

Mississippi



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2003

Cover photo: New Capitol Building, courtesy of Mississippi Department of Archives and History

MISSISSIPPI



Fiscal Year Ended June 30, 2003

Department of Finance and Administration

Post Office Box 267
Jackson, MS 39205

Margaret H. Hill
Executive Director



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STATE OF MISSISSIPPI

OFFICE OF THE GOVERNOR

RONNIE MUSGROVE
GOVERNOR



December 10, 2003

To the Members of the Legislature and the Citizens of Mississippi:

It is our pleasure to present Mississippi's Comprehensive Annual Financial Report for the year ended June 30, 2003. The report provides you with an overview and detailed information regarding the fiscal activity of our state government.

Like every other state in the nation, Mississippi has been affected by the sluggish national economy. Revenue collections have not met the estimate, yet, we have dealt with the task of balancing budgets while neither compromising essential services nor raising taxes.

History was made in 2003 when we put education first by earmarking 62 percent of general fund revenue to fund proven education programs from kindergarten through doctorate prior to the passage of any other funding bill. Our commitment to improving teacher pay continues and the number of Master Teachers in Mississippi has increased fourfold. By putting education first with the Adequate Education Act, we have seen increased test scores, 83 percent of our schools graded as successful or better and a nationally ranked accountability system.

Quality education means quality jobs. Our focus on creating quality, high paying jobs for our people remains intense. We are reaping the benefits of homegrown businesses and have been recognized as one of the top ten states for small business survival.

Economic prosperity starts with healthy families. Ensuring access to quality health care for every Mississippian has been and should always be a priority. We are dedicated to making our health care programs the most efficient and effective in the nation, as evidenced by our Health Care Trust Fund and recent reforms in medical malpractice laws.

Homeland security remains on the forefront of people's minds as we endeavor to end the threats of terrorism. Mississippi stands united and ready to respond when necessary.

Education, economic development, health care and homeland security have been the cornerstones of my administration. Faith, common sense and conservative values are sustenance for my belief that, working together, there is nothing we cannot achieve.

Very truly yours,

A handwritten signature in black ink that reads "Ronnie Musgrove". The signature is fluid and cursive, with a large, sweeping flourish at the end.

RONNIE MUSGROVE



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

MARGARET H. HILL
EXECUTIVE DIRECTOR



December 10, 2003

To Governor Musgrove, 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, 2003 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. I believe the information as presented is accurate in all material respects and is presented in a manner which sets forth the financial position and changes in financial position of the State in conformity with generally accepted accounting principles (GAAP). All disclosures necessary to enable the reader to gain maximum understanding of the State's financial activities have been included.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The Introductory Section contains this letter, a list of state officials and an organization chart of state government. The Financial Section includes the State Auditor's report, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Required Supplementary Information, and combining financial statements. The Statistical Section sets forth selected unaudited economic, financial trend and demographic information for the State on a multi-year basis.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of 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. 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.

Budgetary Process and Control

Mississippi state law requires both the Governor and the Legislative Budget Office to submit an overall balanced budget at the beginning of each annual session for the ensuing fiscal year. Budgeted special fund expenditures may not exceed the aggregate of estimated revenues plus funds expected to be on hand at the beginning of the year, while budgeted General Fund expenditures may not exceed 98 percent of its aggregate. 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. For those appropriations that are not delineated as to major expenditure classification, the lowest level of budgetary control is activity or function. For the General Fund, allotments are established at or below the level of appropriation for each budgetary activity or function. Special fund allotments may be escalated in excess of the original appropriation if revenues from federal funding sources exceed original estimates. Budgetary control is maintained by a formal appropriation and allotment system monitored by the Department of Finance and Administration (DFA). 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.

The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100 percent of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reached \$40,000,000. Thereafter, 50 percent of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5 percent 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 2004, \$17,377,000 was transferred from the General Fund to the Account for fiscal year 2003 to reach the required \$40,000,000 balance. In addition, the entire 50 percent of unencumbered ending cash totaling \$11,765,000 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 percent of the sine die estimate, DFA 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. Also, 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 percent maximum is again attained.

Mississippi has utilized fiscal restraint in maintaining control over the budget. DFA and the State Treasurer's Office meet monthly to analyze, for cash flow needs and investment purposes, the amount of cash in the General Fund. In spite of these difficult budget times, the State has not raised taxes to continue its operations and has worked with available resources.

Economic Conditions

Mississippi's economy is regaining its momentum after near-zero growth in 2002. Economic indicators showed modest improvement in the first part of 2003, slipped mid-year, but turned up again in the fall. Consumers continued to spend, despite some wavering of confidence in the fall. The index of business confidence showed a positive trend most of the year.

Total payroll employment in 2003 was essentially unchanged from 2002 levels, based on data through September, although a few sectors showed growth. Employment in retail trade was up 2.4 percent, and in wholesale trade, 0.6 percent. Local government employment was higher as well, with an increase in jobs of 2.6 percent compared to the

same period in 2002. Several service industries also showed growth, including professional and business services (1.3 percent), arts, entertainment and recreation (1.4 percent), and finance and insurance (0.6 percent). Hospital employment continued its rise in 2003, with an increase of 2.7 percent. Although the overall number of manufacturing jobs continued to drop, the opening of the Nissan auto plant led to a 3.1 percent increase in employment in the transportation equipment industry. Construction employment held steady, increasing 0.6 percent, and the value of building permits issued trended upwards from the summer on.

The nationwide slowdown in tourism contributed to the drop of 1.1 percent in leisure and hospitality employment, due largely to a fall of 3.9 percent in accommodations employment. Gaming has also suffered from the drop in tourism over the past two years, as reflected in the relatively low 2.0 percent increase in state funds from gaming taxes in fiscal year 2002, and in the 3.0 percent decrease in gaming employment in 2003. The fiscal squeeze hitting the state budget is also affecting the state economy. Slow revenue growth has reduced the growth of state spending, and may mean further reduction in state government employment, which was down 0.5 percent in 2003.

Short-term Outlook

Mississippi experienced only slow growth of output and employment in 2003, as did the Southern region as a whole. A return to the State's long-term growth path will come as manufacturing production picks up. Already there are signs of an upturn in manufacturing nationally, with manufacturing orders running 2.0 percent ahead of 2002 and industrial production increasing in the fall.

Gross state product (GSP) is forecast to rise 2.3 percent in 2004, compared to the estimated growth rate of 1.3 percent experienced in 2003. In 2005, the growth rate is expected to peak at 2.9 percent before falling off slightly in 2006. Wage and salary employment, which fluctuated over the course of 2003, is expected to grow more steadily in 2004, at an average annual rate of 1.0 percent, rising to 1.4 percent in 2005.

Personal income in Mississippi increased at an estimated 4.1 percent rate in 2003, which was higher than the 3.8 percent rate registered in 2002. These rates, however, mark a significant slowdown from an average annual growth rate of almost 6.0 percent in the late 1990s. Over the coming years, the growth rate of personal income in Mississippi is expected to trend upwards, reaching 4.6 percent in 2005. Nationally, the growth of personal income in 2003 was also modest, at an estimated 3.2 percent, with the growth rate forecast to improve to 5.1 percent in 2004.

The slow growth of income has been impacting Tax Commission collections for the General Fund. In the fiscal year which ended June 30, 2003, revenues were up just 2.3 percent from fiscal year 2002. The growth rate in fiscal year 2004 may also be modest, but collections are forecast to pick up by fiscal year 2005.

For the southeastern region as a whole, the outlook is for a gradual return to growth rates near 3.0 percent. According to the Economic Forecasting Center of Georgia State University, gross regional product (GRP) is forecast to increase about 1.7 percent in 2003 and 2.0 percent in 2004. It is expected that both the region and the nation will be enjoying real growth rates above 3.0 percent by 2005.

Major Initiatives

Over the past four years, Mississippi has proved to be a leader in many areas; "Computers in the Classroom" and the Nissan location have stimulated increased national and international interest in the State. Like every other state, Mississippi has felt the impact of the recent national recession. Many other states utilized monies gained from the Tobacco Settlement to fund essential government operations; others found themselves operating with tremendous deficits. With its statutory budget safeguards, Mississippi has maintained a balanced budget that preserves essential government services and simultaneously improves the quality of life for its citizens. Throughout these recessionary times, Mississippi has proved to be a leader in and a model for sound financial management practices.

Due to its strong financial stability, Mississippi continues to enjoy very favorable bond ratings and strong market appeal for the sale of its bonds. This year, the State Bond Commission refinanced approximately \$482 million in outstanding bond debt; this action resulted in a savings of approximately \$14 million for the General Fund. The savings gained from this action will be utilized to fund and enhance critical services upon which citizens depend. In addition to recent bond refinancings, Mississippi enacted legislation that allows the state to refinance up to 20 percent of its bond debt using Variable Rate Financing; this legislation has the potential to net great savings for the State.

Mississippi has also expanded the use of technology to not only improve the level of services it provides, but to reduce the delivery costs of those services. Via technological enhancements, the State has shifted its current process for paying state vendors, suppliers, service providers, and other state payees from paper to electronic

payments and remittances. This improvement allows state vendors, service providers, and other state payees to receive payments faster and more efficiently while reducing processing and postage costs. Mississippi has received recognition for its accomplishment in this area. Additionally, the Mississippi Intergovernmental Review System was automated, enabling electronic publication and notices to be provided to interested parties about applications for federal funds.

Key to the progress of any state is its innovation and leadership. State leaders continue to set priorities and be aggressive in their efforts to achieve the prioritized goals for the benefit of Mississippi citizens.

Internal Controls

State managers are responsible for establishing and maintaining internal control to ensure that government assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow preparation of financial statements in conformity with GAAP. Internal controls have been implemented to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. I believe that the State's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Pension Benefits

The Public Employees' Retirement System of Mississippi (System) administers four defined benefit pension trust funds. The Public Employees' Retirement System (PERS) covers substantially all employees of the State and its political subdivisions. Sworn officers of the Department of Public Safety participate in the Mississippi Highway Safety Patrol Retirement System (MHSPRS). Elected members of the State Legislature and the president of the Senate participate in the Supplemental Legislative Retirement Plan (SLRP) in addition to participating in PERS. Separate municipal retirement and fire and police disability and relief systems participate in the Municipal Retirement Systems (MRS). The System is actuarially sound and the funding levels are managed to provide participants with a financially sound retirement. Further information on the System can be found in Note 16 to the financial statements.

Debt Administration

The State Bond Commission, composed of the Governor, the Attorney General and the State Treasurer, approves and authorizes the sale and issuance of state bonds and notes in accordance with authorizing legislation and within the defined constitutional debt limit. This limit is one and one-half times the sum of certain revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. The State's long-term indebtedness is comprised of general obligation and revenue bonds issued to finance specific programs and projects. Further information on the State's long-term debt can be found in Notes 9 and 11 to the financial statements.

Cash Management

As more fully explained in Note 4 to the financial statements, excess cash not needed to meet immediate requirements of the State is controlled by the State Treasurer and invested in compliance with state law. The majority of the cash controlled by the State Treasurer is managed in pooled investment funds to safeguard assets and maximize interest earnings. The State Treasurer invests the cash, including the cash float, in short-term securities and other investments such as certificates of deposit, repurchase agreements, obligations of the U. S. government, and certain other management type investment accounts with specifically defined portfolios. The State Treasurer is also required to maintain an inventory of collateral pledged by state depositories to secure public funds for all governmental entities. The market value of the collateral securities is recorded and monitored daily for changing market conditions.

Risk Management

The State has elected to finance most exposure to risks for health and life benefits, tort liability, unemployment benefits and workers' compensation benefits through the retention of risk. To assure that the State's exposure to risk is minimized, the State incorporates various methods of loss control, statutory protection, limitation of liability, and contractually established performance criteria for the claims administrators. Further information about risk management can be found in Note 18 to the financial statements.

Other Information

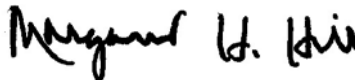
Pursuant to Section 7-7-211(d), Mississippi Code Annotated (1972), the State Auditor has performed an examination, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued 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 all federal funds expended by state government. This report, along with the report on compliance and internal control over financial reporting, will be published separately.

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, 2002. This was the sixteenth 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 DFA 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,



Margaret H. Hill

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Officials of State Government

Executive Branch

Governor
Ronnie Musgrove

Lieutenant Governor
Amy Tuck

Secretary of State
Eric Clark

State Auditor
Phil Bryant

State Treasurer
Marshall Bennett

Attorney General
Mike Moore

Commissioner of Agriculture and Commerce
Lester Spell

Commissioner of Insurance
George Dale

Transportation Commissioners
Richard (Dick) Hall
Wayne Brown
Zack Stewart

Public Service Commissioners
Nielsen Cochran
Dorlos (Bo) Robinson
Michael Callahan

State Fiscal Officer
Margaret H. Hill

Legislative Branch

Speaker of the House of Representatives
Tim Ford

Speaker Pro Tempore of the House of Representatives
Robert Clark

President Pro Tempore of the Senate
Travis L. Little

Secretary of Senate
John Gilbert

Clerk of the House of Representatives
Felix Edwin (Ed) Perry

Legislative Budget Office
Lee Lindell, Director

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

Judicial Branch

Supreme Court of Mississippi

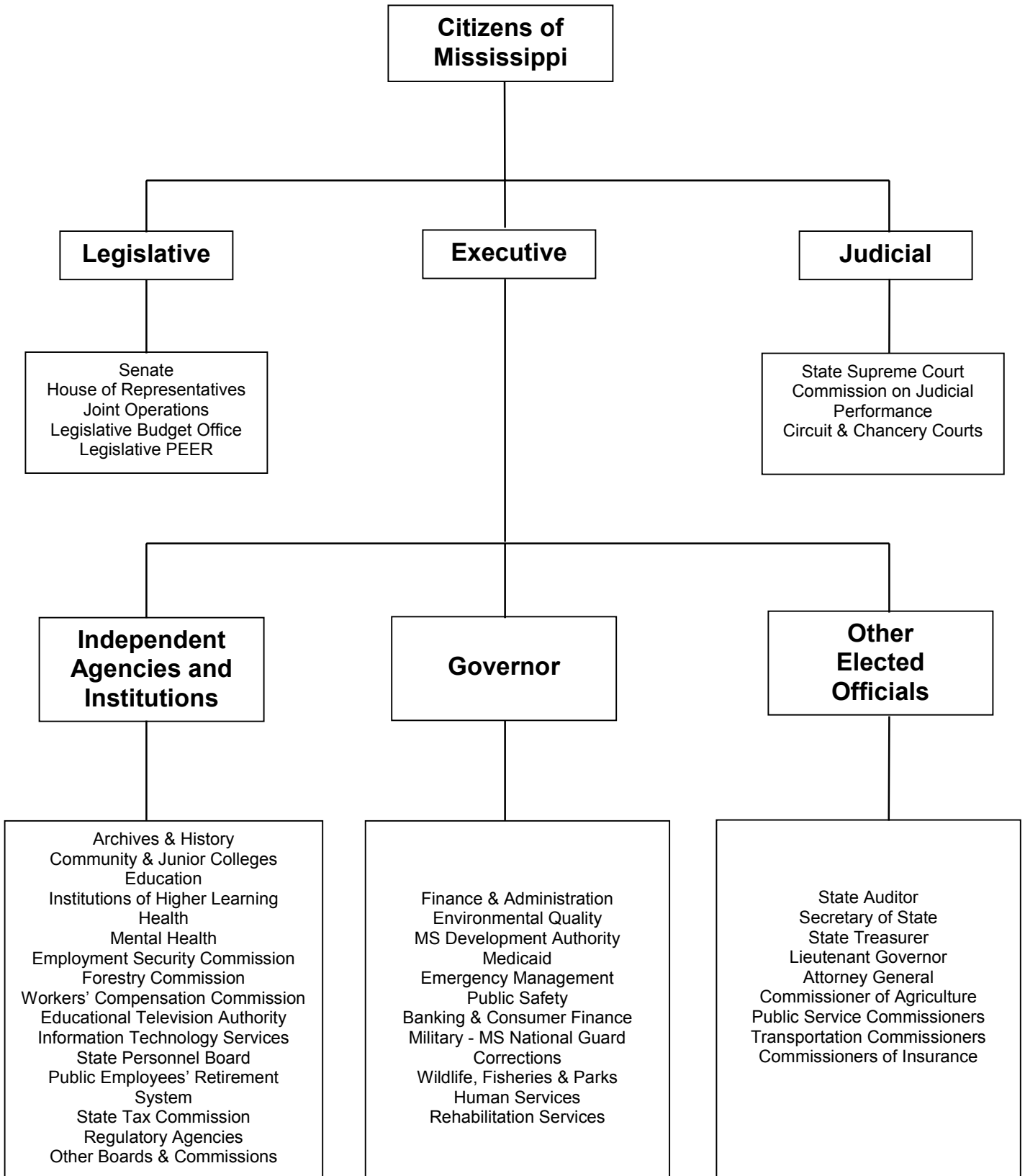
Chief Justice
Edwin Lloyd Pittman

Presiding Justices
James W. Smith, Jr.
C. R. (Chuck) McRae

Justices
George C. Carlson, Jr.
James E. Graves, Jr.
William L. Waller, Jr.
Kay B. Cobb
Oliver E. Diaz, Jr.
Charles D. Easley, Jr.

Clerk of the Supreme Court
Betty Sephton

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, 2002

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.



President

Executive Director

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
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, 2003, which collectively comprise the state's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

■ Government-wide Financial Statements

● Governmental Activities

- the 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 and the State Agencies Self-Insured Workers' Compensation Trust Fund which, in the aggregate, represent 8% and 2%, 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 Allied Enterprises within the Department of Rehabilitation Services which, in the aggregate, represent 35% and 17%, respectively, of the assets and revenues of the Business-type Activities;

● Component Units

- the nonmajor component units which represent 4% and 1%, respectively, of the assets and revenues of the Component Units.

■ Fund Financial Statements

● Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund and the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund which represent 8% and less than 1%, respectively, of the assets and revenues of the General Fund;
- the Health Care Trust Fund which represents 98% and 100%, 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, both of which are considered major enterprise funds;
 - the Veterans' Home Purchase Board and the Allied Enterprises Fund which, in the aggregate, represent 69% and 52%, respectively, of the assets and revenues of the nonmajor enterprise funds;
 - the State Agencies Self-Insured Workers' Compensation Trust Fund which represents 24% and 2%, respectively, of the assets and revenues of the Internal Service Funds;
- Fiduciary Funds
 - the Pension Trust Funds;
 - the Mississippi Affordable College Savings Program which represents 93% and 98%, respectively, of the assets and additions to net assets of the Private-Purpose Trust Funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2003, 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 to the basic financial statements, the State of Mississippi adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*, and GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences, an amendment of GASB Statement No. 34*, for the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, our report dated December 10, 2003, 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 grants will be issued under separate cover in our *Single Audit Report* in March, 2004. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

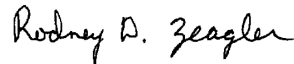
The Management's Discussion and Analysis on pages 21 through 29, the Budgetary Comparison Schedule and corresponding notes on pages 90 through 92, and the Schedule of Funding Progress and corresponding notes on page 93 are not a required part of the basic financial statements but are supplementary information 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 combining and individual fund financial statements and related schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and related schedules have 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 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.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance
Audit Division

Jackson, Mississippi
December 10, 2003

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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, 2003. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights - Primary Government

Government-wide - The assets of the State exceeded its liabilities at the close of the fiscal year by \$9,383,443,000 (reported as "net assets"). Of this amount, \$700,938,000 was reported as "unrestricted net assets", which may be used to meet the government's ongoing obligations to citizens and creditors. Governmental activities' net assets increased during the fiscal year by \$300,432,000, while business-type activities' net assets decreased by \$25,899,000, resulting in a total net assets increase of \$274,533,000.

Fund Level - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2,725,914,000, with \$2,089,752,000 reported as unreserved fund balance. The remaining balance of \$636,162,000 was reserved for specific purposes. The proprietary funds reported total net assets of \$1,010,303,000.

Long-term Debt - During fiscal year 2003, the State issued bonds of \$721,420,000, bringing its outstanding long-term bonded indebtedness to \$2,696,724,000. These bonds were issued primarily to currently refund or advance refund and defease certain bond issues, and for capital improvement. The State's total debt rose to \$2,961,176,000, a net increase of \$51,190,000.

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 report three 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 intergovernmental revenues 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.

Component Units - Component units are legally separate organizations for which the State is either financially accountable, or the nature and significance of their relationship with the State is such that their exclusion would cause the State's financial statements to be misleading or incomplete. Component units comprise a wide range of activities including providing services to small businesses and communities' management and maintenance of water districts, and the administration of the State's eight universities.



Fund Financial Statements

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

Governmental Funds - Most of the State's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the State's near-term financing requirements. Governmental funds include the General Fund, the Health Care Fund, and the Capital Projects Fund, which are presented separately as major funds. Debt service funds, 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 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 eleven 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.

Component Units - Component units are reported as part of the basic financial statements with the Universities presented separately as the major component unit and the nonmajor component units combined into one column. Individual data on the nonmajor component units can be found in the combining financial statements. In the government-wide financial statements, all of the component units are presented in a single, aggregated column. Each component unit has separately issued audit reports.

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 the pension trust funds, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following the RSI.

As described in Note 2 to the financial statements, beginning net assets were restated in the current year. Therefore, all amounts within this discussion and analysis have been revised to reflect these restatements as if the changes had been made in the prior year.



Government-wide Financial Analysis

Net Assets

For the year ended June 30, 2003, the State's combined net assets (governmental and business-type activities) totaled \$9,383,443,000, reflecting an increase of \$274,533,000 from the previous fiscal year. The largest portion of the State's net assets, 77.9 percent, consists of its investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any debt used to acquire those assets that is still outstanding. 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.

Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 14.7 percent of total net assets. The remaining balance of unrestricted net assets, \$700,938,000, may be used to meet the State's 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. As in the previous fiscal year, the State is able to report positive balances in all three categories of net assets for the state as a whole, as well as both governmental and business-type activities.

Total net assets invested in capital assets, net of related debt, rose \$458,960,000 from the previous year. Governmental activities' increase of \$445,686,000 was fueled primarily by the addition to infrastructure of \$561,123,000 of completed road, highway, and bridge projects reported by the Department of Transportation for fiscal year 2003. Business-type activities reflected a \$13,274,000 increase in net assets invested in capital assets, net of related debt, primarily resulting from the Port Authority at Gulfport's capital expansion program.

Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 4,577,907	\$ 4,653,999	\$ 1,044,341	\$ 1,065,374	\$ 5,622,248	\$ 5,719,373
Capital assets	8,472,011	7,928,256	173,319	162,572	8,645,330	8,090,828
Total Assets	<u>13,049,918</u>	<u>12,582,255</u>	<u>1,217,660</u>	<u>1,227,946</u>	<u>14,267,578</u>	<u>13,810,201</u>
Noncurrent liabilities	2,792,199	2,701,015	185,829	168,109	2,978,028	2,869,124
Other liabilities	1,879,857	1,803,810	26,250	28,357	1,906,107	1,832,167
Total Liabilities	<u>4,672,056</u>	<u>4,504,825</u>	<u>212,079</u>	<u>196,466</u>	<u>4,884,135</u>	<u>4,701,291</u>
Net assets:						
Invested in capital assets, net of related debt	7,173,292	6,727,606	133,594	120,320	7,306,886	6,847,926
Restricted	636,014	601,879	739,605	787,669	1,375,619	1,389,548
Unrestricted	568,556	747,945	132,382	123,491	700,938	871,436
Total Net Assets	<u>\$ 8,377,862</u>	<u>\$ 8,077,430</u>	<u>\$ 1,005,581</u>	<u>\$ 1,031,480</u>	<u>\$ 9,383,443</u>	<u>\$ 9,108,910</u>



Changes in Net Assets

As a result of the excess of revenues over expenses, the State's net assets increased by \$274,533,000 or 3.0 percent during fiscal year 2003. Taxes provided \$4,710,346,000, or approximately 43.9 percent of the State's total revenue, while 38.4 percent resulted from operating grants and contributions and 12.5 percent from charges for services. Health and social services made up \$4,290,392,000 or 41.0 percent of the State's expenses, with 30.0 percent spent for education (other than universities), and 10.6 percent for general government. In the prior year, taxes were approximately 43.4 percent of the State's total revenue, while 37.3 percent resulted from operating grants and contributions and 14.4 percent from charges for services. In addition, health and social services were 41.9 percent of the State's expenses, with 29.4 percent spent for education (other than universities), and 10.7 percent for general government in the prior year. These percentages are relatively unchanged from fiscal year 2002 to fiscal year 2003.

Changes in Net Assets (amounts expressed in thousands)

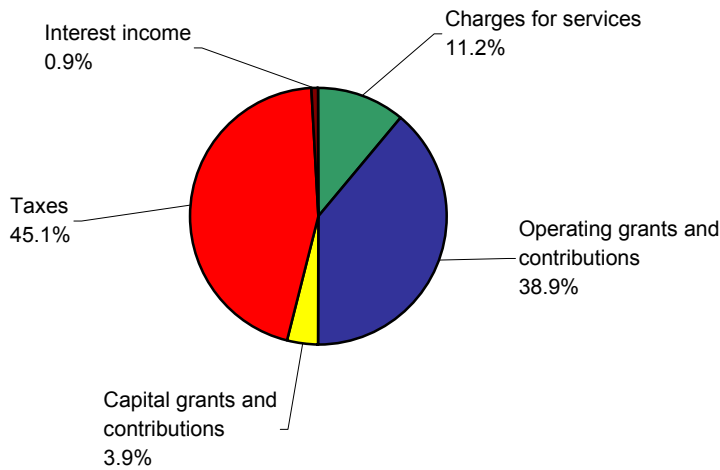
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 1,164,957	\$ 1,256,641	\$ 172,605	\$ 227,124	\$ 1,337,562	\$ 1,483,765
Operating grants and contributions	4,066,898	3,812,409	53,006	30,002	4,119,904	3,842,411
Capital grants and contributions	410,636	391,670	903	13,257	411,539	404,927
General revenues:						
Taxes	4,710,346	4,468,143			4,710,346	4,468,143
Gain on sale of assets	296	420			296	420
Interest and investment income	92,243	42,572	57,374	45,890	149,617	88,462
Total Revenues	<u>10,445,376</u>	<u>9,971,855</u>	<u>283,888</u>	<u>316,273</u>	<u>10,729,264</u>	<u>10,288,128</u>
Expenses:						
General government	1,110,274	1,082,176			1,110,274	1,082,176
Education	3,139,812	2,959,707			3,139,812	2,959,707
Health and social services	4,290,392	4,219,675			4,290,392	4,219,675
Law, justice and public safety	517,753	509,295			517,753	509,295
Recreation and resource development	465,393	379,325			465,393	379,325
Regulation of business and professions	32,059	29,960			32,059	29,960
Transportation	443,155	433,730			443,155	433,730
Interest on long-term debt	145,345	179,102			145,345	179,102
Unemployment compensation			251,010	218,517	251,010	218,517
Port Authority at Gulfport			13,339	11,223	13,339	11,223
Prepaid affordable college tuition			4,778	12,528	4,778	12,528
Other business-type			41,421	39,912	41,421	39,912
Total Expenses	<u>10,144,183</u>	<u>9,792,970</u>	<u>310,548</u>	<u>282,180</u>	<u>10,454,731</u>	<u>10,075,150</u>
Excess (Deficiency) before Transfers	301,193	178,885	(26,660)	34,093	274,533	212,978
Transfers	(761)	(11,025)	761	11,025		
Change in Net Assets	<u>300,432</u>	<u>167,860</u>	<u>(25,899)</u>	<u>45,118</u>	<u>274,533</u>	<u>212,978</u>
Net Assets - Beginning, as restated	<u>8,077,430</u>	<u>7,909,570</u>	<u>1,031,480</u>	<u>986,362</u>	<u>9,108,910</u>	<u>8,895,932</u>
Net Assets - Ending	<u>\$ 8,377,862</u>	<u>\$ 8,077,430</u>	<u>\$ 1,005,581</u>	<u>\$ 1,031,480</u>	<u>\$ 9,383,443</u>	<u>\$ 9,108,910</u>



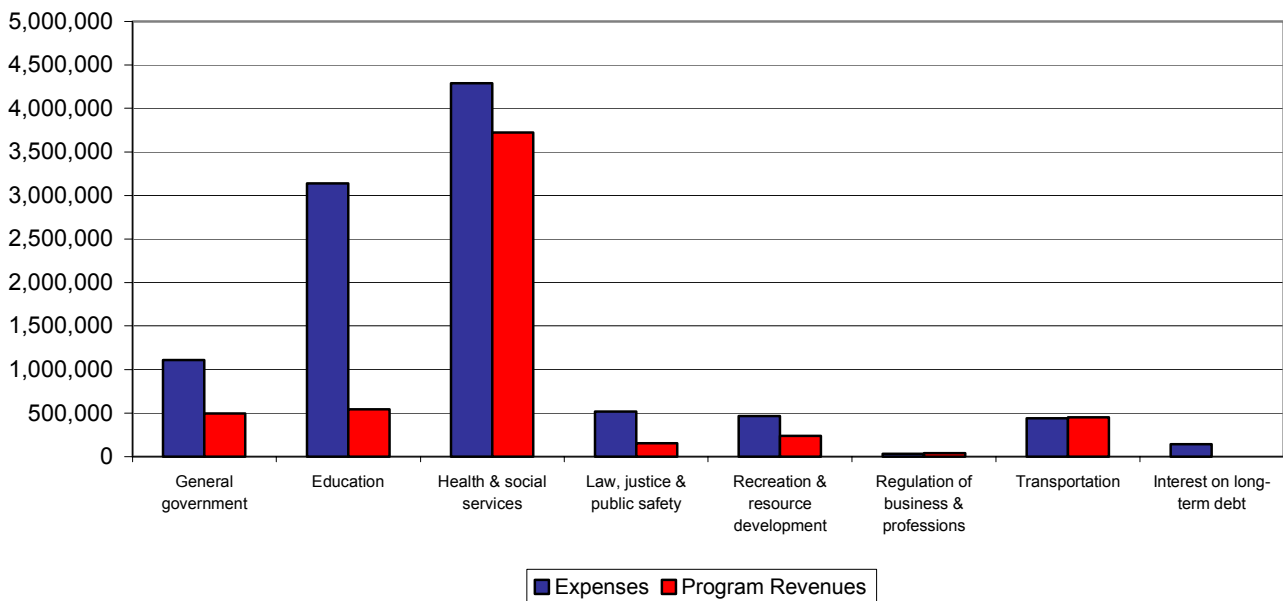
Governmental Activities

Governmental activities increased the State's net assets by \$300,432,000. Program revenues for operating grants and contributions grew 6.7 percent, which is in line with the increase in state agencies' federal grant requests. The receipt of \$26,711,000 from the Jobs and Growth Tax Relief Reconciliation Act of 2003 was also a factor in the increase. Tax revenues rose 5.4 percent in fiscal year 2003. As a result of the implementation of a new integrated tax system which enhanced the ability to determine receivables, certain tax revenues increased \$106,797,000. Due to the improving economy, corporate income taxes grew \$32,550,000, and interest and investment income more than doubled in 2003. An increase in the Mississippi Adequate Education Program, which ensures sufficient operating funds for public school districts within the State, contributed to the 6.1 percent increase in education expenses. Recreation and resources development expenses rose by \$86,068,000, of which the majority relates to the initial costs of opening the Nissan plant. Transfers changed by \$10,264,000, which is primarily related to construction costs associated with the new Employment Security Commission building.

Governmental Activities - Revenues by Source



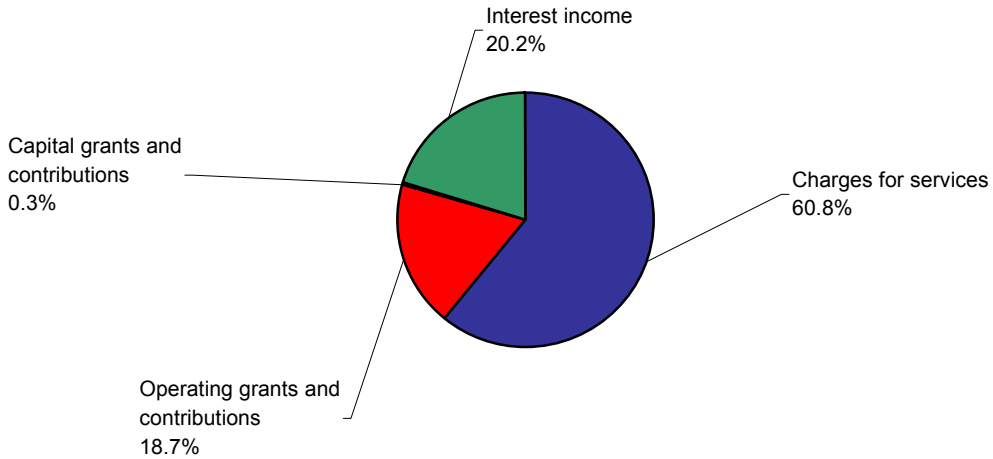
**Governmental Activities - Expenses and Program Revenues
(amounts expressed in thousands)**



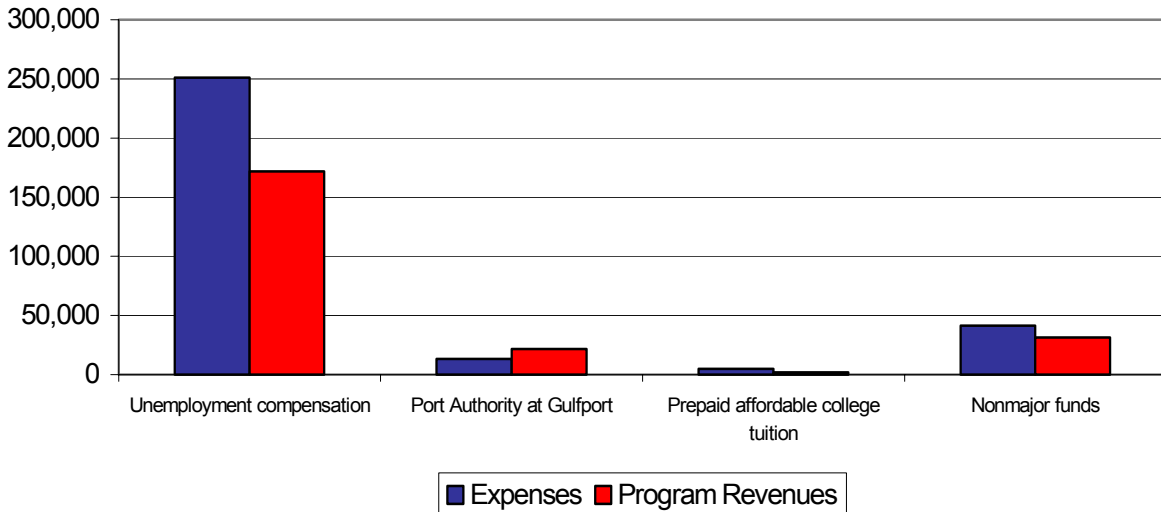
Business-type Activities

Business-type activities reduced the State's net assets by \$25,899,000. Charges for services decreased 24.0 percent from the previous year. This decrease can be attributed to a \$65,537,000 distribution from the federal government to the Unemployment Compensation Fund in fiscal year 2002, which was not distributed again in fiscal year 2003. The greatest portion of the \$12,354,000 decrease in capital grants and contributions is a result of the \$9,696,000 renovation of the Veteran's Memorial Stadium in the previous fiscal year. Unemployment compensation expenses grew 14.9 percent, while the related operating grants and contributions also increased. The State received and disbursed a full year of temporary extended unemployment benefits in fiscal year 2003, as compared to 3 months in fiscal year 2002.

Business-type Activities - Revenues by Sources



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





Financial Analysis of the State's Individual Funds

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

Governmental Funds

The governmental funds reported combined fund balances of \$2,725,914,000 as of June 30, 2003. Of this total amount, \$2,089,752,000, or 76.7 percent, constituted unreserved fund balance. A significant portion of the unreserved balance, \$1,985,048,000, 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 reported an ending fund balance of \$1,445,561,000, which reflects a decrease of \$335,812,000. The ending fund balance consisted of \$576,966,000 reserved for specific purposes and \$868,595,000 unreserved. Fiscal year 2003 revenues and expenditures reflected overall increases of 3.8 percent and 4.0 percent, respectively, with expenditures continuing to exceed revenues. Other financing sources reported the greatest percentage change from the previous year. The largest decrease was in the amount of bonds issued, which was down 75.0 percent due to the \$200,000,000 gaming counties highway bonds issued in fiscal year 2002. This was offset slightly by a 52.9 percent growth in premiums on bonds issued, resulting from an increase in the prevailing market rates for the year.

The Health Care Fund's total revenues increased 6.0 percent from the previous fiscal year. Expenditures, which increased only slightly, exceeded revenues, resulting in a decrease in fund balance of \$8,314,000. The primary growth in revenue was \$78,146,000 in interest and other investment income, a 137.2 percent increase fueled by the recovering stock market. This was offset by a decrease in court assessments and settlements stemming from a decline in cigarette sales, which is tied to the amount of tobacco settlement money that the State receives. Also, the State was entitled to additional settlement monies that ended in December 2002.

The Capital Projects Fund reported an increase in capital outlay and education expenditures of \$11,001,000 and \$13,438,000, respectively, related to universities and community and junior colleges projects. Bonds issued and their related premiums increased by \$5,556,000, which is authorized by the Legislature to fund projects. Increased transfers in of \$6,634,000 are contingent upon ongoing projects by state agencies. Overall, fund balance decreased by \$7,079,000.

Proprietary Funds

The Unemployment Compensation Fund posted a decrease in net assets of \$45,640,000 for fiscal year 2003. Revenue from assessments decreased 35.3 percent from the previous year due to the receipt in fiscal year 2002 of a \$65,537,000 distribution from the federal government. Twelve months of temporary extended unemployment benefits were reported in fiscal year 2003, as compared to three months in fiscal year 2002. This was indicated by the growth in revenue from federal agencies and in the related claims and benefits expense. The 14.9 percent rise in expenses also reflected an increase in both federal income tax withholding on unemployment insurance benefits and combined wage contributions paid.

The Port Authority at Gulfport Fund reported ending net assets of \$118,036,000, reflecting a 9.8 percent increase from the previous year. The Port's operating revenues rose \$1,042,000 due to growth in business for the existing customer at the public container terminal, as well as the addition of a new customer during the year. Operating expenses increased 17.3 percent indicating increased expenses for the public container terminal, as well as expenses attributed to engineering feasibility studies.

The Prepaid Affordable College Tuition Fund experienced an increase in net assets of \$3,175,000. This growth resulted from a change in the actuarial assumptions used to determine the present value of tuition receipts and benefits payable, as well as a substantial increase in investment income. The assumptions include a rate of return on investments that rose because the fund's investments grew. Investments increased 27.8 percent from the previous year, resulting from both an increase in tuition receipts and the rise in investment income fueled by a market recovery in the latter part of 2002.

General Fund Budgetary Highlights

The original estimated amounts for General Fund revenues were not revised during fiscal year 2003; however, actual General Fund revenues were \$119,364,000 less than the estimated amounts. The net change from the original expenditure budget amounts as compared to the final budget was a decrease of \$46,762,000, while actual expenditures totaled \$8,135,000 less than the final budget.

The following summarizes the significant items impacting the budgetary amounts:

Tax revenues for sales, individual income, and use taxes were \$141,291,000 below their budgeted amounts, while corporate income taxes were \$27,978,000 above.

The Governor utilized \$26,711,000 of the Jobs and Growth Tax Relief Reconciliation Act of 2003 monies to cover the deficit in General Fund revenues.



The Governor authorized a transfer of \$16,000,000 from the Working Cash Stabilization Reserve Account Fund to the General Fund to cover the deficit in revenues.

General Fund budget reductions totaling \$47,820,000 were mandated by the Department of Finance and Administration because of the shortfall in General Fund revenue collections.

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounted to \$11,579,423,000, less accumulated depreciation of \$2,934,093,000, resulting in a net book value of \$8,645,330,000. This reflected a net increase in the State's investment in capital assets for the current fiscal year of 6.9 percent for governmental activities and 6.6 percent for business-type activities. Depreciation charges for fiscal year 2003 totaled \$288,000,000 for both governmental and business-type activities.

Major capital asset events during fiscal year 2003 included the following:

Construction in progress additions for governmental activities included \$643,441,000 related to roads, highways and bridges; \$18,003,000 related to the Nissan plant development; \$15,873,000 added to the justice court facility; and \$11,637,000 for the Employment Security Commission building.

Additions were made to governmental activities infrastructure in the amount of \$561,123,000 for completed roads, highways and bridges, primarily relating to the Four Lane Highway program in the counties of Webster, Clarke, DeSoto, Lowndes and Leake.

Completed projects added to buildings for governmental activities included improvements for the Woolfolk Office Building at a cost of \$13,454,000 and state penitentiary housing in the amount of \$14,169,000. Governmental activities' land increased \$12,411,000, including \$8,249,000 of property for the Nissan plant.

Business-type activities experienced a decrease in construction in progress of 25.9 percent and a net increase in infrastructure of 77.1 percent. This was primarily due to the Port Authority at Gulfport's completion of new berth facilities in the amount of \$16,835,000, which moved from construction in progress to infrastructure.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 17 discusses 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	
	2003	2002	2003	2002	2003	2002
Land	\$ 189,716	\$ 177,305	\$ 12,597	\$ 12,597	\$ 202,313	\$ 189,902
Buildings	948,250	907,013	80,097	81,006	1,028,347	988,019
Land improvements	40,617	40,622	22,398	20,086	63,015	60,708
Machinery and equipment	145,321	143,694	5,784	5,854	151,105	149,548
Infrastructure	4,196,378	3,855,695	35,338	19,949	4,231,716	3,875,644
Construction in progress	2,951,729	2,803,927	17,105	23,080	2,968,834	2,827,007
Total	\$ 8,472,011	\$ 7,928,256	\$ 173,319	\$ 162,572	\$ 8,645,330	\$ 8,090,828



Debt Administration

The total general obligation bond debt outstanding for the State as of June 30, 2003 was \$2,563,904,000. General Obligation Refunding (\$1,377,458,000), Capital Improvement (\$458,390,000), and Gaming Highway Improvement (\$209,120,000) bonds comprise 79.8 percent of the outstanding bond total. These bonds were issued to refund current outstanding bonds; for capital improvements; and for highway, road, bridge, and related improvements in the counties where legal gaming is being conducted. During the fiscal year 2003, the State issued \$721,420,000 in general obligation bonds, which includes \$487,995,000 in refunding bonds.

Mississippi has a rating of “AA” from both Standard & Poor’s Rating Group, a division of The McGraw Hill Companies, and Fitch Investors Service, L. P., and a rating of “Aa3” from Moody’s Investors Service. These ratings are based upon the State’s historic fiscal conservatism, manageable debt levels, favorable effects of various budgetary reform and its potential for future economic diversification. Over the years the State has been able to borrow money at very competitive interest rates due to its strong credit rating.

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, 2003, the State had established a constitutional legal debt limit of \$8,142,318,000, 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 14 to the financial statements.

Outstanding Long-term Bonded Debt
(amounts expressed in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 2,516,497	\$ 2,442,581	\$ 47,407	\$ 52,417	\$ 2,563,904	\$ 2,494,998
Limited obligation bonds	132,390	151,535			132,390	151,535
Revenue bonds and notes			430	555	430	555
Total	\$ 2,648,887	\$ 2,594,116	\$ 47,837	\$ 52,972	\$ 2,696,724	\$ 2,647,088

Economic Factors and Next Year’s Budget

The State’s unemployment rate decreased from the calendar year 2002 average of 6.8 percent to an average of 6.5 percent for the twelve months ending September 2003. The national rates for the same 2002 and 2003 time periods were 5.8 percent and 6.0 percent, respectively. Current inflationary trends in the region compare favorably to national indexes.

The State’s economy is expected to remain stable and continue to show moderate improvements during fiscal year 2004. Original overall fiscal year 2004 general fund revenue estimated growth was 4.0 percent; this estimate was later revised to 2.3 percent. Original general fund component revenue growth projections for fiscal year 2004 included 6.3 percent in sales tax, 1.2 percent in individual income tax, and 5.4 percent in corporate income tax. In November, the component growth estimates were revised to 2.7 percent, 2.0 percent, and 2.2 percent in sales tax, individual income tax, and corporate income tax, respectively; these revisions were made based upon trends indicated during the first four months of the fiscal year.

The fiscal year 2004 budget remains in balance. No budget adjustments have been required year to date and none are anticipated for the fiscal year if the favorable trends in sales, individual, and corporate income tax collections continue.

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.

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Basic Financial Statements



Statement of Net Assets

June 30, 2003 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	\$ 1,759,272	\$ 22,493	\$ 1,781,765	\$ 25,851
Cash and cash equivalents	75,880	716,704	792,584	232,680
Investments	249,794	19,410	269,204	99,266
Receivables, net	488,402	49,442	537,844	168,100
Due from other governments, net	318,253	3,421	321,674	429
Internal balances	2,991	(2,991)		
Due from component units	400	217	617	
Due from primary government				43,976
Inventories	39,551	640	40,191	23,961
Prepaid items		187	187	10,403
Loans and notes receivable, net	19,852	4,236	24,088	11,380
Other assets				896
Total Current Assets	2,954,395	813,759	3,768,154	616,942
Restricted assets:				
Equity in internal investment pool		791	791	
Cash and cash equivalents		342	342	78,694
Investments		17,335	17,335	123,588
Interest receivable, net		11	11	
Total Restricted Assets		18,479	18,479	202,282
Noncurrent assets:				
Investments	972,137	98,165	1,070,302	192,686
Receivables, net	49,493		49,493	
Due from other governments, net	370,493		370,493	69
Loans and notes receivable, net	149,945	115,498	265,443	87,263
Interfund loans	1,560	(1,560)		
Deferred charges	76,062		76,062	
Capital assets:				
Land and construction in progress	3,141,445	29,702	3,171,147	304,331
Other capital assets, net	5,330,566	143,617	5,474,183	1,324,152
Other assets	3,822		3,822	6,670
Total Noncurrent Assets	10,095,523	385,422	10,480,945	1,915,171
Total Assets	\$ 13,049,918	\$ 1,217,660	\$ 14,267,578	\$ 2,734,395

(Continued on Next Page)



Statement of Net Assets

June 30, 2003 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Warrants payable	\$ 156,655	\$ 492	\$ 157,147	\$
Accounts payable and other liabilities	445,078	3,522	448,600	127,182
Contracts payable	104,336		104,336	
Retainage payable		1,160	1,160	
Income tax refunds payable	165,246		165,246	
Due to other governments	225,046	3,046	228,092	
Due to component units	43,969	7	43,976	
Due to primary government				617
Claims and benefits payable	129,201	10,927	140,128	
Deposits		954	954	182
Deferred revenues	95,109	1,580	96,689	36,829
Bonds and notes payable	502,006	4,336	506,342	11,931
Certificates of participation	105		105	
Lease obligations payable	13,106	93	13,199	5,797
Total Current Liabilities	1,879,857	26,117	1,905,974	182,538
Liabilities payable from restricted assets:				
Deposits		133	133	
Total Liabilities Payable from Restricted Assets		133	133	
Noncurrent liabilities:				
Due to other governments		9,151	9,151	
Claims and benefits payable		132,547	132,547	
Deposits				1,963
Bonds and notes payable	2,556,413	43,501	2,599,914	303,377
Certificates of participation	2,700		2,700	
Lease obligations payable	142,969	100	143,069	17,704
Other liabilities	90,117	530	90,647	115,908
Total Noncurrent Liabilities	2,792,199	185,829	2,978,028	438,952
Total Liabilities	4,672,056	212,079	4,884,135	621,490
Net Assets				
Invested in capital assets, net of related debt	7,173,292	133,594	7,306,886	1,290,810
Restricted for:				
Capital projects	396,652		396,652	
Debt service	176,556		176,556	
Other purposes	15,152	18,132	33,284	10,795
Permanent trusts:				
Expendable	4,056		4,056	297,444
Nonexpendable	43,598		43,598	83,301
Unemployment compensation benefits		721,473	721,473	
Unrestricted	568,556	132,382	700,938	430,555
Total Net Assets	\$ 8,377,862	\$ 1,005,581	\$ 9,383,443	\$ 2,112,905

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



Statement of Activities

For the Year Ended June 30, 2003 (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	\$ 1,110,274	\$ 463,150	\$ 31,084	\$
Education	3,139,812	25,639	515,144	502
Health and social services	4,290,392	477,577	3,246,739	
Law, justice and public safety	517,753	60,811	88,177	5,841
Recreation and resource development	465,393	58,247	179,352	
Regulation of business and professions	32,059	35,397	2,544	
Transportation	443,155	44,136	3,858	404,293
Interest on long-term debt	145,345			
Total Governmental Activities	10,144,183	1,164,957	4,066,898	410,636
Business-type activities:				
Unemployment compensation	251,010	118,671	53,006	
Port Authority at Gulfport	13,339	20,931		624
Prepaid affordable college tuition	4,778	1,938		
Other business-type	41,421	31,065		279
Total Business-type Activities	310,548	172,605	53,006	903
Total Primary Government	\$ 10,454,731	\$ 1,337,562	\$ 4,119,904	\$ 411,539
Component units:				
Universities	\$ 1,912,759	\$ 817,317	\$ 529,239	\$ 18,566
Nonmajor	28,466	22,481	2,629	2,184
Total Component Units	\$ 1,941,225	\$ 839,798	\$ 531,868	\$ 20,750

General revenues:

Taxes:

Sales and use
Gasoline and other motor fuel
Individual income
Corporate income and franchise
Insurance
Other

Gain on sale of assets
Interest and investment income
Other

Payment from State of Mississippi
Contributions to permanent endowments
Transfers

Total General Revenues, Contributions
and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (616,040)	\$	\$ (616,040)	
(2,598,527)		(2,598,527)	
(566,076)		(566,076)	
(362,924)		(362,924)	
(227,794)		(227,794)	
5,882		5,882	
9,132		9,132	
(145,345)		(145,345)	
<u>(4,501,692)</u>		<u>(4,501,692)</u>	
	(79,333)	(79,333)	
	8,216	8,216	
	(2,840)	(2,840)	
	(10,077)	(10,077)	
	<u>(84,034)</u>	<u>(84,034)</u>	
<u>(4,501,692)</u>	<u>(84,034)</u>	<u>(4,585,726)</u>	
			\$ (547,637)
			<u>(1,172)</u>
			<u>(548,809)</u>
2,418,763		2,418,763	
418,941		418,941	
1,084,999		1,084,999	
289,441		289,441	
149,458		149,458	
348,744		348,744	
296		296	
92,243	57,374	149,617	17,594
			21,764
			628,234
			1,458
<u>(761)</u>	<u>761</u>		
4,802,124	58,135	4,860,259	669,050
300,432	(25,899)	274,533	120,241
8,077,430	1,031,480	9,108,910	1,992,664
<u>\$ 8,377,862</u>	<u>\$ 1,005,581</u>	<u>\$ 9,383,443</u>	<u>\$ 2,112,905</u>

MISSISSIPPI

Governmental Funds

Balance Sheet

June 30, 2003 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
Assets					
Equity in internal investment pool	\$ 1,483,536	\$ 29,186	\$ 75,624	\$ 151,244	\$ 1,739,590
Cash and cash equivalents	38,749	19,222		15,555	73,526
Investments	93,918	555,379	355,962	106,507	1,111,766
Receivables, net	524,836	6,457	1,446	4,695	537,434
Due from other governments, net	648,207			40,504	688,711
Due from other funds	20,732	1,300	3,250	30,488	55,770
Due from component units	350				350
Inventories	38,521			1,030	39,551
Loans and notes receivable, net	168,295			1,352	169,647
Loans to other funds	1,560				1,560
Other assets	3,822				3,822
Total Assets	\$ 3,022,526	\$ 611,544	\$ 436,282	\$ 351,375	\$ 4,421,727
Liabilities and Fund Balances					
Liabilities:					
Warrants payable	\$ 137,807	\$ 2,821	\$ 735	\$ 14,168	\$ 155,531
Accounts payable and accruals	393,861	779		14,509	409,149
Contracts payable	69,391		34,945		104,336
Income tax refunds payable	165,246				165,246
Due to other governments	218,028			7,018	225,046
Due to other funds	32,875	10,442		12,004	55,321
Due to component units	43,202			767	43,969
Deferred revenues	211,555			20,376	231,931
Notes payable	305,000				305,000
Other liabilities				284	284
Total Liabilities	1,576,965	14,042	35,680	69,126	1,695,813
Fund balances:					
Reserved for:					
Ayers Endowment Trust	15,000				15,000
Distribution to local governments	15,127				15,127
Education and vocational training				37,826	37,826
Ellisville State School				2,025	2,025
Encumbrances	35,224	70		3,115	38,409
Loans to other funds	1,560				1,560
Long-term portion of due from other governments	361,005			9,488	370,493
Long-term portion of loans and notes receivable	149,025			920	149,945
Scholarships and books	25				25
Wildlife conservation				5,752	5,752
Unreserved - designated, reported in:					
General fund	868,595				868,595
Special revenue funds		597,432		10,637	608,069
Capital projects funds			400,602		400,602
Debt service funds				107,782	107,782
Unreserved - undesignated, reported in:					
Special revenue funds				100,667	100,667
Permanent funds				4,037	4,037
Total Fund Balances	1,445,561	597,502	400,602	282,249	2,725,914
Total Liabilities and Fund Balances	\$ 3,022,526	\$ 611,544	\$ 436,282	\$ 351,375	\$ 4,421,727

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



Governmental Funds

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

June 30, 2003 (Expressed in Thousands)

Total fund balances for governmental funds \$ 2,725,914

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:

Land	\$ 189,716	
Buildings	1,215,996	
Land improvements	70,399	
Machinery and equipment	412,183	
Infrastructure	6,475,739	
Construction in progress	2,951,729	
Accumulated depreciation	<u>(2,850,562)</u>	8,465,200

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. 139,327

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	(2,516,497)	
Limited obligation bonds	(132,390)	
Capital lease obligations	(155,589)	
Accrued compensated absences	(94,230)	
Notes payable	(9,406)	
Certificates of participation	(2,805)	
Unamortized charges	76,062	
Unamortized premiums	(95,126)	
Accrued interest payable	<u>(27,320)</u>	(2,957,301)

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. 4,722

Net assets of governmental activities \$ 8,377,862

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, 2003 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
Revenues					
Taxes:					
Sales and use	\$ 2,377,996	\$	\$	\$	\$ 2,377,996
Gasoline and other motor fuel	409,249			8,800	418,049
Individual income	1,021,967				1,021,967
Corporate income and franchise	287,335				287,335
Insurance	149,458				149,458
Other	344,435			4,309	348,744
Licenses, fees and permits	349,795			62,572	412,367
Federal government	4,190,940			286,593	4,477,533
Interest and other investment income	42,290	21,185	14,949	8,550	86,974
Charges for sales and services	234,015			7,138	241,153
Rentals	10,809			5,511	16,320
Court assessments and settlements	22,494	149,605			172,099
Other	267,081		9,669	36,106	312,856
Total Revenues	9,707,864	170,790	24,618	419,579	10,322,851
Expenditures					
Current:					
General government	1,191,877				1,191,877
Education	2,929,937		92,013	96	3,022,046
Health and social services	4,021,280	175,674		94,883	4,291,837
Law, justice and public safety	417,466			105,043	522,509
Recreation and resources development	296,511			188,444	484,955
Regulation of business and professions				32,096	32,096
Transportation	876,269				876,269
Debt service:					
Principal	124,303			70,015	194,318
Interest and other fiscal charges	101,114		102	45,213	146,429
Defeasance of debt				3,959	3,959
Capital outlay			114,941		114,941
Total Expenditures	9,958,757	175,674	207,056	539,749	10,881,236
Excess of Revenues over (under) Expenditures	(250,893)	(4,884)	(182,438)	(120,170)	(558,385)
Other Financing Sources (Uses)					
Bonds and notes issued	60,521		175,325	3,154	239,000
Capital leases issued	6,046				6,046
Payments to refunded bond escrow agent	(536,921)				(536,921)
Premiums on bonds issued	48,266		11,462		59,728
Refunding bonds issued	486,970				486,970
Transfers in	34,946	2,910	18,627	192,471	248,954
Transfers out	(184,747)	(6,340)	(30,055)	(29,777)	(250,919)
Net Other Financing Sources (Uses)	(84,919)	(3,430)	175,359	165,848	252,858
Net Change in Fund Balances	(335,812)	(8,314)	(7,079)	45,678	(305,527)
Fund Balances - Beginning	1,781,373	605,816	407,681	236,571	3,031,441
Fund Balances - Ending	\$ 1,445,561	\$ 597,502	\$ 400,602	\$ 282,249	\$ 2,725,914

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



Governmental Funds

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

For the Year Ended June 30, 2003 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (305,527)

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	\$ 822,988	
Depreciation expense	<u>(279,763)</u>	543,225

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service funds is reported with governmental activities.		10,192
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		110,739
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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.		(872)
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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 issued	(59,728)	
Bonds and notes issued	(239,000)	
Refunding bonds issued	(486,970)	
Capital leases issued	(6,046)	
Payments of debt principal	194,318	
Payments to refunded bond escrow agent	536,921	
Defeasance of debt	3,959	
Accrued interest payable	(1,032)	
Deferred issuance costs	<u>711</u>	(56,867)

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	3,610	
Change in compensated absences	(5,517)	
Amortization of deferred charges and premiums	<u>1,449</u>	<u>(458)</u>

Change in net assets of governmental activities \$ 300,432

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



Proprietary Funds

Statement of Net Assets

June 30, 2003 (Expressed in Thousands)

	Business-type Activities -		
	Employment Security Commission	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Assets			
Current assets:			
Equity in internal investment pool	\$	\$	\$ 543
Cash and cash equivalents	686,995	18,147	3,438
Investments		17,065	2,345
Receivables, net:			
Accounts	3,876	1,651	
Assessments	40,176		
Interest and dividends		115	500
Due from federal government	1,570		
Due from other governments	1,835		
Due from other funds	265		71
Due from component units	211		
Inventories			
Prepaid items		142	
Loans and notes receivable			
Total Current Assets	734,928	37,120	6,897
Restricted assets:			
Equity in internal investment pool		791	
Cash and cash equivalents		342	
Investments		17,335	
Interest receivable, net		11	
Total Restricted Assets		18,479	
Noncurrent assets:			
Investments			98,165
Loans and notes receivable			
Capital assets, net		113,193	
Total Noncurrent Assets		113,193	98,165
Total Assets	\$ 734,928	\$ 168,792	\$ 105,062

Enterprise Funds

Enterprise Funds		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 21,950	\$ 22,493	\$ 19,682	
8,124	716,704	2,354	
	19,410	64,258	
2,608	8,135	49	
	40,176		
516	1,131	333	
	1,570		
16	1,851	35	
696	1,032	2,841	
6	217	50	
640	640		
45	187		
4,236	4,236	150	
38,837	817,782	89,752	
	791		
	342		
	17,335		
	11		
	18,479		
	98,165	45,907	
115,498	115,498		
60,126	173,319	6,811	
175,624	386,982	52,718	
\$ 214,461	\$ 1,223,243	\$ 142,470	

(Continued on Next Page)

Proprietary Funds

Statement of Net Assets

June 30, 2003 (Expressed in Thousands)
 (Continued from Previous Page)

	Business-type Activities -		
	Employment Security Commission	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Liabilities			
Current liabilities:			
Warrants payable	\$	\$	\$
Accounts payable and other liabilities	109	12	92
Retainage payable		1,962	157
Due to other governments	3,040	1,160	
Due to other funds	2,723	5	36
Due to component units			
Claims and benefits payable	6,314		4,613
Deposits			
Bonds payable		4,201	
Deferred revenues	1,269		
Lease obligations payable			
Total Current Liabilities	13,455	7,340	4,898
Liabilities payable from restricted assets:			
Deposits		133	
Total Liabilities Payable from Restricted Assets		133	
Noncurrent liabilities:			
Due to other governments			
Loans from other funds			
Claims and benefits payable			132,547
Bonds payable		43,206	
Lease obligations payable			
Other liabilities		77	21
Total Noncurrent Liabilities		43,283	132,568
Total Liabilities	13,455	50,756	137,466
Net Assets			
Invested in capital assets, net of related debt		75,891	
Restricted for other purposes		18,132	
Restricted for unemployment compensation benefits	721,473		
Unrestricted (deficit)		24,013	(32,404)
Total Net Assets	\$ 721,473	\$ 118,036	\$ (32,404)

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

Enterprise Funds

Nonmajor Funds		Totals	Governmental Activities - Internal Service Funds
\$	388	\$ 492	\$ 1,124
	1,259	3,487	3,108
		1,160	
	6	3,046	
	1,294	4,058	265
	7	7	
		10,927	129,201
	954	954	
	135	4,336	
	311	1,580	2,505
	93	93	253
	4,447	30,140	136,456
		133	
		133	
	9,151	9,151	
	1,560	1,560	
		132,547	
	295	43,501	
	100	100	233
	432	530	1,059
	11,538	187,389	1,292
	15,985	217,662	137,748
	57,703	133,594	6,325
		18,132	
		721,473	
	140,773	132,382	(1,603)
\$	198,476	\$ 1,005,581	\$ 4,722



Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Business-type Activities -		
	Employment Security Commission	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	\$	\$	\$
Assessments	114,619	19,726	
Interest and other investment income			6,015
Federal agencies	49,504		
Rentals			
Fees			594
Excess of tuition receipts over present value of related benefits payable			1,344
Other	4,052		
Total Operating Revenues	168,175	19,726	7,953
Operating Expenses			
Cost of sales and services			
General and administrative		2,506	260
Contractual services		5,211	1,323
Commodities		445	32
Depreciation		3,230	
Claims and benefits	251,010		3,163
Other			
Total Operating Expenses	251,010	11,392	4,778
Operating Income (Loss)	(82,835)	8,334	3,175
Nonoperating Revenues			
Federal grant	3,502		
Revenue from counties		995	
Interest and other investment income	42,337	1,212	
Other		210	
Total Nonoperating Revenues	45,839	2,417	
Nonoperating Expenses			
Loss on disposal of assets		72	
Interest		1,875	
Other			
Total Nonoperating Expenses		1,947	
Income (Loss) before Capital Contributions and Transfers	(36,996)	8,804	3,175
Capital Contributions		624	
Transfers In		2,162	
Transfers Out	(8,644)	(1,043)	
Change in Net Assets	(45,640)	10,547	3,175
Total Net Assets - Beginning, as restated	767,113	107,489	(35,579)
Total Net Assets - Ending	\$ 721,473	\$ 118,036	\$ (32,404)

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

Enterprise Funds

Enterprise Funds		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 28,939	\$ 48,665	\$ 510,692	
	114,619		
7,373	13,388		
	49,504		
1,592	1,592		
59	653		
	1,344		
475	4,527	441	
38,438	234,292	511,133	
18,841	18,841		
10,927	13,693	14,550	
6,692	13,226	45,050	
2,047	2,524	895	
2,098	5,328	2,909	
	254,173	443,709	
96	96		
40,701	307,881	507,113	
(2,263)	(73,589)	4,020	
	3,502		
	995		
437	43,986	5,269	
	210		
437	48,693	5,269	
84	156	2	
99	1,974	44	
537	537	255	
720	2,667	301	
(2,546)	(27,563)	8,988	
279	903		
9,485	11,647	1,318	
(1,199)	(10,886)	(114)	
6,019	(25,899)	10,192	
192,457	1,031,480	(5,470)	
\$ 198,476	\$ 1,005,581	\$ 4,722	



Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Business-type Activities -		
	Employment Security Commission	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Cash Flows from Operating Activities			
Cash receipts from federal agencies	\$ 49,643	\$	\$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		19,621	21,914
Cash receipts from assessments	126,685		
Cash payments to suppliers for goods and services		(5,542)	(1,294)
Cash payments to employees for services		(2,502)	(240)
Cash payments for claims and benefits	(246,392)		(3,163)
Other operating cash receipts			
Other operating cash payments			
Income received on tuition receipts			(3,415)
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(70,064)	11,577	13,802
Cash Flows from Noncapital Financing Activities			
Transfers in		2,162	
Transfers out	(8,644)	(1,039)	
Loans issued			
Federal grants received	3,279		
Interfund loan repayments received	6		
Revenues from counties		995	
Other cash receipts		210	
Net Cash Provided by (Used for) Noncapital Financing Activities	(5,359)	2,328	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(15,662)	
Proceeds from sales of capital assets			
Principal paid on bonds and capital assets contracts		(5,010)	
Interest paid on bonds and capital assets contracts		(1,979)	
Net Cash Used for Capital and Related Financing Activities		(22,651)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		42,392	77,090
Purchases of investments		(23,475)	(89,615)
Interest and other investment income	42,337	1,318	
Net Cash Provided by (Used for) Investing Activities	42,337	20,235	(12,525)
Net Increase (Decrease) in Cash and Cash Equivalents	(33,086)	11,489	1,277
Cash and Cash Equivalents - Beginning	720,081	7,791	2,704
Cash and Cash Equivalents - Ending	\$ 686,995	\$ 19,280	\$ 3,981

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$	\$	49,643	\$
			187,010
30,356	71,891		324,842
	126,685		
(27,848)	(34,684)		(47,238)
(10,669)	(13,411)		(14,335)
	(249,555)		(443,480)
373	373		441
(1)	(1)		
	(3,415)		
22,722	22,722		
(15,896)	(15,896)		
(963)	(45,648)		7,240
9,551	11,713		1,312
(1,199)	(10,882)		(114)
			(150)
	3,279		
	6		
	995		
	210		
8,352	5,321		1,048
(958)	(16,620)		(615)
6	6		
(455)	(5,465)		(1,453)
(100)	(2,079)		(41)
(1,507)	(24,158)		(2,109)
	119,482		5,875
	(113,090)		(14,261)
437	44,092		3,531
437	50,484		(4,855)
6,319	(14,001)		1,324
23,755	754,331		20,712
\$	\$	740,330	\$
30,074			22,036

(Continued on Next Page)

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2003 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Employment Security Commission	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ (82,835)	\$ 8,334	\$ 3,175
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		3,230	
Net appreciation in fair value of investments			(9,363)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	7,382	(138)	
Assessments receivable	887		
Interest receivable			(67)
Due from federal government	140		
Due from other governments	(165)	32	
Interfund receivables	(91)		(70)
Inventories			
Prepaid items		(30)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			(43)
Accounts payable and other liabilities	32	145	38
Due to other governments	465		
Interfund payables	2,480	4	36
Claims and benefits payable	1,641		20,096
Deferred revenues			
Total adjustments	12,771	3,243	10,627
Net Cash Provided by (Used for) Operating Activities	\$ (70,064)	\$ 11,577	\$ 13,802
Noncash Capital and Related Financing and Investing Activities			
New capital leases			
Capital contributions		624	
Loss on disposal of capital assets		72	
Change in market value of investments			9,363

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

Enterprise Funds

Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$ (2,263)	\$ (73,589)	\$ 4,020
2,098	5,328 (9,363)	2,909
(705)	6,539	52
10	887 (57)	
31	140	
312	(102)	50
58	151	6
(17)	58	
90	(47)	
(802)	90	
291	(845)	(690)
3	506	(388)
(75)	468	(1)
6	2,445	
	21,737	227
1,300	6	1,055
\$ (963)	\$ 27,941	\$ 3,220
\$ (963)	\$ (45,648)	\$ 7,240

279	903	344
84	156	2
	9,363	1,687



Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2003 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Agency Funds
Assets			
Equity in internal investment pool	\$ 2,680	\$ 1,460	\$ 10,603
Cash and cash equivalents	350,918	20	10,349
Investments:			
Investments, at fair value	15,231,300	18,478	
Securities lending	2,084,490		
Receivables, net:			
Employer contributions	29,205		
Employee contributions	24,383		
Investment proceeds	361,383		
Interest and dividends	70,679	62	1
Other	2,122	27	70
Due from other funds		80	
Commodity inventory			1,263
Capital assets, net	7,424		
Total Assets	<u>18,164,584</u>	<u>20,127</u>	<u>\$ 22,286</u>
Liabilities			
Warrants payable	613	2	341
Accounts payable and accruals	1,021,372	35	1,370
Due to other governments			1,166
Due to other funds		79	
Amounts held in custody for others	1,138		19,409
Obligations under securities lending	2,065,879		
Total Liabilities	<u>3,089,002</u>	<u>116</u>	<u>\$ 22,286</u>
Net Assets			
Held in trust for pension benefits and trust beneficiaries	<u>\$ 15,075,582</u>	<u>\$ 20,011</u>	

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



Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 468,617	\$
Plan participant	397,076	10,881
Total Contributions	865,693	10,881
Net Investment Income:		
Net change in fair value of investments	35,348	1,091
Interest and other investment income (loss)	462,369	(164)
Securities lending:		
Income from securities lending	31,831	
Interest expense and trading costs from securities lending	(26,756)	
Managers' fees and trading costs	(20,343)	
Net Investment Income	482,449	927
Other Additions:		
Rent income	97	
Administrative fees	510	175
Donations		248
Other	7	
Total Other Additions	614	423
Total Additions	1,348,756	12,231
Deductions		
Benefits	1,027,987	669
Refunds to terminated employees	62,063	
Administrative expenses	10,088	330
Depreciation	219	
Loss on disposal of equipment	5	
Total Deductions	1,100,362	999
Change in Net Assets	248,394	11,232
Net Assets - Beginning	14,827,188	8,779
Net Assets - Ending	\$ 15,075,582	\$ 20,011

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



Component Units

Statement of Net Assets

June 30, 2003 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	\$ 23,799	\$ 2,052	\$ 25,851
Cash and cash equivalents	220,914	11,766	232,680
Investments	79,515	19,751	99,266
Receivables, net	166,660	1,440	168,100
Due from other governments		429	429
Due from primary government	43,711	265	43,976
Inventories	23,529	432	23,961
Prepaid items	10,166	237	10,403
Loans and notes receivable, net	11,377	3	11,380
Other assets	896		896
Total Current Assets	580,567	36,375	616,942
Restricted assets:			
Cash and cash equivalents	78,694		78,694
Investments	116,481	7,107	123,588
Total Restricted Assets	195,175	7,107	202,282
Noncurrent assets:			
Investments	192,686		192,686
Due from other governments		69	69
Loans and notes receivable, net	87,263		87,263
Capital assets, net	1,550,965	77,518	1,628,483
Other assets	6,670		6,670
Total Noncurrent Assets	1,837,584	77,587	1,915,171
Total Assets	2,613,326	121,069	2,734,395
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	110,886	2,410	113,296
Due to primary government	617		617
Deposits	19	163	182
Deferred revenues	36,829		36,829
Bonds and notes payable	11,045	886	11,931
Lease obligations payable	5,682	115	5,797
Other liabilities	13,867	19	13,886
Total Current Liabilities	178,945	3,593	182,538
Noncurrent liabilities:			
Deposits	1,963		1,963
Bonds and notes payable	301,278	2,099	303,377
Lease obligations payable	17,167	537	17,704
Other liabilities	115,477	431	115,908
Total Noncurrent Liabilities	435,885	3,067	438,952
Total Liabilities	614,830	6,660	621,490
Net Assets			
Invested in capital assets, net of related debt	1,216,994	73,816	1,290,810
Restricted for:			
Other purposes		10,795	10,795
Permanent endowments:			
Expendable	297,444		297,444
Nonexpendable	83,301		83,301
Unrestricted	400,757	29,798	430,555
Total Net Assets	\$ 1,998,496	\$ 114,409	\$ 2,112,905

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, 2003 (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	\$ 1,912,759	\$ 817,317	\$ 529,239	\$ 18,566	\$ (547,637)	\$	\$ (547,637)
Nonmajor	28,466	22,481	2,629	2,184		(1,172)	(1,172)
Total	\$ 1,941,225	\$ 839,798	\$ 531,868	\$ 20,750	(547,637)	(1,172)	(548,809)
General revenues:							
Interest and investment income					16,359	1,235	17,594
Other					20,809	955	21,764
Payment from State of Mississippi					628,234		628,234
Contributions to permanent endowments					1,458		1,458
Total General Revenues and Contributions					666,860	2,190	669,050
Change in Net Assets					119,223	1,018	120,241
Net Assets - Beginning, as restated					1,879,273	113,391	1,992,664
Net Assets - Ending					\$ 1,998,496	\$ 114,409	\$ 2,112,905

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

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Notes to the Financial Statements

June 30, 2003

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 generally accepted accounting principles (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.

As required by GAAP, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. 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, 2003, and their report, dated November 17, 2003, 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. IHL is funded through state appropriations, tuition, federal grants, and private donations and grants.

The State reports the following nonmajor discretely presented component units:

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

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



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

Mississippi Prison Industries - 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 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 the Office of the State Auditor or other independent auditors, and their financial statements are issued under separate covers. The audited financial statements are available from each discretely presented component unit.

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

C. Government-wide and Fund Financial Statements

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

The Statement of Net Assets is a statement of position, which presents all of the State's nonfiduciary assets and liabilities, with the difference reported as net assets. GAAP requires that net assets be subdivided into three categories:

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

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

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



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

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary fund, and fiduciary fund financial statements 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.

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 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.

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 interest 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 interest 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 interest on investments.

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.

Debt Service Funds account for transactions related to resources obtained and accumulated to pay interest and principal on general long-term debt.

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 Funds account for resources of all other trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds account for various taxes, deposits, and property collected or held by the State, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

- 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 carried at cost, which approximates 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, U. S. Government securities and agencies, and repurchase agreements with a maturity date within 90 days of the date acquired, are included as cash and cash equivalents for the Universities, a major component unit.

- F. Investments** - Investments are recorded at fair value in accordance with GASB Statement 31 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 stated 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 real estate investment trusts (REITs) is based on independent appraisals, while REITs 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.



The Public Employees' Retirement System is authorized to enter into securities lending transactions. These transactions represent loans of securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The assets and liabilities arising from securities lending transactions are reflected separately under the captions "Investments" and "Obligations under Securities Lending" in the Statement of Fiduciary Net Assets. In accordance with authorized investment laws, the Public Employees' Retirement System also invests in various mortgage-backed securities such as collateralized mortgage obligations, interest-only strips and principal-only strips. These securities are reported at fair value and are included in the categories of U. S. Government securities and agencies and corporate and international obligations in the Note 4 disclosure.

- 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. 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** - 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 weighted average methods. Inventories of supplies and materials of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of food stamps are recorded at their face value, with a corresponding deferred revenue. Food stamp revenues and expenditures are recorded simultaneously at the time of distribution.
- 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, 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. 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.

- M. Risk Management - Claims Payable** - The State has elected to finance exposures to risk for health and life benefits, tort liability, unemployment benefits and workers' compensation benefits through the retention of risk. The primary government and component units participate in the internal service Risk Management Fund. A liability for a 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. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality.



- 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 Revenue** - In the government-wide and proprietary fund financial statements, deferred revenue is recognized when assets are received prior to being earned, as when grant monies are received prior to the incurrence of qualifying expenditures. In the governmental fund financial statements, deferred revenue is recognized when revenue is unearned or unavailable.
- P. Claims and Benefits Payable** - Claims and benefits payable represents the current and long-term portions of the actuarially determined present value of future tuition obligations in the Prepaid Affordable College Tuition Fund. The Unemployment Compensation Fund reports a current liability for amounts incurred prior to the reporting date.
- Q. Net Assets/Fund Balance** - The difference between fund assets and liabilities is "Net Assets" on government-wide, proprietary, and fiduciary fund financial statements, and "Fund Balance" on governmental fund 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.

- R. 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.
- S. Bond Premiums/Discounts** - Bond 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 premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium or discount.
- T. Changes in Accounting Standards** - The State has implemented certain GASB Statements in the current fiscal year. Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3* was early implemented and Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences, an amendment of GASB Statement No. 34* was implemented as required. The provisions of these new standards have been incorporated into Note 4 and the Notes to the Required Supplementary Information, respectively.



Note 2 - Other Accounting Disclosures

- A. Deficit Fund Balance/Net Assets** - At June 30, 2003, the Prepaid Affordable College Tuition Fund (a major enterprise fund) has deficit net assets of \$32,404,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts. The Department of Corrections Commissary Fund has deficit net assets of \$9,000, which resulted from legally mandated transfers out of net profits from operations. Within the Risk Management Fund (an internal service fund), the health and life benefits account and the tort claims account have deficit net assets of \$14,076,000 and \$1,510,000, respectively. The deficits are a result of actuarial accruals of claims exceeding revenues from current and previous years. The other risk management accounts have positive net assets of \$4,876,000 creating net deficit assets of \$10,710,000 in the Risk Management Fund. The Alcohol Abuse Program Fund (a nonmajor special revenue fund) has a deficit fund balance of \$2,000. This deficit is a result of fund expenditures in excess of fund revenues.
- B. 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	Capital Projects	Nonmajor Funds	
Fund balances, unreserved - designated:					
Debt service	\$ 64,824	\$	\$ 3,950	\$ 107,782	\$ 176,556
Education	7,150				7,150
Energy programs				5,679	5,679
Future capital projects			396,652		396,652
Future loans	71,587			4,958	76,545
Health care		597,432			597,432
Port improvements	3,792				3,792
Road and highway construction	451,398				451,398
Special treasury accounts	261,424				261,424
Working cash stabilization reserve	8,420				8,420
Total	\$ 868,595	\$ 597,432	\$ 400,602	\$ 118,419	\$ 1,985,048

- C. Restatements of Net Assets** - During fiscal year 2003, prior period adjustments of \$4,057,000 were made to increase the beginning net assets of Governmental Activities for capital assets not previously recorded. This includes an increase to the Information Technology Services Fund (an internal service fund) of \$1,855,000.

Prior period adjustments were made to reduce the beginning net assets of the Business-type Activities for capital assets which should have been expensed in the Port Authority at Gulfport Fund, a major fund, for \$466,000.

Prior period adjustments and a restatement for changes in accounting policy were made to the beginning net assets of Universities, a major component unit, for \$1,306,000 and \$38,941,000, respectively.

The following table summarizes these adjustments (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Component Units
Net Assets at June 30, 2002, as previously reported	\$ 8,073,373	\$ 1,031,946	\$ 2,032,911
Change in accounting policy			(38,941)
Prior period adjustments	4,057	(466)	(1,306)
Net Assets at June 30, 2002, as restated	\$ 8,077,430	\$ 1,031,480	\$ 1,992,664



Note 3 - Interfund Transactions

At June 30, 2003, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To				
	General	Health Care	Capital Projects	Nonmajor Governmental	Internal Service
Governmental:					
General	\$	\$ 1,300	\$ 1,058	\$ 27,693	\$ 2,705
Health Care		9,124		1,247	
Nonmajor Governmental		11,150		99	127
Internal Service					6
Proprietary:					
Unemployment Compensation			2,192	531	
Port Authority at Gulfport				5	
Prepaid Affordable College Tuition		1			
Nonmajor Enterprise		378		913	3
Fiduciary		79			
Total	\$ 20,732	\$ 1,300	\$ 3,250	\$ 30,488	\$ 2,841

(Continued Below)

Due From	Due To				
	Unemployment Compensation	Prepaid Affordable College Tuition	Nonmajor Enterprise	Fiduciary	Total
Governmental:					
General	\$	\$	\$ 74	\$ 45	\$ 32,875
Health Care		71			10,442
Nonmajor Governmental		6	622		12,004
Internal Service		259			265
Proprietary:					
Unemployment Compensation					2,723
Port Authority at Gulfport					5
Prepaid Affordable College Tuition				35	36
Nonmajor Enterprise					1,294
Fiduciary					79
Total	\$ 265	\$ 71	\$ 696	\$ 80	\$ 59,723

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.

Not included in the table above is the following interfund loan: \$1,560,000 due from the Yellow Creek Inland Port Authority Fund (a nonmajor enterprise fund) to the General Fund for construction of a new building. This amount is not expected to be repaid within one year.



At June 30, 2003, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To							Total
	Primary Government				Component Units			
	General	Unemployment Compensation	Nonmajor Enterprise	Internal Service	Universities	Nonmajor		
Primary Government:								
General	\$	\$	\$	\$	\$ 42,962	\$ 240	\$	\$ 43,202
Nonmajor Governmental					749	18		767
Nonmajor Enterprise						7		7
Component Units:								
Universities	350	211	6	50				617
Total	\$ 350	\$ 211	\$ 6	\$ 50	\$ 43,711	\$ 265	\$	\$ 44,593

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

At June 30, 2003, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To							Total
	General	Health Care	Capital Projects	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	
Governmental:								
General	\$	\$ 2,860	\$ 8,473	\$ 162,196	\$ 1,318	\$ 2,162	\$ 7,738	\$ 184,747
Health Care	6,140		200					6,340
Capital Projects	4,124			25,749			182	30,055
Nonmajor Governmental	24,539	50	1,287	2,336			1,565	29,777
Internal Service	114							114
Proprietary:								
Unemployment Compensation			8,644					8,644
Port Authority at Gulfport				1,043				1,043
Nonmajor Enterprise	29		23	1,147				1,199
Total	\$ 34,946	\$ 2,910	\$ 18,627	\$ 192,471	\$ 1,318	\$ 2,162	\$ 9,485	\$ 261,919

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

During fiscal year 2003, the State Legislature authorized transfers from the General Fund to supplement appropriations in the Information Technology Services Fund (an internal service fund) for \$1,000,000, the Military Department National Guard Facility and Training Fund (a nonmajor governmental fund) for \$232,000, the Military Department Camp Shelby Operations Fund (a nonmajor governmental fund) for \$300,000, and the Emergency Management Fund (a nonmajor governmental fund) for \$1,323,000.

Note 4 - Deposits and Investments

Investment Policies

The State Treasurer maintains a cash and short-term investment pool for all state general and special 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.

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The State Treasurer is authorized to invest in certificates of deposit or term repurchase agreements with approved financial institutions, banks and savings associations domiciled in Mississippi which are reflected as deposits or investments in the accompanying financial statements. The State Treasurer is also authorized to invest in repurchase agreements and securities lending transactions (with at least 80 percent of the total dollar amount with qualified state depositories), direct United States Treasury obligations, United States Government instrumentalities, United States Government agency obligations and any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1 et seq., provided that the portfolio is limited to direct obligations issued by the United States (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the United States (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 invests in collateralized mortgage obligations issued by United States Government agencies in order to maximize yield on the State's funds. These securities are based on cash flows from principal payments on underlying mortgages, therefore, they are sensitive to prepayments by mortgagors. In essence, as principal payments are made, cash is received, and the par value of the securities is reduced.

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 of Mississippi's lawsuit against tobacco companies, House Bill 519 General Laws of the 1999 Legislative Session created the Health Care Trust Fund Board (the Board) and named the State Treasurer as chairman. The Board is authorized to invest funds in the Health Care Trust Account under Section 43-13-409, Mississippi Code Ann. (1972). The Public Employees' Retirement System (the System) is authorized to invest funds under Section 25-11-121, Mississippi Code Ann. (1972). The State Treasurer, for the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account; the Board; and the System 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 and the System 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. The Board of Trustees of the System has established a policy which further limits investments of this type to only those corporations whose short-term obligations are rated A-2 or P-2 by Standard & Poor's Corporation or Moody's Investors Service, respectively;

- Bonds of the Tennessee Valley Authority;

- Bonds, notes, certificates and other valid obligations of the United States or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the Securities and Exchange Commission;

- Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the United States; and

- Interest-bearing bonds or notes which are general obligations of any other state in the United States 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 and the System are authorized to invest in the following:

- Bonds rated A or better, stocks and convertible securities of established non-United States 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 and the System are 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 United States 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 U.S. Securities and Exchange Commission 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 U.S. Securities and Exchange Commission registered investment advisory firm retained as an investment manager by the Board and the System.

Public Employees' Retirement System - During fiscal year 2003, the investments in derivatives by the System were exclusively in asset/liability based derivatives such as interest-only strips, principal-only strips, collateralized mortgage obligations and asset-backed securities. 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. Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held one IO valued at \$48,000 at fiscal year end. The System's derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

Collateralized mortgage obligations (CMO's) 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 CMO's may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reduction in interest payments cause a decline in cash flows and, thus a decline in fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held \$621 million in CMOs at June 30, 2003. Of this amount, \$118 million were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the System's derivatives policy.

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, asset-backed securities have been structured as pass-throughs and as structures with multiple bond classes. Of the \$855 million in ABS that the System held at June 30, 2003, \$72 million are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the System's derivatives policy.

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, 2003, by the System are long-term U. S. Government and agency obligations 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 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. The contractual agreement with the System's 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 maturities of the investments made with cash collateral generally do not match the maturities of the securities lent. All securities on loan can be terminated on demand by either the System or the borrower, although the average term of these loans was 86 days at June 30, 2003. Cash collateral is invested in fixed income securities such as U. S. Government and agency obligations and "AAA" asset-backed securities. Additionally, a significant portion is invested in corporate short-term securities, such as repurchase agreements, commercial paper, and bank notes. The weighted-average term to maturity of all collateral investments at year end was 438 days with a duration (a calculation based on timing of expected future cash flows) of 63 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. 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, 2003, the aggregate fair value of securities lending holdings, including accrued interest was \$2,086,375,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$2,011,871,000. The value of the collateral pledged by borrowers at year end was \$2,066,278,000.

Section 25-11-121, Mississippi Code Ann. (1972), allows the System to invest up to 5 percent of the total portfolio in real estate only via real estate securities and commingled funds. Direct ownership of real estate assets is prohibited. The initial portfolio was divided between core commingled 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.

All of the investment assets of the Mississippi Highway Safety Patrol Retirement System (MHSPRS), the Municipal Retirement Systems (MRS) and the Supplemental Legislative Retirement Plan (SLRP) are combined with those of the Public Employees' Retirement System (PERS) and invested in short-term, fixed income securities, equity securities, and real estate. These investments are accounted for as part of the PERS pension trust fund and are allocated to MHSPRS, MRS, and SLRP based on their equitable interest in the PERS fund.

The System's formal short-term investment policy limits investments in any corporate entity to no more than 5 percent of the market value of the account for both the internally and externally-managed portfolios. For the internally-managed fund, any amount over the \$30 million core shall have no more than \$5 million invested in any one corporation at any given time. The System has no other policy limiting its exposure to any one issuer.

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.

Deposits

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

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5 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.

Section 27-105-6, Mississippi Code Ann. (1972) establishes 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 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, 2003, \$66,000 was uninsured and uncollateralized.

Of the primary government's cash deposits, which are not included in the statewide collateral pool, as of June 30, 2003, \$365,132,000 was collateralized with securities held by a pledging financial institution or the financial institution's agent, not in the primary government's name.

Investments

A. Credit Risk - The State's exposure to credit risk as of June 30, 2003 is as follows (expressed in thousands):

Rating	Primary Government Fair Value	Component Units Fair Value
AAA	\$ 4,251,454	\$ 202,569
AA	338,312	2,794
A	1,847,759	3,406
SP-1	5,243	
BBB	281,365	1,195
BB	1,393	73
B	3,827	40,676
CCC	2,786	23
CC	911	
C	395	
Not Rated	1,257,510	42,614
Total	\$ 7,990,955	\$ 293,350

B. Custodial Credit Risk - The System is the only portion of the State subject to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Within the System, the pension funds have \$16,688,465,000 in investments at June 30, 2003. Of this amount, \$2,084,490,000 was cash collateral reinvestment securities acquired by the custodian, whom is also the lending agent/counterparty. This is consistent with the System's securities lending agreement in place with the custodian.

The fair value of cash collateral securities as of June 30, 2003, consisted of (expressed in thousands):

	Fair Value
Commercial paper	\$ 599,036
U. S. Government agency obligations	301,293
Repurchase agreements	60,148
Corporate bonds	463,204
Asset and mortgage backed securities	660,809
Total	\$ 2,084,490

C. Concentration of Credit Risk - Within the primary government, the System has the following investments that represent more than 5 percent of the System's net investments:

Federal Home Loan Mortgage Corporation	6.6%
Federal National Mortgage Association	7.7%

Within the component units, the Universities has the following investments that represent more than 5 percent of its net investments:

Federal Home Loan Bank	13.3%
Federal Home Loan Mortgage Corporation	11.4%
Federal National Mortgage Association	6.9%



D. Interest Rate Risk - As of June 30, 2003, the State had the following investments and maturities (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Primary Government					
Asset and mortgage backed securities	\$ 2,351,554	\$ 682,557	\$ 47,885	\$ 134,637	\$ 1,486,475
Collateralized mortgage obligations	488,394	61,000	32,982	18,399	376,013
Commercial paper	615,626	615,626			
Corporate bonds	1,820,047	177,565	751,854	516,808	373,820
Municipal bonds	65,290	5,777	7,563	5,073	46,877
Mutual funds	100,326	100,326			
Negotiable certificates of deposit	9,900	9,900			
Repurchase agreements	1,305,369	970,742	334,627		
U. S. Government agency obligations	1,399,715	722,691	368,782	158,886	149,356
U. S. Treasury obligations	1,475,601	68,000	578,762	331,674	497,165
U. S. Treasury interest strips	38,933				38,933
Yankee bonds	138,050	5,527	65,720	25,911	40,892
Zero coupon bonds	2,502	496	238	440	1,328
Total Primary Government	<u>\$ 9,811,307</u>	<u>\$ 3,420,207</u>	<u>\$ 2,188,413</u>	<u>\$ 1,191,828</u>	<u>\$ 3,010,859</u>
Component Units					
Asset and mortgage backed securities	\$ 4,218	\$ 870	\$ 1,044	\$ 132	\$ 2,172
Collateralized mortgage obligations	2,201	315	541	125	1,220
Corporate bonds	5,537	276	3,689	1,291	281
Municipal bonds	1,585	255	1,002	328	
U. S. Government agency obligations	172,195	15,027	80,522	56,760	19,886
U. S. Treasury obligations	30,508	280	30,097		131
Total Component Units	<u>\$ 216,244</u>	<u>\$ 17,023</u>	<u>\$ 116,895</u>	<u>\$ 58,636</u>	<u>\$ 23,690</u>

E. Foreign Currency Risk – The System's investment asset allocation policy limits non-U.S. investments to 15 percent and the Board limits non-U.S. investments to 20 percent of total investments. The State's exposure to foreign currency risk at June 30, 2003, was as follows (expressed in thousands):

Currency	Primary Government Fair Value	Component Units Fair Value
Australian dollar	\$ 80,908	\$ 134
Brazilian real		23
British pound sterling	493,172	868
Canadian dollar	17,385	90
Chinese renminbi	46	8
Danish krone	11,752	80
European euro	642,714	1,814
Hong Kong dollar	26,645	33
Japanese yen	401,165	531
Malaysian ringgit	344	
Mexican peso		177
New Zealand dollar	1,802	17
Norwegian krone	2,465	33
Polish zloty		6
Singapore dollar	26,484	4
Swedish krona	32,359	107
Swiss franc	182,415	380
Thailand baht	350	
Total	<u>\$ 1,920,006</u>	<u>\$ 4,305</u>



Note 5 - Receivables

At June 30, 2003, receivables consisted of (amounts expressed in thousands):

	Governmental Funds					Fiduciary Receivables Reclass	Total Governmental Activities
	General	Health Care	Capital Projects	Nonmajor Funds	Internal Service		
Accounts	\$ 249,760	\$ 4,576	\$	\$ 3,401	\$ 49	\$ 79	\$ 257,865
Taxes:							
Sales	127,795						127,795
Income	85,437						85,437
Gasoline	38,119						38,119
Other	87,376						87,376
Interest and dividends	4,433	1,881	1,446	1,294	333		9,387
Other	406						406
Gross receivables	593,326	6,457	1,446	4,695	382	79	606,385
Allowance for uncollectibles	(68,490)						(68,490)
Receivables, net	\$ 524,836	\$ 6,457	\$ 1,446	\$ 4,695	\$ 382	\$ 79	\$ 537,895

Amounts not scheduled for collection in subsequent year	\$ 49,493						\$ 49,493
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	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	\$ 16,588	\$ 1,651	\$	\$ 2,629	\$ 20,868
Assessments	49,040				49,040
Interest and dividends			126	500	516
Gross receivables	65,628	1,777	500	3,145	71,050
Allowance for uncollectibles	(21,576)			(21)	(21,597)
Receivables, net	\$ 44,052	\$ 1,777	\$ 500	\$ 3,124	\$ 49,453

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 1,223,547	\$ 1,251	\$ 1,224,798
Interest	1,865	189	2,054
Gross receivables	1,225,412	1,440	1,226,852
Allowance for uncollectibles	(1,058,752)		(1,058,752)
Receivables, net	\$ 166,660	\$ 1,440	\$ 168,100



Note 6 - Due From Other Governments

At June 30, 2003, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			Total Governmental Activities
	General	Nonmajor Funds	Internal Service	
Due from other governments	\$ 648,227	\$ 40,504	\$ 35	\$ 688,766
Allowance for uncollectibles	(20)			(20)
Due from other governments, net	<u>\$ 648,207</u>	<u>\$ 40,504</u>	<u>\$ 35</u>	<u>\$ 688,746</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 361,005</u>	<u>\$ 9,488</u>		<u>\$ 370,493</u>

Note 7 - Loans and Notes Receivable

At June 30, 2003, loans and notes receivables consisted of (amounts expressed in thousands):

	Governmental Funds			Total Governmental Activities
	General	Nonmajor Funds	Internal Service	
Loans and notes receivable	\$ 168,295	\$ 1,886	\$ 150	\$ 170,331
Allowance for uncollectibles		(534)		(534)
Loan and notes receivable, net	<u>\$ 168,295</u>	<u>\$ 1,352</u>	<u>\$ 150</u>	<u>\$ 169,797</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 149,025</u>	<u>\$ 920</u>		<u>\$ 149,945</u>

	Component Units		
	Universities	Nonmajor	Total
Loans and notes receivable	\$ 111,713	\$ 3	\$ 111,716
Allowance for uncollectibles	(13,073)		(13,073)
Loans and notes receivable, net	<u>\$ 98,640</u>	<u>\$ 3</u>	<u>\$ 98,643</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 87,263</u>		<u>\$ 87,263</u>



Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2003, was as follows (expressed in thousands):

	Beginning Balance as restated	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 177,305	\$ 12,484	\$ 73	\$ 189,716
Construction in progress	2,803,927	770,861	623,059	2,951,729
Total capital assets not being depreciated	2,981,232	783,345	623,132	3,141,445
Capital assets being depreciated:				
Buildings	1,153,180	65,475	2,659	1,215,996
Land improvements	68,028	2,371		70,399
Machinery and equipment	408,328	41,344	15,563	434,109
Infrastructure	6,015,925	561,123	101,309	6,475,739
Total capital assets being depreciated	7,645,461	670,313	119,531	8,196,243
Less accumulated depreciation for:				
Buildings	246,167	22,979	1,400	267,746
Land improvements	27,406	2,376		29,782
Machinery and equipment	264,634	36,877	12,723	288,788
Infrastructure	2,160,230	220,440	101,309	2,279,361
Total accumulated depreciation	2,698,437	282,672	115,432	2,865,677
Total capital assets being depreciated, net	4,947,024	387,641	4,099	5,330,566
Governmental activities capital assets, net	\$ 7,928,256	\$ 1,170,986	\$ 627,231	\$ 8,472,011
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,597	\$	\$	\$ 12,597
Construction in progress	23,080	15,968	21,943	17,105
Total capital assets not being depreciated	35,677	15,968	21,943	29,702
Capital assets being depreciated:				
Buildings	98,171	893		99,064
Land improvements	32,007	3,526	48	35,485
Machinery and equipment	17,057	954	271	17,740
Infrastructure	42,909	16,835		59,744
Total capital assets being depreciated	190,144	22,208	319	212,033
Less accumulated depreciation for:				
Buildings	17,165	1,802		18,967
Land improvements	11,921	1,188	22	13,087
Machinery and equipment	11,203	946	193	11,956
Infrastructure	22,960	1,446		24,406
Total accumulated depreciation	63,249	5,382	215	68,416
Total capital assets being depreciated, net	126,895	16,826	104	143,617
Business-type activities capital assets, net	\$ 162,572	\$ 32,794	\$ 22,047	\$ 173,319

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

Governmental activities:

General government	\$	4,305
Education		4,359
Health and social services		11,193
Law, justice and public safety		17,644
Recreation and resources development		12,036
Regulation of business and profession		446
Transportation		229,780
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		2,909
Total depreciation expense - governmental activities	\$	282,672

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental activities:			
Department of Transportation	\$ 4,263,855	\$ 2,656,669	\$ 1,626,765
Military Department	37,149	18,092	19,011
Department of Finance and Administration	126,854	72,623	19,475
Educational Television	14,172	9,845	2,279
Department of Corrections	27,791	17,560	5,760
East Mississippi State Hospital	19,437	10,787	171
Mississippi State Hospital	22,772	11,422	8,313
Department of Education	22,709	20,968	1,037
Department of Archives and History	29,971	25,764	3,484
Mississippi Library Commission	10,596	3,547	6,917
Mississippi Development Authority	57,132	48,617	8,510
Mississippi Employment Security Commission	16,000	11,637	4,363
Other projects less than \$10 million	64,575	44,198	4,293
Total governmental activities	4,713,013	2,951,729	1,710,378
Business-type activities:			
Port Authority at Gulfport	39,467	16,819	22,647
Other projects less than \$10 million	553	286	268
Total business-type activities	40,020	17,105	22,915
Total construction in progress	\$ 4,753,033	\$ 2,968,834	\$ 1,733,293

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Component Units

Capital asset activity for the year ended June 30, 2003, was as follows (expressed in thousands):

Universities:	Beginning Balance as restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 37,398	\$ 2,865	\$ 1	\$ 40,262
Construction in progress	187,470	120,077	58,501	249,046
Total capital assets not being depreciated	224,868	122,942	58,502	289,308
Capital assets being depreciated:				
Buildings	1,301,845	56,798	6,684	1,351,959
Land improvements	129,988	7,067	345	136,710
Machinery and equipment	579,837	61,217	29,977	611,077
Total capital assets being depreciated	2,011,670	125,082	37,006	2,099,746
Less accumulated depreciation for:				
Buildings	344,217	24,758	758	368,217
Land improvements	28,674	4,973	114	33,533
Machinery and equipment	407,857	46,507	18,025	436,339
Total accumulated depreciation	780,748	76,238	18,897	838,089
Total capital assets being depreciated, net	1,230,922	48,844	18,109	1,261,657
Universities capital assets, net	\$ 1,455,790	\$ 171,786	\$ 76,611	\$ 1,550,965

Nonmajor component units:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,018	\$ 196	\$ 294	\$ 14,920
Construction in progress	191		88	103
Total capital assets not being depreciated	15,209	196	382	15,023
Capital assets being depreciated:				
Buildings	53,367	803	640	53,530
Land improvements	43,333	2,725	501	45,557
Machinery and equipment	32,002	1,422	1,413	32,011
Total capital assets being depreciated	128,702	4,950	2,554	131,098
Less accumulated depreciation for:				
Buildings	22,552	1,217	506	23,263
Land improvements	27,820	1,036	402	28,454
Machinery and equipment	16,806	1,470	1,390	16,886
Total accumulated depreciation	67,178	3,723	2,298	68,603
Total capital assets being depreciated, net	61,524	1,227	256	62,495
Nonmajor component units capital assets, net	\$ 76,733	\$ 1,423	\$ 638	\$ 77,518

Collections

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 is 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.



Note 9 - General Obligation and Defeased 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 and notes are authorized and issued primarily to provide funds for constructing and improving state-owned facilities, including ports, stadium facilities, university facilities, public schools, parks, bridges and roads. General obligation bonds and notes have also been issued to refund certain outstanding bonds of the State in advance and to provide loans to facilitate and promote further economic development in the state. General obligation bonds and notes issued by the State as of June 30, 2003, are not subject to variable 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, 2003, no arbitrage rebate liability existed.

Short-Term Financing

During fiscal year 2003, the State issued \$305,000,000 in short-term general obligation notes to provide financial assistance for the Nissan project in Madison County, Mississippi, and to refinance the Taxable General Obligation Notes, Series 2002A. At June 30, 2003, the outstanding short-term notes were \$305,000,000. The final maturity date for these notes is December 2003 with an interest rate of 1.64 percent. Because this short-term debt does not meet long-term financing criteria, it is classified among the liabilities of the primary government's general fund. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2003 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Mississippi Major Economic Impact Act 2002A	\$ 215,000		\$ 215,000	\$ 0
Mississippi Major Economic Impact Act 2002B		305,000		305,000
	<u>\$ 215,000</u>	<u>\$ 305,000</u>	<u>\$ 215,000</u>	<u>\$ 305,000</u>

Long-Term Financing

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, 2003, the Port of Pascagoula's outstanding general obligation bonds are \$3,745,000.

During fiscal year 2003, the State issued three general obligation refunding bonds.

The State issued \$77,340,000 of general obligation refunding bonds to advance refund and defease a portion of one issue reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 16 years by \$2,815,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$2,647,000.

The State issued \$326,150,000 of general obligation refunding bonds to currently refund or advance refund and defease a portion of 13 issues. Of this refunding issue, \$325,125,000 is reported in governmental activities and \$1,025,000 is reported in business-type activities. The advance refunding was undertaken to reduce debt service payments over the next 21 years by \$6,749,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$7,093,000.

The State issued \$84,505,000 of taxable general obligation refunding bonds to currently refund or advance refund and defease a portion of five issues reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 15 years by \$5,764,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$5,309,000.

The net proceeds of the refunding issues were deposited in an irrevocable trust for the purpose of generating resources for future debt service payments of 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, 2003, \$1,407,215,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.



At June 30, 2003, the primary government's outstanding general obligation bonds as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Mississippi Development Bank	\$ 1,615	4.25% - 4.35%	Nov. 2004	\$ 5,000
Archusa Water Park	330	5%	Aug. 2008	481
Port Improvement	13,180	5%	Aug. 2008	19,976
Tech Prep	33,835	5% - 7.5%	Aug. 2008	55,024
Spillway Road Act	4,175	5.75% - 6.25%	Feb. 2011	4,950
Community and Jr. College Telecommunications Network	4,350	5%	May 2011	29,969
Stennis Space Center	30,350	4% - 6.5%	June 2012	39,400
2001 Ayers Settlement - Allstate Building Act	3,030	4% - 5.6%	June 2012	3,300
Single Family Residential Housing Fund Act	4,585	4% - 5.6%	June 2012	5,000
Deer Island Project	8,800	2.75% - 3.75%	Nov. 2012	8,800
Economic Development Highway	32,460	5.75% - 7.3%	Sept. 2013	76,962
Land, Water, and Timber Resources	15,160	3% - 5.22%	Nov. 2013	16,000
Small Municipalities and Limited Population Counties	19,160	3% - 5.22%	Nov. 2013	20,000
Small Enterprise Development Finance	67,314	3% - 7.25%	July 2016	178,860
Local Governments Rail Program	13,380	4% - 7.75%	Sept. 2016	15,000
Farm Reform	15,845	3.7% - 7.75%	Sept. 2016	52,588
Major Economic Impact	57,335	5% - 7.75%	Sept. 2016	110,240
Local Governments Water System Improvement	7,676	6% - 7.5%	May 2017	20,000
Telecommunication Conference and Training Center Act	17,335	3% - 5.25%	Nov. 2017	17,500
Gaming Highway Improvement	209,120	4.5% - 5.5%	July 2018	325,000
Major Energy Project Development	26,675	5.6% - 6.75%	Oct. 2018	30,000
Business Investment Act	65,473	3% - 7.75%	Oct. 2018	121,700
Small Business Assistance	7,576	5.6% - 7.125%	Oct. 2018	32,000
Local Governments Capital Improvements	21,890	5% - 7.75%	Nov. 2019	65,000
General Obligation Refunding Bonds	1,377,458	1.2% - 6%	Nov. 2022	1,521,540
Capital Improvements	<u>458,390</u>	4.25% - 7.5%	Nov. 2022	<u>1,687,200</u>
Total Governmental Activities	2,516,497			4,461,490
Business-type Activities:				
Port Improvement (Gulfport)	<u>47,407</u>	2% - 6.1%	Dec. 2019	<u>93,517</u>
Total General Obligation Bonds	<u>\$ 2,563,904</u>			<u>\$ 4,555,007</u>

At June 30, 2003, 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
2004	\$ 175,718	\$ 128,862	\$ 4,201	\$ 2,261
2005	183,127	119,711	2,502	2,104
2006	187,860	109,764	2,689	1,982
2007	189,447	99,989	2,932	1,847
2008	190,214	89,943	3,020	1,702
2009-2013	858,790	304,736	14,189	6,187
2014-2018	548,222	116,681	14,338	2,757
2019-2023	183,119	17,370	3,536	122
	<u>\$ 2,516,497</u>	<u>\$ 987,056</u>	<u>\$ 47,407</u>	<u>\$ 18,962</u>



Note 10 - Limited Obligation Bonds

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

In prior years, the State defeased certain outstanding limited obligation bonds of the primary government by depositing the net proceeds of refunding bonds and additional monies from debt service funds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on defeased bonds. Accordingly, for financial reporting purposes the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2003, \$109,142,000 of outstanding limited obligation bonds (including prior years' refundings) are considered defeased.

At June 30, 2003, the outstanding limited obligation bonds presented in governmental activities were \$132,390,000. The final maturity date for these bonds is June 2009, with an interest rate of 5.25 percent. The original issue amount of these bonds is \$200,000,000. None of the limited obligation bonds of the state carry variable rates of interest.

At June 30, 2003, future limited obligation debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Total
2004	\$ 19,875	\$ 6,950	\$ 26,825
2005	20,670	5,907	26,577
2006	21,525	4,822	26,347
2007	22,440	3,692	26,132
2008	23,420	2,514	25,934
2009	24,460	1,284	25,744
	<u>\$ 132,390</u>	<u>\$ 25,169</u>	<u>\$ 157,559</u>

Note 11 - Revenue Bonds and Notes

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

At June 30, 2003, revenue bonds and notes outstanding, net of unamortized discounts and premiums are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Primary Government				
Business-type activities:				
Fair Commission bonds	\$ 430	9.35% - 9.45%	Dec. 2005	\$ 1,650
Total Primary Government	<u>\$ 430</u>			<u>\$ 1,650</u>
Component Units				
Universities:				
Bonds	\$ 307,352	0% - 8%	July 2031	\$ 393,841
Notes	4,971	0% - 8.2%	Nov. 2023	6,539
Nonmajor Component Units:				
Bonds	477	3% - 4%	May 2005	5,000
Notes	2,508	3.137% - 6.5%	Jan. 2018	5,153
Total Component Units	<u>\$ 315,308</u>			<u>\$ 410,533</u>



At June 30, 2003, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Primary Government Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
	2004	\$ 135	\$ 34	\$ 11,944
2005	145	21	12,217	15,091
2006	150	7	14,375	14,531
2007			13,752	13,874
2008			13,944	13,226
2009-2013			73,429	55,680
2014-2018			71,302	36,846
2019-2023			65,257	18,858
2024-2028			28,018	6,358
2029-2032			11,070	1,312
	\$ 430	\$ 62	\$ 315,308	\$ 191,369

Note 12 - Other Long-term Liabilities

- A. Compensated Absences** - The State's liability for compensated absences at June 30, 2003 was \$95,314,000 for governmental activities and \$659,000 for business-type activities. Internal service compensated absences of \$1,084,000 are included in governmental activities. The component units reported a liability of \$65,093,000 for compensated absences, of which \$64,501,000 was 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. Notes Payable and Certificates of Participation** - The State's liabilities for notes payable and certificates of participation at June 30, 2003 were \$9,406,000 and \$2,805,000, respectively, for governmental activities. These notes payable were issued for financing software development and energy efficiency improvements. Certificates of participation were issued for the purchase of a building.

At June 30, 2003, 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
2004	\$ 105	\$ 150	\$ 1,413	\$ 410
2005	115	142	1,470	353
2006	125	134	1,532	291
2007	130	127	1,546	226
2008	140	119	1,165	165
2009-2013	805	480	2,002	338
2014-2018	1,385	229	278	16
	\$ 2,805	\$ 1,381	\$ 9,406	\$ 1,799

- C. 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, 2003, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Asset:		
Buildings	\$ 153,907	\$
Machinery and equipment	11,795	468
Less: accumulated depreciation	(3,070)	(194)
Total	<u>\$ 162,632</u>	<u>\$ 274</u>

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets of \$368,000 less \$85,000 accumulated depreciation are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$30,300,000.

At June 30, 2003, 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
2004	\$ 21,322	\$ 101	\$ 21,423	\$ 6,740
2005	18,802	71	18,873	6,027
2006	17,527	31	17,558	4,221
2007	16,366	3	16,369	3,918
2008	15,765		15,765	1,448
2009-2013	72,522		72,522	3,890
2014-2018	53,338		53,338	909
2019-2020	7,659		7,659	
Total Minimum Lease Payments	223,301	206	223,507	27,153
Less Interest	67,226	13	67,239	3,652
Present Value of Net Minimum Lease Payments	<u>\$ 156,075</u>	<u>\$ 193</u>	<u>\$ 156,268</u>	<u>\$ 23,501</u>

Internal service future minimum lease payments of \$509,000 less interest of \$23,000 are included in the governmental activities column.

- D. Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to the 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. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The outstanding balance of special obligation bonds issued by the Bank was approximately \$1,060,000,000 at June 30, 2003. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.



Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2003 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds (Note 9)	\$ 2,442,581	\$ 720,395	\$ 646,479	\$ 2,516,497	\$ 175,718
Limited Obligation Bonds (Note 10)	151,535		19,145	132,390	19,875
Capital Lease Obligations (Note 12)	162,389	6,390	12,704	156,075	13,106
Accrued Compensated Absences (Note 12)	89,727	61,064	55,477	95,314	5,197
Notes Payable (Note 12)	6,891	5,575	3,060	9,406	1,413
Certificates of Participation (Note 12)	2,905		100	2,805	105
	<u>\$ 2,856,028</u>	<u>\$ 793,424</u>	<u>\$ 736,965</u>	<u>\$ 2,912,487</u>	<u>\$ 215,414</u>
Business-type Activities:					
General Obligation Bonds (Note 9)	\$ 52,417	\$ 1,025	\$ 6,035	\$ 47,407	\$ 4,201
Revenue Bonds (Note 11)	555		125	430	135
Accrued Compensated Absences (Note 12)	703	214	258	659	129
Capital Lease Obligations (Note 12)	283		90	193	93
	<u>\$ 53,958</u>	<u>\$ 1,239</u>	<u>\$ 6,508</u>	<u>\$ 48,689</u>	<u>\$ 4,558</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 \$1,621,000 and \$486,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,014,000 and \$1,084,000, 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.



Note 14 - Bonds and Notes Authorized But Unissued

At June 30, 2003, authorized but unissued bond and note indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds and Notes:		
Business Investment Act	\$ 290,000	\$ 65,973
Capital Improvements	581,727	258,867
Children's Museums	4,500	2,000
Community Heritage Preservation	17,750	8,750
Cultural Development Act	16,200	11,200
Deer Island Project	10,000	1,200
Disaster Matching Funds	10,000	10,000
Economic Development Highway	157,000	63,100
Farish Street Historic District Loans	6,000	6,000
Farm Reform	125,000	24,000
Hancock County Port and Tri-State Commerce Park	39,880	480
Historical Properties	3,700	1,955
Institutions of Higher Learning Equipment	15,000	15,000
Land, Water, and Timber Resources	38,000	22,000
Local Governments Capital Improvements	108,000	8,000
Local Governments Water System Improvement	20,130	130
Local System Bridge Replacement	20,000	20,000
Major Economic Impact	579,360	139,970
Master Planned Communities	23,000	23,000
Rural Impact Act	10,000	10,000
National Forest Service	1,250	1,250
Parks Improvement	20,925	7,769
Port Improvement (Gulfport)	80,000	42,555
Port of Gulfport Rail Line	20,000	20,000
Small Enterprise Development Finance	140,000	72,686
Small Municipalities and Limited Population Counties	30,000	10,000
Soil and Water Commission	8,500	5,500
Water Pollution Control Loan Program	5,310	4,200
	2,381,232	855,585
Limited Obligation Bonds:		
Education Technology	60,000	60,000
Pascagoula River Bridge	30,000	30,000
State Fire Academy	2,500	300
	92,500	90,300
Revenue Bonds:		
Mississippi Fair Commission	4,000	1,525
Port of Gulfport Rail Line	20,000	20,000
Seed Laboratory	800	800
Veterans' Home Purchase Board	20,000	20,000
	44,800	42,325
	\$ 2,518,532	\$ 988,210



Note 15 - Segment Information

The government issues revenue bonds to finance the Fair Commission, which operates the state fair and coliseum activities. Investors rely on the revenues generated by the Fair Commission's activities for repayment. Summary financial information for the Fair Commission is presented below for the year ended June 30, 2003 (amounts expressed in thousands):

CONDENSED STATEMENT OF NET ASSETS

Assets	
Due from other funds	\$ 16
Other current assets	1,136
Capital assets, net	19,293
Total Assets	<u>20,445</u>
Liabilities	
Due to other funds	128
Other current liabilities	382
Noncurrent liabilities	374
Total Liabilities	<u>884</u>
Net Assets	
Invested in capital assets, net of related debt	18,833
Unrestricted	728
Total Net Assets	<u>\$ 19,561</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Charges for sales and services (pledged against bonds)	\$ 4,799
Other operating revenues	155
Depreciation	(420)
Other operating expenses	(4,122)
Operating Income	<u>412</u>
Nonoperating expenses:	
Interest	(47)
Loss on disposal of assets	(29)
Capital contributions	168
Change in Net Assets	<u>504</u>
Total Net Assets - Beginning	19,057
Total Net Assets - Ending	<u>\$ 19,561</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by (used for):	
Operating activities	\$ 814
Capital and related financing activities	(201)
Net Increase	<u>613</u>
Cash and Cash Equivalents - Beginning	422
Cash and Cash Equivalents - Ending	<u>\$ 1,035</u>



Note 16 - 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 1953, 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 also administers the Optional Retirement Plan (ORP), a defined contribution plan, but that plan is not part of the State's reporting entity.

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 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 employee contributions plus interest.

Participating employees who retire at or after age 60 with four years of membership service 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 allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of four years of membership service. PERS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the State incurs no expense for postretirement health 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, 2003, the total additional annual payments were \$173,934,000.

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 employee contributions plus interest.

Participating employees who withdraw from service at or after age 55 with at least five years of credited service, or after reaching age 45 with at least 20 years of membership 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. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the State incurs no expense for postretirement health 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.

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, 2003, the total additional annual payments were \$4,094,000.

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 2/3 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, 2003, the total additional annual payments were \$2,630,000.

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 4 years of membership service 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 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 identical to PERS retirees and beneficiaries. For the year ended June 30, 2003, the total additional annual payments were \$56,000.

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, 2003. 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, 2002. 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 and may be amended only by the State Legislature. Contribution provisions for MRS are established by state statute, annual local and private legislation and may be amended only by the State Legislature.

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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	9.75%	26.16%	N/A	6.33%
Other employers	7.75%	N/A	.11 – 8.84 mills	N/A
Plan members	7.25%	6.50%	7.00 - 10.00%	3.00% *
Annual pension cost	\$ 448,263	\$ 5,627	\$ 10,823	\$ 417
Employer contributions made	\$ 448,263	\$ 5,627	\$ 14,340	\$ 417
Actuarial valuation date	June 30, 2003	June 30, 2003	Sept. 30, 2002	June 30, 2003
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	32.7 years	45.9 years	32 years	17.1 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Wage inflation rates	4.00%	4.00%	4.00%	4.00%
Projected salary increases	1.00% - 14.00%	5.0% - 10.52%	6.00%	5.00%
Increase in benefits after retirement	3.00% ~	3.00% @	2.00% - 3.75% #	3.00% ~

* 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.

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:				
2001	\$ 418,281	\$ 5,835	\$ 14,157	\$ 382
2002	428,122	5,710	14,197	380
2003	448,263	5,627	14,340	417

* Information furnished for MRS is for the years ended September 30, 2000, 2001, and 2002, 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 114.5% and 125.9% of the required contributions for the years ended September 30, 2000 and 2001, 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, 2000, 2001, and 2002, the MRS net pension obligation or net pension asset was not significant.



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. Future minimum commitments due under operating leases for land and buildings as of June 30, 2003 were as follows (amounts expressed in thousands):

<u>Year Ending June 30</u>	<u>Amount</u>
2004	\$ 14,691
2005	9,239
2006	7,024
2007	5,119
2008	2,991
2009 - 2013	4,998
2014 - 2018	881
2019 - 2023	413
2024 - 2028	407
2029 - 2033	306
Thereafter	189
Total Minimum Commitments	<u>\$ 46,258</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2003 amounted to \$16,934,000.

B. Contracts

At June 30, 2003, the Department of Transportation had long-term contracts outstanding of approximately \$1,169,014,000 with performance continuing during fiscal year 2004. These contracts will be paid through the General Fund. Approximately 29 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 long-term contracts of \$51,134,000 outstanding at June 30, 2003 for construction of state and county roads. These contracts will be paid through the General Fund. Approximately 35 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 contracts of \$161,933,000 at June 30, 2003. These contracts will be paid from capital projects funds.

The Employment Security Commission had outstanding construction contracts of \$5,489,000 at June 30, 2003. These contracts are expected to be paid from federal revenues when the actual costs are incurred.

The Military Department had outstanding construction contracts of \$19,011,000 at June 30, 2003. Approximately 68 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.

Certain discretely presented component units have contracted for the construction of various facilities. At June 30, 2003, contracts of \$120,843,000 were outstanding. These contracts will be paid through the Universities with proceeds from long-term financing and institutional funds.

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.



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 liabilities for incurred (both reported and unreported) but unpaid claims are actuarially determined using the development method. This method uses past observed patterns of time between claim incurrual 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. Although the health and life benefits accounts have deficits as described in Note 2A, the collection of premiums, based on an actuarial estimate, have provided an adequate cash flow for the payment of claims.

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. Although the tort claims accounts have deficits as described in Note 2A, the collection of premiums, based on an actuarial estimate, have provided an adequate cash flow for the payment of claims.

Unemployment Benefits: Unemployment benefits are established in statute and administered by the Mississippi Employment Security Commission. 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. The exposure of risk 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.

The following table provides a reconciliation of changes in the liabilities for claims for fiscal years 2002 and 2003 (amounts expressed in thousands):

	Health and Life Benefits	Tort Claims	Unemployment Benefits	Workers' Compensation Benefits	Total Risk Management Fund
2002					
Beginning Balance	\$ 78,972	\$ 18,156	\$ 2,704	\$ 26,592	\$ 126,424
Current Year Claims/Changes in Estimates	397,777	2,882	1,103	11,843	413,605
Claims Payments	(396,852)	(2,768)	(999)	(10,436)	(411,055)
Ending Balance	\$ 79,897	\$ 18,270	\$ 2,808	\$ 27,999	\$ 128,974
2003					
Beginning Balance	\$ 79,897	\$ 18,270	\$ 2,808	\$ 27,999	\$ 128,974
Current Year Claims/Changes in Estimates	420,462	7,446	1,002	14,797	443,707
Claims Payments	(426,222)	(3,106)	(1,110)	(13,042)	(443,480)
Ending Balance	\$ 74,137	\$ 22,610	\$ 2,700	\$ 29,754	\$ 129,201



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 \$16,655,000. 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.

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 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 \$11,369,000 at June 30, 2003, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Note 21 - Subsequent Events

The Working Cash Stabilization Reserve Account may be used for cash flow needs throughout the year when the General Fund experiences cash flow deficiencies. As of December 10, 2003, the General Fund has accumulated borrowings outstanding of \$51,860,000 from the Working Cash Stabilization Reserve Account. In order to comply with state law, the Working Cash Stabilization Reserve Account will be reimbursed by the end of the fiscal year.

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

Taxable General Obligation Bonds, Mississippi Land, Water and Timber Resources Issue, Stennis Space Center Project Issue, North Mississippi Fish Hatchery Project Issue and Mississippi School for the Arts Project Issue totaling \$14,160,000 with a closing date of July 15, 2003. The bonds mature serially through the year 2013 at interest rates ranging from 3 percent to 4 percent.

Taxable General Obligation Bonds, Mississippi Rural Impact Act Issue, Mississippi Business Investment Act Issue, Series Z, Mississippi Farm Reform Act Issue, Series Q, Mississippi Small Municipalities and Limited Population Counties Issue, Series C, Mississippi Major Economic Impact Act Issue, Series J and Farish Street Historic District Project Issue, totaling \$80,250,000 dated July 15, 2003. The bonds mature serially through the year 2018 at interest rates ranging from 2.75 percent to 5.5 percent.

Tax-exempt General Obligation Bonds, Local System Bridge Replacement and Rehabilitation Fund Project Issue totaling \$20,000,000 dated July 15, 2003. The bonds mature serially through the year 2018 at interest rates ranging from 3 percent to 5 percent.

Taxable General Obligation Bonds, State Shipyard Improvements Issue, Regional Retail Shopping Mall Issue and Franklin County Lake and Recreational Complex Road Construction Projects Issue totaling \$46,250,000 dated September 1, 2003. The bonds mature serially through the year 2013 at interest rates ranging from 3 percent to 5 percent.



Taxable Variable Rate General Obligation Bonds, Nissan North America, Inc. Project Issue, Series 2003A totaling \$140,000,000 dated November 25, 2003. The bonds will mature on November 1, 2028 and will be subject to mandatory sinking fund redemption prior to maturity on November 1 of each year through the year 2028.

Taxable Variable Rate General Obligation Bonds, Nissan North America, Inc. Project Issue, Series 2003B totaling \$140,000,000 dated November 25, 2003. The bonds will mature on November 1, 2028 and will be subject to mandatory sinking fund redemption prior to maturity on November 1 of each year through the year 2028.

Tax-exempt General Obligation Bonds, Nissan North America, Inc. Project Issue, Series 2003C (Auction Rate Securities) totaling \$83,500,000 dated November 25, 2003. The bonds will mature on November 1, 2023 and will be subject to mandatory sinking fund redemption prior to maturity on November 1 of each year through the year 2023. The bonds are also subject to optional redemption prior to stated maturity on any Auction Rate Securities Interest Payment Date.



Required Supplementary Information

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

For the Year Ended June 30, 2003 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 1,437,000	\$ 1,437,000	\$ 1,432,613	\$ (4,387)
Individual income tax	1,140,900	1,140,900	1,020,028	(120,872)
Corporate income and franchise taxes	260,800	260,800	288,778	27,978
Use and wholesale compensating taxes	165,900	165,900	149,868	(16,032)
Tobacco, beer and wine taxes	86,500	86,500	85,805	(695)
Insurance tax	118,800	118,800	130,539	11,739
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	46,500	46,500	46,261	(239)
Inheritance tax	28,000	28,000	22,413	(5,587)
Other taxes	18,000	18,000	16,345	(1,655)
Interest	25,000	25,000	11,864	(13,136)
Auto privilege, tag and title fees	15,900	15,900	15,398	(502)
Gaming fees	171,400	171,400	166,140	(5,260)
Highway Safety Patrol fees	23,500	23,500	21,070	(2,430)
Other fees and services	15,200	15,200	15,673	473
Miscellaneous	3,000	3,000	3,312	312
Court assessments and settlements			10,929	10,929
Special Fund revenues				
Total Revenues	3,556,400	3,556,400	3,437,036	(119,364)
Expenditures by Major Budgetary Function				
Legislative	21,675	21,630	21,174	(456)
Judiciary and justice	44,714	44,142	43,973	(169)
Executive and administrative	3,181	3,056	3,042	(14)
Fiscal affairs	66,765	64,011	64,004	(7)
Public education	1,518,882	1,518,882	1,517,999	(883)
Higher education	532,014	539,214	535,438	(3,776)
Public health	30,351	29,138	28,070	(1,068)
Hospitals and hospital schools	188,968	181,792	181,694	(98)
Agriculture, commerce and economic development	86,196	84,981	84,917	(64)
Conservation and recreation	53,615	51,615	51,610	(5)
Insurance and banking	32	32	21	(11)
Corrections	237,725	233,922	233,831	(91)
Interdepartmental service				
Social welfare	328,896	315,990	315,930	(60)
Public protection and veterans assistance	62,175	59,804	59,728	(76)
Local assistance	75,377	73,112	73,112	
Motor vehicle and other regulatory agencies	1,087	1,027	1,027	
Miscellaneous	1,317	1,287	1,287	
Public works	19,783	18,973	18,973	
Debt service	227,926	211,309	209,952	(1,357)
Total Expenditures	3,500,679	3,453,917	3,445,782	(8,135)
Excess of Revenues over (under) Expenditures	55,721	102,483	(8,746)	(111,229)
Other Financing Sources (Uses)				
Transfers in	18,200	18,200	49,082	30,882
Transfers out			(32,742)	(32,742)
Investments sold, net				
Other uses of cash			(8)	(8)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	73,921	120,683	7,586	(113,097)
Budgetary Fund Balances - Beginning	12,344	12,344	12,344	
Budgetary Fund Balances (Deficits) - Ending	\$ 86,265	\$ 133,027	\$ 19,930	\$ (113,097)

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)
\$ 190,452	\$ 190,452	\$ 194,417	\$ 3,965	\$	\$	\$	\$
18,406	18,406	16,844	(1,562)				
		29	29				
		3	3				
				6,573,734	7,600,010	6,753,515	(846,495)
208,858	208,858	211,293	2,435	6,573,734	7,600,010	6,753,515	(846,495)
					1,630	1,630	
				34,140	38,044	29,387	(8,657)
				9,397	10,440	9,641	(799)
				50,043	99,699	44,764	(54,935)
143,444	143,444	140,789	(2,655)	762,920	818,049	714,985	(103,064)
67,370	67,370	66,546	(824)	88,147	92,231	72,937	(19,294)
				207,127	254,235	205,933	(48,302)
				273,477	291,610	272,501	(19,109)
3,631	3,631	3,584	(47)	173,478	183,053	164,405	(18,648)
125	125		(125)	179,957	237,138	148,986	(88,152)
				46,686	46,751	32,983	(13,768)
				16,505	45,644	36,762	(8,882)
				41,202	41,314	32,782	(8,532)
				3,201,467	3,871,196	3,655,383	(215,813)
2,065	2,176	1,901	(275)	247,645	293,062	171,473	(121,589)
				923	923	923	
				24,988	25,442	23,199	(2,243)
450	450	445	(5)	2,136	3,472	2,133	(1,339)
151	126	126		1,132,241	1,139,822	971,755	(168,067)
				81,255	106,255	89,001	(17,254)
217,236	217,322	213,391	(3,931)	6,573,734	7,600,010	6,681,563	(918,447)
(8,378)	(8,464)	(2,098)	6,366			71,952	71,952
		1,878	1,878			2,705	2,705
						(34,281)	(34,281)
		(2)	(2)			(1,311)	(1,311)
(8,378)	(8,464)	(222)	8,242			39,065	39,065
		1,540	1,540			837,370	837,370
\$ (8,378)	\$ (8,464)	\$ 1,318	\$ 9,782	\$ 0	\$ 0	\$ 876,435	\$ 876,435

Required Supplementary Information

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

For the Year Ended June 30, 2003

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.

Budgeted General Fund and Education Enhancement Fund 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.

During fiscal year 2003, the State implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences*, which amends Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The amendment clarifies the budgetary presentation requirements for significant budgetary perspective differences that result in not being able to present budgetary comparison information for general fund and major special revenue funds. The provisions of this new statement have been incorporated into this note.

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, 2003 is presented below (amounts expressed in thousands):

<u>Budgetary Funds</u>	<u>General</u>	<u>Education Enhancement</u>	<u>Special Health Care</u>
<u>Financial Statement Major Funds</u>	<u>General</u>		<u>Health Care</u>
Net Change in Budgetary Fund Balances	\$ 7,586	\$ (222)	\$ 39,065
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	31,202	96	(31,298)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds		126	(7,704)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	(160,227)		(8,128)
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(305,893)		(5,958)
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	91,520		5,709
Net Change in GAAP Fund Balances	<u>\$ (335,812)</u>	<u>\$ 0</u>	<u>\$ (8,314)</u>

Required Supplementary Information

Schedule of Funding Progress

June 30, 2003 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Annual Covered Payroll ((b - a) / c)
Public Employees' Retirement System of Mississippi						
2001	\$ 16,191,631	\$ 18,494,207	\$ 2,302,576	87.5 %	\$ 4,112,238	56.0 %
2002	16,823,185	20,180,347	3,357,162	83.4	4,220,539	79.5
2003	16,979,457	21,485,838	4,506,381	79.0	4,431,600	101.7
Mississippi Highway Safety Patrol Retirement System						
2001	\$ 259,713	\$ 250,621	\$ (9,092)	103.6 %	\$ 21,972	(41.4) %
2002	263,255	285,548	22,293	92.2	20,339	109.6
2003	259,746	302,134	42,388	86.0	21,052	201.3
Municipal Retirement Systems *						
2000	\$ 253,713	\$ 375,059	\$ 121,346	67.6 %	\$ 8,485	1,430.1 %
2001	262,260	381,782	119,522	68.7	7,350	1,626.1
2002	259,586	393,011	133,425	66.1	5,980	2,231.2
Supplemental Legislative Retirement Plan						
2001	\$ 9,124	\$ 10,302	\$ 1,178	88.6 %	\$ 5,941	19.8 %
2002	9,730	11,328	1,598	85.9	5,988	26.7
2003	10,196	12,220	2,024	83.4	6,229	32.5

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2003, does not differ materially from the value as of September 30, 2002.

Notes to Schedule of Funding Progress

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 is determined on a market-related basis that recognizes 20 percent of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service 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 contribution between entry age and assumed exit age. Entry age is established by subtracting credited service from current age on the valuation date. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2003 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

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Nonmajor Governmental Funds

Significant 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 have been grouped by organizational unit and combined into specific functions.

Health and Social Services

Department of Rehabilitation Services - The **Rehabilitation Services Fund** accounts for federal and state monies used to provide vocational rehabilitation programs for the blind. The **Disability Determination Fund** accounts for funds received from the federal government for the specific purpose of evaluating applicants for Social Security benefits consistent with laws and regulations pertaining to disability eligibility.

Employment Security Commission - The **Employment Services Fund** accounts for monies received from the federal government for administering the Unemployment Compensation Act.

Department of Mental Health - The **Alcohol Abuse Program Fund** accounts for a three percent tax on alcoholic beverages collected by and transferred from the General Fund for the purpose of administering alcohol abuse treatment and rehabilitation programs. Expenditures consist primarily of grants for regional alcohol treatment programs, vocational rehabilitation services, inpatient treatment programs and alcohol rehabilitation programs for the Department of Corrections.

Law, Justice and Public Safety

Department of Corrections - The **Community Services Fund** provides alternative diversionary programs which subject individuals to the minimum supervision and control that the inmate requires in lieu of incarceration within the penitentiary. Revenue is provided by probation release fees.

Department of Public Safety - The **Public Safety Planning Fund** accounts for federal grant monies received to provide for criminal justice planning, national highway traffic safety and drug-free communities.

Military Department - The **National Guard Facility and Training Fund** accounts for monies received from the federal government to maintain, expand and improve facilities within the state and to pay the salaries of state employees working at training sites. The **Camp Shelby Operations Fund** accounts for federal monies received for the specific purpose of training troops. The fund also accounts for funds received from sale of timber, mineral leases on lands and store sales. Expenditures are for the maintenance of Camp Shelby.

Emergency Management - The **Emergency Management Fund** accounts for grant monies received from the federal government and transfers from the General Fund. Expenditures are restricted by the various grant agreements but all pertain to emergency management programs and their administration.



Recreation and Resources Development

Department of Agriculture and Commerce - The **Rice and Soybean Promotion Fund** accounts for fees charged for the sale of rice and soybeans. This revenue is expended to promote the rice and soybean industries through research, education and advertising.

Mississippi Development Authority - The **Community Development Fund** accounts for federal grant monies received to provide various community development programs including job development and training. The **Energy Conservation Fund** accounts for state and federal monies and other revenues used to coordinate the state's energy activities, needs and programs.

Department of Wildlife, Fisheries and Parks - The **Fisheries and Wildlife Fund** accounts for expenditures of enforcing laws for the preservation and protection of the state's wildlife resources and enhancing their environments. Additional responsibilities and expenses of this fund are enforcement of boating safety on state lakes and streams and enforcement of hunter safety. The Fisheries and Wildlife Fund also shares in administrative costs of the Department of Wildlife, Fisheries and Parks through operating transfers to the administrative fund. Revenues are derived from the sale of hunting and fishing licenses, fees and permits, taxes and federal grants. The **Parks and Recreation Fund** accounts for expenditures to support the varied activities to promote, operate and maintain the twenty-eight park sites located throughout the state. Funding is provided by user fees, federal grants and transfers from the General Fund. The **Motor Vehicle Fund** accounts for the purchase of motor vehicles for the Department of Wildlife, Fisheries and Parks. Funding is provided primarily by eight percent of the proceeds from the sale of hunting and fishing licenses, fees and permits.

Department of Marine Resources - The **Marine Resources Fund** accounts for expenditures of conserving and protecting marine resources and of administering coastal zone, liaison and statistical programs as directed by the National Office of Marine Fisheries. Funding is provided by transfers from the General Fund and by federal grants.

Regulation of Business and Professions

Public Service Commission - The **Public Service Commission Fund** accounts for the costs of regulating all for-hire transportation and communication, electric, gas, water and sewer utilities. Revenue is derived principally from motor carrier application and registration fees and utilities tax assessments.

Workers' Compensation Commission - The **Workers' Compensation Commission Fund** accounts for expenditures relating to administering the provisions of the Mississippi Workers' Compensation Law, which include cooperating with other state and federal authorities for the prevention of injuries and occupational diseases and, in the event of such injuries and diseases, coordinating the rehabilitation or restoration to health and vocational opportunity of the affected worker.

Department of Banking and Consumer Finance - The **Banking and Consumer Finance Fund** accounts for assessment fees charged to banks to fund the regulation and supervision of banks operating within the state. This fund also accounts for funds collected in the examining and licensing of motor vehicle finance organizations and small loan organizations.

Oil and Gas Board - The **Oil and Gas Board Fund** accounts for fees imposed on oil and gas drilling, production and storage. Funds are used to protect public and private interests against waste in the production and use of oil and gas, to obtain full development in oil production within the state and to maintain records of all oil and gas wells drilled and producing.

Other Regulatory Agencies - The **Other Regulatory Agencies Fund** provides for the control and regulation of various professions by boards and commissions established for this purpose. Revenue is provided by examination and license renewal fees. Each board or commission has its own account within this fund to account for its operation.



Debt Service Funds

Debt Service Funds account for transactions related to resources obtained and accumulated to pay principal and interest on general long-term debt which have been authorized and issued to provide funds for constructing and improving state-owned facilities (including ports, university facilities, public schools, parks, bridges and roads), to provide loans to facilitate and promote further economic development and for the purpose of refunding outstanding bonds of the state.

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.



Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2003 (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	\$ 15,747	\$ 17,702	\$ 32,395	\$ 27,565	\$ 93,409
Cash and cash equivalents	1,271	7,197	5,313	262	14,043
Investments	118		14,443		14,561
Receivables:					
Interest		3	211	5	219
Other	729	670	1,663	339	3,401
Due from other governments	1,409	11,709	26,543	843	40,504
Due from other funds	2,205	982	9,061	5,515	17,763
Inventories		788	242		1,030
Loans receivable, net			1,352		1,352
Total Assets	\$ 21,479	\$ 39,051	\$ 91,223	\$ 34,529	\$ 186,282
Liabilities					
Warrants payable	\$ 2,061	\$ 3,581	\$ 7,656	\$ 866	\$ 14,164
Accounts payable and accruals	2,088	6,756	5,218	420	14,482
Due to other governments	296	976	5,589	157	7,018
Due to other funds	791	1,103	400	45	2,339
Due to component units	30	183	554		767
Deferred revenues	1,595	9,558	3,732	5,491	20,376
Other liabilities				284	284
Total Liabilities	6,861	22,157	23,149	7,263	59,430
Fund Balances					
Reserved for:					
Education and vocational training					
Ellisville State School	2,025				2,025
Encumbrances	1,186	1,064	535	330	3,115
Long-term portion of due from other governments			9,488		9,488
Long-term portion of loans receivable			920		920
Wildlife conservation					
Unreserved:					
Designated for debt service					
Designated for energy programs			5,679		5,679
Designated for future loans			4,958		4,958
Undesignated	11,407	15,830	46,494	26,936	100,667
Total Fund Balances	14,618	16,894	68,074	27,266	126,852
Total Liabilities and Fund Balances	\$ 21,479	\$ 39,051	\$ 91,223	\$ 34,529	\$ 186,282

Debt Service	Permanent	Totals
\$ 55,865	\$ 1,970	\$ 151,244
	1,512	15,555
48,193	43,753	106,507
472	603	1,294
		3,401
		40,504
12,725		30,488
		1,030
		1,352
\$ 117,255	\$ 47,838	\$ 351,375
\$ 4	\$ 4	\$ 14,168
	23	14,509
		7,018
9,469	196	12,004
		767
		20,376
		284
9,473	223	69,126
	37,826	37,826
		2,025
		3,115
		9,488
		920
	5,752	5,752
107,782		107,782
		5,679
		4,958
	4,037	104,704
107,782	47,615	282,249
\$ 117,255	\$ 47,838	\$ 351,375

MISSISSIPPI

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2003 (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	4,309				4,309
Licenses, fees and permits	297	6,545	25,065	30,436	62,343
Federal government	58,268	85,002	140,779	2,544	286,593
Interest and other investment income	153	208	1,935	95	2,391
Charges for sales and services	2,226	1,279	3,553	80	7,138
Rentals			5,498	13	5,511
Other	24,764	8,853	1,069	554	35,240
Total Revenues	90,017	101,887	186,699	33,722	412,325
Expenditures					
Current:					
Education					
Health and social services	94,883				94,883
Law, justice and public safety		105,043			105,043
Recreation and resources development			188,444		188,444
Regulation of business and professions				32,096	32,096
Debt service:					
Principal	27	962		12	1,001
Interest	6	133		1	140
Defeasance of debt					
Total Expenditures	94,916	106,138	188,444	32,109	421,607
Excess of Revenues over (under) Expenditures	(4,899)	(4,251)	(1,745)	1,613	(9,282)
Other Financing Sources (Uses)					
Notes issued		3,154			3,154
Transfers in	7,016	7,798	9,815		24,629
Transfers out	(2,069)	(8,380)	(4,288)	(2,002)	(16,739)
Net Other Financing Sources (Uses)	4,947	2,572	5,527	(2,002)	11,044
Net Change in Fund Balances	48	(1,679)	3,782	(389)	1,762
Fund Balances - Beginning	14,570	18,573	64,292	27,655	125,090
Fund Balances - Ending	\$ 14,618	\$ 16,894	\$ 68,074	\$ 27,266	\$ 126,852

<u>Debt Service</u>	<u>Permanent</u>	<u>Totals</u>
\$	\$	\$
		8,800
		4,309
	229	62,572
		286,593
3,868	2,291	8,550
		7,138
		5,511
357	509	36,106
4,225	3,029	419,579
	96	96
		94,883
		105,043
		188,444
		32,096
69,014		70,015
45,073		45,213
3,959		3,959
118,046	96	539,749
(113,821)	2,933	(120,170)
		3,154
167,842		192,471
(11,452)	(1,586)	(29,777)
156,390	(1,586)	165,848
42,569	1,347	45,678
65,213	46,268	236,571
\$ 107,782	\$ 47,615	\$ 282,249

MISSISSIPPI

Nonmajor Special Revenue Funds

Combining Balance Sheet Health and Social Services

June 30, 2003 (Expressed in Thousands)

	Department of Rehabilitation Services		Employment Security Commission
	Rehabilitation Services	Disability Determination	Employment Services
Assets			
Equity in internal investment pool	\$ 855	\$ 7,827	\$ 4,626
Cash and cash equivalents		5	739
Investments	118		
Receivables:			
Other	553	3	22
Due from other governments	4	509	896
Due from other funds	1,248	37	575
Total Assets	\$ 2,778	\$ 8,381	\$ 6,858
Liabilities			
Warrants payable	\$ 159	\$ 690	\$ 1,061
Accounts payable and accruals	229	818	581
Due to other governments		5	289
Due to other funds	563	76	24
Due to component units			30
Deferred revenues			1,595
Total Liabilities	951	1,589	3,580
Fund Balances			
Reserved for:			
Ellisville State School			
Encumbrances	1	152	1,033
Unreserved:			
Undesignated	1,826	6,640	2,245
Total Fund Balances	1,827	6,792	3,278
Total Liabilities and Fund Balances	\$ 2,778	\$ 8,381	\$ 6,858

Department of Mental Health

Alcohol Abuse Program	Social Services	Totals
\$ 291	\$ 2,148	\$ 15,747
	527	1,271
		118
	151	729
		1,409
345		2,205
\$ 636	\$ 2,826	\$ 21,479
\$ 151	\$	\$ 2,061
365	95	2,088
	2	296
122	6	791
		30
		1,595
638	103	6,861
	2,025	2,025
		1,186
(2)	698	11,407
(2)	2,723	14,618
\$ 636	\$ 2,826	\$ 21,479

MISSISSIPPI

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Health and Social Services

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Department of Rehabilitation Services		Employment Security Commission
	Rehabilitation Services	Disability Determination	Employment Services
Revenues			
Other taxes	\$	\$	\$
Licenses, fees and permits			
Federal government	175	22,061	36,032
Interest	6	107	2
Charges for services	101	391	250
Other		2,075	22,683
Total Revenues	282	24,634	58,967
Expenditures			
Current:			
Health and social services	3,644	24,741	61,152
Debt service:			
Principal		27	
Interest		6	
Total Expenditures	3,644	24,774	61,152
Excess of Revenues over (under) Expenditures	(3,362)	(140)	(2,185)
Other Financing Sources (Uses)			
Transfers in	3,199	1,874	1,894
Transfers out	(330)	(876)	(189)
Net Other Financing Sources (Uses)	2,869	998	1,705
Net Change in Fund Balances	(493)	858	(480)
Fund Balances - Beginning	2,320	5,934	3,758
Fund Balances - Ending	\$ 1,827	\$ 6,792	\$ 3,278

Department of Mental Health

Alcohol Abuse Program	Social Services	Totals
\$ 4,309	\$ 297	\$ 4,309
	38	297
	1,481	58,268
3	6	153
		2,226
		24,764
4,312	1,822	90,017
3,567	1,779	94,883
		27
		6
3,567	1,779	94,916
745	43	(4,899)
49		7,016
(674)		(2,069)
(625)		4,947
120	43	48
(122)	2,680	14,570
\$ (2)	\$ 2,723	\$ 14,618

Nonmajor Special Revenue Funds

Combining Balance Sheet
Law, Justice and Public Safety
 June 30, 2003 (Expressed in Thousands)

	<u>Attorney General</u>	<u>Department of Corrections</u>		<u>Department of Public Safety</u>
	Medicaid Fraud	Community Services	Inmate Welfare and Training	Public Safety Planning
Assets				
Equity in internal investment pool	\$ 48	\$ 2,173	\$ 5	\$ 5,279
Cash and cash equivalents		99	5,439	
Receivables:				
Interest				3
Other		7	341	322
Due from other governments	7		8	3,319
Due from other funds	2	67	913	
Inventories				
Total Assets	\$ 57	\$ 2,346	\$ 6,706	\$ 8,923
Liabilities				
Warrants payable	\$ 45	\$ 359	\$	\$ 431
Accounts payable and accruals	9	35	137	1,926
Due to other governments			27	
Due to other funds			71	986
Due to component units		1	2	175
Deferred revenues				4,554
Total Liabilities	54	395	237	8,072
Fund Balances				
Reserved for:				
Encumbrances	3	3	242	20
Unreserved:				
Undesignated		1,948	6,227	831
Total Fund Balances	3	1,951	6,469	851
Total Liabilities and Fund Balances	\$ 57	\$ 2,346	\$ 6,706	\$ 8,923

Military Department

National Guard Facility and Training		Camp Shelby Operations	Emergency Management	Other	Totals
\$ 1,746	\$ 1,610	\$ 6,208	\$ 633	\$ 17,702	
	354		1,305	7,197	
				3	
				670	
7,080	51	1,244		11,709	
				982	
788				788	
\$ 9,614	\$ 2,015	\$ 7,452	\$ 1,938	\$ 39,051	
\$ 745	\$ 431	\$ 1,570	\$	\$ 3,581	
3,468	688	103	390	6,756	
8		941		976	
		46		1,103	
		5		183	
4,889	115			9,558	
9,110	1,234	2,665	390	22,157	
504	199	93		1,064	
	582	4,694	1,548	15,830	
504	781	4,787	1,548	16,894	
\$ 9,614	\$ 2,015	\$ 7,452	\$ 1,938	\$ 39,051	

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Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Law, Justice and Public Safety

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Attorney General	Department of Corrections		Department of Public Safety
	Medicaid Fraud	Community Services	Inmate Welfare and Training	Public Safety Planning
Revenues				
Licenses, fees and permits	\$	\$	\$	\$
Federal government	1,269	6,116		20,732
Interest		1	24	84
Charges for services	1			
Other		158	3,453	595
Total Revenues	1,270	6,275	3,477	21,411
Expenditures				
Current:				
Law, justice and public safety	1,593	6,159	4,324	17,726
Debt service:				
Principal			962	
Interest			133	
Total Expenditures	1,593	6,159	5,419	17,726
Excess of Revenues over (under) Expenditures	(323)	116	(1,942)	3,685
Other Financing Sources (Uses)				
Notes issued			3,154	
Transfers in	287	470	1,119	587
Transfers out		(841)	(1,564)	(4,642)
Net Other Financing Sources (Uses)	287	(371)	2,709	(4,055)
Net Change in Fund Balances	(36)	(255)	767	(370)
Fund Balances - Beginning	39	2,206	5,702	1,221
Fund Balances - Ending	\$ 3	\$ 1,951	\$ 6,469	\$ 851

Military Department

National Guard Facility and Training		Camp Shelby Operations	Emergency Management	Other	Totals				
\$		\$	10	\$	419	\$	6,545		
	38,253	3,851	20,897				85,002		
		24	61	14			208		
	341	775	162				1,279		
	1,020	1,246	365	2,016			8,853		
	39,614	5,896	21,495	2,449			101,887		
	40,575	5,562	27,495	1,609			105,043		
							962		
							133		
	40,575	5,562	27,495	1,609			106,138		
	(961)	334	(6,000)	840			(4,251)		
							3,154		
	1,004	300	4,031				7,798		
		(638)	(28)	(667)			(8,380)		
	1,004	(338)	4,003	(667)			2,572		
	43	(4)	(1,997)	173			(1,679)		
	461	785	6,784	1,375			18,573		
\$	504	\$	781	\$	4,787	\$	1,548	\$	16,894

Nonmajor Special Revenue Funds

Combining Balance Sheet Recreation and Resources Development

June 30, 2003 (Expressed in Thousands)

	Department of Agriculture and Commerce				Mississippi Development Authority			State Treasurer
	Rice and Soybean Promotion	Community Development	Energy Conservation	Other	Court Assessments and Settlements			
Assets								
Equity in internal investment pool	\$ 1,073	\$ 3,941	\$ 2,693	\$ 350				
Cash and cash equivalents	437			108				
Investments	400		8,666		689			
Receivables:								
Interest		62	7		2			
Other	459	1,189	1					
Due from other governments		25,822	361	5				
Due from other funds				5				
Inventories								
Loans receivable, net			1,352					
Total Assets	\$ 2,369	\$ 31,014	\$ 13,080	\$ 468	\$ 691			
Liabilities								
Warrants payable	\$	\$ 5,449	\$ 303	\$				
Accounts payable and accruals	14	3,352	69					
Due to other governments		5,501	6					
Due to other funds		244	38					
Due to component units		306	25					
Deferred revenues		1,716						
Total Liabilities	14	16,568	441					
Fund Balances								
Reserved for:								
Encumbrances			130					
Long-term portion of due from other governments		9,488						
Long-term portion of loans receivable			920					
Unreserved:								
Designated for energy programs			5,679					
Designated for future loans		4,958						
Undesignated	2,355		5,910	468	691			
Total Fund Balances	2,355	14,446	12,639	468	691			
Total Liabilities and Fund Balances	\$ 2,369	\$ 31,014	\$ 13,080	\$ 468	\$ 691			

Department of Wildlife, Fisheries and Parks

Department of Wildlife, Fisheries and Parks					Department of Marine Resources	Totals
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other			
\$ 8,231	\$ 2,834	\$ 1,745	\$ 1,191	\$ 10,337	\$ 32,395	
1,424	497	21	2,822	4	5,313	
			4,688		14,443	
6	2	2	130		211	
10				4	1,663	
36				319	26,543	
5,750	32		133	3,141	9,061	
112	130				242	
					1,352	
\$ 15,569	\$ 3,495	\$ 1,768	\$ 8,964	\$ 13,805	\$ 91,223	
\$ 1,024	\$ 555	\$	\$	\$ 325	\$ 7,656	
992	674	20		97	5,218	
3	30			49	5,589	
113	3			2	400	
115	4			104	554	
1,922		94			3,732	
4,169	1,266	114		577	23,149	
245	32			128	535	
					9,488	
					920	
					5,679	
					4,958	
11,155	2,197	1,654	8,964	13,100	46,494	
11,400	2,229	1,654	8,964	13,228	68,074	
\$ 15,569	\$ 3,495	\$ 1,768	\$ 8,964	\$ 13,805	\$ 91,223	



Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Recreation and Resources Development

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Department of Agriculture and Commerce	Mississippi Development Authority			State Treasurer
	Rice and Soybean Promotion	Community Development	Energy Conservation	Other	Court Assessments and Settlements
Revenues					
Gasoline and other motor fuel taxes	\$	\$	\$	\$	\$
Licenses, fees and permits	1,737			5	
Federal government		128,492	982		
Interest and other investment income	10	1,194	205	6	10
Charges for services	991			227	
Rentals					
Other	10	83			
Total Revenues	2,748	129,769	1,187	238	10
Expenditures					
Recreation and resources development	2,646	125,859	1,406	205	
Excess of Revenues over (under) Expenditures	102	3,910	(219)	33	10
Other Financing Sources (Uses)					
Transfers in	130			5	
Transfers out	(13)	(3,064)	(89)		
Net Other Financing Sources (Uses)	117	(3,064)	(89)	5	
Net Change in Fund Balances	219	846	(308)	38	10
Fund Balances - Beginning	2,136	13,600	12,947	430	681
Fund Balances - Ending	\$ 2,355	\$ 14,446	\$ 12,639	\$ 468	\$ 691

Department of Wildlife, Fisheries and Parks

Department of Wildlife, Fisheries and Parks				Department of Marine Resources	Totals
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other		
\$ 5,750	\$	\$	\$	\$ 3,050	\$ 8,800
13,176	7,897	949	279	1,022	25,065
6,583	1,087			3,635	140,779
184	48	28	159	91	1,935
394	35	152	832	922	3,553
29	17			5,452	5,498
707	92	62	5	110	1,069
26,823	9,176	1,191	1,275	14,282	186,699
27,763	16,274	811	28	13,452	188,444
(940)	(7,098)	380	1,247	830	(1,745)
5	6,838		1,000	1,837	9,815
(999)				(123)	(4,288)
(994)	6,838		1,000	1,714	5,527
(1,934)	(260)	380	2,247	2,544	3,782
13,334	2,489	1,274	6,717	10,684	64,292
\$ 11,400	\$ 2,229	\$ 1,654	\$ 8,964	\$ 13,228	\$ 68,074

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Nonmajor Special Revenue Funds

Combining Balance Sheet
Regulation of Business and Professions
 June 30, 2003 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
Assets			
Equity in internal investment pool	\$ 3,874	\$ 6,683	\$ 2,067
Cash and cash equivalents	157		
Receivables:			
Interest		5	
Other	6	312	6
Due from other governments	843		
Due from other funds	5,515		
Total Assets	\$ 10,395	\$ 7,000	\$ 2,073
Liabilities			
Warrants payable	\$ 281	\$ 145	\$ 66
Accounts payable and accruals	337	70	
Due to other governments	157		
Due to other funds	12	5	16
Deferred revenues	5,491		
Other liabilities		284	
Total Liabilities	6,278	504	82
Fund Balances			
Reserved for:			
Encumbrances			
Unreserved:			
Undesignated	4,117	6,496	1,991
Total Fund Balances	4,117	6,496	1,991
Total Liabilities and Fund Balances	\$ 10,395	\$ 7,000	\$ 2,073

Oil and Gas Board	Other Regulatory Agencies	Totals
\$ 3,180	\$ 11,761	\$ 27,565
	105	262
		5
8	7	339
		843
		5,515
\$ 3,188	\$ 11,873	\$ 34,529
\$ 138	\$ 236	\$ 866
1	12	420
		157
1	11	45
		5,491
		284
140	259	7,263
	330	330
3,048	11,284	26,936
3,048	11,614	27,266
\$ 3,188	\$ 11,873	\$ 34,529

MISSISSIPPI

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Regulation of Business and Professions

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
Revenues			
Licenses, fees and permits	\$ 10,010	\$ 5,116	\$ 2,239
Federal government	2,449		
Interest		67	
Charges for services	10	49	
Rentals			
Other	263		
Total Revenues	12,732	5,232	2,239
Expenditures			
Current:			
Regulation of business and professions	11,045	4,487	3,723
Debt service:			
Principal			
Interest			
Total Expenditures	11,045	4,487	3,723
Excess of Revenues over (under) Expenditures	1,687	745	(1,484)
Other Financing Uses			
Transfers out	(1,850)	(150)	
Net Other Financing Uses	(1,850)	(150)	
Net Change in Fund Balances	(163)	595	(1,484)
Fund Balances - Beginning	4,280	5,901	3,475
Fund Balances - Ending	\$ 4,117	\$ 6,496	\$ 1,991

Oil and Gas Board	Other Regulatory Agencies	Totals
\$ 2,353	\$ 10,718	\$ 30,436
95		2,544
	28	95
	21	80
	13	13
	291	554
2,448	11,071	33,722
2,837	10,004	32,096
	12	12
	1	1
2,837	10,017	32,109
(389)	1,054	1,613
(1)	(1)	(2,002)
(1)	(1)	(2,002)
(390)	1,053	(389)
3,438	10,561	27,655
\$ 3,048	\$ 11,614	\$ 27,266

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Nonmajor Enterprise Funds

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

Nonmajor Enterprise Funds Descriptions

Fair Commission - The **Fair Commission Fund** accounts for expenses of the Fair Commission's operation of the coliseum, Dixie National Livestock Show and Industrial Showcase Building, including payment of maturing bond interest and principal. 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 and proceeds from bond issues.

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 **Allied Enterprises Fund** accounts for a statewide system of sheltered workshop facilities through which handicapped citizens receive work experience to prepare them for employment outside the Allied Enterprises 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 **Farmers' Central Market Board Fund** accounts for the construction, maintenance and operation of facilities for processing, storing and marketing agricultural products. Funding is derived from rental income. 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 Fund** accounts for operations of two restaurants maintained for the convenience of Department of Corrections penitentiary employees. The **Commissary Fund** accounts for operations of the commissary. Profits 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.



Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2003 (Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	Department of Rehabilitation Services Allied Enterprises
Assets					
Current assets:					
Equity in internal investment pool	\$ 977	\$ 19,490	\$ 112	\$	\$
Cash and cash equivalents	58	34	10	4,320	3,272
Receivables, net:					
Accounts	101			195	1,708
Interest and dividends		516			
Due from other governments					
Due from other funds	16				609
Due from component units					
Inventories					170
Prepaid items				30	3
Loans and notes receivable		4,236			
Total Current Assets	1,152	24,276	122	4,545	5,762
Noncurrent assets:					
Loans and notes receivable		115,498			
Capital assets, net	19,293	1,773	13,701	16,229	
Total Noncurrent Assets	19,293	117,271	13,701	16,229	
Total Assets	20,445	141,547	13,823	20,774	5,762
Liabilities					
Current liabilities:					
Warrants payable	55	213	19		
Accounts payable and other liabilities	139	11	11	1	478
Due to other governments					
Due to other funds	128		1	240	11
Due to component units					
Deposits		954			
Bonds payable	135				
Deferred revenues	42				269
Lease obligations payable	11				
Total Current Liabilities	510	1,178	31	241	758
Noncurrent liabilities:					
Due to other governments				9,151	
Loans from other funds				1,560	
Bonds payable	295				
Lease obligations payable	19				
Other liabilities	60	31	21	24	
Total Noncurrent Liabilities	374	31	21	10,735	
Total Liabilities	884	1,209	52	10,976	758
Net Assets					
Invested in capital assets, net of related debt	18,833	1,773	13,701	14,429	
Unrestricted (deficit)	728	138,565	70	(4,631)	5,004
Total Net Assets	\$ 19,561	\$ 140,338	\$ 13,771	\$ 9,798	\$ 5,004

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections			Totals
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants	Commissary	Prison Agricultural Enterprises		
\$ 46	\$ 191	\$ 24	\$	\$ 48	\$ 1,062	\$ 21,950	
	172		24	234		8,124	
30		6	1	567		2,608	
		16				516	
		6	2		69	16	
	19		7	386	58	696	
				12		6	
						640	
						45	
						4,236	
76	382	52	34	1,247	1,189	38,837	
						115,498	
734	4,537	214	3	155	3,487	60,126	
734	4,537	214	3	155	3,487	175,624	
810	4,919	266	37	1,402	4,676	214,461	
10	15	7			69	388	
9	19	7	29	485	70	1,259	
				6		6	
		1		913		1,294	
				7		7	
						954	
						135	
						311	
					82	93	
19	34	15	29	1,411	221	4,447	
						9,151	
						1,560	
						295	
					81	100	
19	40	14			223	432	
19	40	14			304	11,538	
38	74	29	29	1,411	525	15,985	
734	4,537	214	3	155	3,324	57,703	
38	308	23	5	(164)	827	140,773	
\$ 772	\$ 4,845	\$ 237	\$ 8	\$ (9)	\$ 4,151	\$ 198,476	

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Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2003 (Expressed in Thousands)

						Department of Rehabilitation Services
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority		Allied Enterprises
Operating Revenues						
Charges for sales and services	\$ 4,799	\$	\$ 1,305	\$ 933	\$	12,423
Interest income		7,373				
Rentals		47		729		
Fees		59				
Other	155	5	185			30
Total Operating Revenues	4,954	7,484	1,490	1,662		12,453
Operating Expenses						
Cost of sales and services						12,403
General and administrative	940	580	309	399		5,716
Contractual services	2,836	286	992	201		1,251
Commodities	326	53	189	22		42
Depreciation	420	60	390	695		
Other	20		46			1
Total Operating Expenses	4,542	979	1,926	1,317		19,413
Operating Income (Loss)	412	6,505	(436)	345		(6,960)
Nonoperating Revenues						
Interest and other investment income		225	4	170		28
Total Nonoperating Revenues		225	4	170		28
Nonoperating Expenses						
Loss on disposal of assets	29		30			
Interest	47			41		
Other				537		
Total Nonoperating Expenses	76		30	578		
Income (Loss) before Capital Contributions and Transfers	336	6,730	(462)	(63)		(6,932)
Capital Contributions	168					
Transfers In				303		6,960
Transfers Out		(23)				
Change in Net Assets	504	6,707	(462)	240		28
Total Net Assets - Beginning	19,057	133,631	14,233	9,558		4,976
Total Net Assets - Ending	\$ 19,561	\$ 140,338	\$ 13,771	\$ 9,798	\$	5,004

Department of Agriculture and Commerce		Department of Finance and Administration	Department of Corrections				
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants	Commissary	Prison Agricultural Enterprises	Totals	
\$	\$ 150	\$ 434	\$ 288	\$ 7,728	\$ 879	\$ 28,939	
	295	270			251	7,373	
	1	1	5	88	5	1,592	59
	296	421	439	376	7,733	1,130	475
		42		271	5,173	952	18,841
198	438	360	60	1,334	593	10,927	
101	304	101	4	112	504	6,692	
11	92	13	117	118	1,064	2,047	
18	106	14	1	20	374	2,098	
				29		96	
	328	982	488	453	6,786	3,487	40,701
	(32)	(561)	(49)	(77)	947	(2,357)	(2,263)
			1		9		437
			1		9		437
	5	13		7		84	
					11	99	
						537	
	5	13		7	11	720	
(37)	(561)	(61)	(77)	949	(2,368)	(2,546)	
6	18				87	279	
40	618				1,564	9,485	
	(187)	(18)	(1)	(959)	(11)	(1,199)	
	9	(112)	(79)	(78)	(10)	(728)	6,019
	763	4,957	316	86	1	4,879	192,457
\$	\$ 772	\$ 4,845	\$ 237	\$ 8	\$ (9)	\$ 4,151	\$ 198,476



Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Department of Rehabilitation Services				
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	Allied Enterprises
Cash Flows from Operating Activities					
Cash receipts from customers	\$ 4,914	\$ 48	\$ 1,305	\$ 1,799	\$ 11,897
Cash payments to suppliers for goods and services	(3,142)	(440)	(1,224)	(243)	(13,622)
Cash payments to employees for services	(958)	(564)	(307)	(385)	(5,430)
Other operating cash receipts		63	185		30
Other operating cash payments			(1)		
Principal and interest received on program loans					
Issuance of program loans		22,722			
		(15,896)			
Net Cash Provided by (Used for) Operating Activities	814	5,933	(42)	1,171	(7,125)
Cash Flows from Noncapital Financing Activities					
Transfers in				303	6,960
Transfers out		(23)			
Net Cash Provided by (Used for) Noncapital Financing Activities		(23)		303	6,960
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(17)		(15)	(755)	
Proceeds from sales of capital assets	1				
Principal paid on bonds and capital assets contracts	(137)			(240)	
Interest paid on bonds and capital assets contracts	(48)			(41)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(201)		(15)	(1,036)	
Cash Flows from Investing Activities					
Interest and other investment income		225	4	170	28
Net Cash Provided by Investing Activities		225	4	170	28
Net Increase (Decrease) in Cash and Cash Equivalents	613	6,135	(53)	608	(137)
Cash and Cash Equivalents - Beginning	422	13,389	175	3,712	3,409
Cash and Cash Equivalents - Ending	\$ 1,035	\$ 19,524	\$ 122	\$ 4,320	\$ 3,272

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections			
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants	Commissary	Prison Agricultural Enterprises	Totals	
\$ 282	\$ 420	\$ 477	\$ 345	\$ 7,738	\$ 1,131	\$ 30,356	
(122)	(431)	(144)	(389)	(5,462)	(2,629)	(27,848)	
(201)	(437)	(377)	(62)	(1,323)	(625)	(10,669)	
1	1		87	6		373	(1)
						22,722	(15,896)
(40)	(447)	(44)	(19)	959	(2,123)	(963)	
40	618	(18)	(1)	(959)	1,630	9,551	
	(187)				(11)	(1,199)	
40	431	(18)	(1)	(959)	1,619	8,352	
5	(52)			(80)	(39)	(958)	6
					(78)	(455)	
					(11)	(100)	
5	(52)			(80)	(128)	(1,507)	
		1		9		437	
		1		9		437	
5	(68)	(61)	(20)	(71)	(632)	6,319	
41	431	85	44	353	1,694	23,755	
\$ 46	\$ 363	\$ 24	\$ 24	\$ 282	\$ 1,062	\$ 30,074	

(Continued on Next Page)

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2003 (Expressed in Thousands)

(Continued from Previous Page)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	Department of Rehabilitation Services Allied Enterprises
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ 412	\$ 6,505	\$ (436)	\$ 345	\$ (6,960)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	420	60	390	695	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable, net	(51)			137	(260)
Interest receivable		10			
Due from other governments					
Interfund receivables	4				(265)
Inventories					(6)
Prepaid items				(2)	(3)
Loans and notes receivable		90			
Increase (decrease) in liabilities:					
Warrants payable	(67)	(624)	(1)		
Accounts payable and other liabilities	89	(105)	4	(4)	369
Due to other governments					
Interfund payables	1	(3)	1		
Deferred revenues	6				
Total adjustments	402	(572)	394	826	(165)
Net Cash Provided by (Used for) Operating Activities	\$ 814	\$ 5,933	\$ (42)	\$ 1,171	\$ (7,125)
Noncash Capital and Related Financing Activities					
Capital contributions	168				
Loss on disposal of capital assets	29		30		

Department of Agriculture and Commerce		Department of Finance and Administration	Department of Corrections			Totals
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants	Commissary	Prison Agricultural Enterprises	
\$ (32)	\$ (561)	\$ (49)	\$ (77)	\$ 947	\$ (2,357)	\$ (2,263)
18	106	14	1	20	374	2,098
(13)		(3)	51	(566)		(705)
		27		4		10
		(5)	5	573		31
	(3)	18		3	46	312
				(12)		58
						(17)
						90
(12)	9	(18)			(89)	(802)
(1)	2	(28)	1	61	(97)	291
				3		3
				(74)		(75)
						6
(8)	114	5	58	12	234	1,300
\$ (40)	\$ (447)	\$ (44)	\$ (19)	\$ 959	\$ (2,123)	\$ (963)
6	18				87	279
5		13		7		84

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Internal Service Funds

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

Internal Service Funds Descriptions

Personnel Board - The **Personnel Board Fund** accounts for the expenses of establishing personnel policies, regulating the pay of state employees and 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.



Internal Service Funds

Combining Statement of Net Assets

June 30, 2003 (Expressed in Thousands)

	Department of Finance and Administration			Totals
	Personnel Board	Information Technology Services	Risk Management	
Assets				
Current assets:				
Equity in internal investment pool	\$ 1,283	\$ 7,120	\$ 11,279	\$ 19,682
Cash and cash equivalents			2,354	2,354
Investments			64,258	64,258
Receivables:				
Accounts	9	37	3	49
Interest			333	333
Due from other governments	1	31	3	35
Due from other funds	64	2,747	30	2,841
Due from component units		50		50
Loans receivable			150	150
Total Current Assets	1,357	9,985	78,410	89,752
Noncurrent assets:				
Investments			45,907	45,907
Capital assets, net	11	6,775	25	6,811
Total Noncurrent Assets	11	6,775	45,932	52,718
Total Assets	1,368	16,760	124,342	142,470
Liabilities				
Current liabilities:				
Warrants payable	162	342	620	1,124
Accounts payable and other liabilities	148	592	2,368	3,108
Due to other funds	1	1	263	265
Claims and benefits payable			129,201	129,201
Deferred revenues			2,505	2,505
Lease obligations payable		253		253
Total Current Liabilities	311	1,188	134,957	136,456
Noncurrent liabilities:				
Lease obligations payable		233		233
Other liabilities	251	713	95	1,059
Total Noncurrent Liabilities	251	946	95	1,292
Total Liabilities	562	2,134	135,052	137,748
Net Assets				
Invested in capital assets, net of related debt	11	6,289	25	6,325
Unrestricted (deficit)	795	8,337	(10,735)	(1,603)
Total Net Assets	\$ 806	\$ 14,626	\$ (10,710)	\$ 4,722

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Internal Service Funds

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

For the Year Ended June 30, 2003 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			Totals
	Personnel Board	Information Technology Services	Risk Management	
Operating Revenues				
Charges for sales and services/premiums	\$ 5,487	\$ 27,961	\$ 477,244	\$ 510,692
Other	2	420	19	441
Total Operating Revenues	5,489	28,381	477,263	511,133
Operating Expenses				
General and administrative	3,291	8,416	2,843	14,550
Contractual services	1,988	16,226	26,836	45,050
Commodities	234	542	119	895
Depreciation	9	2,898	2	2,909
Claims and benefits			443,709	443,709
Total Operating Expenses	5,522	28,082	473,509	507,113
Operating Income (Loss)	(33)	299	3,754	4,020
Nonoperating Revenues				
Interest and other investment income			5,269	5,269
Total Nonoperating Revenues			5,269	5,269
Nonoperating Expenses				
Loss on disposal of assets	1	1		2
Interest		44		44
Other		255		255
Total Nonoperating Expenses	1	300		301
Income (Loss) before Transfers	(34)	(1)	9,023	8,988
Transfers In		1,032	286	1,318
Transfers Out			(114)	(114)
Change in Net Assets	(34)	1,031	9,195	10,192
Total Net Assets - Beginning, as restated	840	13,595	(19,905)	(5,470)
Total Net Assets - Ending	\$ 806	\$ 14,626	\$ (10,710)	\$ 4,722

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2003 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			Totals
	Personnel Board	Information Technology Services	Risk Management	
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	\$ 5,462	\$ 25,181	\$ 156,367	\$ 187,010
Cash receipts/premiums from customers	77	1,825	322,940	324,842
Cash payments to suppliers for goods and services	(2,159)	(17,426)	(27,653)	(47,238)
Cash payments to employees for services	(3,237)	(8,280)	(2,818)	(14,335)
Cash payments for claims and benefits			(443,480)	(443,480)
Other operating cash receipts	2	420	19	441
Net Cash Provided by Operating Activities	145	1,720	5,375	7,240
Cash Flows From Noncapital Financing Activities				
Transfers in		1,032	280	1,312
Transfers out			(114)	(114)
Loans issued			(150)	(150)
Net Cash Provided by Noncapital Financing Activities		1,032	16	1,048
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets		(615)		(615)
Principal paid on capital assets contracts		(1,453)		(1,453)
Interest paid on capital assets contracts		(41)		(41)
Net Cash Used for Capital and Related Financing Activities		(2,109)		(2,109)
Cash Flows from Investing Activities				
Proceeds from sales of investments			5,875	5,875
Purchases of investments			(14,261)	(14,261)
Interest and other investment income			3,531	3,531
Net Cash Used for Investing Activities			(4,855)	(4,855)
Net Increase in Cash and Cash Equivalents	145	643	536	1,324
Cash and Cash Equivalents - Beginning	1,138	6,477	13,097	20,712
Cash and Cash Equivalents - Ending	\$ 1,283	\$ 7,120	\$ 13,633	\$ 22,036

(Continued on Next Page)

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2003 (Expressed in Thousands)

(Continued from Previous Page)

	Personnel Board	Information Technology Services	Department of Finance and Administration Risk Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (33)	\$ 299	\$ 3,754	\$ 4,020
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	9	2,898	2	2,909
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(1)	56	(3)	52
Due from other governments		(3)	53	50
Interfund receivables	53	(1,006)	959	6
Increase (decrease) in liabilities:				
Warrants payable	21	(375)	(336)	(690)
Accounts payable and other liabilities	101	(149)	(340)	(388)
Due to other governments		(1)		(1)
Interfund payables	(5)	1	4	0
Claims and benefits payable			227	227
Deferred revenues			1,055	1,055
Total adjustments	178	1,421	1,621	3,220
Net Cash Provided by Operating Activities	\$ 145	\$ 1,720	\$ 5,375	\$ 7,240

Noncash Capital and Related Financing and Investing Activities

New capital leases		344		344
Loss on disposal of capital assets	1	1		2
Change in market value of investments			1,687	1,687

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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. These deposits are invested until retirement, severance from public service, death or extreme hardship of the individual participants.

Private-purpose Trust Funds

State Treasurer - The **Affordable College Savings 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. The **Memorial Burn Center Fund** is a trust fund created for the support and maintenance of the Mississippi Firefighters Memorial Burn Center, a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Funding is provided by donations and investment earnings.

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.



Pension Trust Funds

Combining Statement of Fiduciary Net Assets

June 30, 2003 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	\$ 2,680	\$	\$
Cash and cash equivalents	339,262	4,996	4,932
Investments:			
Investments, at fair value	14,165,990	216,031	213,321
Securities lending	2,021,636	31,002	30,613
Receivables:			
Employer contributions	28,783		422
Employee contributions	21,403		36
Investment proceeds	350,545	5,346	5,278
Interest and dividends	68,386	1,043	1,029
Other	2,120		2
Capital assets, net	7,424		
Total Assets	17,008,229	258,418	255,633
Liabilities			
Warrants payable	613		
Accounts payable and accruals	990,709	15,035	14,858
Amounts held in custody for others	1,138		
Obligations under securities lending	2,003,586	30,726	30,339
Total Liabilities	2,996,046	45,761	45,197
Net Assets			
Held in trust for pension benefits	\$ 14,012,183	\$ 212,657	\$ 210,436

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$	\$	\$
200	1,528	2,680
8,633	627,325	350,918
1,239		15,231,300
		2,084,490
		29,205
	2,944	24,383
214		361,383
41	180	70,679
		2,122
		7,424
10,327	631,977	18,164,584
		613
601	169	1,021,372
		1,138
1,228		2,065,879
1,829	169	3,089,002
\$	\$	\$
8,498	631,808	15,075,582

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Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2003 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	\$ 448,263	\$ 5,627	\$ 14,310
Employee	333,297	1,398	563
Total Contributions	781,560	7,025	14,873
Net Investment Income:			
Net change			
in fair value of investments	20,630	316	312
Interest and dividends	446,360	6,845	6,759
Securities lending:			
Income from securities lending	30,871	474	468
Interest expense and trading costs from securities lending	(25,949)	(398)	(393)
Managers' fees and trading costs	(19,729)	(303)	(299)
Net Investment Income	452,183	6,934	6,847
Other Additions:			
Rent income	97		
Administrative fees	510		
Other			7
Total Other Additions	607		7
Total Additions	1,234,350	13,959	21,727
Deductions			
Retirement annuities	951,158	16,164	31,979
Refunds to terminated employees	61,923	101	39
Administrative expenses	9,578	113	389
Depreciation	219		
Loss on disposal of equipment	5		
Total Deductions	1,022,883	16,378	32,407
Change in Net Assets	211,467	(2,419)	(10,680)
Net Assets - Beginning	13,800,716	215,076	221,116
Net Assets - Ending	\$ 14,012,183	\$ 212,657	\$ 210,436

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$ 417	\$	\$ 468,617
198	61,620	397,076
615	61,620	865,693
13	14,077	35,348
274	2,131	462,369
18		31,831
(16)		(26,756)
(12)		(20,343)
277	16,208	482,449
		97
		510
		7
		614
892	77,828	1,348,756
388	28,298	1,027,987
		62,063
8		10,088
		219
		5
396	28,298	1,100,362
496	49,530	248,394
8,002	582,278	14,827,188
\$ 8,498	\$ 631,808	\$ 15,075,582



Private-purpose Trust Funds

Combining Statement of Fiduciary Net Assets

June 30, 2003 (Expressed in Thousands)

	State Treasurer		Totals
	Affordable College Savings	Memorial Burn Center	
Assets			
Equity in internal investment pool	\$ 9	\$ 1,451	\$ 1,460
Cash and cash equivalents	20		20
Investments, at fair value	18,478		18,478
Receivables:			
Interest and dividends	61	1	62
Other	27		27
Due from other funds	35	45	80
Total Assets	18,630	1,497	20,127
Liabilities			
Warrants payable	2		2
Accounts payable and accruals	35		35
Due to other funds	79		79
Total Liabilities	116		116
Net Assets			
Held in trust for trust beneficiaries	\$ 18,514	\$ 1,497	\$ 20,011



Private-purpose Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2003 (Expressed in Thousands)

	State Treasurer		Totals
	Affordable College Savings	Memorial Burn Center	
Additions			
Participant contributions	\$ 10,881	\$	10,881
Net change in fair value of investments	1,091		1,091
Interest and other investment income (loss)	(185)	21	(164)
Administrative fees	175		175
Donations		248	248
Total Additions	11,962	269	12,231
Deductions			
Benefits	669		669
Administrative expenses	287	43	330
Total Deductions	956	43	999
Change in Net Assets	11,006	226	11,232
Net Assets - Beginning	7,508	1,271	8,779
Net Assets - Ending	\$ 18,514	\$ 1,497	\$ 20,011

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2003 (Expressed in Thousands)

	Local			Totals
	Government Distributive	Program	Institutional	
Assets				
Equity in internal investment pool	\$ 1,039	\$ 9,564	\$	\$ 10,603
Cash and cash equivalents	134	4,743	5,472	10,349
Receivables, net:				
Interest			1	1
Other		5	65	70
Commodity inventory		1,263		1,263
Total Assets	<u>\$ 1,173</u>	<u>\$ 15,575</u>	<u>\$ 5,538</u>	<u>\$ 22,286</u>
Liabilities				
Warrants payable	\$ 28	\$ 313	\$	\$ 341
Accounts payable and accruals		63	1,307	1,370
Due to other governments	1,145	21		1,166
Amounts held in custody for others		15,178	4,231	19,409
Total Liabilities	<u>\$ 1,173</u>	<u>\$ 15,575</u>	<u>\$ 5,538</u>	<u>\$ 22,286</u>

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Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2003 (Expressed in Thousands)

Fund	Assets					
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Due from Other Funds	Commodity Inventory	Total Assets
Local Government Distributive:						
Balance - Beginning	\$ 994	\$ 301	\$ 2	\$ 4,819	\$	\$ 6,116
Additions	34,236					34,236
Deductions	34,191	167	2	4,819		39,179
Balance - Ending	1,039	134	0	0		1,173
Program:						
Balance - Beginning	8,283	5,249	781	1,452	2,376	18,141
Additions	47,908	48,815	6,329		11,580	114,632
Deductions	46,627	49,321	7,105	1,452	12,693	117,198
Balance - Ending	9,564	4,743	5	0	1,263	15,575
Institutional:						
Balance - Beginning		5,314	59	11		5,384
Additions		55,353	307			55,660
Deductions		55,195	300	11		55,506
Balance - Ending		5,472	66	0		5,538
Total - All Agency Funds:						
Balance - Beginning	9,277	10,864	842	6,282	2,376	29,641
Additions	82,144	104,168	6,636		11,580	204,528
Deductions	80,818	104,683	7,407	6,282	12,693	211,883
Balance - Ending	\$ 10,603	\$ 10,349	\$ 71	\$ 0	\$ 1,263	\$ 22,286
Liabilities						
Fund	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Due to Other Funds	Amounts Held In Custody for Others	Total Liabilities
Local Government Distributive:						
Balance - Beginning	\$ 15	\$ 319	\$ 5,613	\$ 169	\$	\$ 6,116
Additions	29,701	8,324	10,779			48,804
Deductions	29,688	8,643	15,247	169		53,747
Balance - Ending	28	0	1,145	0		1,173
Program:						
Balance - Beginning	381	14	1,474	3,930	12,342	18,141
Additions	9,043	1,244	1,345		117,806	129,438
Deductions	9,111	1,195	2,798	3,930	114,970	132,004
Balance - Ending	313	63	21	0	15,178	15,575
Institutional:						
Balance - Beginning		6	5	1,290	4,083	5,384
Additions		1,867			47,438	49,305
Deductions		566	5	1,290	47,290	49,151
Balance - Ending		1,307	0	0	4,231	5,538
Total - All Agency Funds:						
Balance - Beginning	396	339	7,092	5,389	16,425	29,641
Additions	38,744	11,435	12,124		165,244	227,547
Deductions	38,799	10,404	18,050	5,389	162,260	234,902
Balance - Ending	\$ 341	\$ 1,370	\$ 1,166	\$ 0	\$ 19,409	\$ 22,286

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Nonmajor Component Units

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

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 accounts for a printing and book bindery operation, a garment and glove operation, a woodworking operation, a metal fabrication operation and an equine tack operation. 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.



Nonmajor Component Units

Combining Statement of Net Assets

June 30, 2003 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	\$ 2,052	\$	\$
Cash and cash equivalents	1,010	356	209
Investments	8,815	2,595	50
Receivables, net	200	384	15
Due from other governments			
Due from primary government			
Inventories			
Prepaid items		185	
Loans and notes receivable, net			
Total Current Assets	12,077	3,520	274
Restricted assets:			
Investments		7,107	
Total Restricted Assets		7,107	
Noncurrent assets:			
Due from other governments			
Capital assets, net	8	27,808	40
Total Noncurrent Assets	8	27,808	40
Total Assets	12,085	38,435	314
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	35	101	
Deposits	5	158	
Bonds and notes payable		100	
Lease obligations payable		115	
Other liabilities		2	
Total Current Liabilities	40	476	
Noncurrent liabilities:			
Bonds and notes payable		389	
Lease obligations payable		537	
Other liabilities	154		
Total Noncurrent Liabilities	154	926	
Total Liabilities	194	1,402	
Net Assets			
Invested in capital assets, net of related debt	8	26,664	40
Restricted for other purposes		7,000	
Unrestricted	11,883	3,369	274
Total Net Assets	\$ 11,891	\$ 37,033	\$ 314

Mississippi Prison Industries Corporation	Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District	Tombigbee River Valley Water Management District	Totals
\$	\$	\$	\$	\$	\$
					2,052
487	1,667	157	3,388	4,492	11,766
699	1,750	4,659	1,183		19,751
472	39		264	66	1,440
	99	289		41	429
265					265
399	8			25	432
51				1	237
	3				3
2,373	3,566	5,105	4,835	4,625	36,375
					7,107
					7,107
		69			69
2,951	9,431	2,654	32,674	1,952	77,518
2,951	9,431	2,723	32,674	1,952	77,587
5,324	12,997	7,828	37,509	6,577	121,069
277	734	109	939	215	2,410
	616		170		163
					886
	17				115
277	1,367	109	1,109	215	19
					3,593
	1,034		676		2,099
	174	37	21	45	537
	1,208	37	697	45	431
277	2,575	146	1,806	260	3,067
					6,660
2,951	7,719	2,654	31,828	1,952	73,816
	382	3,413			10,795
2,096	2,321	1,615	3,875	4,365	29,798
\$ 5,047	\$ 10,422	\$ 7,682	\$ 35,703	\$ 6,317	\$ 114,409

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Nonmajor Component Units

Combining Statement of Activities

For the Year Ended June 30, 2003 (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	
Mississippi Business Finance Corporation	\$ 936	\$ 746	\$	\$	(190)
Mississippi Coast Coliseum Commission	5,926	4,209			(1,717)
Mississippi Development Bank	151	282			131
Mississippi Prison Industries Corporation	5,509	5,906	64		461
Pat Harrison Waterway District	4,875	2,287	2,432	713	557
Pearl River Basin Development District	1,140	104	133		(903)
Pearl River Valley Water Supply District	7,707	7,473		1,470	1,236
Tombigbee River Valley Water Management District	2,222	1,474		1	(747)
Total	\$ 28,466	\$ 22,481	\$ 2,629	\$ 2,184	(1,172)
General revenues:					
Interest and investment income					1,235
Other					955
Total General Revenues					2,190
Change in Net Assets					1,018
Net Assets - Beginning					113,391
Net Assets - Ending					\$ 114,409



Statistical and Economic Data

The accompanying statistical tables of the state of Mississippi reflect social and economic data to allow a broader understanding of the environment in which the state operates, as well as historical perspectives and financial trends to assess the fiscal capacity of state government. Statistical tables differ from financial statements because they usually cover more than one fiscal year and present certain nonaccounting data.



Expenditures by Function

All Governmental Funds

Table I

For the Last Ten Fiscal Years (Expressed in Thousands)

Function	2003	2002	2001	2000
General government	\$ 1,191,877	\$ 1,133,606	\$ 1,046,103	\$ 1,034,840
Education	3,022,046	2,852,710	2,265,034	2,224,058
Health and social services	4,291,837	4,212,066	3,587,400	3,138,724
Law, justice and public safety	522,509	507,662	528,874	471,444
Recreation and resources development	484,955	381,064	389,912	334,666
Regulation of business and professions	32,096	30,175	28,815	27,864
Transportation	876,269	875,165	756,564	881,051
Debt service	344,706	435,020	289,843	264,282
Capital outlay	114,941	103,940	80,921	110,072
Total Expenditures	\$ 10,881,236	\$ 10,531,408	\$ 8,973,466	\$ 8,487,001

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Governmental Funds of the primary government are described in Note 1C of the Notes to the Financial Statements.

Revenues by Source

All Governmental Funds

Table II

For the Last Ten Fiscal Years (Expressed in Thousands)

Source	2003	2002	2001	2000
State taxes	\$ 4,603,549	\$ 4,441,358	\$ 4,453,359	\$ 4,431,550
Licenses, fees and permits	412,367	402,878	390,216	370,980
Federal government	4,477,533	4,204,079	3,538,494	3,098,013
Interest and other investment income	86,974	37,353	115,055	175,799
Charges for sales and services	241,153	268,098	259,090	256,976
Rentals	16,320	15,154	15,047	12,896
Court assessments and settlements	172,099	239,509	245,114	199,792
Other	312,856	317,263	242,968	241,421
Total Revenues	\$ 10,322,851	\$ 9,925,692	\$ 9,259,343	\$ 8,787,427

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Governmental Funds of the primary government are described in Note 1C of the Notes to the Financial Statements.

State Tax Revenues by Source

All Governmental Funds

Table III

For the Last Ten Fiscal Years (Expressed in Thousands)

Source	2003	2002	2001	2000
Sales and use	\$ 2,377,996	\$ 2,364,112	\$ 2,322,787	\$ 2,295,463
Gasoline and other motor fuel	418,049	407,935	399,358	411,618
Privilege	69,078	69,091	69,104	87,509
Motor vehicle registration	32,421	27,934	28,940	26,691
Individual income	1,021,967	980,284	1,021,549	1,007,752
Alcoholic beverage	81,138	45,843	45,518	45,826
Corporate income and franchise	287,335	254,785	276,263	293,658
Severance	48,205	32,238	48,187	26,388
Inheritance	21,854	30,369	28,666	22,183
Tobacco	56,445	55,569	54,496	56,544
Insurance	149,458	131,763	121,995	116,823
Nuclear power	20,000	20,000	18,041	21,959
Other	19,603	21,435	18,455	19,136
Total Tax Revenues	\$ 4,603,549	\$ 4,441,358	\$ 4,453,359	\$ 4,431,550

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Governmental Funds of the primary government are described in Note 1C of the Notes to the Financial Statements.

	1999	1998	1997	1996	1995	1994
\$	973,084 \$	919,048 \$	858,218 \$	817,625 \$	727,065 \$	616,453
	2,017,162	1,907,632	1,765,476	1,793,100	1,677,577	1,479,242
	2,843,194	2,715,471	2,736,515	2,633,871	2,583,972	2,393,508
	461,383	408,957	381,929	339,796	282,667	258,928
	304,507	304,795	266,633	249,433	228,555	204,695
	25,820	24,007	22,518	22,734	22,319	20,240
	815,496	749,466	694,895	651,044	532,217	497,877
	222,653	193,392	174,787	134,406	214,495	107,682
	78,014	84,883	86,435	126,592	56,134	11,330
\$	7,741,313 \$	7,307,651 \$	6,987,406 \$	6,768,601 \$	6,325,001 \$	5,589,955

	1999	1998	1997	1996	1995	1994
\$	4,255,102 \$	4,023,265 \$	3,742,013 \$	3,563,533 \$	3,351,746 \$	3,126,925
	347,498	322,081	298,158	270,438	250,994	208,240
	2,865,653	2,765,550	2,778,514	2,729,566	2,717,589	2,518,279
	143,488	124,338	122,271	122,682	112,186	52,194
	235,310	234,250	212,532	194,764	184,284	186,888
	13,211	10,396	9,142	10,591	10,175	9,185
	110,231	348	210	2,732		153
	233,325	393,904	219,429	182,740	216,057	181,990
\$	8,203,818 \$	7,874,132 \$	7,382,269 \$	7,077,046 \$	6,843,031 \$	6,283,854

	1999	1998	1997	1996	1995	1994
\$	2,212,773 \$	2,059,249 \$	1,920,884 \$	1,847,589 \$	1,721,214 \$	1,585,132
	397,262	392,260	358,866	354,104	347,015	339,876
	76,717	66,290	65,288	67,630	57,060	58,197
	26,195	28,023	25,406	24,700	23,949	23,951
	942,027	894,790	790,805	730,035	663,292	630,168
	44,987	43,261	42,530	41,270	41,667	41,291
	298,464	280,361	292,827	262,728	264,638	219,838
	18,845	29,573	31,841	29,057	28,059	32,387
	30,308	21,471	12,638	14,208	12,513	10,886
	57,486	57,344	57,201	55,121	57,483	54,498
	110,938	112,207	107,224	101,472	100,043	97,215
	20,000	20,000	20,000	20,000	20,000	19,999
	19,100	18,436	16,503	15,619	14,813	13,487
\$	4,255,102 \$	4,023,265 \$	3,742,013 \$	3,563,533 \$	3,351,746 \$	3,126,925



Net General Obligation Bonded Debt Per capita

For the Last Ten Fiscal Years

Table IV

Fiscal Year	Population	General Obligation Bonded Debt (1)			Net	Net General Obligation Debt Per capita
		<i>(Expressed in Thousands)</i>				
		Principal Outstanding	Less: Debt Service Funds (2)			
2003	2,900,000	\$ 2,516,497	\$ 176,556	\$ 2,339,941	\$ 807	
2002	2,880,000	2,442,581	129,771	2,312,810	803	
2001	2,860,000	2,274,822	116,724	2,158,098	755	
2000	2,850,000	2,014,076	95,068	1,919,008	673	
1999	2,830,000	1,883,255	80,474	1,802,781	637	
1998	2,810,000	1,595,044	30,795	1,564,249	557	
1997	2,780,000	1,361,693	37,635	1,324,058	476	
1996	2,750,000	1,205,498	30,473	1,175,025	427	
1995	2,720,000	981,058	26,881	954,177	351	
1994	2,690,000	824,151	124,462	699,689	260	

Source: Population -- Mississippi Econometric Model
 General Obligation Bonded Debt -- Mississippi Comprehensive Annual Financial Report, GAAP Basis
 Debt Service Funds -- Mississippi Comprehensive Annual Financial Report, GAAP Basis

Notes:

- (1) Total general obligation bonded debt is long-term bonded debt reported in governmental activities.
- (2) Debt service funds represent the amount designated for debt service in the Mississippi Comprehensive Annual Financial Report.

Ratio of Annual Debt Service for Long-term Bonded Debt to Total Revenues and Expenditures

For the Last Ten Fiscal Years (Expressed in Thousands)

Table V

Fiscal Year	Total		Ratio	Expenditures	Ratio
	Debt Service	Revenues			
2003	\$ 344,706	\$ 10,322,851	3.3 %	\$ 10,881,236	3.2 %
2002	435,020	9,925,692	4.4	10,531,408	4.1
2001	289,843	9,259,343	3.1	8,973,466	3.2
2000	264,282	8,787,427	3.0	8,487,001	3.1
1999	222,653	8,203,818	2.7	7,741,313	2.9
1998	193,392	7,874,132	2.5	7,307,651	2.6
1997	174,787	7,382,269	2.4	6,987,406	2.5
1996	134,406	7,077,046	1.9	6,768,601	2.0
1995	214,495	6,843,031	3.1	6,325,001	3.4
1994	107,682	6,283,854	1.7	5,589,955	1.9

Source: Total Debt Service, Revenues and Expenditures -- Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Total debt service represents principal and interest paid on general and limited obligation bonds.



Computation of Legal Debt Margin

June 30, 2003 (Expressed in Thousands)

Table VI

Legal debt limit (1 1/2 times revenue collected during any one of the four preceding years, whichever is higher) (1)	\$	8,142,318
Amount of debt applicable to debt limit (2)	\$	2,516,497
Less: amounts available for debt service		176,556
Net amount of debt applicable to debt limit		2,339,941
Legal Debt Margin	\$	5,802,377

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
2002	\$ 5,405,988
2001	5,428,212
2000	5,329,419
1999	5,084,812

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

Revenue Bond Coverage

For the Last Ten Fiscal Years (Expressed in Thousands)

Table VII

FAIR COMMISSION

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$ 4,954	\$ 4,122	\$ 832	\$ 125	\$ 47	\$ 172	4.84
2002	4,065	4,242	(177)	115	57	172	-
2001	3,614	4,057	(443)	105	67	172	-
2000	3,877	3,740	137	95	76	171	.80
1999	3,936	3,489	447	90	84	174	2.57
1998	3,599	3,384	215	85	92	177	1.21
1997	3,703	3,327	376	80	100	180	2.09
1996	3,580	3,087	493	75	107	182	2.71
1995	3,390	2,983	407	70	112	182	2.24
1994	3,274	2,936	338	65	118	183	1.85

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Notes:

(1) Total operating revenues.

(2) Total operating expenses excluding depreciation.

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Demographic Statistics

For the Last Ten Calendar Years

Table VIII

Calendar Year	Population	Per capita Income (Current \$)	Public School Enrollment	Unemployment Rate
2002	2,880,000	22,417	492,198	6.8 %
2001	2,860,000	21,751	496,558	5.5
2000	2,850,000	21,048	499,362	5.7
1999	2,830,000	20,127	502,379	5.1
1998	2,810,000	19,633	504,792	5.4
1997	2,780,000	18,580	503,967	5.7
1996	2,750,000	17,794	503,602	6.1
1995	2,720,000	16,982	503,301	6.1
1994	2,690,000	16,392	503,374	6.6
1993	2,660,000	15,355	504,229	6.4

Source: Population -- Mississippi Econometric Model
 Per capita Income -- Mississippi Econometric Model
 Public School Enrollment -- Kindergarten - Grade 12 -- Academic Year -- Mississippi State Department of Education
 Unemployment Rate -- Mississippi Employment Security Commission

Economic Characteristics

For the Last Ten Calendar Years (Expressed in Thousands)

Table IX

Calendar Year	Gross State Product (Current \$)	Gross State Product (Inflation-Adjusted \$)	Personal Income (Current \$)	Personal Income (Inflation-Adjusted \$)	Average Annual Consumer Price Index
2002	\$ 69,656,000	\$ 38,719,300	\$ 64,650,000	\$ 35,936,600	179.9
2001	68,307,000	38,569,700	62,163,000	35,100,500	177.1
2000	67,316,000	39,091,800	59,881,000	34,774,100	172.2
1999	64,778,000	38,882,400	56,920,000	34,165,700	166.6
1998	61,709,000	37,858,300	55,072,000	33,786,500	163.0
1997	58,741,000	36,598,800	51,598,000	32,148,300	160.5
1996	56,575,000	36,058,000	48,898,000	31,165,100	156.9
1995	54,562,000	35,801,800	46,242,000	30,342,500	152.4
1994	51,358,000	34,654,500	44,077,000	29,741,600	148.2
1993	47,384,000	32,791,700	40,768,000	28,213,100	144.5

Source: Gross State Product (GSP) -- Mississippi Econometric Model
 Gross State Product (Inflation Adjusted) -- GSP divided by Average Annual Consumer Price Index (CPI)
 Personal Income (PI) -- Mississippi Econometric Model
 Personal Income (Inflation Adjusted) -- PI divided by CPI
 Average Annual Consumer Price Index -- U.S. Department of Labor, Bureau of Labor Statistics

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Bank Deposits, Retail Sales, Median Household Disposable Income

For the Last Ten Calendar Years (Expressed in Thousands)

Table X

Calendar Year	Bank Deposits	Retail Sales	Median Household Disposable (Aftertax) Income
2002	\$ 30,369,501	\$ 35,300,330	\$ 30
2001	28,839,331	34,629,709	30
2000	26,937,543	34,501,862	28
1999	23,389,129	33,382,785	28
1998	22,546,393	30,670,175	27
1997	25,851,444	28,677,726	26
1996	24,802,701	24,643,485	25
1995	23,960,825	25,796,258	24
1994	22,832,705	24,059,806	27
1993	20,493,525	21,240,615	25

Source: Bank Deposits -- Mississippi Department of Banking and Consumer Finance

Retail Sales -- Mississippi State Tax Commission

Median Household Disposable (Aftertax) Income -- Sales and Marketing Management, Survey of Buying Power

Principal Industrial Employers

(Ranked by Number of Employees)

Table XI

Company	Number of Plants	Number of Employees
Northrop Grumman	3	11,362
Tyson Foods	7	7,299
Sanderson Farms	7	4,710
Howard Industries	4	4,028
Furniture Brands International	4	3,425
La-Z-Boy	10	2,965
Sara Lee	4	2,955
Georgia-Pacific	18	2,916
Nissan North America	2	2,855
Koch Foods	3	2,647
Peco Foods	8	2,633
Peavey Electronics	2	2,200
Outokumpu Heatcraft	2	2,115
Vision Technologies	5	1,869
Ashley Furniture	2	1,851
Leggett & Platt	12	1,841
Delphi	3	1,835
Weyerhaeuser	10	1,687
Berkline/Benchcraft	5	1,572
Cooper Tire & Rubber	2	1,447
Quebecor World	2	1,350
Yates & Son, W.G.	6	1,305
Tecumseh	2	1,225
ContiGroup Companies	2	1,218
Chevron Products	1	1,200

Source: Mississippi Development Authority

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Population and Employment

For the Last Ten Calendar Years

Table XII

Selected Indicators	2002	2001	2000
Population	2,880,000	2,860,000	2,850,000
Employed	1,209,800	1,233,920	1,251,100
Unemployed	88,200	71,420	75,300
Total Labor Force	1,298,000	1,305,340	1,326,400
Mississippi Unemployment Rate	6.8%	5.5%	5.7%
U.S. Unemployment Rate	5.8%	4.7%	4.0%

Source: Population -- Mississippi Econometric Model
 Employed, Unemployed, Mississippi Unemployment Rate -- Mississippi Employment Security Commission
 U.S. Unemployment Rate -- U. S. Department of Labor, Bureau of Labor Statistics

Mississippi Average Annual Employment by Sector

For the Last Ten Calendar Years

Table XIII

Sector	2002	2001	2000
Agriculture	38,180	33,190	33,200
Construction	54,470	51,900	54,700
Finance, insurance and real estate	45,910	45,800	42,900
Government	241,100	237,500	233,800
Manufacturing	188,700	200,800	233,200
Mining	9,030	9,600	4,700
Services	257,450	254,400	270,600
Transportation and public utilities	44,910	45,800	57,400
Wholesale and retail trade	285,380	284,100	256,200

Source: Mississippi Employment Security Commission - Labor Market Information

Mississippi Average Annual Wages by Sector

For the Last Ten Calendar Years

Table XIV

Sector	2002	2001	2000
Agriculture	\$ 21,748	\$ 21,193	\$ 19,239
Construction	29,682	28,312	27,705
Finance, insurance and real estate	32,562	31,215	32,252
Government	25,055	24,393	23,829
Manufacturing	30,346	29,376	28,496
Mining	43,682	41,754	38,404
Retail trade	18,471	18,003	14,736
Services	24,104	23,476	24,508
Transportation and public utilities	33,897	33,488	34,910
Wholesale trade	36,614	35,567	33,399

Source: Mississippi Employment Security Commission - Labor Market Information

1999	1998	1997	1996	1995	1994	1993
2,830,000	2,810,000	2,780,000	2,750,000	2,720,000	2,690,000	2,660,000
1,203,000	1,199,200	1,189,800	1,180,200	1,180,000	1,169,800	1,138,200
64,500	68,200	72,500	77,000	77,000	82,900	78,300
1,267,500	1,267,400	1,262,300	1,257,200	1,257,000	1,252,700	1,216,500
5.1%	5.4%	5.7%	6.1%	6.1%	6.6%	6.4%
4.2%	4.5%	4.9%	5.4%	5.6%	6.1%	6.9%

1999	1998	1997	1996	1995	1994	1993
33,200	36,300	35,800	38,200	41,400	38,300	40,300
55,500	54,400	50,900	48,600	45,400	43,500	39,600
42,900	42,500	41,700	40,900	40,000	39,700	38,800
227,100	223,400	219,000	216,800	214,700	213,700	210,100
243,900	245,500	241,800	245,600	257,800	261,000	255,700
5,000	6,300	5,900	5,300	4,900	5,100	5,200
268,900	262,600	256,300	246,100	232,400	224,700	196,700
55,800	53,800	53,000	52,800	51,100	48,600	46,300
254,200	245,200	238,400	232,900	228,200	219,400	209,800

1999	1998	1997	1996	1995	1994	1993
\$ 18,859	\$ 18,064	\$ 17,318	\$ 16,501	\$ 16,153	\$ 15,276	\$ 14,457
26,937	26,508	24,369	23,294	22,188	21,928	20,782
30,460	30,005	28,030	26,707	25,916	24,748	24,112
23,043	22,463	21,703	20,731	19,923	18,965	18,156
27,630	26,712	25,584	24,323	23,301	22,593	21,768
40,171	36,794	34,674	31,661	30,025	29,175	27,829
14,500	14,003	13,333	12,635	12,181	11,805	11,370
23,489	22,870	21,980	21,222	20,569	19,416	18,713
33,210	32,721	32,041	30,406	29,520	28,983	27,952
32,532	31,466	29,636	28,387	27,367	26,523	25,547

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Public School Enrollment

For the Last Ten Academic Years

Table XV

Grade	2002/2003	2001/2002	2000/2001	1999/2000
Kindergarten	38,811	38,736	39,055	39,455
Grades 1-3	116,431	119,157	121,810	124,176
Grades 4-6	118,463	119,022	118,450	116,155
Grades 7-9	116,799	114,533	114,885	115,585
Grades 10-12	88,437	88,644	89,796	90,947
Special Education	12,682	12,106	12,562	13,044
Total Enrollment	491,623	492,198	496,558	499,362

Source: Mississippi State Department of Education

Full-time Equivalent Student Enrollment - Community and Junior Colleges

For the Last Ten Academic Years

Table XVI

Community and Junior College	2002/2003	2001/2002	2000/2001	1999/2000
Coahoma Community College	2,481	2,150	1,418	1,317
Copiah-Lincoln Community College	3,370	3,160	3,272	3,086
East Central Community College	3,414	3,347	3,312	2,605
East Mississippi Community College	4,043	3,303	3,121	2,848
Hinds Community College	11,152	11,389	10,976	10,943
Holmes Community College	3,851	3,482	3,328	3,089
Itawamba Community College	5,667	4,563	4,075	3,946
Jones County Junior College	5,841	5,625	5,572	5,016
Meridian Community College	3,815	3,743	3,183	3,077
Mississippi Delta Community College	3,960	3,750	3,419	5,242
Mississippi Gulf Coast Community College	9,934	8,877	9,140	10,054
Northeast Mississippi Community College	4,667	4,463	4,353	4,792
Northwest Mississippi Community College	6,371	5,760	5,127	5,074
Pearl River Community College	3,661	3,156	3,245	3,291
Southwest Mississippi Community College	2,277	2,159	2,083	2,066
Total Community and Junior Colleges	74,504	68,927	65,624	66,446

Source: Mississippi State Board for Community and Junior Colleges

Full-time Equivalent Student Enrollment - Universities

For the Last Ten Academic Years

Table XVII

University	2002/2003	2001/2002	2000/2001	1999/2000
Alcorn State University	3,150	3,096	2,936	2,871
Delta State University	3,963	3,875	3,916	4,086
Jackson State University	7,783	7,098	6,832	6,354
Mississippi State University	16,610	16,878	16,561	16,076
Mississippi University for Women	2,105	2,328	2,815	2,953
Mississippi Valley State University	3,501	3,081	2,687	2,509
University of Mississippi	13,288	12,771	12,234	11,746
University of Southern Mississippi	15,266	15,232	14,509	14,350
Total Universities	65,666	64,359	62,490	60,945
University of Mississippi Medical Center	1,673	1,658	1,694	1,781

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

1998/1999	1997/1998	1996/1997	1995/1996	1994/1995	1993/1994
41,057	40,667	40,511	40,559	39,545	38,523
124,759	123,254	120,952	118,376	117,407	117,362
113,584	112,996	113,212	114,646	116,375	118,755
116,913	120,205	122,732	123,903	125,306	123,797
91,783	92,183	90,311	89,375	88,419	88,936
14,283	15,487	16,249	16,743	16,249	16,001
502,379	504,792	503,967	503,602	503,301	503,374

1998/1999	1997/1998	1996/1997	1995/1996	1994/1995	1993/1994
1,336	1,458	1,457	1,576	1,410	1,332
2,967	3,047	2,984	2,941	2,790	2,597
2,518	2,463	2,358	4,404	1,800	1,647
3,033	2,725	3,426	2,896	1,876	1,331
10,361	10,635	10,745	10,290	10,668	10,065
2,466	2,854	2,968	2,492	2,549	2,465
3,965	3,820	4,302	3,957	4,122	3,989
5,465	5,133	5,128	5,073	4,828	4,772
3,132	3,271	3,213	2,963	2,868	3,059
4,208	3,597	3,576	3,343	3,931	3,515
10,124	9,965	10,203	10,550	12,393	13,852
4,366	4,416	4,044	3,879	3,915	3,634
5,083	5,247	5,276	4,653	4,889	4,566
3,264	2,967	3,049	2,840	3,038	3,109
2,022	1,997	1,900	1,792	1,549	1,638
64,310	63,595	64,629	63,649	62,626	61,571

1998/1999	1997/1998	1996/1997	1995/1996	1994/1995	1993/1994
2,860	2,847	3,073	2,989	2,756	2,671
4,048	4,085	4,015	3,288	3,199	3,298
6,292	6,333	6,218	5,479	5,273	5,477
15,718	15,645	14,859	12,185	11,680	11,894
3,314	3,309	3,277	2,055	2,060	1,945
2,445	2,253	2,199	2,145	2,177	2,299
11,443	11,301	10,993	9,449	9,253	9,516
14,533	14,593	14,117	11,689	10,516	10,429
60,653	60,366	58,751	49,279	46,914	47,529
1,862	1,877	1,806	2,450	2,045	2,377

Miscellaneous Statistics

June 30, 2003

Table XVIII

Date Entered Union	December 10, 1817
Form of Government	Legislative - Executive - Judicial
Miles of State Highway	10,689
Land Area	47,233 Square Miles
State Highway Patrol:	
Number of Stations	9
Number of Sworn Officers	510
Higher Education (Universities and Community and Junior Colleges):	
Number of Campuses in State	53
Number of Educators	6,874
Number of Students	141,843
Recreation:	
Number of State Parks	28
Area of State Parks	23,714 Acres
Area of State Forests	133,118 Acres
State Employees:	
Full-Time	31,709
Part-Time	896

Source: Mississippi Statistical Abstract
 Mississippi Department of Transportation
 Mississippi Department of Public Safety
 Board of Trustees of State Institutions of Higher Learning, State of Mississippi
 Mississippi State Board for Community and Junior Colleges
 Mississippi Department of Wildlife, Fisheries and Parks
 Mississippi Forestry Commission
 Mississippi State Personnel Board

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This report may be viewed online at: www.dfa.state.ms.us