
Total Deductions	1,547,873	23,351	36,327
Change in Net Assets	(4,116,582)	(61,780)	(54,688)
Net Assets - Beginning	19,251,069	276,154	200,155
Net Assets - Ending	\$ 15,134,487	\$ 214,374	\$ 145,467

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$ 458	\$ 509	\$ 741,017
207	82,622	519,230
665	83,131	1,260,247
(2,783)	(135,845)	(4,485,581)
343	20,841	556,466
41		64,625
(21)		(32,192)
(17)		(26,574)
(2,437)	(115,004)	(3,923,256)
		657
		3,208
		3,865
(1,772)	(31,873)	(2,659,144)
790	55,195	1,580,431
9		70,143
9		12,480
		500
808	55,195	1,663,554
(2,580)	(87,068)	(4,322,698)
12,412	1,055,991	20,795,781
\$ 9,832	\$ 968,923	\$ 16,473,083

Mississippi

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2009 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
Assets				
Equity in internal investment pool	\$ 7,459	\$ 5,275	\$	\$ 12,734
Cash and cash equivalents	192	8,293	7,736	16,221
Receivables, net:				
Other	447		40	487
Commodity inventory		981		981
Total Assets	\$ 8,098	\$ 14,549	\$ 7,776	\$ 30,423
Liabilities				
Warrants payable	\$ 6,769	\$ 428	\$	\$ 7,197
Accounts payable and accruals		134	1,642	1,776
Due to other governments	1,329	1		1,330
Amounts held in custody for others		13,986	6,134	20,120
Total Liabilities	\$ 8,098	\$ 14,549	\$ 7,776	\$ 30,423

Mississippi

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2009 (Expressed in Thousands)

Fund	Assets					
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Loans to Other Funds	Commodity Inventory	Total Assets
Local Government Distributive:						
Balance - Beginning	\$ 971	\$ 161	\$ 359	\$	\$	1,491
Additions	36,070	268	447			36,785
Deductions	29,582	237	359			30,178
Balance - Ending	7,459	192	447			8,098
Program:						
Balance - Beginning	4,466	5,274		1,361	1,468	12,569
Additions	20,740	50,552			16,491	87,783
Deductions	19,931	47,533		1,361	16,978	85,803
Balance - Ending	5,275	8,293		0	981	14,549
Institutional:						
Balance - Beginning		6,986	57			7,043
Additions		28,482	65			28,547
Deductions		27,732	82			27,814
Balance - Ending		7,736	40			7,776
Total - All Agency Funds:						
Balance - Beginning	5,437	12,421	416	1,361	1,468	21,103
Additions	56,810	79,302	512		16,491	153,115
Deductions	49,513	75,502	441	1,361	16,978	143,795
Balance - Ending	\$ 12,734	\$ 16,221	\$ 487	\$ 0	\$ 981	\$ 30,423

	Liabilities				
	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	Total Liabilities
Local Government Distributive:					
Balance - Beginning	\$ 282	\$	\$ 1,209	\$	1,491
Additions	24,778		1,642		26,420
Deductions	18,291		1,522		19,813
Balance - Ending	6,769		1,329		8,098
Program:					
Balance - Beginning	296	178	1	12,094	12,569
Additions	19,945	1,114		66,851	87,910
Deductions	19,813	1,158		64,959	85,930
Balance - Ending	428	134	1	13,986	14,549
Institutional:					
Balance - Beginning		775		6,268	7,043
Additions		1,403		28,027	29,430
Deductions		536		28,161	28,697
Balance - Ending		1,642		6,134	7,776
Total - All Agency Funds:					
Balance - Beginning	578	953	1,210	18,362	21,103
Additions	44,723	2,517	1,642	94,878	143,760
Deductions	38,104	1,694	1,522	93,120	134,440
Balance - Ending	\$ 7,197	\$ 1,776	\$ 1,330	\$ 20,120	\$ 30,423

(This page left blank intentionally)

Nonmajor Component Units

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

Nonmajor Component Units Descriptions

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

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

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

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

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

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

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

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

Mississippi

Nonmajor Component Units

Combining Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	\$ 1,871	\$	\$
Cash and cash equivalents	671	2,529	423
Investments	12,550	2,530	1,557
Receivables, net	180	899	6
Due from other governments		2,188	
Due from primary government			
Inventories			
Prepaid items		197	
Other assets			
Total Current Assets	15,272	8,343	1,986
Noncurrent assets:			
Restricted assets:			
Investments		7,017	
Capital assets:			
Land and construction in progress		65,117	
Other capital assets, net	34	40,231	32
Total Noncurrent Assets	34	112,365	32
Total Assets	15,306	120,708	2,018
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	43	561	
Due to primary government			
Deposits	105	148	
Unearned revenues		1,066	
Notes payable			
Total Current Liabilities	148	1,775	
Noncurrent liabilities:			
Notes payable			
Other liabilities	60		
Total Noncurrent Liabilities	60		
Total Liabilities	208	1,775	
Net Assets			
Invested in capital assets, net of related debt	34	105,348	32
Restricted for other purposes		7,000	
Unrestricted	15,064	6,585	1,986
Total Net Assets	\$ 15,098	\$ 118,933	\$ 2,018

Mississippi Prison Industries Corporation	Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District	Tombigbee River Valley Water Management District	Totals
\$	\$	\$	\$	\$	\$
820	2,246	598	4,773	6,228	1,871
3,501	4,530	4,080			18,288
500	12	35	1,136	102	28,748
	41	218		43	2,870
114				1	2,490
545	15			13	115
24					573
15	13				221
					28
5,519	6,857	4,931	5,909	6,387	55,204
					7,017
405	1,836	1,524	7,689	930	77,501
3,740	5,920	1,416	30,897	3,955	86,225
4,145	7,756	2,940	38,586	4,885	170,743
9,664	14,613	7,871	44,495	11,272	225,947
221	1,840	55	1,353	55	4,128
	19	1	3		23
	11		240		504
28					1,094
	38		284		322
249	1,908	56	1,880	55	6,071
	350				350
	172	24	26	67	349
	522	24	26	67	699
249	2,430	80	1,906	122	6,770
4,145	7,368	2,939	38,302	4,885	163,053
	1,581	4,059			12,640
5,270	3,234	793	4,287	6,265	43,484
\$ 9,415	\$ 12,183	\$ 7,791	\$ 42,589	\$ 11,150	\$ 219,177

Mississippi

Nonmajor Component Units

Combining Statement of Activities

For the Year Ended June 30, 2009 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Mississippi Business Finance Corporation	\$ 992	\$ 1,030	\$	\$	38
Mississippi Coast Coliseum Commission	7,358	6,094	37,943		36,679
Mississippi Development Bank	26	418			392
Mississippi Prison Industries Corporation	6,635	6,850			215
Pat Harrison Waterway District	6,173	2,955	2,775		(443)
Pearl River Basin Development District	935	99	25		(811)
Pearl River Valley Water Supply District	11,686	10,576		34	(1,076)
Tombigbee River Valley Water Management District	1,712	146			(1,566)
Total	\$ 35,517	\$ 28,168	\$ 40,743	\$ 34	\$ 33,428

General Revenues					
Investment Income	Other	Change in Net Assets	Net Assets - Beginning	Net Assets - Ending	
\$ 667	\$	\$ 705	\$ 14,393	\$ 15,098	
441		37,120	81,813	118,933	
35		427	1,591	2,018	
27		242	9,173	9,415	
157	11	(275)	12,458	12,183	
102	920	211	7,580	7,791	
68		(1,008)	43,597	42,589	
168	1,530	132	11,018	11,150	
\$ 1,665	\$ 2,461	\$ 37,554	\$ 181,623	\$ 219,177	

(This page left blank intentionally)

Mississippi

Statistical Section

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

Financial Trends

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

Table 1 – Net Assets by Component	138
Table 2 – Changes in Net Assets	140
Table 3 – Fund Balances of Governmental Funds	144
Table 4 – Changes in Fund Balances of Governmental Funds	146

Revenue Capacity

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

Table 5 – Taxable Sales by Industry.....	150
Table 6 – Sales Tax Revenue Payers by Industry	150

Debt Capacity

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

Table 7 – Ratios of Outstanding Debt by Type	152
Table 8 – Legal Debt Margin	154

Demographic and Economic Information

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

Table 9 – Demographic and Economic Statistics	155
Table 10 – Employment by Industry	155
Table 11 – Public School Enrollment.....	156
Table 12 – Community and Junior College Enrollment.....	156
Table 13 – University Enrollment.....	156

Operating Information

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

Table 14 – Capital Asset Statistics by Function.....	158
Table 15 – State Government Employees by Function.....	160
Table 16 – Operating Indicators by Function	162

Mississippi

Net Assets by Component

Table 1

Last Eight Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

	2009	2008	2007	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 10,966,780	\$ 10,642,484	\$ 9,770,760	\$ 8,883,410
Restricted	625,174	667,456	477,321	427,128
Unrestricted	(396,750)	29,649	575,042	159,530
Total governmental activities net assets	<u>\$ 11,195,204</u>	<u>\$ 11,339,589</u>	<u>\$ 10,823,123</u>	<u>\$ 9,470,068</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 195,171	\$ 161,144	\$ 136,836	\$ 112,393
Restricted	614,988	778,010	784,367	789,759
Unrestricted	192,005	209,175	243,751	209,745
Total business-type activities net assets	<u>\$ 1,002,164</u>	<u>\$ 1,148,329</u>	<u>\$ 1,164,954</u>	<u>\$ 1,111,897</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 11,161,951	\$ 10,803,628	\$ 9,907,596	\$ 8,995,803
Restricted	1,240,162	1,445,466	1,261,688	1,216,887
Unrestricted	(204,745)	238,824	818,793	369,275
Total primary government net assets	<u>\$ 12,197,368</u>	<u>\$ 12,487,918</u>	<u>\$ 11,988,077</u>	<u>\$ 10,581,965</u>

Note: The State did not begin reporting government-wide statements until it implemented GASB Statement 34 in fiscal year 2002. This table has been restated for prior period adjustments.

2005	2004	2003	2002
\$ 8,306,585	\$ 7,915,868	\$ 7,173,292	\$ 6,727,606
336,262	476,794	636,014	601,879
(120,923)	(122,396)	568,556	747,945
\$ 8,521,924	\$ 8,270,266	\$ 8,377,862	\$ 8,077,430

\$ 143,055	\$ 138,166	\$ 133,594	\$ 120,320
807,059	750,915	739,605	787,669
169,590	157,241	132,382	123,491
\$ 1,119,704	\$ 1,046,322	\$ 1,005,581	\$ 1,031,480

\$ 8,449,640	\$ 8,054,034	\$ 7,306,886	\$ 6,847,926
1,143,321	1,227,709	1,375,619	1,389,548
48,667	34,845	700,938	871,436
\$ 9,641,628	\$ 9,316,588	\$ 9,383,443	\$ 9,108,910

Mississippi

Changes in Net Assets

Table 2

Last Eight Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

	2009	2008	2007	2006
Expenses				
Governmental activities:				
General government	\$ 2,113,851	\$ 2,000,778	\$ 1,803,339	\$ 1,826,995
Education	4,093,018	4,163,587	3,961,573	3,668,314
Health and social services ¹	6,149,731	5,609,247	5,311,270	5,180,153
Law, justice and public safety ²	1,055,032	1,173,359	1,152,359	1,384,238
Recreation and resources development ³	1,127,670	1,261,268	1,932,646	364,796
Regulation of business and professions	37,215	36,318	33,192	30,944
Transportation	683,663	643,867	581,446	728,716
Interest on long-term debt	209,516	196,277	167,233	150,556
Total governmental activities expenses	15,469,696	15,084,701	14,943,058	13,334,712
Business-type activities:				
Unemployment compensation ⁴	422,764	143,013	143,348	242,134
Port Authority at Gulfport	15,239	12,614	10,349	17,221
Prepaid affordable college tuition	20,316	40,972	38,391	29,983
Other business-type	40,392	34,204	37,559	49,737
Total business-type activities expenses	498,711	230,803	229,647	339,075
Total primary government expenses	\$ 15,968,407	\$ 15,315,504	\$ 15,172,705	\$ 13,673,787
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,149,464	\$ 1,135,546	\$ 1,059,532	\$ 944,744
Education	29,721	27,838	33,991	29,784
Health and social services	563,917	507,876	480,944	446,315
Law, justice and public safety	103,178	100,206	147,360	81,807
Recreation and resources development	84,984	85,610	69,949	64,182
Regulation of business and professions	40,727	39,491	36,173	28,223
Transportation	51,695	40,243	35,192	26,762
Operating grants and contributions ⁵	6,847,036	6,462,823	7,125,688	6,058,258
Capital grants and contributions	556,571	795,572	960,369	792,929
Total governmental activities program revenues	9,427,293	9,195,205	9,949,198	8,473,004
Business-type activities:				
Charges for services:				
Unemployment compensation	90,301	100,840	106,256	104,548
Port Authority at Gulfport	16,865	22,569	30,166	7,609
Prepaid affordable college tuition	19,374	21,121	21,343	21,513
Other business-type	38,532	33,522	37,083	40,644
Operating grants and contributions ⁶	141,038	10,069	9,745	93,156
Capital grants and contributions	954	1,838	3,900	539
Total business-type activities program revenues	307,064	189,959	208,493	268,009
Total primary government program revenues	\$ 9,734,357	\$ 9,385,164	\$ 10,157,691	\$ 8,741,013
Net (Expense) Revenue				
Governmental activities	\$ (6,042,403)	\$ (5,889,496)	\$ (4,993,860)	\$ (4,861,708)
Business-type activities	(191,647)	(40,844)	(21,154)	(71,066)
Total primary government net expense	\$ (6,234,050)	\$ (5,930,340)	\$ (5,015,014)	\$ (4,932,774)

2005	2004	2003	2002
\$ 1,683,021	\$ 1,648,142	\$ 1,453,788	\$ 1,082,176
3,344,598	3,292,951	3,139,812	2,959,707
5,074,151	4,776,214	4,290,392	4,219,675
566,146	549,662	517,753	509,295
423,983	461,243	465,393	379,325
30,355	34,269	32,059	29,960
531,775	516,130	443,155	433,730
150,555	149,764	145,345	179,102
11,804,584	11,428,375	10,487,697	9,792,970
138,825	198,147	251,010	218,517
14,957	13,879	13,339	11,223
33,226	12,253	4,778	12,528
45,560	44,194	41,421	39,912
232,568	268,473	310,548	282,180
\$ 12,037,152	\$ 11,696,848	\$ 10,798,245	\$ 10,075,150

\$ 1,041,597	\$ 842,566	\$ 806,664	\$ 491,132
24,857	20,925	25,639	29,399
465,923	420,116	477,577	542,157
76,864	68,089	60,811	58,130
60,230	57,470	58,247	55,919
32,315	37,170	35,397	29,364
29,477	38,299	44,136	50,540
4,636,824	4,553,738	4,066,898	3,812,409
415,530	389,686	410,636	391,670
6,783,617	6,428,059	5,986,005	5,460,720

158,695	149,726	118,671	177,048
21,892	21,578	20,931	19,706
19,679	551	1,938	488
37,604	35,125	31,065	29,882
5,905	31,930	53,006	30,002
159	278	903	13,257
243,934	239,188	226,514	270,383
\$ 7,027,551	\$ 6,667,247	\$ 6,212,519	\$ 5,731,103

\$ (5,020,967)	\$ (5,000,316)	\$ (4,501,692)	\$ (4,332,250)
11,366	(29,285)	(84,034)	(11,797)
\$ (5,009,601)	\$ (5,029,601)	\$ (4,585,726)	\$ (4,344,047)

(Continued on Next Page)

Mississippi

Changes in Net Assets

Table 2

Last Eight Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2009	2008	2007	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Sales and use ⁷	\$ 2,961,865	\$ 3,166,130	\$ 3,161,005	\$ 3,075,657
Gasoline and other motor fuel	411,729	438,676	444,489	442,190
Individual income	1,415,091	1,503,869	1,501,334	1,204,055
Corporate income and franchise	420,739	500,996	469,182	425,091
Insurance	187,050	194,129	192,861	169,727
Other	461,064	459,483	397,515	385,810
Gain on sale of assets				585
Investment income	83,119	145,465	184,500	122,553
Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery				(9,871)
Transfers	(42,639)	(2,786)	(3,971)	(5,945)
Total governmental activities	5,898,018	6,405,962	6,346,915	5,809,852
Business-type activities:				
Gain on sale of assets				7
Investment income	2,843	21,433	70,240	55,974
Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery				1,333
Transfers	42,639	2,786	3,971	5,945
Total business-type activities	45,482	24,219	74,211	63,259
Total primary government	\$ 5,943,500	\$ 6,430,181	\$ 6,421,126	\$ 5,873,111
Change in Net Assets				
Governmental activities	\$ (144,385)	\$ 516,466	\$ 1,353,055	\$ 948,144
Business-type activities	(146,165)	(16,625)	53,057	(7,807)
Total primary government	\$ (290,550)	\$ 499,841	\$ 1,406,112	\$ 940,337

Notes: The State did not begin reporting government-wide statements until it implemented GASB Statement 34 in fiscal year 2002. This table has been restated for prior period adjustments.

¹ Health and social services expenses rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

² Law, justice and public safety expenses rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

³ Recreation and resources development expenses rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

⁴ Unemployment Compensation expenses increased from 2008 to 2009. The number of eligible workers rose due to the climb in the unemployment rate and benefits were extended under the American Recovery and Reinvestment Act.

⁵ Operating grants and contributions increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance in the Hurricane Katrina recovery efforts.

	2005	2004	2003	2002
\$	2,626,792	\$ 2,459,718	\$ 2,418,763	\$ 2,378,956
	433,307	432,892	418,941	409,536
	1,243,192	1,039,488	1,084,999	989,877
	365,140	320,057	289,441	255,532
	165,955	160,757	149,458	131,763
	362,526	352,800	348,744	302,479
	2,964	534	296	420
	79,306	130,767	92,243	42,572
	(6,557)	(4,293)	(761)	(11,025)
	5,272,625	4,892,720	4,802,124	4,500,110
	55,459	65,733	57,374	45,890
	6,557	4,293	761	11,025
	62,016	70,026	58,135	56,915
\$	5,334,641	\$ 4,962,746	\$ 4,860,259	\$ 4,557,025
\$	251,658	\$ (107,596)	\$ 300,432	\$ 167,860
	73,382	40,741	(25,899)	45,118
\$	325,040	\$ (66,855)	\$ 274,533	\$ 212,978

⁶ Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance for disaster unemployment payments.

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

⁷ Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

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

Mississippi

Fund Balances of Governmental Funds

Table 3

Last Eight Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2009	2008	2007	2006
General Fund				
Reserved	\$ 829,688	\$ 833,922	\$ 864,522	\$ 702,417
Unreserved	1,359,911	1,822,412	1,625,064	1,253,819
Total General Fund	<u>\$ 2,189,599</u>	<u>\$ 2,656,334</u>	<u>\$ 2,489,586</u>	<u>\$ 1,956,236</u>
All Other Governmental Funds				
Reserved	\$ 316,774	\$ 325,180	\$ 317,053	\$ 306,171
Unreserved, reported in:				
Special revenue funds	552,911	568,091	769,769	427,942
Capital project funds	375,268	383,225	224,942	250,799
Debt service funds				49,385
Permanent funds	5,119	3,862	2,398	1,003
Total All Other Governmental Funds	<u>\$ 1,250,072</u>	<u>\$ 1,280,358</u>	<u>\$ 1,314,162</u>	<u>\$ 1,035,300</u>

Note: Due to changes in the State's fund structure when GASB Statement 34 was implemented, the fund balance information is only available beginning in fiscal year 2002. This table has been restated for prior period adjustments.

2005	2004	2003	2002
\$ 709,505	\$ 593,863	\$ 576,966	\$ 612,098
715,549	875,888	868,595	1,169,275
<u>\$ 1,425,054</u>	<u>\$ 1,469,751</u>	<u>\$ 1,445,561</u>	<u>\$ 1,781,373</u>

\$ 308,032	\$ 68,051	\$ 59,196	\$ 64,206
469,379	787,576	708,736	709,541
191,010	321,678	400,602	407,681
41,818	47,008	107,782	65,213
2,104	3,210	4,037	3,427
<u>\$ 1,012,343</u>	<u>\$ 1,227,523</u>	<u>\$ 1,280,353</u>	<u>\$ 1,250,068</u>

Mississippi

Changes in Fund Balances of Governmental Funds

Last Eight Fiscal Years

Table 4

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2009	2008	2007	2006
Revenues				
Taxes				
Sales and use ¹	\$ 3,008,042	\$ 3,146,711	\$ 3,136,554	\$ 3,074,831
Gasoline and other motor fuel	412,206	437,810	445,876	443,150
Individual income	1,441,141	1,523,231	1,486,074	1,213,733
Corporate income and franchise	420,482	503,165	477,166	412,839
Insurance	187,050	194,129	192,861	169,727
Other	461,064	459,483	397,515	385,810
Licenses, fees and permits	527,099	547,844	499,787	448,482
Federal government ²	7,402,207	7,197,515	8,079,581	6,844,298
Investment income	69,725	132,566	174,142	118,888
Charges for sales and services	351,618	327,874	310,769	279,899
Rentals	24,008	24,353	18,559	13,004
Court assessments and settlements	130,762	139,803	159,131	113,135
Refund of prior year disaster payments			55,557	
Other	410,345	345,593	309,521	281,908
Total Revenues	14,845,749	14,980,077	15,743,093	13,799,704
Expenditures				
General government	1,392,656	1,430,623	1,345,200	1,379,847
Education	4,090,971	4,155,180	3,949,505	3,663,082
Health and social services ³	6,129,997	5,601,993	5,302,796	5,176,071
Law, justice and public safety ⁴	1,069,705	1,385,082	1,172,469	1,364,750
Recreation and resources development ⁵	1,138,031	1,203,801	1,926,281	351,801
Regulation of business and professions	36,450	35,841	33,364	30,981
Transportation	1,134,357	1,178,966	1,390,677	1,284,905
Debt service				
Principal	419,973	295,060	277,538	261,878
Interest and other fiscal charges	210,654	210,311	184,346	177,228
Defeasance of debt				2,138
Capital outlay	80,378	110,620	88,575	69,604
Total Expenditures	15,703,172	15,607,477	15,670,751	13,762,285
Excess of revenues over (under) expenditures	\$ (857,423)	\$ (627,400)	\$ 72,342	\$ 37,419

2005	2004	2003	2002
\$ 2,609,936	\$ 2,488,055	\$ 2,377,996	\$ 2,364,112
432,023	433,091	418,049	407,935
1,224,403	1,054,479	1,021,967	980,284
363,361	320,848	287,335	254,785
165,955	160,757	149,458	131,763
362,526	352,800	348,744	302,479
444,257	428,412	412,367	402,878
5,050,410	4,943,360	4,477,533	4,204,079
76,874	130,333	86,974	37,353
265,089	258,217	241,153	268,098
19,564	16,651	16,320	15,154
209,541	109,796	172,099	239,509
349,625	299,009	312,856	317,263
11,573,564	10,995,808	10,322,851	9,925,692
1,227,277	1,219,944	1,191,877	1,133,606
3,341,991	3,211,882	3,022,046	2,852,710
5,057,704	4,775,753	4,291,837	4,212,066
567,718	551,354	522,509	507,662
410,624	482,235	484,955	381,064
30,574	34,163	32,096	30,175
911,974	925,757	876,269	875,165
239,525	216,287	194,318	280,590
152,766	153,272	146,429	154,430
1,386	1,689	3,959	
85,443	77,839	114,941	103,940
12,026,982	11,650,175	10,881,236	10,531,408
\$ (453,418)	\$ (654,367)	\$ (558,385)	\$ (605,716)

(Continued on Next Page)

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Eight Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2009	2008	2007	2006
Other Financing Sources (Uses)				
Bonds and notes issued	\$ 362,720	\$ 721,172	\$ 714,400	\$ 486,780
Capital leases issued	10,759	724	5,497	11,324
Discounts on bonds and notes issued		(390)	(250)	(242)
Insurance recovery	8,838	3,874	781	4,408
Payments on refunded bond anticipation notes			(33,000)	
Payments to bond escrow agent	(1,992)			
Payments to refunded bond and lease escrow agents	(82,265)	(191,894)	(147,765)	(50,462)
Premiums on bonds, notes, and refunding bonds and notes issued	13,916	19,613	29,209	15,442
Refunding bonds and notes issued	76,460	208,955	175,365	51,870
Transfers in	335,056	387,993	616,239	498,623
Transfers out	(363,090)	(389,703)	(620,606)	(501,943)
Net Other Financing Sources (Uses)	360,402	760,344	739,870	515,800
Extraordinary Item				
Insurance recovery from hurricane damage				920
Net Change in Fund Balances	\$ (497,021)	\$ 132,944	\$ 812,212	\$ 554,139
Debt Service as a Percentage of Noncapital Expenditures	4.3%	3.5%	3.2%	3.4%

Note: Due to changes in the State's fund structure when GASB Statement 34 was implemented, the changes in fund balance information is only available beginning in fiscal year 2002. This table has been restated for prior period adjustments.

¹ Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

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

² Federal government revenues increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

Federal government revenues increased from 2005 to 2006. This can be attributed to federal assistance in the Hurricane Katrina recovery efforts.

³ Health and social services expenditures rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

⁴ Law, justice and public safety expenditures rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

⁵ Recreation and resources development expenditures rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

	2005		2004		2003		2002
\$	188,494	\$	625,015	\$	239,000	\$	415,466
	3,975		4,834		6,046		5,070
	(6,882)		(180,678)		(536,921)		(381,313)
	874		7,865		59,728		41,558
	7,215		172,505		486,970		364,033
	294,453		304,180		248,954		352,432
	(294,588)		(307,994)		(250,919)		(355,539)
	193,541		625,727		252,858		441,707
<hr/>							
\$	(259,877)	\$	(28,640)	\$	(305,527)	\$	(164,009)
<hr/>							
	3.5%		3.4%		3.4%		4.4%

Mississippi

Taxable Sales by Industry

Table 5

Last Ten Fiscal Years

(Expressed in Thousands)

	2008	2007	2006	2005
Automotive	\$ 6,083,873	\$ 6,425,719	\$ 6,659,353	\$ 6,146,219
Contracting	7,887,529	7,289,281	6,077,508	4,450,580
Food and Beverage	7,502,956	7,183,345	6,860,282	6,667,695
Furniture	959,992	1,017,087	1,011,007	759,240
General Merchandise	7,339,220	7,517,150	7,389,359	6,627,840
Lumber and Building Materials	3,423,567	3,892,931	3,944,938	2,675,275
Machinery, Equipment and Supplies	2,962,978	3,065,223	2,883,980	2,253,956
Miscellaneous Retail	3,743,749	3,741,915	3,562,267	3,317,464
Miscellaneous Services	2,823,849	2,605,241	2,582,114	1,944,014
Public Utilities	4,225,268	4,160,798	4,323,055	3,687,135
Recreation	134,763	135,866	119,248	110,930
Wholesale	749,042	728,840	721,747	758,074
Total taxable sales	\$ 47,836,786	\$ 47,763,396	\$ 46,134,858	\$ 39,398,422
Gross tax collections	\$ 2,893,966	\$ 2,899,368	\$ 2,807,350	\$ 2,421,537
Average effective rate	6.05%	6.07%	6.09%	6.15%

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2008.

Source: Mississippi State Tax Commission

Sales Tax Revenue Payers by Industry

Table 6

Fiscal Years 2008 and 1999

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

Notes: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current fiscal year available is fiscal year 2008.

Source: Mississippi State Tax Commission

2004	2003	2002	2001	2000	1999
\$ 6,153,868	\$ 5,993,019	\$ 6,102,300	\$ 5,847,392	\$ 6,170,349	\$ 5,983,176
4,227,714	4,062,074	4,074,641	3,908,410	4,335,402	4,265,836
6,585,188	6,181,754	6,329,716	6,359,213	6,304,232	6,159,492
740,400	724,376	730,471	747,479	790,395	797,853
6,350,285	5,994,698	5,809,645	5,494,382	5,194,255	4,884,481
2,384,863	2,016,383	1,915,703	1,888,429	2,112,044	2,059,528
2,056,435	2,079,293	2,124,054	2,206,481	2,321,233	2,348,386
3,480,913	3,700,174	3,305,031	3,267,289	3,164,988	2,936,565
1,881,371	1,695,247	1,687,695	1,694,971	1,722,853	1,699,602
3,332,978	3,207,453	3,113,292	3,109,723	2,269,785	2,134,249
116,464	108,309	107,782	105,941	116,327	113,617
744,355	718,041	704,607	680,678	683,733	647,794
\$ 38,054,834	\$ 36,480,821	\$ 36,004,937	\$ 35,310,388	\$ 35,185,596	\$ 34,030,579
\$ 2,338,086	\$ 2,208,570	\$ 2,199,918	\$ 2,158,940	\$ 2,130,636	\$ 2,042,078
6.14%	6.05%	6.11%	6.11%	6.06%	6.00%

1999

Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
11,413	14.2 %	\$ 319,420	15.7 %
6,766	8.4	155,256	7.6
15,363	19.1	429,544	21.0
3,013	3.7	55,803	2.7
5,050	6.3	342,455	16.8
5,538	6.9	141,315	6.9
5,822	7.2	123,755	6.1
20,550	25.5	194,172	9.5
5,595	6.9	118,769	5.8
962	1.2	114,767	5.6
405	0.5	7,953	0.4
60	0.1	38,868	1.9
80,537	100.0 %	\$ 2,042,077	100.0 %

Mississippi

Ratios of Outstanding Debt by Type

Last Eight Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

	2009	2008	2007	2006
Governmental Activities				
General Obligation Bonds and Notes ¹	\$ 3,456,607	\$ 3,452,073	\$ 3,135,232	\$ 3,011,720
Limited Obligation Bonds		24,460	47,880	70,320
Capital Lease Obligations	17,231	12,555	18,568	19,034
Notes Payable	852,011	882,049	708,028	345,091
Certificates of Participation	2,045	2,190	2,330	2,460
Total Governmental Activities	4,327,894	4,373,327	3,912,038	3,448,625
Business-type Activities				
General Obligation Bonds	29,231	32,064	35,084	38,016
Revenue Bonds				
Capital Lease Obligations	1,636	926	214	320
Total Business-type Activities	30,867	32,990	35,298	38,336
Total Primary Government	\$ 4,358,761	\$ 4,406,317	\$ 3,947,336	\$ 3,486,961
Amount of Debt Per capita ²	\$ 1,483	\$ 1,499	\$ 1,352	\$ 1,202
Debt as a percentage of Personal Income ³	5.0%	5.1%	4.7%	4.4%
Net General Obligation Bonded Debt⁴				
General Obligation Bonds and Notes ¹	\$ 3,456,607	\$ 3,452,073	\$ 3,135,232	\$ 3,011,720
Less: Debt Service	197,131	214,647	175,515	105,347
Net General Obligation Bonded Debt	\$ 3,259,476	\$ 3,237,426	\$ 2,959,717	\$ 2,906,373
Amount of Net General Obligation Bonded Debt Per capita ²	\$ 1,109	\$ 1,101	\$ 1,014	\$ 1,002
Net General Obligation Bonded Debt as a percentage of Taxable Sales ⁵	6.8%	6.8%	6.2%	6.3%

Notes:

¹ Fiscal years 2002-2004 have been restated to reflect amounts net of deferred refunding charges and premiums/discounts.

² See Table 11 for population data. For the current fiscal year, the prior year population data is used in the calculation.

³ See Table 11 for personal income data. For the current fiscal year, the prior year personal income data is used in the calculation.

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

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

	2005		2004		2003		2002
\$	2,879,945	\$	2,965,083	\$	2,536,637	\$	2,459,826
	91,845		112,515		132,390		151,535
	62,456		74,277		156,075		162,389
	162,340		92,877		9,406		6,891
	2,585		2,700		2,805		2,905
	3,199,171		3,247,452		2,837,313		2,783,546

	40,705		43,207		47,407		52,417
	150		295		430		555
	449		613		193		283
	41,304		44,115		48,030		53,255
\$	3,240,475	\$	3,291,567	\$	2,885,343	\$	2,836,801

\$	1,117	\$	1,139	\$	1,005	\$	992
	4.4%		4.7%		4.4%		4.4%

\$	2,879,945	\$	2,965,083	\$	2,536,637	\$	2,459,826
	97,312		107,149		176,556		129,771
\$	2,782,633	\$	2,857,934	\$	2,360,081	\$	2,330,055

\$	960	\$	989	\$	822	\$	815
	7.1%		7.5%		6.5%		6.5%

Mississippi

Legal Debt Margin

Last Ten Fiscal Years

(Expressed in Thousands)

Table 8

	2009	2008	2007	2006	2005
Legal debt limit	\$ 12,518,778	\$ 12,009,366	\$ 10,930,262	\$ 10,056,571	\$ 8,740,586
Less: Net debt applicable to limit	3,259,476	3,237,426	2,959,717	2,906,373	2,771,968
Legal debt margin	\$ 9,259,302	\$ 8,771,940	\$ 7,970,545	\$ 7,150,198	\$ 5,968,618
Net debt applicable to the limit as a percentage of legal debt limit	26.0%	27.0%	27.1%	28.9%	31.7%

	2004	2003	2002	2001	2000
Legal debt limit	\$ 8,429,055	\$ 8,142,318	\$ 8,142,318	\$ 7,994,129	\$ 7,627,217
Less: Net debt applicable to limit	2,846,985	2,339,941	2,312,810	2,158,098	1,919,008
Legal debt margin	\$ 5,582,070	\$ 5,802,377	\$ 5,829,508	\$ 5,836,031	\$ 5,708,209
Net debt applicable to the limit as a percentage of legal debt limit	33.8%	28.7%	28.4%	27.0%	25.2%

Legal Debt Margin Calculation for Fiscal Year 2009:

Legal debt limit ¹	\$ 12,518,778
Amount of debt applicable to limit ²	\$ 3,456,607
Less: amounts available for debt service	197,131
Less: Net debt applicable to limit	3,259,476
Legal debt margin	\$ 9,259,302

Notes:

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

Fiscal Year	Applicable Revenues
2008	\$ 8,345,852
2007	8,006,244
2006	7,286,841
2005	6,704,381

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

Mississippi

Demographic and Economic Statistics

Last Ten Calendar Years

Table 9

Year	Population	Unemployment Rate		Personal Income	Per capita Personal Income
		Mississippi	U. S.		
2008	2,940,000	6.9 %	5.8 %	\$ 86,892,000,000	\$ 29,555
2007	2,920,000	6.3	4.6	83,368,000,000	28,551
2006	2,900,000	6.8	4.6	78,420,000,000	27,041
2005	2,900,000	7.8	5.1	73,292,000,000	25,273
2004	2,890,000	6.3	5.5	69,700,000,000	24,118
2003	2,870,000	6.4	6.0	66,304,000,000	23,102
2002	2,860,000	6.7	5.8	63,979,000,000	22,370
2001	2,850,000	5.6	4.7	62,739,000,000	22,014
2000	2,850,000	5.6	4.0	59,838,000,000	20,996
1999	2,830,000	5.3	4.2	56,719,000,000	20,042

Sources:

Mississippi Econometric Model

Mississippi Department of Employment Security

U. S. Department of Labor, Bureau of Labor Statistics

Employment by Industry

Most Current Calendar Year and Seven Years Prior

Table 10

(Ranked by Number of Employees)

Industry	Rank	2008		Rank	2001 ¹	
		Average Number of Employees	Percentage of All Employees		Average Number of Employees	Percentage of All Employees
Government	1	248,200	20.3 %	1	237,500	19.3 %
Manufacturing	2	160,000	13.1	2	200,800	16.3
Retail Trade	3	139,500	11.4	3	142,100	11.6
Health Care and Social Assistance	4	114,000	9.3	5	95,800	7.8
Accommodation and Food Services	5	112,200	9.2	4	106,700	8.7
Professional and Business Services	6	94,500	7.7	6	76,700	6.2
Construction	7	60,600	4.9	7	51,900	4.2
Transportation and Warehousing	8	48,000	3.9	8	45,800	3.7
Other Services	9	37,100	3.0	9	36,800	3.0
Wholesale Trade	10	36,300	3.0	10	35,300	2.9
Total		1,050,400	85.8 %		1,029,400	83.7 %
Total Employed Labor Force		1,223,900	100.0 %		1,229,900	100.0 %

¹ Information is presented using the North American Industry Classification System (NAICS). Effective 2001, the system changed to NAICS and prior years are not comparable.

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

Source: Mississippi Department of Employment Security

Mississippi

Public School Enrollment

Last Ten Academic Years

Table 11

	2008/2009	2007/2008	2006/2007	2005/2006
Kindergarten	41,602	41,453	42,277	42,824
Grades 1-3	118,249	118,969	117,424	114,830
Grades 4-6	111,783	111,009	112,101	113,468
Grades 7-9	115,901	118,593	120,271	120,852
Grades 10-12	97,024	96,003	93,287	91,663
Special Education	6,635	7,275	8,775	10,401
Total Enrollment	491,194	493,302	494,135	494,038

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 12

	2008/2009	2007/2008	2006/2007	2005/2006
Coahoma Community College	2,239	2,398	2,201	2,428
Copiah-Lincoln Community College	3,886	3,811	3,933	3,792
East Central Community College	3,219	2,841	3,096	3,268
East Mississippi Community College	6,356	6,353	4,938	4,569
Hinds Community College	12,661	16,747	13,487	13,004
Holmes Community College	5,754	5,124	5,164	5,220
Itawamba Community College	9,173	8,339	7,363	7,089
Jones County Junior College	5,951	5,658	5,785	6,219
Meridian Community College	4,317	4,065	3,946	3,813
Mississippi Delta Community College	4,011	3,659	3,815	3,995
Mississippi Gulf Coast Community College	11,736	9,674	9,045	8,934
Northeast Mississippi Community College	5,006	5,223	5,264	5,266
Northwest Mississippi Community College	7,326	6,900	7,457	6,953
Pearl River Community College	5,081	4,263	4,411	4,256
Southwest Mississippi Community College	2,106	2,080	1,986	2,121
Total Enrollment	88,822	87,135	81,891	80,927

Source: Mississippi State Board for Community and Junior Colleges

University Enrollment

Last Ten Academic Years

Table 13

	2008/2009	2007/2008	2006/2007	2005/2006
Alcorn State University	3,252	3,668	3,583	3,544
Delta State University	4,064	4,091	4,217	4,119
Jackson State University	8,374	8,698	8,256	8,416
Mississippi State University	17,824	17,039	16,206	16,101
Mississippi University for Women	2,365	2,379	2,428	2,285
Mississippi Valley State University	2,929	3,009	3,162	3,165
University of Mississippi	17,601	17,323	17,312	16,928
University of Southern Mississippi	14,793	14,592	14,777	15,030
Total Enrollment	71,202	70,799	69,941	69,588

Source: Institutions of Higher Learning, Office of Research and Planning

2004/2005	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
42,158	40,536	38,811	38,736	39,055	39,455
114,453	114,719	116,431	119,157	121,810	124,176
116,383	117,899	118,463	119,022	118,450	116,155
120,186	118,632	116,799	114,533	114,885	115,585
89,641	88,384	88,437	88,644	89,796	90,947
11,769	12,387	12,682	12,106	12,562	13,044
494,590	492,557	491,623	492,198	496,558	499,362

2004/2005	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
2,506	2,392	2,481	2,150	1,418	1,317
3,681	3,796	3,370	3,160	3,272	3,086
3,540	3,540	3,414	3,347	3,312	2,605
4,523	4,103	4,043	3,303	3,121	2,848
13,803	15,202	11,152	11,389	10,976	10,943
4,991	4,945	3,851	3,482	3,328	3,089
6,567	6,778	5,667	4,563	4,075	3,946
6,344	6,231	5,841	5,625	5,572	5,016
4,089	3,944	3,815	3,743	3,183	3,077
3,862	4,128	3,960	3,750	3,419	5,242
10,894	10,551	9,934	8,877	9,140	10,054
5,854	4,996	4,667	4,463	4,353	4,792
6,663	6,523	6,371	5,760	5,127	5,074
4,585	3,898	3,661	3,156	3,245	3,291
2,303	2,280	2,277	2,159	2,083	2,066
84,205	83,307	74,504	68,927	65,624	66,446

2004/2005	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
3,443	3,309	3,150	3,096	2,936	2,871
3,990	3,902	3,963	3,875	3,916	4,086
8,351	7,815	7,783	7,098	6,832	6,354
15,934	16,173	16,610	16,878	16,561	16,076
2,231	2,048	2,105	2,328	2,815	2,953
3,621	3,506	3,501	3,081	2,687	2,509
16,500	15,577	14,961	14,429	13,928	13,527
15,253	15,050	15,266	15,232	14,509	14,350
69,323	67,380	67,339	66,017	64,184	62,726

Mississippi

Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 14

	2009	2008	2007	2006
General Government				
Department of Finance and Administration				
Buildings	37	46	46	42
Vehicles	42	42	41	37
Tax Commission				
Vehicles	49	47	47	45
Education				
Department of Education				
Vehicles	42	47	44	46
Law, Justice and Public Safety				
Department of Corrections				
Buildings	627	626	633	633
Vehicles	673	676	707	683
Department of Public Safety				
Buildings	38	37	37	37
Vehicles	908	924	943	907
Recreation and Resource Development				
Department of Wildlife, Fisheries and Parks				
State Parks	26	26	26	24
Acres of State Parks	24,260	24,260	23,904	23,908
Buildings	817	815	812	831
Vehicles	632	609	614	627
Forestry Commission				
Buildings	398	408	418	422
Vehicles	446	493	508	483
Transportation				
Department of Transportation				
Miles of state highway	10,984	10,949	10,974	10,950
Vehicles	2,530	2,547	2,595	2,604
Health and Social Sciences				
Department of Mental Health				
Buildings	553	547	541	535
Vehicles	794	802	798	755

Sources:

Mississippi Office of the State Auditor, Property Audit Division
Mississippi Department of Wildlife, Fisheries and Parks
Mississippi Department of Transportation

2005	2004	2003	2002	2001	2000
26	25	22	22	21	20
35	35	32	32	31	33
45	45	46	44	42	42
42	42	41	43	41	43
642	642	641	634	625	532
674	702	649	598	699	664
36	36	36	33	33	33
805	834	808	805	804	791
28	28	28	28	28	29
23,800	23,800	23,714	23,714	23,714	23,756
844	841	852	814	830	804
681	723	730	712	687	682
429	424	428	431	429	426
531	578	539	546	484	493
10,927	10,926	10,689	10,678	10,665	10,649
2,604	2,642	2,646	2,395	2,402	2,467
525	520	512	481	477	360
742	712	700	650	630	599

Mississippi

State Government Employees by Function

Last Ten Fiscal Years

Table 15

	2009	2008	2007	2006	2005	2004
General Government						
Department of Finance and Administration	408	380	363	338	330	327
Tax Commission	711	726	713	697	708	738
Treasury	38	39	37	38	37	38
All Other	1,484	1,438	1,402	1,380	1,413	1,446
Education						
Department of Education	779	782	773	737	766	804
All Other	201	200	195	191	195	202
Health and Social Services						
Department of Human Services	3,284	3,046	2,991	2,925	2,987	3,179
Division of Medicaid	940	908	917	942	877	580
Department of Mental Health	8,978	8,951	8,930	8,685	9,043	8,695
Department of Rehabilitation Services	1,024	964	949	882	871	893
All Other	3,438	3,329	3,393	3,336	3,467	3,495
Law, Justice and Public Safety						
Department of Corrections	3,090	3,153	3,071	3,072	3,051	3,336
Department of Public Safety	1,338	1,365	1,274	1,199	1,183	1,202
All Other	2,134	1,994	1,883	1,746	1,749	1,741
Recreation and Resource Development						
Department of Environmental Quality	448	428	433	426	447	472
Department of Wildlife, Fisheries and Parks	807	710	788	777	826	926
Forestry Commission	475	521	513	479	548	587
Mississippi Development Authority	319	279	282	261	271	312
All Other	402	412	408	395	412	420
Regulation of Business and Professions						
Public Service Commission	97	97	95	92	94	101
Oil and Gas Board	36	33	32	31	28	30
All Other	255	246	242	244	239	243
Transportation						
Department of Transportation	3,413	3,346	3,267	3,271	3,384	3,316
Total	34,099	33,347	32,951	32,144	32,926	33,083

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

2003	2002	2001	2000
323	328	334	349
734	734	762	778
39	38	38	34
1,427	1,438	1,433	1,438
797	775	791	804
209	212	214	220
3,362	3,394	3,541	3,746
572	547	554	482
8,617	8,523	8,420	8,213
877	874	849	768
3,510	3,318	3,288	3,231
3,656	3,675	3,745	3,644
1,004	1,012	1,065	1,023
1,933	1,907	1,858	1,811
471	471	471	76
844	867	896	1,030
592	630	625	697
311	299	303	307
421	429	429	436
156	148	142	136
28	30	32	29
238	234	230	228
3,300	3,265	3,329	3,286
33,421	33,148	33,349	32,766

Mississippi

Operating Indicators by Function

Last Ten Fiscal Years

Table 16

	2008	2007	2006	2005
General Government				
Tax returns processed	4,850,000	4,800,000	4,750,000	4,700,000
On-going construction projects	676	725	708	707
Tort claims processed	353	1,081	726	1,354
Unclaimed property claims paid	6,175	9,781	6,670	5,360
Corporate filings processed	40,218	30,740	30,441	27,184
UCC filings processed	286,740	289,990	28,317	261,215
16th section leases	12,627	12,200	12,360	12,367
Education				
Average cost per public school student	\$8,737	\$8,298	\$7,996	\$7,208
Public high school graduates	23,935	23,149	23,691	23,415
Public school teachers, K-12	33,613	32,746	32,129	32,027
Health and Social Services				
Average monthly households receiving food stamps	184,779	174,924	172,814	153,943
Food establishments inspected	34,866	36,027	28,953	27,832
Child support collections from non-custodial parents	\$264,727,366	\$242,768,697	\$230,206,702	\$218,293,613
Medicaid recipients receiving medical services	569,294	547,811	583,523	673,571
Law, Justice and Public Safety				
Average inmate population in prisons	10,856	10,145	9,669	9,891
Supervised offenders in communities	27,323	29,964	21,736	23,781
Driver licenses issued	907,850	755,000	755,000	667,800
Recreation and Resource Development				
Estimated attendance at fairground events	1,200,250	1,200,250	1,058,250	1,056,450
Estimated attendance at the Dixie Livestock Show	108,000	126,080	110,081	128,459
Tourist registered at welcome centers	2,906,700	2,782,648	2,551,894	2,862,349
Land reforested (acres)	44,546	61,075	54,886	91,035
Hunting and fishing licenses sold	584,891	585,466	525,000	525,000
Overnight accommodations at state parks	675,000	674,280	682,525	672,525
Regulation of Business and Professions				
Utility complaints investigated	7,299	6,766	6,749	6,520
Well inspections by Oil and Gas Board	21,227	22,083	20,879	18,000
Transportation				
Overlays (miles)	251	146	340	421
Replacement of deficit bridges	55	62	11	29

Note: The most current fiscal year available is fiscal year 2008.

Sources:

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

2004	2003	2002	2001	2000	1999
4,650,000	4,600,000	4,550,000	4,550,000	4,500,000	2,575,000
756	863	830	862	748	637
2,529	2,312	1,337	1,524	1,545	1,443
41,652	13,683	8,490	4,399	2,166	5,218
29,293	33,779	34,658	17,220	14,974	12,979
231,688	228,930	119,509	127,234	110,638	96,207
12,311	13,800	14,171	14,967	12,528	12,579
\$6,794	\$6,402	\$5,908	\$5,717	\$4,905	\$5,120
23,427	23,703	23,398	23,740	24,194	24,148
31,611	29,071	29,166	31,017	30,782	29,939
149,817	137,793	123,780	113,178	109,192	119,809
33,505	28,939	19,990	28,886	28,416	27,431
\$206,596,005	\$195,621,754	\$191,423,389	\$178,496,714	\$174,659,489	\$141,000,000
730,000	720,304	650,452	587,341	512,956	486,660
10,833	10,639	10,293	10,043	8,916	8,754
22,053	22,342	17,394	16,677	14,280	14,280
753,809	663,893	659,846	659,846	659,846	579,510
1,057,569	912,749	912,749	575,000	1,875,000	1,875,000
127,463	130,000	130,000	125,000	121,000	125,000
2,937,560	2,870,001	3,133,953	2,994,723	3,105,714	2,903,934
57,980	116,681	62,214	129,447	176,802	140,000
533,533	520,000	520,000	573,115	520,000	559,824
765,564	719,637	719,637	650,896	650,896	652,732
6,547	6,172	2,569	4,334	2,355	3,904
19,763	18,920	15,962	25,374	16,964	16,334
594	556	620	257	337	476
73	126	128	170	125	99

Acknowledgements

The Comprehensive Annual Financial Report was prepared by the Mississippi Department of Finance and Administration, Office of Fiscal Management, Bureau of Financial Reporting.

Management

*Melissa G. Womack, CPA, Director
Betty L. Smith, Assistant Director*

Fiscal Analysts

*LaQuita Davis
Susan S. Dodder, CPA
Robert Johnson
Cindy L. Ogletree, CPA
Kathy W. Piazza, CPA
Sarah S. Prewitt, CPA*

Additional assistance

*Leila C. Malatesta, Office of Fiscal Management Director
Linda Brady, Administrative Assistant
Bettie A. Fulgham, Special Projects
Dianne P. Sturgis, Special Projects*

Special acknowledgements

The Office of the State Auditor, whose commitment and valued input into this project are reflected in this accomplishment.

The Department of Transportation, General Services Division whose services in the design of the cover and printing of this report are greatly appreciated.

All financial and accounting personnel throughout Mississippi state government, whose extra efforts to contribute accurate, timely financial data for their agencies made this report possible.

Cover

Quarter-dollar coin images are from the United States Mint.