



**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended June 30, 2004

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Cover Photo: New Capitol Building, courtesy of David M. Reilly



# MISSISSIPPI



Fiscal Year Ended June 30, 2004

**Department of Finance and Administration**

Post Office Box 267  
Jackson, MS 39205

**J.K. Stringer, Jr.**  
Executive Director



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HALEY BARBOUR  
GOVERNOR

## STATE OF MISSISSIPPI OFFICE OF THE GOVERNOR

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December 6, 2004

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

It is with much optimism for our state's future that I proudly submit Mississippi's Comprehensive Annual Financial Report for the year ending June 30, 2004. The report provides you with an overview and detailed information regarding the fiscal activity of our state government.

During my first year in office, I have aggressively addressed several immediate state needs. The first was to get control of state spending by offering a solution to our budget problems without raising taxes. My Administration's budget proposal, "Operation: Streamline," was the largest savings plan in Mississippi history, and I'm grateful that this Legislature passed more annual savings than any other Legislature, ever. During the Regular Session, the Legislature passed our workforce development bill - the most comprehensive in state history - which will result in a stronger, more skilled workforce. On June 16, 2004, I signed into law the most sweeping legal reform legislation in the country - a victory the *Wall Street Journal* called "one of the most comprehensive legal reform bills in the nation." Not raising taxes, overhauling our workforce development initiatives, and ending lawsuit abuse gives Mississippi a climate for more and better jobs.

I believe education is our number one economic development issue in Mississippi, and the number one quality of life issue in the State. I have offered solutions for Mississippi's teacher shortage crisis, some of which the Legislature has passed, and successfully supported full funding of the teacher pay raise. I have also worked for increased funding for universities and community colleges. The best ideas from our four education forums, which were held this fall and involved more than 1,000 Mississippi educators, are the policies I have proposed to the Legislature to consider next session. My "Upgrade" education proposals are common sense reforms that focus on the fundamentals, not just funding.

With all of the issues facing our state, there is not a problem we can't solve by working together. It has been a high honor for Marsha and me to serve this great state. I want to encourage Mississippians to believe in themselves and raise their expectations for the future. If we seize this moment, it will result in our children having a future that Mississippi always had the potential to offer them, but which we never realized. It is a brighter future than we've ever known. And, after all, that's the future our children deserve.

Sincerely,

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

Haley Barbour



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## Introduction

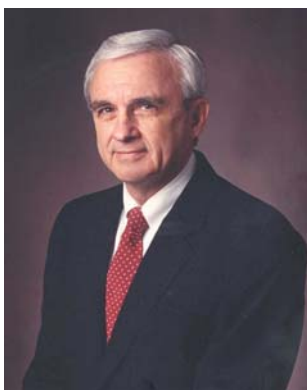
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**STATE OF MISSISSIPPI  
DEPARTMENT OF FINANCE AND ADMINISTRATION**

J.K. STRINGER, JR.  
EXECUTIVE DIRECTOR



December 6, 2004

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

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2004 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

## **Profile of the Government**

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

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

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

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

## **Factors Affecting Financial Condition**

Mississippi's economy enjoyed an upswing in employment and output in 2004. Most economic indicators were up, with overall payroll employment growing about 0.6 percent, based on data available through August. Retail sales and state revenue collections showed solid increases. In line with these indicators, the index of business confidence rose. Consumers, however, maintained a wait-and-see attitude through the summer, as measured by the survey of consumer confidence.

Growth of payroll employment in 2004 was led by net increases of 3,000 or more jobs in each of four industry groups: transportation equipment, business and professional services, health care and social assistance, and local government. The Nissan auto plant, in its first full year of production, added over 2,000 manufacturing jobs to the economy, while shipbuilding added 1,800 – for a growth rate of 13 percent over the 2003 level of employment. The increase in local government employment was largely due to an increase of 2.8 percent in jobs in local education.

High gasoline prices slowed the growth of leisure and hospitality employment, which rose only 0.3 percent in comparison to last year. Gaming has also suffered from the slowdown in tourism since the 2001 recession. State funds from gaming taxes increased only 0.7 percent in FY2004, and gaming showed a net decrease in employment. The fiscal squeeze hitting the state budget continues to affect the state economy, with state government employment dropping 1.8 percent.

Mississippi experienced a moderate growth of output along with a slow growth of employment in 2004, in line with the Southern region as a whole. The economy is expected to pick up speed as employment growth continues and personal incomes grow more rapidly.

Gross state product (GSP) rose an estimated 2.4 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 is expected to grow 1.3 percent in 2005, after an estimated growth rate of 0.6 percent in 2004, and will average 1.1 percent annually until 2009.

Personal income in Mississippi increased at a 4.6 percent rate in 2003, which was the ninth highest rate in the nation and in 2004 income is estimated to have increased at a similar rate. Over the coming year, the growth rate of personal income in Mississippi is expected to continue to trend upward, reaching 5.0 percent in 2005 before dropping slightly in 2006. Nationally, the growth of personal income is estimated at 4.8 percent in 2004.

Tax Commission collections have shown a positive trend, reflecting the improvement in the economy. In the fiscal year which ended June 30, 2004, revenues were up 4.3 percent over FY2003, the highest rate of increase in four years.

For the southeastern region as a whole, the outlook is for a gradual return to growth rates near 3.0 percent. According to the April forecast of the Economic Forecasting Center of Georgia State University, gross regional product (GRP) is expected to reach 2.4 percent in 2004 and to improve further in 2005.

The State must fund recurring expenses with recurring revenues by streamlining government, identifying efficiencies, and instituting program reforms. Doing so will enable state agencies to have stable funding in future years and special funds and one-time funds will not be raided on an arbitrary basis.

If the State gets spending under control this year, and returns to a structurally balanced budget, future growth in revenue can be dedicated to the highest priority goals.

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 2005, \$15,924,000 was transferred from the General Fund to the Account for fiscal year 2004 to reach the required \$40,000,000 balance. In addition, the entire 50 percent of unencumbered ending cash totaling \$3,280,000 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, the Department of Finance and Administration (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. During fiscal year 2004, a permanent transfer of \$20,000,000 was made as a result of projected deficits.

This past session, the Legislature worked together with the Executive branch to tackle Mississippi's looming budget deficit. More annual savings were adopted than in any other session, ever. As the purse strings continue to tighten, state agencies continue to look for ways to streamline costs while continuing to provide vital services to our citizens.

Other sweeping reforms passed by the Legislature this year will have lasting affects on job creation. First, the passage of the workforce development bill – the most comprehensive in state history – will result in a stronger, more skilled workforce. The passing of legal reform has been called one of the most comprehensive tort reform laws in the nation. By not raising taxes, overhauling our workforce development initiatives and ending lawsuit abuse, Mississippi's future forecast is a climate for more and better jobs.

Major economic development announcements such as Textron (Washington County), Faurecia (Bolivar County), FedEx Ground (DeSoto County), Ionatron (Hancock County), American Eurocopter (Lowndes County), and the Braves Double A Franchise (Rankin County) have added several thousand new jobs to Mississippi's economy.

Education is our number one economic development issue in Mississippi, and the number one quality of life issue in the state. The Legislature successfully supported full funding of next year's teacher pay raise and increased funding for universities and community colleges. Education reform is not only about money, it's about considering fresh initiatives to help our teachers and our schools. The Governor is taking the best ideas from his education conferences held this fall to the Legislature for consideration next session.

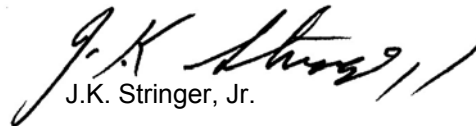
## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the seventeenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully yours,



J.K. Stringer, Jr.



## Officials of State Government

### Executive Branch

**Governor**  
Haley Barbour

**Lieutenant Governor**  
Amy Tuck

**Secretary of State**  
Eric Clark

**State Auditor**  
Phil Bryant

**State Treasurer**  
Tate Reeves

**Attorney General**  
Jim Hood

**Commissioner of Agriculture and Commerce**  
Lester Spell, Jr.

**Commissioner of Insurance**  
George Dale

**Transportation Commissioners**  
Dick Hall  
Wayne Brown  
Bill Minor

**Public Service Commissioners**  
Nielsen Cochran  
Dorlos "Bo" Robinson  
Michael Callahan

**State Fiscal Officer**  
J. K. Stringer, Jr.

### Legislative Branch

**Speaker of the House of Representatives**  
William J. McCoy

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

**President Pro Tempore of the Senate**  
Travis L. Little

**Secretary of Senate**  
John O. Gilbert

**Clerk of the House of Representatives**  
Don Richardson

**Legislative Budget Office**  
Lee Lindell, Director

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

### Judicial Branch

**Supreme Court of Mississippi**

**Chief Justice**  
James W. Smith, Jr.

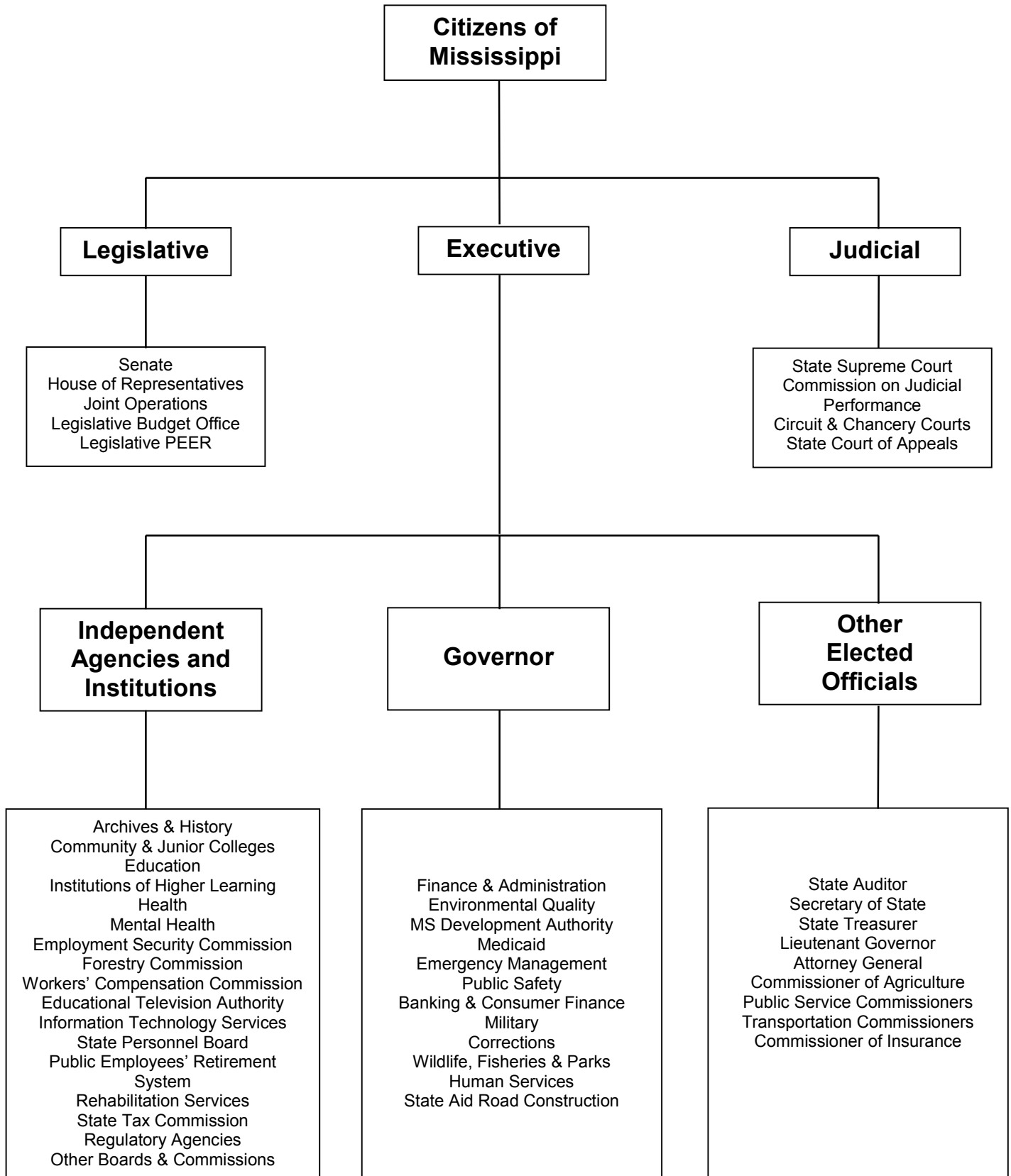
**Presiding Justices**  
William L. Waller, Jr.  
Kay B. Cobb

**Justices**  
George C. Carlson, Jr.  
James E. Graves, Jr.  
Michael K. Randolph  
Jess H. Dickinson  
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, 2003

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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## Financial Section

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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, 2004, 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 AbilityWorks, Inc. within the Department of Rehabilitation Services which, in the aggregate, represent 37% and 20%, respectively, of the assets and revenues of the Business-type Activities;

● Component Units

- certain blended component units within the Universities which represent 15% and 4%, respectively, of the assets and revenues of the Component Units and 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 10% 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 AbilityWorks, Inc. which, in the aggregate, represent 70% and 55%, respectively, of the assets and revenues of the nonmajor enterprise funds;
- the State Agencies Self-Insured Workers' Compensation Trust Fund which represents 29% and 3%, 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 95% 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, 2004, 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. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, for the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, our report dated December 6, 2004, 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, 2005. 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.



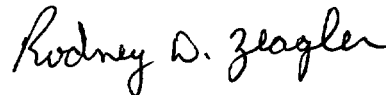
The Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, and the Schedule of Funding Progress and corresponding notes included in this report are not a required part of the basic financial statements but are supplementary information required by the Governmental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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The 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 6, 2004

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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, 2004. 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 \$9,316,588,000 (reported as "net assets"). Of this amount, \$34,845,000 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 decreased during the fiscal year by \$107,596,000, while business-type activities' net assets increased by \$40,741,000, resulting in a total net assets decrease of \$66,855,000.

**Fund Level** - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2,697,274,000, with \$2,035,360,000 reported as unreserved fund balance. The remaining balance of \$661,914,000 was reserved for specific purposes. The proprietary funds reported total net assets of \$1,046,322,000.

**Long-term Debt** - During fiscal year 2004, the State issued bonds of \$712,260,000, bringing its outstanding long-term bonded indebtedness to \$3,110,151,000. These bonds were issued primarily for economic development, capital improvements, and to currently refund or advance refund and defease certain bond issues. The State's total debt rose to \$3,377,320,000, a net increase of \$416,144,000.

### 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, as well as other governmental entities, on a cost reimbursement basis. Because these services primarily benefit governmental rather than business-type functions, they have been included in governmental activities on the government-wide financial statements.

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



## Government-wide Financial Analysis

### Net Assets

For the year ended June 30, 2004, the State's combined net assets (governmental and business-type activities) totaled \$9,316,588,000, reflecting a decrease of \$66,855,000 from the previous fiscal year. The largest portion of the State's net assets, 86.4 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 13.2 percent of total net assets. The remaining balance of unrestricted net assets, \$34,845,000, 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. The State is able to report positive balances in all three categories of net assets for the state as a whole, as well as business-type activities, while governmental activities reflect a negative balance in unrestricted net assets.

Total net assets invested in capital assets, net of related debt, rose \$747,148,000 from the previous year. Governmental activities' increase of \$742,576,000 was fueled primarily by \$627,827,000 of new road, highway, and bridge projects reported by the Department of Transportation for fiscal year 2004. Business-type activities reflected a \$4,572,000 increase in net assets invested in capital assets, net of related debt, primarily resulting from the Port Authority at Gulfport's capital expansion program.

Assets and liabilities have been restated in the table below to reflect a prior period adjustment to fiscal year 2003 governmental activities. This reclassification, which did not result in a restatement of net assets, was made between current and other assets and noncurrent liabilities.

### Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 4,142,958	\$ 4,502,919	\$ 1,097,747	\$ 1,044,341	\$ 5,240,705	\$ 5,547,260
Capital assets	8,867,383	8,472,011	180,167	173,319	9,047,550	8,645,330
Total Assets	13,010,341	12,974,930	1,277,914	1,217,660	14,288,255	14,192,590
Noncurrent liabilities	3,103,412	2,717,211	212,984	185,829	3,316,396	2,903,040
Other liabilities	1,636,663	1,879,857	18,608	26,250	1,655,271	1,906,107
Total Liabilities	4,740,075	4,597,068	231,592	212,079	4,971,667	4,809,147
Net assets:						
Invested in capital assets, net of related debt	7,915,868	7,173,292	138,166	133,594	8,054,034	7,306,886
Restricted	476,794	636,014	750,915	739,605	1,227,709	1,375,619
Unrestricted	(122,396)	568,556	157,241	132,382	34,845	700,938
Total Net Assets	\$ 8,270,266	\$ 8,377,862	\$ 1,046,322	\$ 1,005,581	\$ 9,316,588	\$ 9,383,443



## Changes in Net Assets

As a result of the excess of expenses over revenues, the State's net assets decreased by \$66,855,000 or 0.7 percent during fiscal year 2004. Taxes provided \$4,765,712,000, or approximately 41.0 percent of the State's total revenue, while 39.4 percent resulted from operating grants and contributions and 14.5 percent from charges for services. Health and social services made up \$4,776,214,000 or 40.8 percent of the State's expenses, with 28.2 percent spent for education (other than universities), and 14.1 percent for general government. In the prior year, taxes were approximately 42.5 percent of the State's total revenue, while 37.2 percent resulted from operating grants and contributions and 15.2 percent from charges for services. In addition, health and social services were 39.7 percent of the State's expenses, with 29.1 percent spent for education (other than universities), and 13.5 percent for general government in the prior year. These percentages are relatively unchanged from fiscal year 2003 to fiscal year 2004.

Revenues and expenses have been restated in the table below to reflect a prior period adjustment to fiscal year 2003 governmental activities. This reclassification, which did not result in a restatement of net assets, was made between charges for services and general government expenses.

### Changes in Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 1,484,635	\$ 1,508,471	\$ 206,980	\$ 172,605	\$ 1,691,615	\$ 1,681,076
Operating grants and contributions	4,553,738	4,066,898	31,930	53,006	4,585,668	4,119,904
Capital grants and contributions	389,686	410,636	278	903	389,964	411,539
General revenues:						
Taxes	4,765,712	4,710,346			4,765,712	4,710,346
Gain on sale of assets	534	296			534	296
Interest and investment income	130,767	92,243	65,733	57,374	196,500	149,617
Total Revenues	11,325,072	10,788,890	304,921	283,888	11,629,993	11,072,778
Expenses:						
General government	1,648,142	1,453,788			1,648,142	1,453,788
Education	3,292,951	3,139,812			3,292,951	3,139,812
Health and social services	4,776,214	4,290,392			4,776,214	4,290,392
Law, justice and public safety	549,662	517,753			549,662	517,753
Recreation and resource development	461,243	465,393			461,243	465,393
Regulation of business and professions	34,269	32,059			34,269	32,059
Transportation	516,130	443,155			516,130	443,155
Interest on long-term debt	149,764	145,345			149,764	145,345
Unemployment compensation			198,147	251,010	198,147	251,010
Port Authority at Gulfport			13,879	13,339	13,879	13,339
Prepaid affordable college tuition			12,253	4,778	12,253	4,778
Other business-type			44,194	41,421	44,194	41,421
Total Expenses	11,428,375	10,487,697	268,473	310,548	11,696,848	10,798,245
Excess (Deficiency) before Transfers	(103,303)	301,193	36,448	(26,660)	(66,855)	274,533
Transfers	(4,293)	(761)	4,293	761		
Change in Net Assets	(107,596)	300,432	40,741	(25,899)	(66,855)	274,533
Net Assets - Beginning	8,377,862	8,077,430	1,005,581	1,031,480	9,383,443	9,108,910
Net Assets - Ending	\$ 8,270,266	\$ 8,377,862	\$ 1,046,322	\$ 1,005,581	\$ 9,316,588	\$ 9,383,443

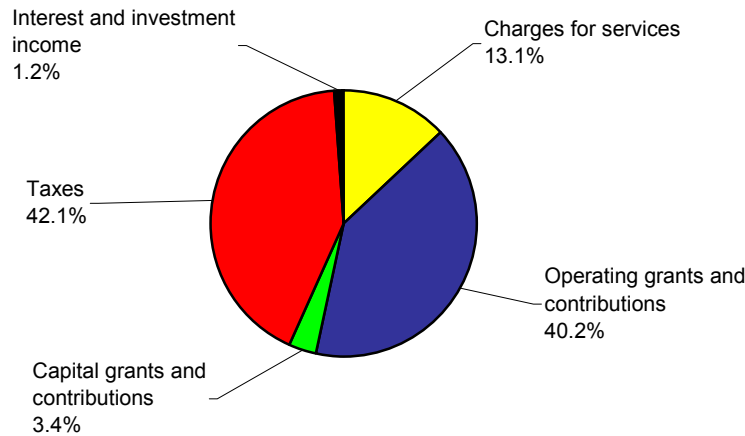




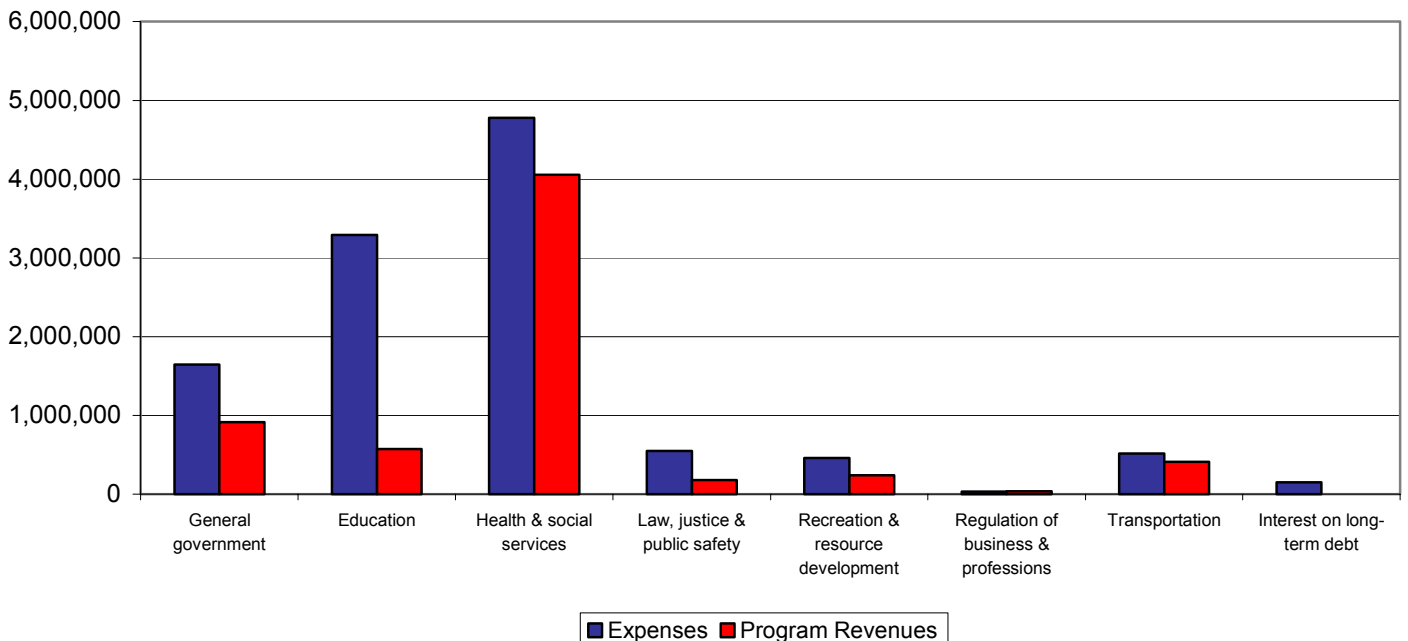
## Governmental Activities

Governmental activities decreased the State's net assets by \$107,596,000. Total expenses increased by 9.0 percent, offset by a 5.0 percent growth in total revenues in fiscal year 2004. Program revenues for operating grants and contributions grew 12.0 percent in direct relation to the increase in expenses for health and social services. This was primarily related to the Medicaid program, which experienced a \$482,802,000 increase in expenses. While tax income provided the largest dollar increase in general revenues, \$55,366,000; interest and investment income rose by 41.8 percent or \$38,524,000, boosted by the Health Care Fund's investment earnings in 2004. General government expenses increased by \$194,354,000 or 13.4 percent. \$90,396,000 of this amount represents a loss on disposal of capital assets primarily generated from the donation of capital assets to Tishomingo County. Expenses related to health and life benefits services provided by internal service funds to other governmental entities rose by \$40,706,000. In addition, \$21,259,000 more of capital outlay expenses were recognized in the current year than in the prior year because they did not meet the capitalization threshold. Transportation expenses rose by 16.5 percent or \$72,975,000, predominately related to ongoing maintenance of roads, highways, and bridges.

### Governmental Activities - Revenues by Source



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

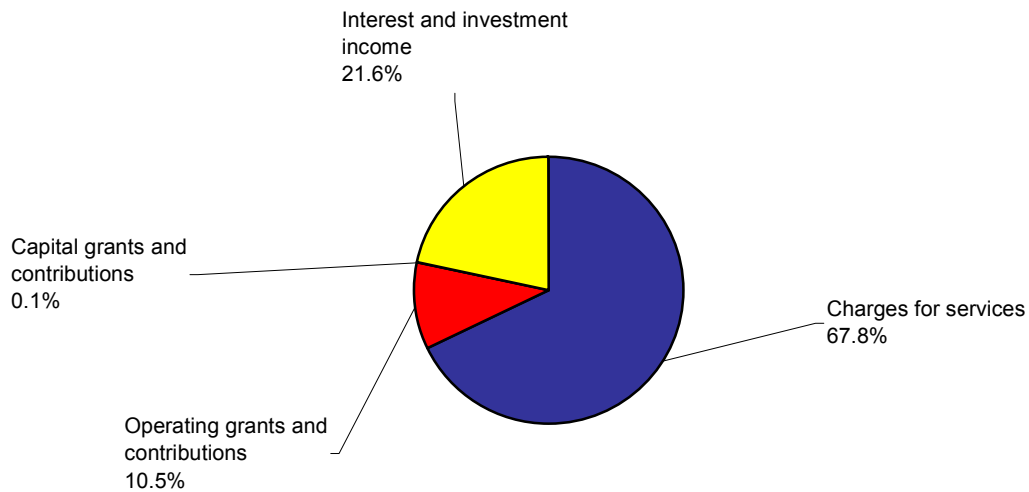




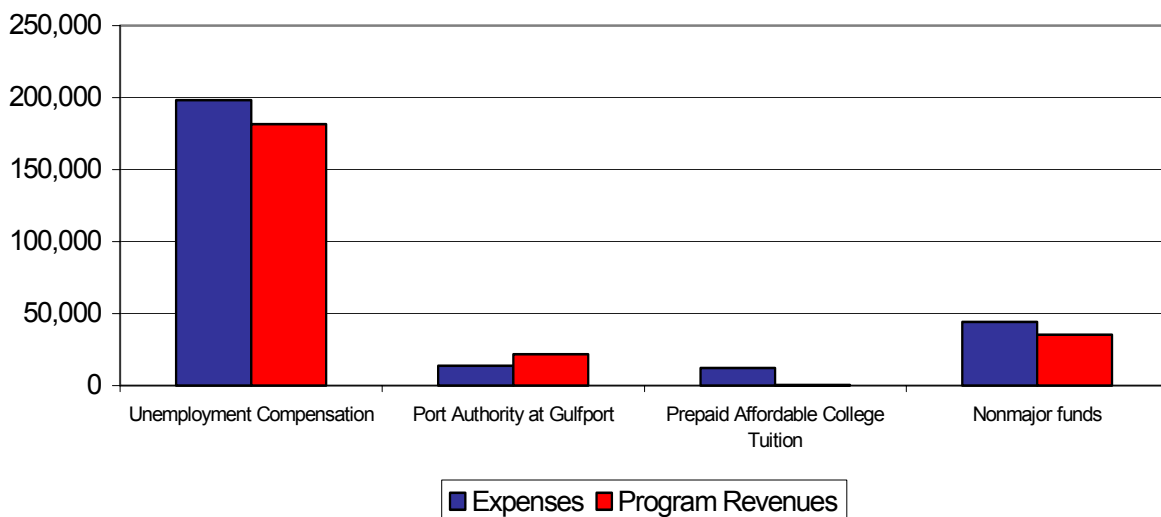
## Business-type Activities

Business-type activities increased the State's net assets by \$40,741,000. Charges for services increased 19.9 percent from the previous year. Approximately \$35,000,000 of this increase was generated by a change in the unemployment insurance tax rate from a minimum of .7 percent to 1.2 percent in the Unemployment Compensation Fund. Also, within this Fund, the conclusion of the Temporary Extended Unemployment Compensation federal program and the decline in the State's unemployment rate caused a decrease in expenses. These two situations are responsible for a decline in revenue from operating grants and contributions. Expenses for the Prepaid Affordable College Tuition fund grew as college-bound participants and tuition costs increased.

### 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 \$2,697,274,000 as of June 30, 2004. Of this total amount, \$2,035,360,000, or 75.5 percent, constituted unreserved fund balance. A significant portion of the unreserved balance, \$1,745,682,000, 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 \$1,469,751,000, which reflects an increase of \$24,190,000. The ending fund balance consisted of \$593,863,000 reserved for specific purposes and \$875,888,000 unreserved. Fiscal year 2004 revenues and expenditures reflected overall increases of 6.9 percent and 8.8 percent, respectively, with expenditures continuing to exceed revenues. Other financing sources reported the greatest percentage change from the previous year. This was largely attributable to an 82.7 percent decrease in refunding bonds and notes issued which resulted in a decrease of \$451,628,000 in payments to refunded bond and lease escrow agents from the prior year. Overall new debt issues and related premiums increased only slightly at 4.8 percent. Transfers in to the General Fund increased significantly by \$77,579,000, the majority of which was legislatively mandated and is disclosed in Note 3 to the financial statements. Increased revenue from the federal government of \$464,557,000 was derived primarily from Medicaid cost escalations of \$376,781,000, as well as \$70,022,000 from the Jobs and Growth Tax Relief Reconciliation Act of 2003. The largest percentage increase in expenditures was in the area of health and social services with 13.6 percent, which can be attributed to increased Medicaid costs.

The Health Care Fund's fund balance increased by \$78,842,000 from the previous fiscal year. Expenditures decreased by 42.9 percent, while revenues increased slightly, at 6.0 percent. The primary growth in revenue was \$67,366,000 in interest and investment income, a 318.0 percent increase resulting from an excellent rate of return on investments. This was offset by a \$57,119,000 or 38.2 percent decrease in court assessments and settlements stemming from a continuing decline in cigarette sales, which is tied to the amount of tobacco settlement money that the State receives.

The Capital Projects Fund reported a decrease in capital outlay expenditures of \$37,102,000 related to state agency projects. Projects are dependent on needs, as well as available funds. Bonds issued and their related premiums decreased by \$107,982,000 or 57.8 percent. Due to a 41.1 percent decline in investments, interest and investment income decreased by 40.8 percent. Overall, fund balance decreased by \$76,402,000.

### Proprietary Funds

The Unemployment Compensation Fund posted an increase in net assets of \$18,501,000 for fiscal year 2004. Assessments increased 30.5 percent from the previous year due to a change in the unemployment insurance tax rate. Claims and benefits expenses decreased 21.1 percent as the unemployment situation improved and the Temporary Extended Unemployment Compensation federal program ended.

The Port Authority at Gulfport Fund reported ending net assets of \$127,325,000, reflecting a 7.9 percent increase from the previous year. The Port's operating revenues increased 4.2 percent due to growth in business for non-maritime customers and continued growth at the public container terminal. Operating expenses increased 5.5 percent, which is directly attributed to an increase in depreciation expense of \$1,026,000.

The Prepaid Affordable College Tuition Fund experienced an increase in net assets of \$7,230,000. Interest and investment income increased by \$12,917,000 as the rate of return on investments rose from 4.7 percent in the previous year to 17.9 percent. This increase in revenues offset the growth in actuarially determined expenses, as well as the claims and benefits expense.

## General Fund Budgetary Highlights

The original estimated amounts for General Fund revenues were not revised during fiscal year 2004; however, actual General Fund revenues were \$10,547,000 more than the estimated amounts. The net change from the original expenditure budget amounts as compared to the final budget was an increase of \$12,470,000, while actual expenditures totaled \$2,497,000 less than the final budget.

The following summarizes the significant items impacting the budgetary amounts:

Tax revenues for sales and use taxes were \$37,653,000 below their budgeted amounts, while individual and corporate income taxes were \$40,220,000 above.



The Governor utilized \$38,006,000 of the Jobs and Growth Tax Relief Reconciliation Act of 2003 monies to fund essential government services for the Military Department, Office of the Attorney General, Mississippi Development Authority, State Tax Commission, Department of Corrections, and Department of Finance and Administration. The Legislature utilized the remaining balance of \$32,016,000 to adequately support the functions of state government.

In April, the Governor authorized a transfer of \$20,000,000 from the Working Cash Stabilization Reserve Account Fund to the General Fund to cover a projected deficit in revenues that did not materialize.

## 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, 2004, amounted to \$12,153,801,000, less accumulated depreciation of \$3,106,251,000, resulting in a net book value of \$9,047,550. This reflected a net increase in the State's investment in capital assets for the current fiscal year of 4.7 percent for governmental activities and 4.0 percent for business-type activities. Depreciation charges for fiscal year 2004 totaled \$295,530,000 for both governmental and business-type activities.

Major capital asset events during fiscal year 2004 included the following:

Construction in progress additions for governmental activities included \$627,827,000 related to roads, highways and bridges; \$17,774,000 related to the Nissan plant development; and \$25,281,000 related to the Military Department buildings.

Additions were made to governmental activities infrastructure in the amount of \$271,140,000 for completed roads, highways and bridges, primarily relating to pavement rehabilitation in Harrison County and to the Four Lane Highway program in Claiborne, Oktibbeha, Tunica, Marion, and Covington counties.

Completed projects added to buildings for governmental activities included \$10,114,000 for East Mississippi State Hospital and \$9,599,000 for Juvenile Treatment Facility. Improvements for the Woolfolk Office Building were made at a cost of \$14,584,000.

Business-type activities experienced a net increase in infrastructure of 29.3 percent. This was primarily due to the Port Authority at Gulfport's completion of a pier substructure in the amount of \$12,400,000, 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	
	2004	2003	2004	2003	2004	2003
Land	\$ 180,809	\$ 189,716	\$ 12,597	\$ 12,597	\$ 193,406	\$ 202,313
Buildings	905,537	948,250	78,128	80,097	983,665	1,028,347
Land improvements	41,659	40,617	21,309	22,398	62,968	63,015
Machinery and equipment	147,387	145,321	5,090	5,784	152,477	151,105
Infrastructure	4,241,305	4,196,378	45,692	35,338	4,286,997	4,231,716
Construction in progress	3,350,686	2,951,729	17,351	17,105	3,368,037	2,968,834
Total	<u>\$ 8,867,383</u>	<u>\$ 8,472,011</u>	<u>\$ 180,167</u>	<u>\$ 173,319</u>	<u>\$ 9,047,550</u>	<u>\$ 8,645,330</u>



## Debt Administration

The total general obligation bond debt outstanding for the State as of June 30, 2004 was \$2,997,341,000. General Obligation Refunding (\$1,427,094,000), Capital Improvements (\$408,540,000), and Major Economic Impact (\$452,715,000) bonds comprise 76.3 percent of the outstanding bond total. These bonds were issued to refund current outstanding bonds; for capital improvements; and for economic development primarily related to the Nissan project. During the fiscal year 2004, the State issued \$712,260,000 in general obligation bonds, which includes \$88,105,000 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, 2004, the State had established a constitutional legal debt limit of \$8,429,055,000, 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 Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 2,954,134	\$ 2,516,497	\$ 43,207	\$ 47,407	\$ 2,997,341	\$ 2,563,904
Limited obligation bonds	112,515	132,390			112,515	132,390
Revenue bonds			295	430	295	430
Total	\$ 3,066,649	\$ 2,648,887	\$ 43,502	\$ 47,837	\$ 3,110,151	\$ 2,696,724

## Economic Factors and Next Year's Budget

The State's unemployment rate decreased from the calendar year 2003 average of 6.3 percent to an average of 5.6 percent for the twelve months ending September 2004. The national rates for the same 2003 and 2004 time periods were 6.0 percent and 5.6 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 growth during fiscal year 2005. Original overall fiscal year 2005 general fund revenue estimated growth was 3.1 percent; this estimate was later revised upward to 4.0 percent. Original general fund component revenue growth projections for fiscal year 2005 included 3.4 percent in sales tax, 3.6 percent in individual income tax, and 1.7 percent in corporate income tax. In November, the component growth estimates were revised upward to 4.4 percent and 8.0 percent in sales tax and corporate income tax, respectively; these revisions were made based upon positive trends indicated during the first four months of the fiscal year.

The fiscal year 2005 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, 2004 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets:				
Equity in internal investment pool	\$ 1,511,329	\$ 34,186	\$ 1,545,515	\$ 18,069
Cash and cash equivalents	72,033	707,661	779,694	207,036
Investments	1,046,718	38,233	1,084,951	129,789
Receivables, net	508,349	59,868	568,217	241,143
Due from other governments, net	343,949	1,708	345,657	439
Internal balances	1,034	(1,034)		
Due from component units	3,311	201	3,512	
Due from primary government				20,226
Inventories	40,602	608	41,210	21,769
Prepaid items		224	224	10,749
Loans and notes receivable, net	19,382	3,988	23,370	11,096
Other assets				10,016
Total Current Assets	3,546,707	845,643	4,392,350	670,332
Noncurrent assets:				
Investments	29,896	129,913	159,809	382,566
Receivables, net	31,632		31,632	
Due from other governments, net	381,491		381,491	43
Loans and notes receivable, net	146,917	111,103	258,020	97,971
Interfund loans	1,308	(1,308)		
Deferred charges	4,924		4,924	
Restricted assets:				
Equity in internal investment pool		855	855	
Cash and cash equivalents		133	133	106,394
Investments		11,407	11,407	343,437
Interest receivable, net		1	1	
Capital assets:				
Land and construction in progress	3,531,495	29,948	3,561,443	295,356
Other capital assets, net	5,335,888	150,219	5,486,107	1,495,505
Other assets	83		83	2,710
Total Noncurrent Assets	9,463,634	432,271	9,895,905	2,723,982
Total Assets	\$ 13,010,341	\$ 1,277,914	\$ 14,288,255	\$ 3,394,314

(Continued on Next Page)



## Statement of Net Assets

June 30, 2004 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Current liabilities:				
Warrants payable	\$ 199,175	\$ 982	\$ 200,157	\$ 94
Accounts payable and other liabilities	458,684	3,052	461,736	130,474
Contracts payable	115,882		115,882	
Retainage payable		92	92	
Income tax refunds payable	173,300		173,300	
Due to other governments	245,732	2,448	248,180	
Due to component units	20,226		20,226	
Due to primary government				3,512
Claims and benefits payable	132,102	6,723	138,825	
Deposits		1,017	1,017	794
Deferred revenues	56,881	1,483	58,364	37,160
Bonds and notes payable	226,288	2,647	228,935	13,248
Certificates of participation	115		115	
Lease obligations payable	8,278	164	8,442	7,147
Total Current Liabilities	1,636,663	18,608	1,655,271	192,429
Noncurrent liabilities:				
Due to other governments		9,051	9,051	
Claims and benefits payable		160,572	160,572	
Deposits				2,294
Bonds and notes payable	2,944,187	40,855	2,985,042	360,109
Certificates of participation	2,585		2,585	
Lease obligations payable	65,999	449	66,448	19,800
Liabilities payable from restricted assets:				
Accounts payable and other liabilities		927	927	
Retainage payable		393	393	
Deposits		133	133	
Other liabilities	90,641	604	91,245	135,310
Total Noncurrent Liabilities	3,103,412	212,984	3,316,396	517,513
Total Liabilities	4,740,075	231,592	4,971,667	709,942
<b>Net Assets</b>				
Invested in capital assets, net of related debt	7,915,868	138,166	8,054,034	1,392,648
Restricted for:				
Capital projects	318,413		318,413	
Debt service	107,149		107,149	
Other purposes	3,676	10,941	14,617	10,912
Permanent trusts:				
Expendable	3,229		3,229	411,638
Nonexpendable	44,327		44,327	400,887
Unemployment compensation benefits		739,974	739,974	
Unrestricted	(122,396)	157,241	34,845	468,287
Total Net Assets	\$ 8,270,266	\$ 1,046,322	\$ 9,316,588	\$ 2,684,372

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



## Statement of Activities

For the Year Ended June 30, 2004 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,648,142	\$ 842,566	\$ 73,940	\$ 1,265
Education	3,292,951	20,925	551,466	1,778
Health and social services	4,776,214	420,116	3,635,354	
Law, justice and public safety	549,662	68,089	99,326	16,163
Recreation and resource development	461,243	57,470	185,660	
Regulation of business and professions	34,269	37,170	2,606	
Transportation	516,130	38,299	5,386	370,480
Interest on long-term debt	149,764			
Total Governmental Activities	11,428,375	1,484,635	4,553,738	389,686
Business-type activities:				
Unemployment compensation	198,147	149,726	31,915	
Port Authority at Gulfport	13,879	21,578		121
Prepaid affordable college tuition	12,253	551		
Other business-type	44,194	35,125	15	157
Total Business-type Activities	268,473	206,980	31,930	278
Total Primary Government	\$ 11,696,848	\$ 1,691,615	\$ 4,585,668	\$ 389,964
<b>Component units:</b>				
Universities	\$ 1,997,529	\$ 832,718	\$ 551,725	\$ 21,202
Nonmajor	29,808	26,538	2,727	1,680
Total Component Units	\$ 2,027,337	\$ 859,256	\$ 554,452	\$ 22,882

### 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**

<b>Primary Government</b>			<b>Component Units</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
\$ (730,371)	\$ (730,371)	\$ (730,371)	
(2,718,782)		(2,718,782)	
(720,744)		(720,744)	
(366,084)		(366,084)	
(218,113)		(218,113)	
5,507		5,507	
(101,965)		(101,965)	
(149,764)		(149,764)	
(5,000,316)		(5,000,316)	
	(16,506)	(16,506)	
	7,820	7,820	
	(11,702)	(11,702)	
	(8,897)	(8,897)	
	(29,285)	(29,285)	
(5,000,316)	(29,285)	(5,029,601)	
			\$ (591,884)
			1,137
			(590,747)
2,459,718		2,459,718	
432,892		432,892	
1,039,488		1,039,488	
320,057		320,057	
160,757		160,757	
352,800		352,800	
534		534	
130,767	65,733	196,500	38,010
			40,777
			647,841
			12,339
(4,293)	4,293		
4,892,720	70,026	4,962,746	738,967
(107,596)	40,741	(66,855)	148,220
8,377,862	1,005,581	9,383,443	2,536,152
\$ 8,270,266	\$ 1,046,322	\$ 9,316,588	\$ 2,684,372



## Governmental Funds

### Balance Sheet

June 30, 2004 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
<b>Assets</b>					
Equity in internal investment pool	\$ 1,174,610	\$ 27,749	\$ 146,778	\$ 133,146	\$ 1,482,283
Cash and cash equivalents	30,822	26,336		12,018	69,176
Investments	111,022	627,808	209,663	62,998	1,011,491
Receivables, net	531,071	2,477	645	5,455	539,648
Due from other governments, net	694,123			31,280	725,403
Due from other funds	8,179			30,958	39,137
Due from component units	3,230				3,230
Inventories	39,751			851	40,602
Loans receivable, net	162,274			4,025	166,299
Loans to other funds	1,310		2,522	567	4,399
Other assets	35			48	83
<b>Total Assets</b>	<b>\$ 2,756,427</b>	<b>\$ 684,370</b>	<b>\$ 359,608</b>	<b>\$ 281,346</b>	<b>\$ 4,081,751</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Warrants payable	\$ 187,854	\$ 1,727	\$ 551	\$ 8,122	\$ 198,254
Accounts payable and accruals	405,242	508		13,153	418,903
Contracts payable	81,284		34,598		115,882
Income tax refunds payable	173,300				173,300
Due to other governments	238,798			6,932	245,730
Due to other funds	28,783	5,791	259	5,739	40,572
Due to component units	19,638			585	20,223
Deferred revenues	133,163			19,673	152,836
Loans from other funds	18,614				18,614
Other liabilities				163	163
<b>Total Liabilities</b>	<b>1,286,676</b>	<b>8,026</b>	<b>35,408</b>	<b>54,367</b>	<b>1,384,477</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Ayers Endowment Trust	15,000				15,000
Distribution to local governments	16,734				16,734
Education and vocational training				38,333	38,333
Ellisville State School				2,025	2,025
Encumbrances	44,776	38		6,202	51,016
Loans to other funds	1,310		2,522	567	4,399
Long-term portion of due from other governments	372,267			9,224	381,491
Long-term portion of loans receivable	143,751			3,166	146,917
Scholarships and books	25				25
Wildlife conservation				5,974	5,974
<b>Unreserved - designated, reported in:</b>					
General fund	692,120				692,120
Special revenue funds		676,306		8,570	684,876
Capital projects funds			321,678		321,678
Debt service funds				47,008	47,008
<b>Unreserved - undesignated, reported in:</b>					
General fund	183,768				183,768
Special revenue funds				102,700	102,700
Permanent funds				3,210	3,210
<b>Total Fund Balances</b>	<b>1,469,751</b>	<b>676,344</b>	<b>324,200</b>	<b>226,979</b>	<b>2,697,274</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,756,427</b>	<b>\$ 684,370</b>	<b>\$ 359,608</b>	<b>\$ 281,346</b>	<b>\$ 4,081,751</b>

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, 2004 (Expressed in Thousands)

<b>Total fund balances for governmental funds</b>	<b>\$ 2,697,274</b>
---------------------------------------------------	---------------------

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	\$ 180,809	
Buildings	1,185,102	
Land improvements	74,441	
Machinery and equipment	421,154	
Infrastructure	6,669,165	
Construction in progress	3,350,686	
Accumulated depreciation	<u>(3,018,460)</u>	8,862,897

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.

97,699

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	(2,954,134)	
Limited obligation bonds	(112,515)	
Capital lease obligations	(74,044)	
Accrued compensated absences	(94,940)	
Notes payable	(92,877)	
Certificates of participation	(2,700)	
Unamortized charges	90,443	
Unamortized premiums	(96,468)	
Accrued interest payable	<u>(28,823)</u>	(3,366,058)

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.

(21,546)

**Net assets of governmental activities**

**\$ 8,270,266**

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



## Governmental Funds

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
<b>Revenues</b>					
Taxes:					
Sales and use	\$ 2,488,055	\$	\$	\$	2,488,055
Gasoline and other motor fuel	424,266			8,825	433,091
Individual income	1,054,479				1,054,479
Corporate income and franchise	320,848				320,848
Insurance	160,757				160,757
Other	348,278			4,522	352,800
Licenses, fees and permits	359,603			68,809	428,412
Federal government	4,655,497			287,863	4,943,360
Interest and other investment income	27,855	88,551	8,854	5,073	130,333
Charges for sales and services	249,359			8,858	258,217
Rentals	10,936			5,715	16,651
Court assessments and settlements	17,310	92,486			109,796
Other	261,596	2	4,111	33,300	299,009
Total Revenues	10,378,839	181,039	12,965	422,965	10,995,808
<b>Expenditures</b>					
Current:					
General government	1,219,944				1,219,944
Education	3,122,085		89,695	102	3,211,882
Health and social services	4,569,253	100,328		106,172	4,775,753
Law, justice and public safety	442,766			108,588	551,354
Recreation and resources development	304,057			178,178	482,235
Regulation of business and professions				34,163	34,163
Transportation	925,757				925,757
Debt service:					
Principal	136,260			80,027	216,287
Interest and other fiscal charges	110,534		470	42,268	153,272
Defeasance of debt				1,689	1,689
Capital outlay			77,839		77,839
Total Expenditures	10,830,656	100,328	168,004	551,187	11,650,175
Excess of Revenues over (under) Expenditures	(451,817)	80,711	(155,039)	(128,222)	(654,367)
<b>Other Financing Sources (Uses)</b>					
Bonds and notes issued	541,210		78,805	5,000	625,015
Capital leases issued	4,834				4,834
Payments to refunded bond and lease escrow agents	(85,293)			(95,385)	(180,678)
Premiums on bonds issued	403			7,462	7,865
Refunding bonds and notes issued	84,400			88,105	172,505
Transfers in	112,525		12,264	179,391	304,180
Transfers out	(182,072)	(1,869)	(12,432)	(111,621)	(307,994)
Net Other Financing Sources (Uses)	476,007	(1,869)	78,637	72,952	625,727
Net Change in Fund Balances	24,190	78,842	(76,402)	(55,270)	(28,640)
Fund Balances - Beginning	1,445,561	597,502	400,602	282,249	2,725,914
Fund Balances - Ending	\$ 1,469,751	\$ 676,344	\$ 324,200	\$ 226,979	\$ 2,697,274

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, 2004 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (28,640)

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	\$ 680,311	
Depreciation expense	<u>(286,468)</u>	393,843

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 (expense) of the internal service funds is reported with governmental activities. (26,268)

Net change in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (41,628)

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. (1,285)

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	(7,865)	
Bonds and notes issued	(625,015)	
Refunding bonds and notes issued	(172,505)	
Capital leases issued	(4,834)	
Payments of debt principal	216,287	
Payments to refunded bond and lease escrow agents	180,678	
Defeasance of debt	1,689	
Accrued interest payable	(1,503)	
Deferred issuance costs	<u>4,071</u>	(408,997)

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	5,136	
Change in compensated absences	(710)	
Amortization of deferred charges and premiums	<u>953</u>	<u>5,379</u>

Change in net assets of governmental activities \$ (107,596)

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

## Proprietary Funds

### Statement of Net Assets

June 30, 2004 (Expressed in Thousands)

	Business-type Activities -		
	Employment Security Commission	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$	\$	\$ 690
Cash and cash equivalents	691,970	3,147	4,455
Investments		34,503	3,730
Receivables, net:			
Accounts	4,422	1,838	
Assessments	49,881		
Interest and dividends		202	470
Due from other governments	1,576	121	
Due from other funds	289		
Due from component units	201		
Inventories			
Prepaid items		125	
Loans and notes receivable			
Total Current Assets	748,339	39,936	9,345
Noncurrent assets:			
Investments			129,913
Loans and notes receivable			
Loans to other funds			
Restricted assets:			
Equity in internal investment pool		855	
Cash and cash equivalents		133	
Investments		11,407	
Interest receivable, net		1	
Capital assets, net		121,600	
Total Noncurrent Assets		133,996	129,913
Total Assets	\$ 748,339	\$ 173,932	\$ 139,258

# Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 33,496	\$ 34,186	\$ 29,046	
8,089	707,661	2,857	
	38,233	35,227	
2,596	8,856	38	
	49,881		
459	1,131	187	
11	1,708	37	
2,029	2,318	2,828	
	201	81	
608	608		
99	224		
3,988	3,988		
51,375	848,995	70,301	
	129,913	29,896	
111,103	111,103		
2	2	14,162	
	855		
	133		
	11,407		
	1		
58,567	180,167	4,486	
169,672	433,581	48,544	
\$ 221,047	\$ 1,282,576	\$ 118,845	

(Continued on Next Page)

## Proprietary Funds

### Statement of Net Assets

June 30, 2004 (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
<b>Liabilities</b>			
Current liabilities:			
Warrants payable	\$	\$	\$ 109
Accounts payable and other liabilities	65	1,693	263
Retainage payable		92	
Due to other governments	2,448		
Due to other funds	1,411		1
Due to component units			
Claims and benefits payable	3,255		3,468
Deposits			
Bonds payable		2,502	
Deferred revenues	1,186		
Lease obligations payable			
Total Current Liabilities	8,365	4,287	3,841
Noncurrent liabilities:			
Due to other governments			
Loans from other funds			
Claims and benefits payable			160,572
Bonds payable		40,705	
Lease obligations payable			
Liabilities payable from restricted assets:			
Accounts payable and other liabilities		927	
Retainage payable		393	
Deposits		133	
Other liabilities		162	19
Total Noncurrent Liabilities		42,320	160,591
Total Liabilities	8,365	46,607	164,432
<b>Net Assets</b>			
Invested in capital assets, net of related debt		82,066	
Restricted for other purposes		10,941	
Restricted for unemployment compensation benefits	739,974		
Unrestricted (deficit)		34,318	(25,174)
Total Net Assets	\$ 739,974	\$ 127,325	\$ (25,174)

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

# Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 873	\$ 982	\$ 921	
1,031	3,052	4,021	
	92		
	2,448	2	
1,940	3,352	294	
		3	
	6,723	132,102	
1,017	1,017		
145	2,647		
297	1,483	1,744	
164	164	115	
5,467	21,960	139,202	
9,051	9,051		
1,310	1,310		
	160,572		
150	40,855		
449	449	118	
	927		
	393		
	133		
423	604	1,071	
11,383	214,294	1,189	
16,850	236,254	140,391	
56,100	138,166	4,253	
	10,941		
	739,974		
148,097	157,241	(25,799)	
\$ 204,197	\$ 1,046,322	\$ (21,546)	



## Proprietary Funds

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Business-type Activities -		
	Employment Security Commission	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Operating Revenues</b>			
Charges for sales and services/premiums	\$	\$ 20,546	\$
Assessments	149,625		
Interest and other investment income			18,932
Federal agencies	27,527		
Rentals			
Fees			551
Other	101		
Total Operating Revenues	177,253	20,546	19,483
<b>Operating Expenses</b>			
Cost of sales and services			
General and administrative		2,459	242
Contractual services		4,901	1,634
Commodities		399	36
Depreciation		4,256	
Claims and benefits	198,147		4,627
Excess of present value of related benefits payable over tuition receipts			5,714
Other			
Total Operating Expenses	198,147	12,015	12,253
Operating Income (Loss)	(20,894)	8,531	7,230
<b>Nonoperating Revenues</b>			
Federal grant	4,388		
Revenue from counties		1,017	
Interest and other investment income	39,233	392	
Other		15	
Total Nonoperating Revenues	43,621	1,424	
<b>Nonoperating Expenses</b>			
Loss on disposal of assets		112	
Interest		1,752	
Other			
Total Nonoperating Expenses		1,864	
Income (Loss) before Capital Contributions and Transfers	22,727	8,091	7,230
Capital Contributions		121	
Transfers In		1,082	
Transfers Out	(4,226)	(5)	
Change in Net Assets	18,501	9,289	7,230
Total Net Assets - Beginning	721,473	118,036	(32,404)
Total Net Assets - Ending	\$ 739,974	\$ 127,325	\$ (25,174)

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

# Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 33,223	\$ 53,769	\$ 538,465	
	149,625		
6,808	25,740		
	27,527		
1,500	1,500		
56	607		
346	447	50	
41,933	259,215	538,515	
22,680	22,680		
10,548	13,249	15,574	
6,969	13,504	50,791	
1,394	1,829	648	
2,348	6,604	2,458	
	202,774	494,889	
	5,714		
87	87		
44,026	266,441	564,360	
(2,093)	(7,226)	(25,845)	
15	4,403		
	1,017		
368	39,993	434	
	15		
383	45,428	434	
78	190	430	
77	1,829	13	
13	13		
168	2,032	443	
(1,878)	36,170	(25,854)	
157	278	65	
8,539	9,621	958	
(1,097)	(5,328)	(1,437)	
5,721	40,741	(26,268)	
198,476	1,005,581	4,722	
\$ 204,197	\$ 1,046,322	\$ (21,546)	



## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Business-type Activities -		
	Employment Security Commission	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Cash Flows from Operating Activities</b>			
Cash receipts from federal agencies	\$ 29,142	\$	\$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		20,238	27,510
Cash receipts from assessments	139,721		
Cash payments to suppliers for goods and services		(6,133)	(1,611)
Cash payments to employees for services		(2,416)	(223)
Cash payments for claims and benefits	(203,155)		(10,341)
Other operating cash receipts			
Income received on tuition receipts			10,004
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(34,292)	11,689	25,339
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in		1,082	
Transfers out	(4,226)	(9)	
Federal grants received	4,260		
Loans to other funds			
Revenues from counties		1,017	
Net Cash Provided by (Used for) Noncapital Financing Activities	34	2,090	
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets		(11,732)	
Proceeds from sales of capital assets			
Proceeds from capital lease			
Principal paid on bonds and capital assets contracts		(4,201)	
Interest paid on bonds and capital assets contracts		(1,811)	
Other capital cash receipts		15	
Net Cash Used for Capital and Related Financing Activities		(17,729)	
<b>Cash Flows From Investing Activities</b>			
Proceeds from sales of investments		33,836	42,159
Purchases of investments		(45,346)	(66,334)
Interest and other investment income	39,233	315	
Net Cash Provided by (Used for) Investing Activities	39,233	(11,195)	(24,175)
Net Increase (Decrease) in Cash and Cash Equivalents	4,975	(15,145)	1,164
Cash and Cash Equivalents - Beginning	686,995	19,280	3,981
Cash and Cash Equivalents - Ending	\$ 691,970	\$ 4,135	\$ 5,145



# Enterprise Funds

		Governmental	
		Activities -	
		Internal	
		Service	
Nonmajor	Totals	Funds	
Funds			
\$	\$	29,142	\$
			172,949
33,572	81,320		365,208
	139,721		
(30,839)	(38,583)		(50,829)
(10,309)	(12,948)		(15,428)
	(213,496)		(491,959)
307	307		50
	10,004		
27,282	27,282		
(15,322)	(15,322)		
4,691	7,427		(20,009)
8,392	9,474		646
(1,084)	(5,319)		(1,114)
15	4,275		
(2)	(2)		(14,162)
	1,017		
7,321	9,445		(14,630)
(595)	(12,327)		(821)
6	6		
366	366		
(568)	(4,769)		(280)
(78)	(1,889)		(16)
	15		
(869)	(18,598)		(1,117)
	75,995		44,528
	(111,680)		(1,237)
368	39,916		2,332
368	4,231		45,623
11,511	2,505		9,867
30,074	740,330		22,036
\$	\$	\$	\$
41,585	742,835		31,903

(Continued on Next Page)

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2004 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Employment Security Commission Unemployment Compensation	Port Authority at Gulfport	State Treasurer Prepaid Affordable College Tuition
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating income (loss)	\$ (20,894)	\$ 8,531	\$ 7,230
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		4,256	
Net appreciation in fair value of investments			(8,958)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	(545)	(187)	
Assessments receivable	(9,705)		
Interest receivable			30
Due from federal government	1,570		
Due from other governments	260	(121)	
Due from other funds	(24)		71
Due from component units	10		
Inventories			
Prepaid items		17	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			17
Accounts payable and other liabilities	(45)	(801)	104
Due to other governments	(592)		
Due to other funds	(1,312)	(6)	(36)
Due to component units			
Claims and benefits payable	(3,059)		26,881
Deferred revenues	44		
Total adjustments	(13,398)	3,158	18,109
Net Cash Provided by (Used for) Operating Activities	\$ (34,292)	\$ 11,689	\$ 25,339
<b>Noncash Capital and Related Financing and Investing Activities</b>			
New capital leases			
Transfer of capital assets to other state agencies			
Capital contributions		121	
Loss on disposal of capital assets		112	
Change in market value of investments			8,958

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

**Enterprise Funds**

		<b>Governmental Activities - Internal Service Funds</b>	
<b>Nonmajor Funds</b>	<b>Totals</b>		
\$ (2,093)	\$ (7,226)	\$	(25,845)
2,348	6,604 (8,958)	2,458	
10	(722) (9,705)	11	
57	87 1,570		
4	143	(2)	
(1,187)	(1,140)	474	
6	16	(31)	
31	31		
(54)	(37)		
4,643	4,643		
485	502	(203)	
(170)	(912)	955	
(6)	(598)	2	
637	(717)	29	
(7)	(7)	3	
	23,822	2,901	
(13)	31	(761)	
6,784	14,653	5,836	
\$ 4,691	\$ 7,427	\$	(20,009)

146	146	
13	13	323
157	278	65
78	190	430
	8,958	(1,752)



## Fiduciary Funds

### Statement of Fiduciary Net Assets

June 30, 2004 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Agency Funds
<b>Assets</b>			
Equity in internal investment pool	\$ 590	\$ 1,758	\$ 9,036
Cash and cash equivalents	191,031	633	9,885
Investments, at fair value:			
Short-term securities	132,994	815	
Long-term debt securities	4,143,931	7,531	
Equity securities	11,782,895	18,026	
Real estate trusts	340,608	1,738	
Balanced asset fund	31,305		
Fixed rate and variable	396,084	4,710	
Life insurance contracts	525		
Securities lending:			
Short-term securities	1,332,537		
Long-term debt securities	774,419		
Receivables, net:			
Employer contributions	30,354		
Employee contributions	25,609		
Investment proceeds	208,132		
Interest and dividends	65,866	1	1
Other	441	16	62
Due from other funds		43	
Loans to other funds			1,361
Commodity inventory			2,158
Capital assets, net	17,233		
Total Assets	<u>19,474,554</u>	<u>35,271</u>	<u>\$ 22,503</u>
<b>Liabilities</b>			
Warrants payable	266	1	\$ 190
Accounts payable and accruals	425,385	45	1,507
Due to other governments			783
Due to other funds	108		
Amounts held in custody for others	1,138		20,023
Obligations under securities lending	2,112,366		
Total Liabilities	<u>2,539,263</u>	<u>46</u>	<u>\$ 22,503</u>
<b>Net Assets</b>			
Held in trust for pension benefits and trust beneficiaries	<u>\$ 16,935,291</u>	<u>\$ 35,225</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, 2004 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds
<b>Additions</b>		
Contributions:		
Employer	\$ 480,480	\$
Plan participant	435,030	13,162
Total Contributions	915,510	13,162
Net Investment Income:		
Net change in fair value of investments	1,702,796	1,018
Interest and other investment income	460,891	2,147
Securities lending:		
Income from securities lending	24,259	
Interest expense and trading costs from securities lending	(19,918)	
Managers' fees and trading costs	(26,382)	
Net Investment Income	2,141,646	3,165
Other Additions:		
Rent income	68	
Administrative fees	527	175
Donations		303
Other	1	
Total Other Additions	596	478
Total Additions	3,057,752	16,805
<b>Deductions</b>		
Benefits	1,120,457	1,283
Refunds to terminated employees	67,329	
Administrative expenses	10,039	308
Depreciation	218	
Total Deductions	1,198,043	1,591
Change in Net Assets	1,859,709	15,214
Net Assets - Beginning	15,075,582	20,011
Net Assets - Ending	\$ 16,935,291	\$ 35,225

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



## Component Units

### Statement of Net Assets

June 30, 2004 (Expressed in Thousands)

	Universities	Nonmajor	Totals
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$ 15,996	\$ 2,073	\$ 18,069
Cash and cash equivalents	193,851	13,185	207,036
Investments	112,494	17,295	129,789
Receivables, net	239,418	1,725	241,143
Due from other governments		439	439
Due from primary government	20,158	68	20,226
Inventories	21,371	398	21,769
Prepaid items	10,439	310	10,749
Loans and notes receivable, net	11,096		11,096
Other assets	10,016		10,016
Total Current Assets	634,839	35,493	670,332
Noncurrent assets:			
Investments	380,790	1,776	382,566
Due from other governments		43	43
Loans and notes receivable, net	97,971		97,971
Restricted assets:			
Cash and cash equivalents	106,394		106,394
Investments	336,559	6,878	343,437
Capital assets, net	1,711,737	79,124	1,790,861
Other assets	2,710		2,710
Total Noncurrent Assets	2,636,161	87,821	2,723,982
Total Assets	3,271,000	123,314	3,394,314
<b>Liabilities</b>			
Current liabilities:			
Warrants payable	94		94
Accounts payable and other liabilities	127,532	2,942	130,474
Due to primary government	3,496	16	3,512
Deposits	20	774	794
Deferred revenues	37,160		37,160
Bonds and notes payable	12,519	729	13,248
Lease obligations payable	7,028	119	7,147
Total Current Liabilities	187,849	4,580	192,429
Noncurrent liabilities:			
Deposits	2,294		2,294
Bonds and notes payable	359,115	994	360,109
Lease obligations payable	19,382	418	19,800
Other liabilities	134,891	419	135,310
Total Noncurrent Liabilities	515,682	1,831	517,513
Total Liabilities	703,531	6,411	709,942
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,315,852	76,796	1,392,648
Restricted for:			
Other purposes		10,912	10,912
Permanent endowments:			
Expendable	411,638		411,638
Nonexpendable	400,887		400,887
Unrestricted	439,092	29,195	468,287
Total Net Assets	\$ 2,567,469	\$ 116,903	\$ 2,684,372

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



## Component Units

### Statement of Activities

For the Year Ended June 30, 2004 (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	\$ 1,997,529	\$ 832,718	\$ 551,725	\$ 21,202	\$ (591,884)	\$	\$ (591,884)
Nonmajor	29,808	26,538	2,727	1,680		1,137	1,137
Total	\$ 2,027,337	\$ 859,256	\$ 554,452	\$ 22,882	(591,884)	1,137	(590,747)
General revenues:							
Interest and investment income					37,474	536	38,010
Other					39,956	821	40,777
Payment from State of Mississippi					647,841		647,841
Contributions to permanent endowments					12,339		12,339
Total General Revenues and Contributions					737,610	1,357	738,967
Change in Net Assets					145,726	2,494	148,220
Net Assets - Beginning, as restated					2,421,743	114,409	2,536,152
Net Assets - Ending					\$ 2,567,469	\$ 116,903	\$ 2,684,372

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, 2004

### Note 1 - Significant Accounting Policies

The significant accounting policies applicable to the State of Mississippi are described below.

- A. Basis of Presentation** - The accompanying financial statements of the State have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.
- B. Financial Reporting Entity** - For GAAP financial reporting purposes, the State's reporting entity includes all funds of the State's various commissions, departments, boards, elected officials, universities, and other organizational units (hereinafter referred to collectively as "agencies"). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following considerations: 1) appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government. GASB provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of a government unit.

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

Public Employees' Retirement System of Mississippi - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its five pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2004, and their report, dated November 19, 2004, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

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

The State reports the following nonmajor discretely presented component units:

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



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

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

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

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

Pearl River Basin Development District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency was created for the purpose of preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, agricultural and manufacturing purposes, for recreational uses, for flood control, timber development, irrigation, navigation and pollution abatement.

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

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

The discretely presented component units are audited by 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. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

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

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

**J. Inventories** - 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 and refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium, discount or refunding charge while bond issuance costs are reported as deferred charges.
- T. Changes in Accounting Standards** - The State has implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment to GASB Statement No. 14 in the current fiscal year as required. The provisions of this new standard have been incorporated into the financial statements and accompanying notes.



## Note 2 - Other Accounting Disclosures

- A. Deficit Net Assets** - At June 30, 2004, the Prepaid Affordable College Tuition Fund (a major enterprise fund) has deficit net assets of \$25,174,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts. Within the Risk Management Fund (an internal service fund), the health and life benefits account has deficit net assets of \$37,821,000. The deficit is a result of actuarial accruals of claims exceeding revenues from current and previous years. The other risk management accounts have positive net assets of \$2,868,000 creating net deficit assets of \$34,953,000 in the Risk Management Fund.
- 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	
<b>Fund balances, unreserved - designated:</b>					
Debt service	\$ 56,876	\$	\$ 3,265	\$ 47,008	\$ 107,149
Education	9,112				9,112
Energy programs				2,845	2,845
Future capital projects			318,413		318,413
Future loans	66,438			5,725	72,163
Health care		676,306			676,306
Port improvements	593				593
Road and highway construction	234,609				234,609
Special treasury accounts	315,637				315,637
Working cash stabilization reserve	8,855				8,855
<b>Total</b>	<b>\$ 692,120</b>	<b>\$ 676,306</b>	<b>\$ 321,678</b>	<b>\$ 55,578</b>	<b>\$ 1,745,682</b>

- C. Restatements of Net Assets** - During fiscal year 2004, the State implemented GASB Statement No. 39 - *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14. The provisions of this standard have been incorporated into the financial statements and accompanying notes. As a result of organizations being included as component units of the Universities, a major component unit, the beginning net assets of the Component Units have been restated. The beginning net assets for Component Units are also being restated to reflect a change in accounting principle and prior period adjustments for Universities. The restatement of beginning net assets is summarized as follows (amounts expressed in thousands):

	Component Units
Net Assets at June 30, 2003, as previously reported	\$ 2,112,905
Implementation of GASB Statement No. 39	399,615
Change in accounting policy	23,759
Prior period adjustments	(127)
<b>Net Assets at June 30, 2003, as restated</b>	<b>\$ 2,536,152</b>

- D. Credit Agreements** - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to \$150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination.

During fiscal year 2004, the Division of Medicaid received advances totaling \$78,000,000 from special source funds with the entire balance being outstanding at June 30, 2004. This amount is due on or before September 30, 2004. This internal transaction has been properly eliminated from the financial statements.



### Note 3 - Interfund Transactions

At June 30, 2004, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To						Total
	General	Nonmajor Governmental	Internal Service	Unemployment Compensation	Nonmajor Enterprise	Fiduciary	
Governmental:							
General	\$	\$ 26,077	\$ 2,517		\$ 146	\$ 43	\$ 28,783
Health Care	3,989	1,802					5,791
Capital Projects	59	200					259
Nonmajor Governmental	3,611		245		1,883		5,739
Internal Service			5	289			294
Proprietary:							
Unemployment Compensation		1,411					1,411
Prepaid Affordable College Tuition			1				1
Nonmajor Enterprise	437	1,468	35				1,940
Fiduciary	83		25				108
Total	\$ 8,179	\$ 30,958	\$ 2,828	\$ 289	\$ 2,029	\$ 43	\$ 44,326

Interfund receivables and payables are the results of 1) timing differences between the date expenses/expenditures occur and the date payments are made and 2) the accrual of tax distributions for taxes collected in the following fiscal year.

At June 30, 2004, interfund loans consisted of (amounts expressed in thousands):

Loans To	Loans From						Total
	General	Capital Projects	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Fiduciary	
Governmental:							
General	\$	\$ 2,522	\$ 567	\$ 2	\$ 14,162	\$ 1,361	\$ 18,614
Proprietary:							
Nonmajor Enterprise	1,310						1,310
Total	\$ 1,310	\$ 2,522	\$ 567	\$ 2	\$ 14,162	\$ 1,361	\$ 19,924

During fiscal year 2004, the State Legislature directed the State Treasurer to transfer monies to the General Fund for appropriation by the Legislature. Based on the legislative provision for repayment, these monies are considered loans that are not expected to be repaid within one year. Loans to the General Fund are from the various funds as presented in the table above (i.e., Capital Projects, Nonmajor Governmental, Nonmajor Enterprise, Internal Service and Fiduciary) for a total of \$18,614,000.

Also included in the table is a \$1,310,000 loan to the Yellow Creek Inland Port Authority Fund (a nonmajor enterprise fund) from the General Fund for construction of a new building.





At June 30, 2004, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To					
	Primary Government			Component Units		Total
	General	Unemployment Compensation	Internal Service	Universities	Nonmajor	
Primary Government:						
General	\$	\$	\$	\$ 19,578	\$ 60	\$ 19,638
Nonmajor Governmental				580	5	585
Internal Service					3	3
Component Units:						
Universities	3,230	201	65			3,496
Nonmajor			16			16
Total	\$ 3,230	\$ 201	\$ 81	\$ 20,158	\$ 68	\$ 23,738

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, 2004, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To						
	General	Capital Projects	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:							
General	\$	\$ 9,972	\$ 162,747	\$ 958	\$ 1,082	\$ 7,313	\$ 182,072
Health Care	1,729	140					1,869
Capital Projects	3,712		8,720				12,432
Nonmajor Governmental	105,879	2,152	2,364			1,226	111,621
Internal Service	1,189		248				1,437
Proprietary:							
Unemployment Compensation			4,226				4,226
Port Authority at Gulfport			5				5
Nonmajor Enterprise	16		1,081				1,097
Total	\$ 112,525	\$ 12,264	\$ 179,391	\$ 958	\$ 1,082	\$ 8,539	\$ 314,759

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 2004, the State Legislature directed the State Treasurer to transfer monies to the General Fund for appropriation by the Legislature. Transfers to the General Fund from nonmajor governmental funds and from the Risk Management Fund (an internal service fund) are \$71,500,000 and \$1,000,000, respectively.

The State Legislature authorized transfers from the General Fund to supplement appropriations in the Information Technology Services Fund (an internal service fund) for \$200,000, and the Military Department National Guard Facility and Training Fund (a nonmajor governmental fund) for \$430,000.

## 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.



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 2004, 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 highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO's valued at \$1,057,000 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. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held \$558 million in CMOs at June 30, 2004. Of this amount, \$197 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 \$767 million in ABS that the System held at June 30, 2004, \$129 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, 2004, by the System are long-term U. S. Government and agency obligations, corporate bonds, 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 72 days at June 30, 2004. Cash collateral is invested in debt 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 average expected final maturity of all collateral investments at June 30, 2004, was 340 days with a weighted average maturity of 48 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, 2004, the aggregate fair value of securities lending holdings, including accrued interest was \$2,109,320,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$2,061,585,000. The value of the collateral pledged by borrowers at year end was \$2,113,420,000.

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 portfolio is 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 and long-term debt 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 primary government's cash deposits, which are not included in the statewide collateral pool, as of June 30, 2004, \$202,440,000 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 primary government's exposure to credit risk as of June 30, 2004 is as follows (expressed in thousands):

Rating	Fair Value
AAA	\$ 3,667,624
AA	448,404
A	1,568,325
BBB	187,899
BB	6,890
B	1,589
CCC	2,922
CC	2,425
Not Rated	704,270
Total	<u>\$ 6,590,348</u>

**B. Custodial Credit Risk** - Within the primary government, 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 \$18,192,261,000 in investments at June 30, 2004. Of this amount, \$2,106,956,000 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, 2004, consisted of (expressed in thousands):

	Fair Value
Commercial paper	\$ 645,764
U. S. Government agency obligations	321,595
Repurchase agreements	48,510
Corporate bonds	512,808
Asset and mortgage backed securities	578,279
Total	<u>\$ 2,106,956</u>

**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 National Mortgage Association	5.9%
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**D. Interest Rate Risk** - As of June 30, 2004, the primary government 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
Asset and mortgage backed securities	\$ 1,731,153	\$ 585,648	\$ 49,360	\$ 78,897	\$ 1,017,248
Collateralized mortgage obligations	572,791	64,792	33,160	29,433	445,406
Commercial paper	689,857	689,857			
Corporate bonds	1,500,325	329,227	560,711	380,489	229,898
Municipal bonds	94,899	3,524	6,151	34,369	50,855
Mutual funds	96,155	96,155			
Repurchase agreements	515,397	283,429	231,968		
U. S. Government agency obligations	988,935	337,183	463,765	107,431	80,556
U. S. Treasury obligations	1,012,327	38,145	390,554	232,879	350,749
Yankee bonds	120,878		71,775	21,411	27,692
Zero coupon bonds	2,231		667		1,564
Total	\$ 7,324,948	\$ 2,427,960	\$ 1,808,111	\$ 884,909	\$ 2,203,968

**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 primary government's exposure to foreign currency risk at June 30, 2004, was as follows (expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 98,678
British pound sterling	670,766
Canadian dollar	28,083
Danish krone	37,295
European euro	932,042
Hong Kong dollar	47,798
Indian rupee	51
Japanese yen	491,639
Korean won	414
Malaysian ringgit	696
New Zealand dollar	1,462
Norwegian krone	18,134
Russian rubles	351
Singapore dollar	35,519
Swedish krona	37,901
Swiss franc	232,686
Thailand baht	629
Total	\$ 2,634,144



## Note 5 - Receivables

At June 30, 2004, 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	\$ 186,423	\$	\$	4,451	\$ 38	108	\$ 191,020
Taxes:							
Sales	134,976						134,976
Income	90,209						90,209
Gasoline	39,297						39,297
Other	158,887						158,887
Interest and dividends	3,819	2,477	645	1,004	187		8,132
Other	405						405
Gross receivables	614,016	2,477	645	5,455	225	108	622,926
Allowance for uncollectibles	(82,945)						(82,945)
Receivables, net	\$ 531,071	\$ 2,477	\$ 645	\$ 5,455	\$ 225	\$ 108	\$ 539,981

Amounts not scheduled for collection in subsequent year	\$ 31,632	\$ 31,632
------------------------------------------------------------	-----------	-----------

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	\$ 19,476	\$ 1,838	\$	\$ 2,682	\$ 23,996
Assessments	63,877				63,877
Interest and dividends		203	470	459	1,132
Gross receivables	83,353	2,041	470	3,141	89,005
Allowance for uncollectibles	(29,050)			(86)	(29,136)
Receivables, net	\$ 54,303	\$ 2,041	\$ 470	\$ 3,055	\$ 59,869

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 1,449,774	\$ 1,517	\$ 1,451,291
Interest	2,695	208	2,903
Gross receivables	1,452,469	1,725	1,454,194
Allowance for uncollectibles	(1,213,051)		(1,213,051)
Receivables, net	\$ 239,418	\$ 1,725	\$ 241,143



## Note 6 - Due From Other Governments

At June 30, 2004, due from other governments consisted of (amounts expressed in thousands):

	<b>Governmental Funds</b>			<b>Total Governmental Activities</b>
	<b>General</b>	<b>Nonmajor Funds</b>	<b>Internal Service</b>	
Due from other governments	\$ 694,143	\$ 31,280	\$ 37	\$ 725,460
Allowance for uncollectibles	(20)			(20)
Due from other governments, net	<u>\$ 694,123</u>	<u>\$ 31,280</u>	<u>\$ 37</u>	<u>\$ 725,440</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 372,267</u>	<u>\$ 9,224</u>		<u>\$ 381,491</u>

## Note 7 - Loans and Notes Receivable

At June 30, 2004, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government			Component Units
	Governmental Funds		Total Governmental Activities	
	General	Nonmajor Funds		Universities
Loans and notes receivable	\$ 162,274	\$ 4,557	\$ 166,831	\$ 119,226
Allowance for uncollectibles		(532)	(532)	(10,159)
Loans and notes receivable, net	<u>\$ 162,274</u>	<u>\$ 4,025</u>	<u>\$ 166,299</u>	<u>\$ 109,067</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 143,751</u>	<u>\$ 3,166</u>	<u>\$ 146,917</u>	<u>\$ 97,971</u>





## Note 8 - Capital Assets

### Primary Government

Capital asset activity for the year ended June 30, 2004, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 189,716	\$ 2,206	\$ 11,113	\$ 180,809
Construction in progress	2,951,729	741,362	342,405	3,350,686
Total capital assets not being depreciated	3,141,445	743,568	353,518	3,531,495
Capital assets being depreciated:				
Buildings	1,215,996	55,013	85,907	1,185,102
Land improvements	70,399	5,081	1,039	74,441
Machinery and equipment	434,109	47,609	41,240	440,478
Infrastructure	6,475,739	271,140	77,714	6,669,165
Total capital assets being depreciated	8,196,243	378,843	205,900	8,369,186
Less accumulated depreciation for:				
Buildings	267,746	23,336	11,517	279,565
Land improvements	29,782	3,095	95	32,782
Machinery and equipment	288,788	36,641	32,338	293,091
Infrastructure	2,279,361	226,213	77,714	2,427,860
Total accumulated depreciation	2,865,677	289,285	121,664	3,033,298
Total capital assets being depreciated, net	5,330,566	89,558	84,236	5,335,888
Governmental activities capital assets, net	\$ 8,472,011	\$ 833,126	\$ 437,754	\$ 8,867,383
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 12,597	\$	\$	\$ 12,597
Construction in progress	17,105	13,212	12,966	17,351
Total capital assets not being depreciated	29,702	13,212	12,966	29,948
Capital assets being depreciated:				
Buildings	99,064		33	99,031
Land improvements	35,485	156		35,641
Machinery and equipment	17,740	480	2,266	15,954
Infrastructure	59,744	12,802		72,546
Total capital assets being depreciated	212,033	13,438	2,299	223,172
Less accumulated depreciation for:				
Buildings	18,967	1,936		20,903
Land improvements	13,087	1,245		14,332
Machinery and equipment	11,956	993	2,085	10,864
Infrastructure	24,406	2,448		26,854
Total accumulated depreciation	68,416	6,622	2,085	72,953
Total capital assets being depreciated, net	143,617	6,816	214	150,219
Business-type activities capital assets, net	\$ 173,319	\$ 20,028	\$ 13,180	\$ 180,167

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

**Governmental activities:**

General government	\$	4,610
Education		4,615
Health and social services		11,711
Law, justice and public safety		18,837
Recreation and resources development		9,916
Regulation of business and profession		584
Transportation		236,195
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		2,458
Total depreciation expense - governmental activities	\$	288,926

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

	Project Authorization	Expended To Date	Outstanding Commitment
<b>Governmental activities:</b>			
Department of Transportation	\$ 4,243,132	\$ 3,021,476	\$ 1,219,764
Military Department	42,079	29,392	12,687
Department of Finance and Administration	130,117	73,659	45,767
Educational Television	14,314	8,860	783
Department of Human Services	15,493	14,307	1,187
East Mississippi State Hospital	11,662	2,960	8,697
Mississippi State Hospital	24,191	18,701	2,042
Department of Education	28,286	22,070	11
Department of Archives and History	30,214	29,606	395
Mississippi Library Commission	10,601	6,622	3,888
Mississippi Emergency Management Agency	15,368	709	14,183
Mississippi Development Authority	68,532	66,774	1,719
Mississippi Employment Security Commission	16,000	15,280	720
Other projects less than \$10 million	54,432	40,270	6,079
Total governmental activities	4,704,421	3,350,686	1,317,922
<b>Business-type activities:</b>			
Port Authority at Gulfport	29,250	16,610	13,089
Other projects less than \$10 million	812	741	71
Total business-type activities	30,062	17,351	13,160
Total construction in progress	\$ 4,734,483	\$ 3,368,037	\$ 1,331,082

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## Component Units

Capital asset activity for the year ended June 30, 2004, was as follows (expressed in thousands):

<b>Universities:</b>	<b>Beginning Balance as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 41,043	\$ 2,638	\$ 21	\$ 43,660
Construction in progress	248,833	108,252	120,646	236,439
Total capital assets not being depreciated	289,876	110,890	120,667	280,099
Capital assets being depreciated:				
Buildings	1,373,751	119,807	2,292	1,491,266
Land improvements	136,710	11,611		148,321
Machinery and equipment	620,366	67,947	28,830	659,483
Total capital assets being depreciated	2,130,827	199,365	31,122	2,299,070
Less accumulated depreciation for:				
Buildings	362,286	26,440	88	388,638
Land improvements	32,818	5,219		38,037
Machinery and equipment	417,531	45,754	22,528	440,757
Total accumulated depreciation	812,635	77,413	22,616	867,432
Total capital assets being depreciated, net	1,318,192	121,952	8,506	1,431,638
Universities capital assets, net	\$ 1,608,068	\$ 232,842	\$ 129,173	\$ 1,711,737

<b>Nonmajor component units:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 14,920	\$ 14	\$ 3	\$ 14,931
Construction in progress	103	480	257	326
Total capital assets not being depreciated	15,023	494	260	15,257
Capital assets being depreciated:				
Buildings	53,530	378	20	53,888
Land improvements	45,557	3,516		49,073
Machinery and equipment	32,011	2,056	585	33,482
Total capital assets being depreciated	131,098	5,950	605	136,443
Less accumulated depreciation for:				
Buildings	23,263	90	20	23,333
Land improvements	28,454	2,553		31,007
Machinery and equipment	16,886	1,907	557	18,236
Total accumulated depreciation	68,603	4,550	577	72,576
Total capital assets being depreciated, net	62,495	1,400	28	63,867
Nonmajor component units capital assets, net	\$ 77,518	\$ 1,894	\$ 288	\$ 79,124

## 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 are used to acquire other items for the collections. These collections include paintings, photographs, various objects of art, historical and scientific artifacts, antique furniture, clothing, books, and relics.



## 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 issued by the State as of June 30, 2004, relating to a portion of capital improvement and major economic impact projects pay interest at variable or auction rates. The remaining general obligation debt has fixed rates of interest.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U. S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. The State must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. As of June 30, 2004, no arbitrage rebate liability existed.

### Short-Term Financing

During fiscal year 2004, the State repaid \$305,000,000 in short-term general obligation notes that had been issued to provide financial assistance for the Nissan project in Madison County, Mississippi. At June 30, 2004, there was no short-term financing. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2004 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Mississippi Major Economic Impact Act 2002B	\$ 305,000	\$	\$ 305,000	\$ 0

### 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, 2004, the Port of Pascagoula's outstanding general obligation bonds are \$2,700,000.

During fiscal year 2004, the State issued \$88,105,000 of general obligation refunding bonds to currently refund or advance refund and defease a portion of seven issues reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 18 years by \$3,662,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$3,443,000.

The net proceeds of the refunding issue 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, 2004, \$1,413,690,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.



At June 30, 2004, 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
<b>Governmental Activities:</b>				
Mississippi Development Bank	\$ 830	4.35%	Nov. 2004	\$ 5,000
Archusa Water Park	280	5%	Aug. 2008	481
Community and Jr. College Telecommunications Network	3,715	5%	Aug. 2008	6,619
Port Improvement	11,250	5%	Aug. 2008	19,976
Tech Prep	28,405	5% - 5.5%	Aug. 2008	55,024
Local Governments Water System Improvement	6,310	6% - 7.5%	Sept. 2010	20,000
Economic Development Highway	26,820	5.85% - 7.3%	Feb. 2011	76,962
Spillway Road	3,750	6% - 6.25%	Feb. 2011	4,950
Gaming Highway Improvement	186,310	5% - 5.5%	Oct. 2011	325,000
Ayers Settlement - Allstate Building	2,755	4% - 5.6%	June 2012	3,300
Single Family Residential Housing Fund	4,160	4% - 5.6%	June 2012	5,000
Deer Island Project	8,000	2.75% - 3.75%	Nov. 2012	8,800
Land, Water, and Timber Resources	24,747	3% - 5.22%	June 2013	28,000
Stennis Space Center	27,290	3% - 6.5%	June 2013	39,880
Franklin County Lake and Recreation Complex Road Construction	1,250	3% - 5%	Sept. 2013	1,250
State Shipyard Improvements	40,000	3% - 5%	Sept. 2013	40,000
Telecommunication Conference and Training Center	13,770	3% - 5.22%	Nov. 2015	17,500
Local Governments Capital Improvements	17,810	5% - 7.7%	Sept. 2016	65,000
Local Governments Rail Program	12,360	4% - 7.7%	Sept. 2016	15,000
Farish Street Historic District	3,000	2.75% - 5.5%	Aug. 2018	3,000
Farm Reform	15,224	2.75% - 7.7%	Aug. 2018	47,038
Local System Bridge Replacement and Rehabilitation Fund	20,000	3% - 5%	Aug. 2018	20,000
Rural Impact Act	10,000	2.75% - 5.5%	Aug. 2018	10,000
Small Municipalities and Limited Population Counties	27,428	2.75% - 5.5%	Aug. 2018	30,000
Business Investment Act	80,981	2.75% - 7.7%	Oct. 2018	130,950
Major Energy Project Development	25,700	5.6% - 6.75%	Oct. 2018	30,000
Small Business Assistance	7,160	5.6% - 7.125%	Oct. 2018	20,000
Small Enterprise Development Finance	56,480	3% - 7.25%	Apr. 2019	176,770
General Obligation Refunding Bonds	1,427,094	1.45% - 6%	Nov. 2022	1,544,920
Capital Improvements *	408,540	3% - 7.5%	Nov. 2023	1,711,465
Major Economic Impact *	452,715	2.75% - 7.7%	Nov. 2028	509,140
Total Governmental Activities	2,954,134			4,971,025
<b>Business-type Activities:</b>				
Port Improvement (Gulfport)	43,207	2% - 6.1%	Dec. 2019	73,517
Total General Obligation Bonds	<u>\$ 2,997,341</u>			<u>\$ 5,044,542</u>

\* Interest on \$94,595,000 and \$280,000,000 of outstanding general obligation bonds for Capital Improvements and Major Economic Impact, respectively, is variable rate and paid at the weekly interest rate as determined by the remarketing agent. Interest on \$83,500,000 of outstanding general obligation bonds relating to Major Economic Impact is paid at the auction rate and reset every 35 days. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.



At June 30, 2004, 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
2005	\$ 204,108	\$ 132,937	\$ 2,502	\$ 2,104
2006	210,496	121,616	2,689	1,982
2007	211,743	111,376	2,932	1,847
2008	215,395	100,802	3,020	1,703
2009	218,462	90,282	3,178	1,549
2010-2014	941,212	301,723	13,598	5,472
2015-2019	622,511	111,462	14,979	2,020
2020-2024	245,407	19,174	309	25
2025-2029	84,800	2,939		
	<u>\$ 2,954,134</u>	<u>\$ 992,311</u>	<u>\$ 43,207</u>	<u>\$ 16,702</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, 2004, \$117,923,000 of outstanding limited obligation bonds (including prior years' refundings) are considered defeased.

At June 30, 2004, the outstanding limited obligation bonds presented in governmental activities were \$112,515,000. 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, 2004, future limited obligation debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Total
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>\$ 112,515</u>	<u>\$ 18,219</u>	<u>\$ 130,734</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, 2004, 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
<b>Primary Government</b>				
Business-type activities:				
Fair Commission bonds	\$ 295	9.4% - 9.45%	Dec. 2005	\$ 1,650
Total Primary Government	<u>\$ 295</u>			<u>\$ 1,650</u>
<b>Component Units</b>				
Universities:				
Bonds	\$ 363,661	0% - 7%	June 2034	\$ 459,047
Notes	7,973	0% - 8.2%	Nov. 2023	9,663
Nonmajor Component Units:				
Bonds	243	3%	May 2005	5,000
Notes	<u>1,480</u>	3.137% - 6.5%	Jan. 2018	<u>4,643</u>
Total Component Units	<u>\$ 373,357</u>			<u>\$ 478,353</u>

At June 30, 2004, 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
2005	\$ 145	\$ 21	\$ 13,248	\$ 13,155
2006	150	7	16,149	12,687
2007			16,010	12,463
2008			16,912	12,795
2009			20,193	15,243
2010-2014			81,286	57,789
2015-2019			84,717	29,457
2020-2024			71,082	12,334
2025-2029			32,795	2,943
2030-2034			20,965	501
	<u>\$ 295</u>	<u>\$ 28</u>	<u>\$ 373,357</u>	<u>\$ 169,367</u>

## Note 12 - Other Long-term Liabilities

**A. Compensated Absences** - The State's liability for compensated absences at June 30, 2004 was \$96,047,000 for governmental activities and \$655,000 for business-type activities. Internal service compensated absences of \$1,107,000 are included in governmental activities. The component units reported a liability of \$67,034,000 for compensated absences, of which \$66,392,000 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, 2004 were \$92,877,000 and \$2,700,000, respectively, for governmental activities. These notes payable were issued for financing software development, energy efficiency improvements, and the purchase of a building. Certificates of participation were issued for the purchase of a building.



At June 30, 2004, 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
2005	\$ 115	\$ 142	\$ 1,510	\$ 2,667
2006	125	134	6,999	2,721
2007	130	127	7,440	2,273
2008	140	119	7,312	2,059
2009	145	112	6,643	2,013
2010-2014	845	438	35,926	6,341
2015-2019	1,200	160	23,397	1,760
2020			3,650	33
	<u>\$ 2,700</u>	<u>\$ 1,232</u>	<u>\$ 92,877</u>	<u>\$ 19,867</u>

- 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, 2004, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Asset:		
Buildings	\$ 72,261	\$
Machinery and equipment	15,676	662
Less: accumulated depreciation	(4,899)	(294)
Total	<u>\$ 83,038</u>	<u>\$ 368</u>

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets of \$89,000 less \$37,000 accumulated depreciation are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$46,089,000.

During fiscal year 2004, the State issued \$84,400,000 of refunding notes to advance refund capital lease obligations for three buildings reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 17 years by \$5,421,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded capital lease payments and the refunding notes) of \$4,986,000.

At June 30, 2004, 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
2005	\$ 11,856	\$ 183	\$ 12,039	\$ 11,254
2006	10,579	142	10,721	9,345
2007	9,270	115	9,385	8,555
2008	8,667	111	8,778	5,092
2009	7,529	111	7,640	3,752
2010-2014	32,074		32,074	3,531
2015-2019	19,261		19,261	305
Total Minimum Lease Payments	99,236	662	99,898	41,834
Less Interest	24,959	49	25,008	14,887
Present Value of Net Minimum Lease Payments	<u>\$ 74,277</u>	<u>\$ 613</u>	<u>\$ 74,890</u>	<u>\$ 26,947</u>

Internal service future minimum lease payments of \$242,000 less interest of \$9,000 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 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 \$1,210,000,000 at June 30, 2004. 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, 2004 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds (Note 9)	\$ 2,516,497	\$ 712,260	\$ 274,623	\$ 2,954,134	\$ 204,108
Limited Obligation Bonds (Note 10)	132,390		19,875	112,515	20,670
Capital Lease Obligations (Note 12)	156,075	4,834	86,632	74,277	8,278
Accrued Compensated Absences (Note 12)	95,314	55,907	55,174	96,047	5,569
Notes Payable (Note 12)	9,406	85,260	1,789	92,877	1,510
Certificates of Participation (Note 12)	2,805		105	2,700	115
	<u>\$ 2,912,487</u>	<u>\$ 858,261</u>	<u>\$ 438,198</u>	<u>\$ 3,332,550</u>	<u>\$ 240,250</u>
<b>Business-type Activities:</b>					
General Obligation Bonds (Note 9)	\$ 47,407	\$	\$ 4,200	\$ 43,207	\$ 2,502
Revenue Bonds (Note 11)	430		135	295	145
Accrued Compensated Absences (Note 12)	659	169	173	655	51
Capital Lease Obligations (Note 12)	193	512	92	613	164
	<u>\$ 48,689</u>	<u>\$ 681</u>	<u>\$ 4,600</u>	<u>\$ 44,770</u>	<u>\$ 2,862</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 \$486,000 and \$233,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,084,000 and \$1,107,000, 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 Authorized But Unissued

At June 30, 2004, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
<b>General Obligation Bonds:</b>		
ACE Fund (MDA)	\$ 950	\$ 950
Business Investment Act	290,000	43,723
Capital Improvements	581,027	143,842
Children's Museums	4,500	2,000
Community Heritage Preservation	17,750	2,750
Cultural Development Act	16,200	9,200
Deer Island Project	10,000	1,200
Disaster Matching Funds	10,000	5,000
Economic Development Highway	186,500	92,600
Farish Street Historic District Loans	6,000	3,000
Farm Reform	139,000	36,000
Historical Properties	3,700	1,955
Institutions of Higher Learning Equipment	15,000	15,000
Land, Water, and Timber Resources	38,000	10,000
Local Governments Capital Improvements	108,000	8,000
Local Governments Rail Program	18,000	3,000
Local Governments Water System Improvement	21,743	1,743
Major Economic Impact	581,740	45,850
Master Planned Communities	23,000	23,000
Parks Improvement	15,925	3,019
Port Improvement (Gulfport)	80,000	46,220
Port of Gulfport Rail Line	20,000	20,000
Small Enterprise Development Finance	140,000	83,520
Soil and Water Commission	8,500	5,500
Water Pollution Control Loan Program	7,180	1,870
	<b>2,342,715</b>	<b>608,942</b>
<b>Limited Obligation Bonds:</b>		
Education Technology	60,000	60,000
Pascagoula River Bridge	30,000	30,000
State Fire Academy	2,500	300
	<b>92,500</b>	<b>90,300</b>
<b>Revenue Bonds:</b>		
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
	<b>44,800</b>	<b>42,325</b>
	<b>\$ 2,480,015</b>	<b>\$ 741,567</b>



## 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, 2004 (amounts expressed in thousands):

### CONDENSED STATEMENT OF NET ASSETS

Assets	
Due from other funds	\$ 1
Other current assets	1,462
Capital assets, net	<u>18,748</u>
Total Assets	<u>20,211</u>
Liabilities	
Due to other funds	127
Other current liabilities	329
Noncurrent liabilities	<u>213</u>
Total Liabilities	<u>669</u>
Net Assets	
Invested in capital assets, net of related debt	18,434
Unrestricted	<u>1,108</u>
Total Net Assets	<u>\$ 19,542</u>

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

Charges for sales and services (pledged against bonds)	\$ 4,914
Other operating revenues	94
Depreciation	(524)
Other operating expenses	<u>(4,454)</u>
Operating Income	30
Nonoperating expenses:	
Interest	(34)
Loss on disposal of assets	(42)
Capital contributions	<u>27</u>
Change in Net Assets	(19)
Total Net Assets - Beginning	<u>19,561</u>
Total Net Assets - Ending	<u>\$ 19,542</u>

### CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by (used for):	
Operating activities	\$ 506
Capital and related financing activities	<u>(175)</u>
Net Increase	331
Cash and Cash Equivalents - Beginning	<u>1,035</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,366</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, 2004, the total additional annual payments were \$191,879,000.

**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, 2004, the total additional annual payments were \$4,405,000.

**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, 2004, the total additional annual payments were \$3,273,000.

**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, 2004, the total additional annual payments were \$62,000.

#### **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, 2004. 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, 2003. 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.



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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	9.75%	28.16%	N/A	6.33%
Other employers	N/A	N/A	.21 – 8.33 mills	N/A
Plan members	7.25%	6.50%	7.00 - 10.00%	3.00% *
Annual pension cost	\$ 459,567	\$ 6,528	\$ 11,989	\$ 372
Employer contributions made	\$ 459,567	\$ 6,528	\$ 13,979	\$ 372
Actuarial valuation date	June 30, 2004	June 30, 2004	Sept. 30, 2003	June 30, 2004
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	56.2 years	21.8 years	31 years	27.8 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	5.00% - 15.00%	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.

The Governmental Accounting Standards Board Statements No. 25 and No. 27 require a maximum acceptable amortization period for the total unfunded actuarial liability (UAL) of not more than 40 years through fiscal year 2007. The fiscal year 2004 period actuarial valuation for PERS resulted in an UAL period of 56.2 years. This exceeds the maximum acceptable amortization period. The employer contribution rate beginning in the 2005-2006 fiscal year has been increased to 10.75 percent of payroll. The result of this increased contribution rate is an amortization period as of July 1, 2004 of 36.6 years.

#### 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
<b>Contributions:</b>				
2002	\$ 428,122	\$ 5,710	\$ 14,197	\$ 380
2003	448,263	5,627	14,340	417
2004	459,567	6,528	13,979	372

\* Information furnished for MRS is for the years ended September 30, 2001, 2002, and 2003, 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 125.9%, 132.5%, and 116.6% of the required contributions for the years ended September 30, 2001, 2002, and 2003, 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, 2001, 2002, and 2003, 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, 2004 were as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2005	\$ 14,852
2006	11,479
2007	8,167
2008	5,726
2009	3,292
2010 - 2014	3,673
2015 - 2019	704
2020 - 2024	397
2025 - 2029	392
2030 - 2034	255
Thereafter	154
Total Minimum Commitments	<u>\$ 49,091</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2004 amounted to \$16,168,000.

### B. Contracts

At June 30, 2004, the Department of Transportation had long-term contracts outstanding of approximately \$845,949,000 with performance continuing during fiscal year 2005. These contracts will be paid through the General Fund. Approximately 34 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 \$61,510,000 outstanding at June 30, 2004 for construction of state and county roads. These contracts will be paid through the General Fund. Approximately 50 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 \$158,825,000 at June 30, 2004. These contracts will be paid from capital projects funds.

The Military Department had outstanding construction contracts of \$12,687,000 at June 30, 2004. Approximately 86 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.

## 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 incurral and payment to estimate incurred claims from available claims data. Liabilities are based on the estimated ultimate cost of settling the claims, including inflation and other factors, and provisions for estimated claims adjustment expenses. 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.

**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 2003 and 2004 (amounts expressed in thousands):

	Health and Life Benefits	Tort Claims	Unemployment Benefits	Workers' Compensation Benefits	Total Risk Management Fund
<b>2003</b>					
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	<u>\$ 74,137</u>	<u>\$ 22,610</u>	<u>\$ 2,700</u>	<u>\$ 29,754</u>	<u>\$ 129,201</u>
<b>2004</b>					
Beginning Balance	\$ 74,137	\$ 22,610	\$ 2,700	\$ 29,754	\$ 129,201
Current Year Claims/Changes in Estimates	473,662	3,783	1,372	16,043	494,860
Claims Payments	(474,828)	(2,704)	(1,322)	(13,105)	(491,959)
Ending Balance	<u>\$ 72,971</u>	<u>\$ 23,689</u>	<u>\$ 2,750</u>	<u>\$ 32,692</u>	<u>\$ 132,102</u>

## 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 \$6,569,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the state.





- C. Loan Guarantees** - The Mississippi Development Authority, a state agency, is authorized to provide loan guarantees on behalf of rural businesses for the purpose of promoting business and economic development in rural areas of the state. At June 30, 2004, outstanding loan guarantees totaled \$970,000.

## **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 \$15,853,000 at June 30, 2004, and is reported as restricted, expendable net assets in the Universities, a major component unit.

## **Note 21 - Subsequent Events**

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of \$19,827,000 from the Working Cash Stabilization Reserve Account and \$302,000,000 from budgetary special funds as of December 6, 2004. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State entered into a forward interest rate swap agreement on Variable Rate General Obligation Capital Improvement Bonds, Series 2005, to be issued by September 1, 2005. The purpose of the transaction was to mitigate the State's exposure to fluctuating interest rates. As a result of this transaction, the State will pay interest at the fixed rate of 4.037% to the counterparty to the swap. In return, the counterparty will pay interest on behalf of the State based on the "BMA Municipal Swap Index". The notional amount of this transaction totals \$50,000,000. The effective date of the transaction is September 1, 2005 and the final maturity date of the swap coincides with that of the bonds on September 1, 2025.

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

Tax-exempt General Obligation Bonds, Capital Improvements, Building Fund for the Arts, Disaster Assistance Trust Fund and Water Pollution Control Revolving Fund Projects, Series 2004 Issue totaling \$61,670,000 dated November 1, 2004. The bonds mature serially through the year 2019 at interest rates ranging from 3 percent to 5 percent.

Taxable General Obligation Bonds, 2003 State Shipyard Improvements - Series B, MBIA Project - Series AA, ACE Fund - Series 2004, Local Government Freight Rail Service Revolving Loan Program - Series 2004, Economic Development Highway Fund - Series I, Local Governments and Rural Water Systems Improvement Revolving Loan Fund - Series D and Land, Water and Timber Resources Fund - Series D Projects Issue totaling \$61,690,000 dated November 1, 2004. The bonds mature serially through the year 2014 at interest rates ranging from 2.42 percent to 4.43 percent.

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## Required Supplementary Information

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Sales tax	\$ 1,522,700	\$ 1,522,700	\$ 1,492,775	\$ (29,925)
Individual income tax	1,032,300	1,032,300	1,061,487	29,187
Corporate income and franchise taxes	304,500	304,500	315,533	11,033
Use and wholesale compensating taxes	162,000	162,000	154,272	(7,728)
Tobacco, beer and wine taxes	87,500	87,500	85,969	(1,531)
Insurance tax	129,000	129,000	146,521	17,521
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	46,500	46,500	47,556	1,056
Inheritance tax	15,000	15,000	15,915	915
Other taxes	18,100	18,100	17,192	(908)
Interest	15,000	15,000	6,282	(8,718)
Auto privilege, tag and title fees	16,500	16,500	16,514	14
Gaming fees	173,800	173,800	167,328	(6,472)
Highway Safety Patrol fees	21,400	21,400	19,697	(1,703)
Other fees and services	18,400	18,400	15,710	(2,690)
Miscellaneous	3,200	3,200	3,439	239
Court assessments and settlements			10,257	10,257
Special Fund revenues				
Total Revenues	3,565,900	3,565,900	3,576,447	10,547
<b>Expenditures by Major Budgetary Function</b>				
Legislative	22,238	22,458	20,885	(1,573)
Judiciary and justice	45,749	45,749	45,596	(153)
Executive and administrative	2,817	2,817	2,783	(34)
Fiscal affairs	62,118	62,518	62,510	(8)
Public education	1,519,597	1,519,597	1,519,479	(118)
Higher education	535,109	535,109	534,952	(157)
Public health	29,891	29,891	29,764	(127)
Hospitals and hospital schools	189,595	189,595	189,582	(13)
Agriculture, commerce and economic development	85,492	85,492	85,457	(35)
Conservation and recreation	53,994	53,994	53,988	(6)
Insurance and banking	22	22	17	(5)
Corrections	214,908	214,908	214,730	(178)
Interdepartmental service				
Social welfare	330,234	341,334	341,307	(27)
Public protection and veterans assistance	61,178	61,178	61,124	(54)
Local assistance	75,377	76,127	76,127	
Motor vehicle and other regulatory agencies	1,087	1,087	1,087	
Miscellaneous	1,308	1,308	1,299	(9)
Public works	20	20	20	
Debt service	211,698	211,698	211,698	
Total Expenditures	3,442,432	3,454,902	3,452,405	(2,497)
Excess of Revenues over (under) Expenditures	123,468	110,998	124,042	13,044
<b>Other Financing Sources (Uses)</b>				
Transfers in	16,200	16,200	26,332	10,132
Transfers out			(167,024)	(167,024)
Investments sold, net				
Other uses of cash				
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	139,668	127,198	(16,650)	(143,848)
Budgetary Fund Balances - Beginning	19,930	19,930	19,930	
Budgetary/Nonbudgetary Fund Reclassification				
Prior Period Adjustment				
Budgetary Fund Balances - Beginning, as Restated	19,930	19,930	19,930	
Budgetary Fund Balances (Deficits) - Ending	\$ 159,598	\$ 147,128	\$ 3,280	\$ (143,848)

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)
\$ 202,052	\$ 202,052	\$ 205,895	\$ 3,843	\$	\$	\$	\$
17,863	17,863	17,700	(163)				
		39	39				
		1	1				
				6,807,870	8,922,751	7,448,337	(1,474,414)
219,915	219,915	223,635	3,720	6,807,870	8,922,751	7,448,337	(1,474,414)
					102	27	(75)
				37,154	45,523	34,589	(10,934)
				10,310	13,546	11,655	(1,891)
				57,226	129,272	117,971	(11,301)
156,417	156,417	149,835	(6,582)	939,528	1,029,855	902,896	(126,959)
72,855	72,855	69,592	(3,263)	108,702	110,202	100,719	(9,483)
				269,616	276,030	214,695	(61,335)
				299,487	309,984	280,381	(29,603)
3,631	3,631	3,461	(170)	171,169	199,862	165,073	(34,789)
125	125		(125)	203,152	249,482	161,186	(88,296)
				52,882	53,215	41,546	(11,669)
				12,784	78,459	74,933	(3,526)
				39,073	39,383	33,035	(6,348)
				2,949,143	4,620,226	4,057,469	(562,757)
2,065	2,065	1,616	(449)	282,922	365,921	200,701	(165,220)
				24,220	26,626	23,652	(2,974)
450	450	417	(33)	2,625	5,073	3,985	(1,088)
25	5	5		1,218,033	1,240,146	1,005,195	(234,951)
				129,844	129,844	111,794	(18,050)
235,568	235,548	224,926	(10,622)	6,807,870	8,922,751	7,541,502	(1,381,249)
(15,653)	(15,633)	(1,291)	14,342			(93,165)	(93,165)
		2,385	2,385			17,886	17,886
						(123,380)	(123,380)
						1,012	1,012
		(192)	(192)				
(15,653)	(15,633)	902	16,535			(197,647)	(197,647)
		1,318	1,318			876,435	876,435
						(6,391)	(6,391)
		33	33			(33)	(33)
		1,351	1,351			870,011	870,011
\$ (15,653)	\$ (15,633)	\$ 2,253	\$ 17,886	\$ 0	\$ 0	\$ 672,364	\$ 672,364

## Required Supplementary Information

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

For the Year Ended June 30, 2004

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.

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, 2004 is presented below (amounts expressed in thousands):

<u>Budgetary Funds</u>	<u>General</u>	<u>Education Enhancement</u>	<u>Special</u>
<u>Financial Statement Major Funds</u>	<u>General</u>		<u>Health Care</u>
Net Change in Budgetary Fund Balances	\$ (16,650)	\$ 902	\$ (197,647)
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	(212,517)	(907)	213,424
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds		5	(15,090)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	202,836		74,048
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	17,603		(4,103)
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	32,918		8,210
Net Change in GAAP Fund Balances	<u>\$ 24,190</u>	<u>\$ 0</u>	<u>\$ 78,842</u>



## Required Supplementary Information

### Schedule of Funding Progress

June 30, 2004 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ( (b - a) / c )
<b>Public Employees' Retirement System of Mississippi</b>						
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
2004	17,103,285	22,847,260	5,743,975	74.9	4,617,273	124.4
<b>Mississippi Highway Safety Patrol Retirement System</b>						
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
2004	256,481	316,570	60,089	81.0	22,683	264.9
<b>Municipal Retirement Systems *</b>						
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
2003	250,640	399,622	148,982	62.7	4,584	3,250.0
<b>Supplemental Legislative Retirement Plan</b>						
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
2004	10,323	12,934	2,611	79.8	5,794	45.1

\* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2004, does not differ materially from the value as of September 30, 2003.

### Notes to Schedule of Funding Progress

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets 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 accrued and future service liabilities is based on the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2004 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, 2004 (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		
<b>Assets</b>						
Equity in internal investment pool	\$ 14,968	\$ 23,546	\$ 30,854	\$ 27,989	\$	97,357
Cash and cash equivalents	1,055	4,072	4,979	105		10,211
Investments	119		12,936			13,055
Receivables:						
Interest			333	4		337
Other	2,582	737	927	204		4,450
Due from other governments	1,455	7,849	21,144	832		31,280
Due from other funds	3,701	1,532	9,254	7,901		22,388
Inventories		547	304			851
Loans receivable, net			4,025			4,025
Loans to other funds	36	99	71	361		567
Other assets			48			48
Total Assets	\$ 23,916	\$ 38,382	\$ 84,875	\$ 37,396	\$	184,569
<b>Liabilities</b>						
Warrants payable	\$ 1,712	\$ 3,396	\$ 2,361	\$ 653	\$	8,122
Accounts payable and accruals	3,778	4,864	3,837	475		12,954
Due to other governments	246	1,000	5,673	13		6,932
Due to other funds	2,787	972	1,839	90		5,688
Due to component units	79	184	321	1		585
Deferred revenues	29	7,337	2,429	7,876		17,671
Other liabilities				163		163
Total Liabilities	8,631	17,753	16,460	9,271		52,115
<b>Fund Balances</b>						
Reserved for:						
Education and vocational training						
Ellisville State School	2,025					2,025
Encumbrances	1,880	3,229	863	230		6,202
Loans to other funds	36	99	71	361		567
Long-term portion of due from other governments			9,224			9,224
Long-term portion of loans receivable			3,166			3,166
Wildlife conservation						
Unreserved:						
Designated for debt service						
Designated for energy programs			2,845			2,845
Designated for future loans			5,725			5,725
Undesignated	11,344	17,301	46,521	27,534		102,700
Total Fund Balances	15,285	20,629	68,415	28,125		132,454
Total Liabilities and Fund Balances	\$ 23,916	\$ 38,382	\$ 84,875	\$ 37,396	\$	184,569

Debt Service	Permanent	Totals
\$ 34,544	\$ 1,245	\$ 133,146
	1,807	12,018
5,895	44,048	62,998
224	444	1,005
		4,450
		31,280
8,570		30,958
		851
		4,025
		567
		48
<u>\$ 49,233</u>	<u>\$ 47,544</u>	<u>\$ 281,346</u>
\$ 172	\$ 27	\$ 8,122
		13,153
51		6,932
		5,739
		585
2,002		19,673
		163
<u>2,225</u>	<u>27</u>	<u>54,367</u>
	38,333	38,333
		2,025
		6,202
		567
		9,224
		3,166
	5,974	5,974
47,008		47,008
		2,845
		5,725
	3,210	105,910
<u>47,008</u>	<u>47,517</u>	<u>226,979</u>
<u>\$ 49,233</u>	<u>\$ 47,544</u>	<u>\$ 281,346</u>

# MISSISSIPPI

## Nonmajor Governmental Funds

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

For the Year Ended June 30, 2004 (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	
<b>Revenues</b>					
Taxes:					
Gasoline and other motor fuel	\$	\$	\$ 8,825	\$	\$ 8,825
Other	4,522				4,522
Licenses, fees and permits	292	7,460	26,913	33,924	68,589
Federal government	68,009	92,320	124,928	2,606	287,863
Interest and other investment income	96	82	1,212	59	1,449
Charges for sales and services	2,912	368	5,483	95	8,858
Rentals			5,702	13	5,715
Other	20,282	9,955	942	758	31,937
Total Revenues	96,113	110,185	174,005	37,455	417,758
<b>Expenditures</b>					
Current:					
Education					
Health and social services	106,172				106,172
Law, justice and public safety		108,588			108,588
Recreation and resources development			178,178		178,178
Regulation of business and professions				34,163	34,163
Debt service:					
Principal	28	1,504		13	1,545
Interest	5	205		1	211
Defeasance of debt					
Total Expenditures	106,205	110,297	178,178	34,177	428,857
Excess of Revenues over (under) Expenditures	(10,092)	(112)	(4,173)	3,278	(11,099)
<b>Other Financing Sources (Uses)</b>					
Bonds issued		5,000			5,000
Payments to refunded bond escrow agent					
Premiums on bonds issued					
Refunding bonds issued					
Transfers in	14,444	8,277	11,365	246	34,332
Transfers out	(3,685)	(9,430)	(6,851)	(2,665)	(22,631)
Net Other Financing Sources (Uses)	10,759	3,847	4,514	(2,419)	16,701
Net Change in Fund Balances	667	3,735	341	859	5,602
Fund Balances - Beginning	14,618	16,894	68,074	27,266	126,852
Fund Balances - Ending	\$ 15,285	\$ 20,629	\$ 68,415	\$ 28,125	\$ 132,454



Debt	Service	Permanent	Totals
\$	\$	\$	8,825
			4,522
		220	68,809
			287,863
	3,392	232	5,073
			8,858
			5,715
	857	506	33,300
	4,249	958	422,965
		102	102
			106,172
			108,588
			178,178
			34,163
	78,482		80,027
	42,057		42,268
	1,689		1,689
	122,228	102	551,187
	(117,979)	856	(128,222)
			5,000
	(95,385)		(95,385)
	7,462		7,462
	88,105		88,105
	145,059		179,391
	(88,036)	(954)	(111,621)
	57,205	(954)	72,952
	(60,774)	(98)	(55,270)
	107,782	47,615	282,249
\$	47,008	\$ 47,517	\$ 226,979

## Nonmajor Special Revenue Funds

### Combining Balance Sheet Health and Social Services

June 30, 2004 (Expressed in Thousands)

	Department of Rehabilitation Services		Employment Security Commission
	Rehabilitation Services	Disability Determination	Employment Services
<b>Assets</b>			
Equity in internal investment pool	\$ 1,091	\$ 8,008	\$ 3,327
Cash and cash equivalents		5	489
Investments	119		
Receivables:			
Other	642	3	1,691
Due from other governments	1	432	1,022
Due from other funds	1,874	36	1,411
Loans to other funds		1	35
Total Assets	\$ 3,727	\$ 8,485	\$ 7,975
<b>Liabilities</b>			
Warrants payable	\$ 99	\$ 593	\$ 991
Accounts payable and accruals	160	800	2,352
Due to other governments		5	240
Due to other funds	1,589	1,123	24
Due to component units		32	47
Deferred revenues			29
Total Liabilities	1,848	2,553	3,683
<b>Fund Balances</b>			
Reserved for:			
Ellisville State School			
Encumbrances	67	89	1,724
Loans to other funds		1	35
Unreserved:			
Undesignated	1,812	5,842	2,533
Total Fund Balances	1,879	5,932	4,292
Total Liabilities and Fund Balances	\$ 3,727	\$ 8,485	\$ 7,975

**Department of Mental Health**

Alcohol Abuse Program		Social Services		Totals
\$	372	\$	2,170	\$ 14,968
			561	1,055
				119
			246	2,582
				1,455
	380			3,701
				36
\$	752	\$	2,977	\$ 23,916
\$	29	\$		\$ 1,712
	300		166	3,778
			1	246
	45		6	2,787
				79
				29
	374		173	8,631
			2,025	2,025
				1,880
				36
	378		779	11,344
	378		2,804	15,285
\$	752	\$	2,977	\$ 23,916



## Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Department of Rehabilitation Services		Employment Security Commission
	Rehabilitation Services	Disability Determination	Employment Services
<b>Revenues</b>			
Other taxes	\$	\$	\$
Licenses, fees and permits			
Federal government	213	23,981	43,815
Interest	4	68	1
Charges for sales and services	188	404	213
Other	5	2,042	18,207
Total Revenues	410	26,495	62,236
<b>Expenditures</b>			
Current:			
Health and social services	5,612	29,183	65,346
Debt service:			
Principal		28	
Interest		5	
Total Expenditures	5,612	29,216	65,346
Excess of Revenues over (under) Expenditures	(5,202)	(2,721)	(3,110)
<b>Other Financing Sources (Uses)</b>			
Transfers in	5,691	2,780	5,473
Transfers out	(437)	(919)	(1,349)
Net Other Financing Sources (Uses)	5,254	1,861	4,124
Net Change in Fund Balances	52	(860)	1,014
Fund Balances - Beginning	1,827	6,792	3,278
Fund Balances - Ending	\$ 1,879	\$ 5,932	\$ 4,292

**Department of Mental Health**

Alcohol Abuse Program		Social Services	Totals
\$	4,522	\$	\$ 4,522
		292	292
			68,009
		23	96
		2,107	2,912
		28	20,282
	4,522	2,450	96,113
	3,692	2,339	106,172
			28
			5
	3,692	2,339	106,205
	830	111	(10,092)
	500		14,444
	(950)	(30)	(3,685)
	(450)	(30)	10,759
	380	81	667
	(2)	2,723	14,618
\$	378	\$ 2,804	\$ 15,285

## Nonmajor Special Revenue Funds

**Combining Balance Sheet**  
**Law, Justice and Public Safety**  
June 30, 2004 (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
<b>Assets</b>			
Equity in internal investment pool	\$ 32	\$ 3,228	\$ 4
Cash and cash equivalents		43	1,833
Receivables:			
Other		6	59
Due from other governments	8		2,833
Due from other funds	3		1,397
Inventories			132
Loans to other funds		53	
Total Assets	\$ 43	\$ 3,330	\$ 3,293
			\$ 9,742
<b>Liabilities</b>			
Warrants payable	\$ 32	\$ 93	\$ 371
Accounts payable and accruals	11	53	93
Due to other governments			8
Due to other funds		1	222
Due to component units			121
Deferred revenues			5,327
Total Liabilities	43	147	323
			8,052
<b>Fund Balances</b>			
Reserved for:			
Encumbrances		34	94
Loans to other funds		53	59
Unreserved:			
Undesignated		3,096	2,876
Total Fund Balances		3,183	2,970
Total Liabilities and Fund Balances	\$ 43	\$ 3,330	\$ 3,293
			\$ 9,742

<b>Military Department</b>					
National Guard Facility and Training	Camp Shelby Operations	Emergency Management	Other	Totals	
\$ 2,863	\$ 747	\$ 9,304	\$ 1,263	\$ 23,546	
	194		2,002	4,072	
				737	
3,542	119	1,347		7,849	
				1,532	
547				547	
		28	18	99	
\$ 6,952	\$ 1,060	\$ 10,679	\$ 3,283	\$ 38,382	
\$ 1,299	\$ 197	\$ 1,399	\$ 5	\$ 3,396	
1,808	273	760	346	4,864	
1	6	914		1,000	
		3	104	972	
50	13			184	
1,998	12			7,337	
5,156	501	3,076	455	17,753	
1,796	559	687		3,229	
		28	18	99	
		6,888	2,810	17,301	
1,796	559	7,603	2,828	20,629	
\$ 6,952	\$ 1,060	\$ 10,679	\$ 3,283	\$ 38,382	



## 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, 2004 (Expressed in Thousands)

	Attorney General	Department of Corrections	Department of Public Safety
	Medicaid Fraud	Community Services	Inmate Welfare and Training
			Public Safety Planning
<b>Revenues</b>			
Licenses, fees and permits	\$	\$ 7,408	\$
Federal government	1,404		22,590
Interest			14
Charges for sales and services			41
Other	3	89	598
Total Revenues	1,407	7,497	3,198
			23,229
<b>Expenditures</b>			
Current:			
Law, justice and public safety	1,739	5,325	5,341
Debt service:			
Principal		58	1,446
Interest			205
Total Expenditures	1,739	5,383	6,992
			16,041
Excess of Revenues over (under) Expenditures	(332)	2,114	(3,794)
			7,188
<b>Other Financing Sources (Uses)</b>			
Bonds issued			
Transfers in	329	39	1,203
Transfers out		(921)	(908)
Net Other Financing Sources (Uses)	329	(882)	295
			(6,349)
Net Change in Fund Balances	(3)	1,232	(3,499)
			839
Fund Balances - Beginning	3	1,951	6,469
			851
Fund Balances - Ending	\$ 0	\$ 3,183	\$ 2,970
			\$ 1,690



<b>Military Department</b>					
National Guard Facility and Training	Camp Shelby Operations	Emergency Management	Other	Totals	
\$	\$	\$	\$	\$	\$
39,258	3,611	14 25,457	38	7,460	92,320
38	3	17	7		82
3,590	330				368
	158	254	2,079		9,955
42,886	4,102	25,742	2,124		110,185
42,788	5,429	31,559	366		108,588
					1,504
					205
42,788	5,429	31,559	366		110,297
98	(1,327)	(5,817)	1,758		(112)
1,194	1,205	5,000			5,000
	(100)	3,681			8,277
		(48)	(478)		(9,430)
1,194	1,105	8,633	(478)		3,847
1,292	(222)	2,816	1,280		3,735
504	781	4,787	1,548		16,894
\$ 1,796	\$ 559	\$ 7,603	\$ 2,828	\$	20,629

## Nonmajor Special Revenue Funds

### Combining Balance Sheet Recreation and Resources Development June 30, 2004 (Expressed in Thousands)

	<b>Department of Agriculture and Commerce</b>	<b>Mississippi Development Authority</b>	<b>State Treasurer</b>
	Rice and Soybean Promotion	Community Development	Energy Conservation
			Other
			Court Assessments and Settlements
<b>Assets</b>			
Equity in internal investment pool	\$ 973	\$ 4,418	\$ 1,793
Cash and cash equivalents	258		371
Investments	1,300		164
Receivables:			
Interest		269	6
Other	577	330	6
Due from other governments		20,556	308
Due from other funds		166	
Inventories			
Loans receivable, net			4,025
Loans to other funds			
Other assets			
Total Assets	\$ 3,108	\$ 25,739	\$ 12,291
			\$ 535
			\$ 697
<b>Liabilities</b>			
Warrants payable	\$	\$ 858	\$ 12
Accounts payable and accruals	17	1,139	112
Due to other governments		5,508	
Due to other funds		1,739	22
Due to component units		87	
Deferred revenues		1,258	
Total Liabilities	17	10,589	146
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	10	201	
Loans to other funds			
Long-term portion of due from other governments		9,224	
Long-term portion of loans receivable			3,166
Unreserved:			
Designated for energy programs			2,845
Designated for future loans		5,725	
Undesignated	3,081		6,134
Total Fund Balances	3,091	15,150	12,145
Total Liabilities and Fund Balances	\$ 3,108	\$ 25,739	\$ 12,291
			\$ 535
			\$ 697

Department of Wildlife, Fisheries and Parks				Department of Marine Resources		Totals
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other			
\$ 5,358	\$ 2,919	\$ 1,120	\$ 779	\$ 13,123	\$	30,854
696	210	39	3,605	7		4,979
			4,786			12,936
2	2	1	53			333
10				4		927
				280		21,144
5,904			123	3,061		9,254
169	135					304
						4,025
1	57		13			71
48						48
\$ 12,188	\$ 3,323	\$ 1,160	\$ 9,359	\$ 16,475	\$	84,875
\$ 781	\$ 445	\$ 96	\$	\$ 169	\$	2,361
1,082	972	261	58	196		3,837
147	17			1		5,673
74	4					1,839
135	1			98		321
1,084		87				2,429
3,303	1,439	444	58	464		16,460
404	43	63		142		863
1	57		13			71
						9,224
						3,166
						2,845
						5,725
8,480	1,784	653	9,288	15,869		46,521
8,885	1,884	716	9,301	16,011		68,415
\$ 12,188	\$ 3,323	\$ 1,160	\$ 9,359	\$ 16,475	\$	84,875



## Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2004 (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
<b>Revenues</b>					
Gasoline and other motor fuel taxes	\$	\$	\$	\$	\$
Licenses, fees and permits	1,992			5	
Federal government		109,719	863		
Interest and other investment income	24	685	122	4	6
Charges for sales and services	1,560			179	
Rentals					
Other		65			
Total Revenues	3,576	110,469	985	188	6
<b>Expenditures</b>					
Recreation and resources development	4,121	105,078	1,399	126	
Excess of Revenues over (under) Expenditures	(545)	5,391	(414)	62	6
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,295			5	
Transfers out	(14)	(4,687)	(80)		
Net Other Financing Sources (Uses)	1,281	(4,687)	(80)	5	
Net Change in Fund Balances	736	704	(494)	67	6
Fund Balances - Beginning	2,355	14,446	12,639	468	691
Fund Balances - Ending	\$ 3,091	\$ 15,150	\$ 12,145	\$ 535	\$ 697

Department of Wildlife, Fisheries and Parks				Department of Marine Resources	Totals
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other		
\$ 5,770	\$	\$	\$	\$ 3,055	\$ 8,825
14,494	7,833	1,140	398	1,051	26,913
8,324	1,399			4,623	124,928
95	32	20	75	149	1,212
997	44	238	712	1,753	5,483
4				5,698	5,702
787			20	70	942
30,471	9,308	1,398	1,205	16,399	174,005
32,963	17,538	2,336	137	14,480	178,178
(2,492)	(8,230)	(938)	1,068	1,919	(4,173)
233	7,903			1,929	11,365
(256)	(18)		(731)	(1,065)	(6,851)
(23)	7,885		(731)	864	4,514
(2,515)	(345)	(938)	337	2,783	341
11,400	2,229	1,654	8,964	13,228	68,074
\$ 8,885	\$ 1,884	\$ 716	\$ 9,301	\$ 16,011	\$ 68,415

## Nonmajor Special Revenue Funds

### Combining Balance Sheet Regulation of Business and Professions June 30, 2004 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
<b>Assets</b>			
Equity in internal investment pool	\$ 4,126	\$ 7,169	\$ 944
Cash and cash equivalents			
Receivables:			
Interest		4	
Other	6	174	6
Due from other governments	816		
Due from other funds	7,901		
Loans to other funds	280	48	27
Total Assets	\$ 13,129	\$ 7,395	\$ 977
<b>Liabilities</b>			
Warrants payable	\$ 164	\$ 114	\$ 60
Accounts payable and accruals	128	38	58
Due to other governments			
Due to other funds	1	4	21
Due to component units			
Deferred revenues	7,876		
Other liabilities		163	
Total Liabilities	8,169	319	139
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	98		1
Loans to other funds	280	48	27
Unreserved:			
Undesignated	4,582	7,028	810
Total Fund Balances	4,960	7,076	838
Total Liabilities and Fund Balances	\$ 13,129	\$ 7,395	\$ 977

Oil and Gas Board		Other Regulatory Agencies		Totals
\$	3,482	\$	12,268	\$ 27,989
			105	105
				4
	10		8	204
			16	832
				7,901
			6	361
\$	3,492	\$	12,403	\$ 37,396
\$	62	\$	253	\$ 653
	41		210	475
			13	13
	2		62	90
	1			1
				7,876
				163
	106		538	9,271
	26		105	230
			6	361
	3,360		11,754	27,534
	3,386		11,865	28,125
\$	3,492	\$	12,403	\$ 37,396

## 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, 2004 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
<b>Revenues</b>			
Licenses, fees and permits	\$ 9,896	\$ 5,558	\$ 3,073
Federal government	2,328		
Interest		42	
Charges for sales and services	7	66	
Rentals			
Other	458	3	
Total Revenues	12,689	5,669	3,073
<b>Expenditures</b>			
Current:			
Regulation of business and professions	11,382	4,839	4,226
Debt service:			
Principal			
Interest			
Total Expenditures	11,382	4,839	4,226
Excess of Revenues over (under) Expenditures	1,307	830	(1,153)
<b>Other Financing Uses</b>			
Transfers in			
Transfers out	(464)	(250)	
Net Other Financing Uses	(464)	(250)	
Net Change in Fund Balances	843	580	(1,153)
Fund Balances - Beginning	4,117	6,496	1,991
Fund Balances - Ending	\$ 4,960	\$ 7,076	\$ 838



Oil and Gas Board		Other Regulatory Agencies	Totals
\$	2,576	\$ 12,821	\$ 33,924
	188	90	2,606
		17	59
		22	95
		13	13
		297	758
	2,764	13,260	37,455
	2,425	11,291	34,163
		13	13
		1	1
	2,425	11,305	34,177
	339	1,955	3,278
		246	246
	(1)	(1,950)	(2,665)
	(1)	(1,704)	(2,419)
	338	251	859
	3,048	11,614	27,266
\$	3,386	\$ 11,865	\$ 28,125

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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 **AbilityWorks Fund** (formerly 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 AbilityWorks setting. Revenue is generated from the sale of goods and services and operating transfers from the rehabilitation services fund.

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



## Nonmajor Enterprise Funds

### Combining Statement of Net Assets

June 30, 2004 (Expressed in Thousands)

**Department of  
Rehabilitation  
Services**

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
<b>Assets</b>					
Current assets:					
Equity in internal investment pool	\$ 1,308	\$ 30,976	\$ 31	\$	
Cash and cash equivalents	58	5	7	4,380	2,790
Receivables, net:					
Accounts	96			176	1,638
Interest and dividends		459			
Due from other governments					
Due from other funds	1				1,804
Inventories					156
Prepaid items				31	46
Loans and notes receivable		3,988			
Total Current Assets	1,463	35,428	38	4,587	6,434
Noncurrent assets:					
Loans and notes receivable		111,103			
Loans to other funds			2		
Capital assets, net	18,748	1,713	13,254	15,997	
Total Noncurrent Assets	18,748	112,816	13,256	15,997	
Total Assets	20,211	148,244	13,294	20,584	6,434
<b>Liabilities</b>					
Current liabilities:					
Warrants payable	54	642	21		
Accounts payable and other liabilities	93	16	4	2	653
Due to other funds	127		1	250	132
Deposits		1,017			
Bonds payable	145				
Deferred revenues	28				269
Lease obligations payable	9				
Total Current Liabilities	456	1,675	26	252	1,054
Noncurrent liabilities:					
Due to other governments				9,051	
Loans from other funds				1,310	
Bonds payable	150				
Lease obligations payable	10				
Other liabilities	53	38	17	27	
Total Noncurrent Liabilities	213	38	17	10,388	
Total Liabilities	669	1,713	43	10,640	1,054
<b>Net Assets</b>					
Invested in capital assets, net of related debt	18,434	1,713	13,254	14,437	
Unrestricted (deficit)	1,108	144,818	(3)	(4,493)	5,380
Total Net Assets	\$ 19,542	\$ 146,531	\$ 13,251	\$ 9,944	\$ 5,380

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 and Commissary	Prison Agricultural Enterprises		
\$ 18	\$ 139	\$ 91	\$ 30	\$ 903	\$ 33,496	
	106		377	366	8,089	
11		4	671		2,596	
		11			459	
		2	7	215	11	
	23		336	93	2,029	
			22		608	
					99	
					3,988	
29	268	108	1,443	1,577	51,375	
					111,103	
					2	
720	4,490	215	123	3,307	58,567	
720	4,490	215	123	3,307	169,672	
749	4,758	323	1,566	4,884	221,047	
4	7	19		126	873	
4	7	20	144	88	1,031	
			1,397	33	1,940	
					1,017	
					145	
					297	
				155	164	
8	14	39	1,541	402	5,467	
					9,051	
					1,310	
					150	
				439	449	
8	41	13		226	423	
8	41	13		665	11,383	
16	55	52	1,541	1,067	16,850	
720	4,490	215	123	2,714	56,100	
13	213	56	(98)	1,103	148,097	
\$ 733	\$ 4,703	\$ 271	\$ 25	\$ 3,817	\$ 204,197	



## Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

					Department of Rehabilitation Services
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
<b>Operating Revenues</b>					
Charges for sales and services	\$ 4,914	\$	\$ 1,656	\$ 825	\$ 16,213
Interest income		6,808			
Rentals		47		639	
Fees		55			
Other	94	6	126		19
Total Operating Revenues	5,008	6,916	1,782	1,464	16,232
<b>Operating Expenses</b>					
Cost of sales and services	42				16,082
General and administrative	1,092	649	374	440	5,436
Contractual services	3,086	251	1,284	239	1,233
Commodities	231	34	198	45	41
Depreciation	524	60	447	785	
Other	3				67
Total Operating Expenses	4,978	994	2,303	1,509	22,859
Operating Income (Loss)	30	5,922	(521)	(45)	(6,627)
<b>Nonoperating Revenues</b>					
Federal grant					
Interest and other investment income		271	1	80	15
Total Nonoperating Revenues		271	1	80	15
<b>Nonoperating Expenses</b>					
Loss on disposal of assets	42			29	
Interest	34			36	
Other					
Total Nonoperating Expenses	76			65	
Income (Loss) before Capital Contributions and Transfers	(46)	6,193	(520)	(30)	(6,612)
Capital Contributions	27				
Transfers In				176	6,988
Transfers Out					
Change in Net Assets	(19)	6,193	(520)	146	376
Total Net Assets - Beginning	19,561	140,338	13,771	9,798	5,004
Total Net Assets - Ending	\$ 19,542	\$ 146,531	\$ 13,251	\$ 9,944	\$ 5,380

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 and Commissary	Prison Agricultural Enterprises	Totals
\$	\$ 93	\$ 311	\$ 8,033	\$ 1,178	\$ 33,223
					6,808
258	289			267	1,500
				1	56
1	1		99		346
259	383	311	8,132	1,446	41,933
	52		5,402	1,102	22,680
170	462	186	1,173	566	10,548
119	328	72	155	202	6,969
10	75	18	263	479	1,394
14	108	13	56	341	2,348
	17				87
313	1,042	289	7,049	2,690	44,026
(54)	(659)	22	1,083	(1,244)	(2,093)
15					15
		1			368
15		1			383
		4		3	78
				7	77
				13	13
		4		23	168
(39)	(659)	19	1,083	(1,267)	(1,878)
	61	18	7	44	157
	456		17	902	8,539
		(3)	(1,081)	(13)	(1,097)
(39)	(142)	34	26	(334)	5,721
772	4,845	237	(1)	4,151	198,476
\$ 733	\$ 4,703	\$ 271	\$ 25	\$ 3,817	\$ 204,197



## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2004 (Expressed in Thousands)

**Department of  
Rehabilitation  
Services**

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
<b>Cash Flows from Operating Activities</b>					
Cash receipts from customers	\$ 5,014	\$ 47	\$ 1,656	\$ 1,484	\$ 15,020
Cash payments to suppliers for goods and services	(3,413)	(261)	(1,488)	(301)	(17,262)
Cash payments to employees for services	(1,095)	(621)	(377)	(422)	(5,263)
Other operating cash receipts		61	126		20
Principal and interest received on program loans		27,282			
Issuance of program loans		(15,322)			
Net Cash Provided by (Used for) Operating Activities	506	11,186	(83)	761	(7,485)
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers in				176	6,988
Transfers out					
Federal grants received					
Loans to other funds			(2)		
Net Cash Provided by (Used for) Noncapital Financing Activities			(2)	176	6,988
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets				(581)	
Proceeds from sales of capital assets	6				
Proceeds from capital lease					
Principal paid on bonds and capital assets contracts	(146)			(340)	
Interest paid on bonds and capital assets contracts	(35)			(36)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(175)			(957)	
<b>Cash Flows from Investing Activities</b>					
Interest and other investment income		271	1	80	15
Net Cash Provided by Investing Activities		271	1	80	15
Net Increase (Decrease) in Cash and Cash Equivalents	331	11,457	(84)	60	(482)
Cash and Cash Equivalents - Beginning	1,035	19,524	122	4,320	3,272
Cash and Cash Equivalents - Ending	\$ 1,366	\$ 30,981	\$ 38	\$ 4,380	\$ 2,790



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 and Commissary	Prison Agricultural Enterprises	Totals	
\$ 276	\$ 383	\$ 321	\$ 7,925	\$ 1,446	\$	33,572
(145)	(497)	(67)	(5,689)	(1,716)		(30,839)
(175)	(460)	(185)	(1,156)	(555)		(10,309)
1			99			307
						27,282
						(15,322)
(43)	(574)	69	1,179	(825)		4,691
	456	(3)	17	755		8,392
15			(1,081)			(1,084)
						15
						(2)
15	456	(3)	(1,064)	755		7,321
			(14)			(595)
				366		6
						366
				(82)		(568)
				(7)		(78)
			(14)	277		(869)
		1				368
		1				368
(28)	(118)	67	101	207		11,511
46	363	24	306	1,062		30,074
\$ 18	\$ 245	\$ 91	\$ 407	\$ 1,269	\$	41,585

(Continued on Next Page)

## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2004 (Expressed in Thousands)

(Continued from Previous Page)

**Department of  
Rehabilitation  
Services**

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>					
Operating income (loss)	\$ 30	\$ 5,922	\$ (521)	\$ (45)	\$ (6,627)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	524	60	447	785	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable, net	4			19	70
Interest receivable		57			
Due from other governments					
Due from other funds	15				(1,195)
Due from component units					
Inventories					13
Prepaid items				(2)	(42)
Loans and notes receivable		4,643			
Increase (decrease) in liabilities:					
Warrants payable	(2)	429	2		
Accounts payable and other liabilities	(51)	75	(11)	4	175
Due to other governments					
Due to other funds	(1)				121
Due to component units					
Deferred revenues	(13)				
Total adjustments	476	5,264	438	806	(858)
Net Cash Provided by (Used for) Operating Activities	\$ 506	\$ 11,186	\$ (83)	\$ 761	\$ (7,485)

### Noncash Capital and Related Financing Activities

New capital leases

Transfer of capital assets to other  
state agencies

Capital contributions

Loss on disposal of capital assets

27

42

29

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 and Commissary	Prison Agricultural Enterprises	Totals
\$ (54)	\$ (659)	\$ 22	\$ 1,083	\$ (1,244)	\$ (2,093)
14	108	13	56	341	2,348
18		2	(103)		10
		4			57
		(2)	(5)		4
		6			(1,187)
	(4)		57	(35)	6
			(10)		31
					(54)
					4,643
(6)	(8)	12		58	485
(15)	(11)	12	(370)	22	(170)
			(6)		(6)
			484	33	637
			(7)		(7)
					(13)
11	85	47	96	419	6,784
\$ (43)	\$ (574)	\$ 69	\$ 1,179	\$ (825)	\$ 4,691

146 146

13 13

61 18 7 44 157

4 3 78

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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, 2004 (Expressed in Thousands)

			<u>Department of Finance and Administration</u>	
	Personnel Board	Information Technology Services	Risk Management	Totals
<b>Assets</b>				
Current assets:				
Equity in internal investment pool	\$ 1,217	\$ 8,153	\$ 19,676	\$ 29,046
Cash and cash equivalents			2,857	2,857
Investments			35,227	35,227
Receivables:				
Accounts	12	26		38
Interest			187	187
Due from other governments		37		37
Due from other funds	140	2,223	465	2,828
Due from component units	1	64	16	81
Total Current Assets	1,370	10,503	58,428	70,301
Noncurrent assets:				
Loans to other funds	33	122	14,007	14,162
Investments			29,896	29,896
Capital assets, net	18	4,432	36	4,486
Total Noncurrent Assets	51	4,554	43,939	48,544
Total Assets	1,421	15,057	102,367	118,845
<b>Liabilities</b>				
Current liabilities:				
Warrants payable	227	528	166	921
Accounts payable and other liabilities	54	1,058	2,909	4,021
Due to other governments		2		2
Due to other funds	1	2	291	294
Due to component units	3			3
Claims and benefits payable			132,102	132,102
Deferred revenues			1,744	1,744
Lease obligations payable		115		115
Total Current Liabilities	285	1,705	137,212	139,202
Noncurrent liabilities:				
Lease obligations payable		118		118
Other liabilities	229	734	108	1,071
Total Noncurrent Liabilities	229	852	108	1,189
Total Liabilities	514	2,557	137,320	140,391
<b>Net Assets</b>				
Invested in capital assets, net of related debt	18	4,199	36	4,253
Unrestricted (deficit)	889	8,301	(34,989)	(25,799)
Total Net Assets	\$ 907	\$ 12,500	\$ (34,953)	\$ (21,546)



## Internal Service Funds

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

For the Year Ended June 30, 2004 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			
	Personnel Board	Information Technology Services	Risk Management	Totals
<b>Operating Revenues</b>				
Charges for sales and services/premiums	\$ 5,624	\$ 27,293	\$ 505,548	\$ 538,465
Other	1	47	2	50
Total Operating Revenues	5,625	27,340	505,550	538,515
<b>Operating Expenses</b>				
General and administrative	3,295	9,144	3,135	15,574
Contractual services	1,985	17,105	31,701	50,791
Commodities	238	342	68	648
Depreciation	6	2,449	3	2,458
Claims and benefits			494,889	494,889
Total Operating Expenses	5,524	29,040	529,796	564,360
Operating Income (Loss)	101	(1,700)	(24,246)	(25,845)
<b>Nonoperating Revenues</b>				
Interest and other investment income			434	434
Total Nonoperating Revenues			434	434
<b>Nonoperating Expenses</b>				
Loss on disposal of assets		430		430
Interest		13		13
Total Nonoperating Expenses		443		443
Income (Loss) before Capital Contributions and Transfers	101	(2,143)	(23,812)	(25,854)
Capital Contributions		65		65
Transfers In		275	683	958
Transfers Out		(323)	(1,114)	(1,437)
Change in Net Assets	101	(2,126)	(24,243)	(26,268)
Total Net Assets - Beginning	806	14,626	(10,710)	4,722
Total Net Assets - Ending	\$ 907	\$ 12,500	\$ (34,953)	\$ (21,546)

## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2004 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			
	Personnel Board	Information Technology Services	Risk Management	Totals
<b>Cash Flows from Operating Activities</b>				
Cash receipts/premiums from interfund services provided	\$ 5,475	\$ 26,551	\$ 140,923	\$ 172,949
Cash receipts/premiums from customers	70	1,257	363,881	365,208
Cash payments to suppliers for goods and services	(2,293)	(16,832)	(31,704)	(50,829)
Cash payments to employees for services	(3,273)	(9,053)	(3,102)	(15,428)
Cash payments for claims and benefits			(491,959)	(491,959)
Other operating cash receipts	1	47	2	50
Net Cash Provided by (Used for) Operating Activities	(20)	1,970	(21,959)	(20,009)
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers in		275	371	646
Transfers out			(1,114)	(1,114)
Loans to other funds	(33)	(122)	(14,007)	(14,162)
Net Cash Provided by (Used for) Noncapital Financing Activities	(33)	153	(14,750)	(14,630)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(13)	(794)	(14)	(821)
Principal paid on capital assets contracts		(280)		(280)
Interest paid on capital assets contracts		(16)		(16)
Net Cash Used for Capital and Related Financing Activities	(13)	(1,090)	(14)	(1,117)
<b>Cash Flows from Investing Activities</b>				
Proceeds from sales of investments			44,528	44,528
Purchases of investments			(1,237)	(1,237)
Interest and other investment income			2,332	2,332
Net Cash Provided by Investing Activities			45,623	45,623
Net Increase (Decrease) in Cash and Cash Equivalents	(66)	1,033	8,900	9,867
Cash and Cash Equivalents - Beginning	1,283	7,120	13,633	22,036
Cash and Cash Equivalents - Ending	\$ 1,217	\$ 8,153	\$ 22,533	\$ 31,903

(Continued on Next Page)



## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2004 (Expressed in Thousands)

(Continued from Previous Page)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating income (loss)	\$ 101	\$ (1,700)	\$ (24,246)	\$ (25,845)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	6	2,449	3	2,458
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(3)	11	3	11
Due from other governments	1	(6)	3	(2)
Due from other funds	(76)	524	26	474
Due from component units	(1)	(14)	(16)	(31)
Increase (decrease) in liabilities:				
Warrants payable	65	186	(454)	(203)
Accounts payable and other liabilities	(116)	517	554	955
Due to other governments		2		2
Due to other funds		1	28	29
Due to component units	3			3
Claims and benefits payable			2,901	2,901
Deferred revenues			(761)	(761)
Total adjustments	(121)	3,670	2,287	5,836
Net Cash Provided by Operating Activities	\$ (20)	\$ 1,970	\$ (21,959)	\$ (20,009)

### Noncash Capital and Related Financing and

#### Investing Activities

Transfer of capital assets to other state agencies	323	323
Capital contributions	65	65
Loss on disposal of capital assets	430	430
Change in market value of investments	(1,752)	(1,752)

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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, 2004 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
<b>Assets</b>			
Equity in internal investment pool	\$ 590	\$	\$
Cash and cash equivalents	183,905	2,744	2,568
Investments, at fair value:			
Short-term securities	120,300	1,800	1,684
Long-term debt securities	4,006,902	59,970	56,092
Equity securities	11,165,182	167,105	156,301
Real estate trusts	330,823	4,952	4,631
Balanced asset fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	1,293,658	19,673	18,401
Long-term debt securities	751,824	11,433	10,694
Receivables:			
Employer contributions	29,926		428
Employee contributions	22,253		29
Investment proceeds	202,152	3,026	2,830
Interest and dividends	63,804	955	893
Other	433	1	7
Capital assets, net	17,233		
Total Assets	18,188,985	271,659	254,558
<b>Liabilities</b>			
Warrants payable	266		
Accounts payable and accruals	413,079	6,127	5,739
Due to other funds	108		
Amounts held in custody for others	1,138		
Obligations under securities lending	2,050,734	31,187	29,169
Total Liabilities	2,465,325	37,314	34,908
<b>Net Assets</b>			
Held in trust for pension benefits	\$ 15,723,660	\$ 234,345	\$ 219,650

<b>Supplemental Legislative Retirement Plan</b>	<b>Government Employees' Deferred Compensation Plan</b>	<b>Totals</b>
\$	\$	\$
112	1,702	590
		191,031
74	9,136	132,994
2,453	18,514	4,143,931
6,834	287,473	11,782,895
202		340,608
	31,305	31,305
	396,084	396,084
	525	525
805		1,332,537
468		774,419
		30,354
	3,327	25,609
124		208,132
39	175	65,866
		441
		17,233
11,111	748,241	19,474,554
		266
254	186	425,385
		108
		1,138
1,276		2,112,366
1,530	186	2,539,263
\$	\$	\$
9,581	748,055	16,935,291



## Pension Trust Funds

### Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
<b>Additions</b>			
Contributions:			
Employer	\$ 459,567	\$ 6,528	\$ 14,013
Employee	358,241	1,508	437
Total Contributions	817,808	8,036	14,450
Net Investment Income:			
Net change			
in fair value of investments	1,579,541	24,021	22,468
Interest and dividends	445,110	6,769	6,331
Securities lending:			
Income from securities lending	23,551	358	335
Interest expense and trading costs from securities lending	(19,337)	(294)	(275)
Managers' fees and trading costs	(25,612)	(390)	(364)
Net Investment Income	2,003,253	30,464	28,495
Other Additions:			
Rent income	68		
Administrative fees	527		
Other	1		
Total Other Additions	596		
Total Additions	2,821,657	38,500	42,945
<b>Deductions</b>			
Retirement annuities	1,033,205	16,605	33,342
Refunds to terminated employees	67,245	76	
Administrative expenses	9,512	131	389
Depreciation	218		
Total Deductions	1,110,180	16,812	33,731
Change in Net Assets	1,711,477	21,688	9,214
Net Assets - Beginning	14,012,183	212,657	210,436
Net Assets - Ending	\$ 15,723,660	\$ 234,345	\$ 219,650

Supplemental Legislative Retirement Plan		Government Employees' Deferred Compensation Plan		Totals	
\$	372	\$		\$	480,480
	176		74,668		435,030
	548		74,668		915,510
	982		75,784		1,702,796
	277		2,404		460,891
	15				24,259
	(12)				(19,918)
	(16)				(26,382)
	1,246		78,188		2,141,646
					68
					527
					1
					596
	1,794		152,856		3,057,752
	696		36,609		1,120,457
	8				67,329
	7				10,039
					218
	711		36,609		1,198,043
	1,083		116,247		1,859,709
	8,498		631,808		15,075,582
\$	9,581	\$	748,055	\$	16,935,291



## Private-purpose Trust Funds

### Combining Statement of Fiduciary Net Assets

June 30, 2004 (Expressed in Thousands)

	State Treasurer		Totals
	Affordable College Savings	Memorial Burn Center	
<b>Assets</b>			
Equity in internal investment pool	\$ 10	\$ 1,748	\$ 1,758
Cash and cash equivalents	633		633
Investments, at fair value:			
Short-term securities	815		815
Long-term debt securities	7,531		7,531
Equity securities	18,026		18,026
Real estate trusts	1,738		1,738
Fixed rate and variable	4,710		4,710
Receivables:			
Interest and dividends	1		1
Other	16		16
Due from other funds		43	43
Total Assets	33,480	1,791	35,271
<b>Liabilities</b>			
Warrants payable	1		1
Accounts payable and accruals	45		45
Total Liabilities	46		46
<b>Net Assets</b>			
Held in trust for trust beneficiaries	\$ 33,434	\$ 1,791	\$ 35,225





## Private-purpose Trust Funds

### Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2004 (Expressed in Thousands)

	State Treasurer		Totals
	Affordable College Savings	Memorial Burn Center	
<b>Additions</b>			
Participant contributions	\$ 13,162	\$	13,162
Net change in fair value of investments	1,018		1,018
Interest and other investment income	2,132	15	2,147
Administrative fees	175		175
Donations		303	303
Total Additions	16,487	318	16,805
<b>Deductions</b>			
Benefits	1,283		1,283
Administrative expenses	284	24	308
Total Deductions	1,567	24	1,591
Change in Net Assets	14,920	294	15,214
Net Assets - Beginning	18,514	1,497	20,011
Net Assets - Ending	\$ 33,434	\$ 1,791	\$ 35,225



## Agency Funds

### Combining Statement of Fiduciary Net Assets

June 30, 2004 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
<b>Assets</b>				
Equity in internal investment pool	\$ 693	\$ 8,343	\$	\$ 9,036
Cash and cash equivalents	171	4,097	5,617	9,885
Receivables, net:				
Interest			1	1
Other		4	58	62
Loans to other funds		1,361		1,361
Commodity inventory		2,158		2,158
Total Assets	\$ 864	\$ 15,963	\$ 5,676	\$ 22,503
<b>Liabilities</b>				
Warrants payable	\$ 85	\$ 105	\$	\$ 190
Accounts payable and accruals		20	1,487	1,507
Due to other governments	779	4		783
Amounts held in custody for others		15,834	4,189	20,023
Total Liabilities	\$ 864	\$ 15,963	\$ 5,676	\$ 22,503

# MISSISSIPPI

## Agency Funds

### Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2004 (Expressed in Thousands)

Fund	Assets					
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Loans to Other Funds	Commodity Inventory	Total Assets
<b>Local Government Distributive:</b>						
Balance - Beginning	\$ 1,039	\$ 134	\$	\$	\$	\$ 1,173
Additions	37,398	256				37,654
Deductions	37,744	219				37,963
Balance - Ending	693	171				864
<b>Program:</b>						
Balance - Beginning	9,564	4,743	5		1,263	15,575
Additions	40,208	37,065	71	1,361	13,108	91,813
Deductions	41,429	37,711	72		12,213	91,425
Balance - Ending	8,343	4,097	4	1,361	2,158	15,963
<b>Institutional:</b>						
Balance - Beginning		5,472	66			5,538
Additions		57,659	255			57,914
Deductions		57,514	262			57,776
Balance - Ending		5,617	59			5,676
<b>Total - All Agency Funds:</b>						
Balance - Beginning	10,603	10,349	71		1,263	22,286
Additions	77,606	94,980	326	1,361	13,108	187,381
Deductions	79,173	95,444	334		12,213	187,164
Balance - Ending	\$ 9,036	\$ 9,885	\$ 63	\$ 1,361	\$ 2,158	\$ 22,503

Fund	Liabilities				
	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	Total Liabilities
<b>Local Government Distributive:</b>					
Balance - Beginning	\$ 28	\$	\$ 1,145	\$	\$ 1,173
Additions	34,593		9,848		44,441
Deductions	34,536		10,214		44,750
Balance - Ending	85		779		864
<b>Program:</b>					
Balance - Beginning	313	63	21	15,178	15,575
Additions	16,917	42	643	73,552	91,154
Deductions	17,125	85	660	72,896	90,766
Balance - Ending	105	20	4	15,834	15,963
<b>Institutional:</b>					
Balance - Beginning		1,307		4,231	5,538
Additions		1,348		49,497	50,845
Deductions		1,168		49,539	50,707
Balance - Ending		1,487		4,189	5,676
<b>Total - All Agency Funds:</b>					
Balance - Beginning	341	1,370	1,166	19,409	22,286
Additions	51,510	1,390	10,491	123,049	186,440
Deductions	51,661	1,253	10,874	122,435	186,223
Balance - Ending	\$ 190	\$ 1,507	\$ 783	\$ 20,023	\$ 22,503

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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, 2004 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$ 2,073	\$	\$
Cash and cash equivalents	706	551	223
Investments	9,328	2,844	99
Receivables, net	136	304	3
Due from other governments			
Due from primary government			
Inventories			
Prepaid items		259	
Total Current Assets	12,243	3,958	325
Noncurrent assets:			
Investments			
Due from other governments			
Restricted assets:			
Investments		6,878	
Capital assets, net	34	26,528	27
Total Noncurrent Assets	34	33,406	27
Total Assets	12,277	37,364	352
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other liabilities	38	111	
Due to primary government			
Deposits		601	
Bonds and notes payable		107	
Lease obligations payable		119	
Total Current Liabilities	38	938	
Noncurrent liabilities:			
Bonds and notes payable		283	
Lease obligations payable		418	
Other liabilities	154		
Total Noncurrent Liabilities	154	701	
Total Liabilities	192	1,639	
<b>Net Assets</b>			
Invested in capital assets, net of related debt	34	25,577	27
Restricted for other purposes		7,000	
Unrestricted	12,051	3,148	325
Total Net Assets	\$ 12,085	\$ 35,725	\$ 352

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
\$	\$	\$	\$	\$	\$
737	1,691	646	4,119	4,512	2,073
1,199		3,825			13,185
440	80	9	736	17	17,295
	174	219		46	1,725
59			9		439
371	8			19	68
50				1	398
2,856	1,953	4,699	4,864	4,595	310
	1,776				35,493
		43			1,776
					43
					6,878
3,107	9,001	2,768	35,339	2,320	79,124
3,107	10,777	2,811	35,339	2,320	87,821
5,963	12,730	7,510	40,203	6,915	123,314
340	833	14	1,592	14	2,942
				16	16
			173		774
	494		128		729
					119
340	1,327	14	1,893	30	4,580
	527		184		994
					418
	168	36	23	38	419
	695	36	207	38	1,831
340	2,022	50	2,100	68	6,411
3,108	7,935	2,768	35,027	2,320	76,796
	423	3,489			10,912
2,515	2,350	1,203	3,076	4,527	29,195
\$ 5,623	\$ 10,708	\$ 7,460	\$ 38,103	\$ 6,847	\$ 116,903



## Nonmajor Component Units

### Combining Statement of Activities

For the Year Ended June 30, 2004 (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	\$ 760	\$ 778	\$	\$	\$ 18
Mississippi Coast Coliseum Commission	6,077	4,707			(1,370)
Mississippi Development Bank	153	190			37
Mississippi Prison Industries Corporation	6,258	6,769	59		570
Pat Harrison Waterway District	5,413	2,385	2,647	575	194
Pearl River Basin Development District	1,231	99	21		(1,111)
Pearl River Valley Water Supply District	8,572	9,804		1,105	2,337
Tombigbee River Valley Water Management District	1,344	1,806			462
Total	\$ 29,808	\$ 26,538	\$ 2,727	\$ 1,680	1,137
General revenues:					
Interest and investment income					536
Other					821
Total General Revenues					1,357
Change in Net Assets					2,494
Net Assets - Beginning					114,409
Net Assets - Ending					\$ 116,903





## 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	2004	2003	2002	2001
General government	\$ 1,219,944	\$ 1,191,877	\$ 1,133,606	\$ 1,046,103
Education	3,211,882	3,022,046	2,852,710	2,265,034
Health and social services	4,775,753	4,291,837	4,212,066	3,587,400
Law, justice and public safety	551,354	522,509	507,662	528,874
Recreation and resources development	482,235	484,955	381,064	389,912
Regulation of business and professions	34,163	32,096	30,175	28,815
Transportation	925,757	876,269	875,165	756,564
Debt service	371,248	344,706	435,020	289,843
Capital outlay	77,839	114,941	103,940	80,921
Total Expenditures	\$ 11,650,175	\$ 10,881,236	\$ 10,531,408	\$ 8,973,466

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Governmental Funds of the primary government are described in Note 1D 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	2004	2003	2002	2001
State taxes	\$ 4,810,030	\$ 4,603,549	\$ 4,441,358	\$ 4,453,359
Licenses, fees and permits	428,412	412,367	402,878	390,216
Federal government	4,943,360	4,477,533	4,204,079	3,538,494
Interest and other investment income	130,333	86,974	37,353	115,055
Charges for sales and services	258,217	241,153	268,098	259,090
Rentals	16,651	16,320	15,154	15,047
Court assessments and settlements	109,796	172,099	239,509	245,114
Other	299,009	312,856	317,263	242,968
Total Revenues	\$ 10,995,808	\$ 10,322,851	\$ 9,925,692	\$ 9,259,343

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Governmental Funds of the primary government are described in Note 1D 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	2004	2003	2002	2001
Sales and use	\$ 2,488,055	\$ 2,377,996	\$ 2,364,112	\$ 2,322,787
Gasoline and other motor fuel	433,091	418,049	407,935	399,358
Privilege	68,817	69,078	69,091	69,104
Motor vehicle registration	31,953	32,421	27,934	28,940
Individual income	1,054,479	1,021,967	980,284	1,021,549
Alcoholic beverage	82,895	81,138	45,843	45,518
Corporate income and franchise	320,848	287,335	254,785	276,263
Severance	54,167	48,205	32,238	48,187
Inheritance	15,473	21,854	30,369	28,666
Tobacco	54,809	56,445	55,569	54,496
Insurance	160,757	149,458	131,763	121,995
Nuclear power	20,000	20,000	20,000	18,041
Other	24,686	19,603	21,435	18,455
Total Tax Revenues	\$ 4,810,030	\$ 4,603,549	\$ 4,441,358	\$ 4,453,359

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

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

	2000	1999	1998	1997	1996	1995
\$	1,034,840	\$ 973,084	\$ 919,048	\$ 858,218	\$ 817,625	\$ 727,065
	2,224,058	2,017,162	1,907,632	1,765,476	1,793,100	1,677,577
	3,138,724	2,843,194	2,715,471	2,736,515	2,633,871	2,583,972
	471,444	461,383	408,957	381,929	339,796	282,667
	334,666	304,507	304,795	266,633	249,433	228,555
	27,864	25,820	24,007	22,518	22,734	22,319
	881,051	815,496	749,466	694,895	651,044	532,217
	264,282	222,653	193,392	174,787	134,406	214,495
	110,072	78,014	84,883	86,435	126,592	56,134
\$	8,487,001	\$ 7,741,313	\$ 7,307,651	\$ 6,987,406	\$ 6,768,601	\$ 6,325,001

	2000	1999	1998	1997	1996	1995
\$	4,431,550	\$ 4,255,102	\$ 4,023,265	\$ 3,742,013	\$ 3,563,533	\$ 3,351,746
	370,980	347,498	322,081	298,158	270,438	250,994
	3,098,013	2,865,653	2,765,550	2,778,514	2,729,566	2,717,589
	175,799	143,488	124,338	122,271	122,682	112,186
	256,976	235,310	234,250	212,532	194,764	184,284
	12,896	13,211	10,396	9,142	10,591	10,175
	199,792	110,231	348	210	2,732	
	241,421	233,325	393,904	219,429	182,740	216,057
\$	8,787,427	\$ 8,203,818	\$ 7,874,132	\$ 7,382,269	\$ 7,077,046	\$ 6,843,031

	2000	1999	1998	1997	1996	1995
\$	2,295,463	\$ 2,212,773	\$ 2,059,249	\$ 1,920,884	\$ 1,847,589	\$ 1,721,214
	411,618	397,262	392,260	358,866	354,104	347,015
	87,509	76,717	66,290	65,288	67,630	57,060
	26,691	26,195	28,023	25,406	24,700	23,949
	1,007,752	942,027	894,790	790,805	730,035	663,292
	45,826	44,987	43,261	42,530	41,270	41,667
	293,658	298,464	280,361	292,827	262,728	264,638
	26,388	18,845	29,573	31,841	29,057	28,059
	22,183	30,308	21,471	12,638	14,208	12,513
	56,544	57,486	57,344	57,201	55,121	57,483
	116,823	110,938	112,207	107,224	101,472	100,043
	21,959	20,000	20,000	20,000	20,000	20,000
	19,136	19,100	18,436	16,503	15,619	14,813
\$	4,431,550	\$ 4,255,102	\$ 4,023,265	\$ 3,742,013	\$ 3,563,533	\$ 3,351,746



## Net General Obligation Bonded Debt Per capita

For the Last Ten Fiscal Years

Table IV

General Obligation Bonded Debt (1)						
(Expressed in Thousands)						
Fiscal Year	Population	Less:			Net	Net General Obligation Debt Per capita
		Principal Outstanding	Debt Service Funds (2)			
2004	2,920,000	\$ 2,954,134	\$ 107,149	\$ 2,846,985	\$ 975	
2003	2,910,000	2,516,497	176,556	2,339,941	804	
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	2,800,000	1,595,044	30,795	1,564,249	559	
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	

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			
2004	\$ 371,248	\$ 10,995,808	3.4 %	\$ 11,650,175	3.2 %
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

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, 2004 (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)	\$ 8,429,055
Amount of debt applicable to debt limit (2)	\$ 2,954,134
Less: amounts available for debt service	<u>107,149</u>
Net amount of debt applicable to debt limit	<u>2,846,985</u>
Legal Debt Margin	<u><u>\$ 5,582,070</u></u>

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
2003	\$ 5,619,370
2002	5,405,988
2001	5,428,212
2000	5,329,419

- (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			
				Principal	Interest	Total	Coverage
2004	\$ 5,008	\$ 4,454	\$ 554	\$ 135	\$ 34	\$ 169	3.28
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

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Notes:

- (1) Total operating revenues.  
 (2) Total operating expenses excluding depreciation.

# MISSISSIPPI

## Demographic Statistics

For the Last Ten Calendar Years

Table VIII

Calendar Year	Population	Per capita Income (Current \$)	Public School Enrollment	Unemployment Rate
2003	2,910,000	\$ 23,083	491,623	6.3 %
2002	2,880,000	22,354	492,198	6.8
2001	2,860,000	21,653	496,558	5.5
2000	2,850,000	20,920	499,362	5.7
1999	2,830,000	20,082	502,379	5.1
1998	2,800,000	19,635	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

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
2003	\$ 70,430,000	\$ 38,277,200	\$ 67,078,000	\$ 36,455,400	184.0
2002	68,539,000	38,098,400	64,471,000	35,837,100	179.9
2001	67,124,000	37,901,800	61,922,000	34,964,400	177.1
2000	66,163,000	38,422,200	59,597,000	34,609,200	172.2
1999	64,388,000	38,648,300	56,799,000	34,093,000	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	51,359,000	34,655,200	44,077,000	29,741,600	148.2

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

## Bank Deposits, Retail Sales, Median Household Income

For the Last Ten Calendar Years (Expressed in Thousands)

**Table X**

Calendar Year	Bank Deposits	Retail Sales	Median Household Income
2003	\$ 31,560,845	\$ 35,762,779	\$ 33
2002	30,369,501	35,300,330	31
2001	28,839,331	34,629,709	30
2000	26,937,543	34,501,862	34
1999	23,389,129	33,382,785	32
1998	22,546,393	30,670,175	29
1997	25,851,444	28,677,726	28
1996	24,802,701	24,643,485	27
1995	23,960,825	25,796,258	27
1994	22,832,705	24,059,806	25

Source: Bank Deposits -- Mississippi Department of Banking and Consumer Finance  
 Retail Sales -- Mississippi State Tax Commission  
 Median Household Income -- U.S. Census Bureau

## Principal Industrial Employers

(Ranked by Number of Employees)

**Table XI**

Company	Number of Plants	Number of Employees
Northrop Grumman	3	13,112
Tyson Foods	6	5,899
Nissan North America	1	4,477
Howard Industries	4	4,008
Sanderson Farms	6	3,958
Furniture Brands International	5	3,575
La-Z-Boy	9	2,795
Koch Foods	3	2,647
Georgia-Pacific	17	2,567
Peco Foods	8	2,533
Sara Lee	4	2,455
Peavey Electronics	2	2,200
Ashley Furniture	2	2,040
Outokumpu Heatcraft	2	2,000
Leggett & Platt	12	1,871
Delphi	3	1,835
Weyerhaeuser	10	1,647
Berkline/Benchcraft	5	1,572
Vision Technologies	3	1,571
Cooper Tire & Rubber	2	1,470
ContiGroup Companies	2	1,218
ChevronTexaco	1	1,200
Cooper Industries	2	1,176
Caterpillar	3	1,168
Franklin Corporation	1	1,150
Quebecor World	2	1,150

Source: Mississippi Development Authority



## Population and Employment

For the Last Ten Calendar Years

Table XII

Selected Indicators	2003	2002	2001
Population	2,910,000	2,880,000	2,860,000
Employed	1,229,000	1,204,300	1,230,060
Unemployed	83,100	87,800	71,180
Total Labor Force	1,312,100	1,292,100	1,301,240
Mississippi Unemployment Rate	6.3%	6.8%	5.5%
U.S. Unemployment Rate	6.0%	5.8%	4.7%

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	2003	2002	2001
Agriculture	41,600	38,500	33,190
Construction	51,300	53,900	51,900
Finance, insurance and real estate	46,200	45,700	45,800
Government	243,500	240,100	237,500
Manufacturing	178,300	187,900	200,800
Mining	8,700	8,900	9,600
Services	260,100	257,600	254,400
Transportation and public utilities	45,300	45,700	45,800
Wholesale and retail trade	283,300	283,800	284,100

Source: Mississippi Employment Security Commission - Labor Market Information

## Mississippi Average Annual Wages by Sector

For the Last Ten Calendar Years

Table XIV

Sector	2003	2002	2001
Agriculture	\$ 22,910	\$ 21,748	\$ 21,193
Construction	29,594	29,682	28,312
Finance, insurance and real estate	33,455	32,562	31,215
Government	26,089	25,055	24,393
Manufacturing	31,950	30,346	29,376
Mining	44,827	43,682	41,754
Retail trade	19,158	18,471	18,003
Services	24,984	24,104	23,476
Transportation and public utilities	34,590	33,897	33,488
Wholesale trade	37,870	36,614	35,567

Source: Mississippi Employment Security Commission - Labor Market Information



2000	1999	1998	1997	1996	1995	1994
2,850,000	2,830,000	2,800,000	2,780,000	2,750,000	2,720,000	2,690,000
1,251,100	1,203,000	1,199,200	1,189,800	1,180,200	1,180,000	1,169,800
75,300	64,500	68,200	72,500	77,000	77,000	82,900
1,326,400	1,267,500	1,267,400	1,262,300	1,257,200	1,257,000	1,252,700
5.7%	5.1%	5.4%	5.7%	6.1%	6.1%	6.6%
4.0%	4.2%	4.5%	4.9%	5.4%	5.6%	6.1%

2000	1999	1998	1997	1996	1995	1994
33,200	33,200	36,300	35,800	38,200	41,400	38,300
54,700	55,500	54,400	50,900	48,600	45,400	43,500
42,900	42,900	42,500	41,700	40,900	40,000	39,700
233,800	227,100	223,400	219,000	216,800	214,700	213,700
233,200	243,900	245,500	241,800	245,600	257,800	261,000
4,700	5,000	6,300	5,900	5,300	4,900	5,100
270,600	268,900	262,600	256,300	246,100	232,400	224,700
57,400	55,800	53,800	53,000	52,800	51,100	48,600
256,200	254,200	245,200	238,400	232,900	228,200	219,400

2000	1999	1998	1997	1996	1995	1994
\$ 19,239	\$ 18,859	\$ 18,064	\$ 17,318	\$ 16,501	\$ 16,153	\$ 15,276
27,705	26,937	26,508	24,369	23,294	22,188	21,928
32,252	30,460	30,005	28,030	26,707	25,916	24,748
23,829	23,043	22,463	21,703	20,731	19,923	18,965
28,496	27,630	26,712	25,584	24,323	23,301	22,593
38,404	40,171	36,794	34,674	31,661	30,025	29,175
14,736	14,500	14,003	13,333	12,635	12,181	11,805
24,508	23,489	22,870	21,980	21,222	20,569	19,416
34,910	33,210	32,721	32,041	30,406	29,520	28,983
33,399	32,532	31,466	29,636	28,387	27,367	26,523

## Public School Enrollment

For the Last Ten Academic Years

**Table XV**

Grade	2003/2004	2002/2003	2001/2002	2000/2001
Kindergarten	40,536	38,811	38,736	39,055
Grades 1-3	114,719	116,431	119,157	121,810
Grades 4-6	117,899	118,463	119,022	118,450
Grades 7-9	118,632	116,799	114,533	114,885
Grades 10-12	88,384	88,437	88,644	89,796
Special Education	12,387	12,682	12,106	12,562
Total Enrollment	492,557	491,623	492,198	496,558

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	2003/2004	2002/2003	2001/2002	2000/2001
Coahoma Community College	2,392	2,481	2,150	1,418
Copiah-Lincoln Community College	3,796	3,370	3,160	3,272
East Central Community College	3,540	3,414	3,347	3,312
East Mississippi Community College	4,103	4,043	3,303	3,121
Hinds Community College	15,202	11,152	11,389	10,976
Holmes Community College	4,945	3,851	3,482	3,328
Itawamba Community College	6,778	5,667	4,563	4,075
Jones County Junior College	6,231	5,841	5,625	5,572
Meridian Community College	3,944	3,815	3,743	3,183
Mississippi Delta Community College	4,128	3,960	3,750	3,419
Mississippi Gulf Coast Community College	10,551	9,934	8,877	9,140
Northeast Mississippi Community College	4,996	4,667	4,463	4,353
Northwest Mississippi Community College	6,523	6,371	5,760	5,127
Pearl River Community College	3,898	3,661	3,156	3,245
Southwest Mississippi Community College	2,280	2,277	2,159	2,083
Total Community and Junior Colleges	83,307	74,504	68,927	65,624

Source: Mississippi State Board for Community and Junior Colleges

## Full-time Equivalent Student Enrollment - Universities

For the Last Ten Academic Years

**Table XVII**

University	2003/2004	2002/2003	2001/2002	2000/2001
Alcorn State University	3,309	3,150	3,096	2,936
Delta State University	3,902	3,963	3,875	3,916
Jackson State University	7,815	7,783	7,098	6,832
Mississippi State University	16,173	16,610	16,878	16,561
Mississippi University for Women	2,048	2,105	2,328	2,815
Mississippi Valley State University	3,506	3,501	3,081	2,687
University of Mississippi	13,804	13,288	12,771	12,234
University of Southern Mississippi	15,050	15,266	15,232	14,509
Total Universities	65,607	65,666	64,359	62,490
University of Mississippi Medical Center	1,773	1,673	1,658	1,694

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

1999/2000	1998/1999	1997/1998	1996/1997	1995/1996	1994/1995
39,455	41,057	40,667	40,511	40,559	39,545
124,176	124,759	123,254	120,952	118,376	117,407
116,155	113,584	112,996	113,212	114,646	116,375
115,585	116,913	120,205	122,732	123,903	125,306
90,947	91,783	92,183	90,311	89,375	88,419
13,044	14,283	15,487	16,249	16,743	16,249
499,362	502,379	504,792	503,967	503,602	503,301

1999/2000	1998/1999	1997/1998	1996/1997	1995/1996	1994/1995
1,317	1,336	1,458	1,457	1,576	1,410
3,086	2,967	3,047	2,984	2,941	2,790
2,605	2,518	2,463	2,358	4,404	1,800
2,848	3,033	2,725	3,426	2,896	1,876
10,943	10,361	10,635	10,745	10,290	10,668
3,089	2,466	2,854	2,968	2,492	2,549
3,946	3,965	3,820	4,302	3,957	4,122
5,016	5,465	5,133	5,128	5,073	4,828
3,077	3,132	3,271	3,213	2,963	2,868
5,242	4,208	3,597	3,576	3,343	3,931
10,054	10,124	9,965	10,203	10,550	12,393
4,792	4,366	4,416	4,044	3,879	3,915
5,074	5,083	5,247	5,276	4,653	4,889
3,291	3,264	2,967	3,049	2,840	3,038
2,066	2,022	1,997	1,900	1,792	1,549
66,446	64,310	63,595	64,629	63,649	62,626

1999/2000	1998/1999	1997/1998	1996/1997	1995/1996	1994/1995
2,871	2,860	2,847	3,073	2,989	2,756
4,086	4,048	4,085	4,015	3,288	3,199
6,354	6,292	6,333	6,218	5,479	5,273
16,076	15,718	15,645	14,859	12,185	11,680
2,953	3,314	3,309	3,277	2,055	2,060
2,509	2,445	2,253	2,199	2,145	2,177
11,746	11,443	11,301	10,993	9,449	9,253
14,350	14,533	14,593	14,117	11,689	10,516
60,945	60,653	60,366	58,751	49,279	46,914
1,781	1,862	1,877	1,806	2,450	2,045

## Miscellaneous Statistics

June 30, 2004

Table XVIII

<b>Date Entered Union</b>	December 10, 1817
<b>Form of Government</b>	Legislative - Executive - Judicial
<b>Miles of State Highway</b>	10,926
<b>Land Area</b>	47,233 Square Miles

**State Highway Patrol:**

Number of Stations	9
Number of Sworn Officers	548

**Higher Education (Universities and Community and Junior Colleges):**

Number of Campuses in State	54
Number of Educators	7,295
Number of Students	150,687

**Recreation:**

Number of State Parks	28
Area of State Parks	23,800 Acres
Area of State Forests	133,118 Acres

**State Employees:**

Full-Time	31,740
Part-Time	920

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

# Acknowledgements

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This report may be viewed online at: [www.dfa.state.ms.us](http://www.dfa.state.ms.us)