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*Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2005*

# MISSISSIPPI



Fiscal Year Ended June 30, 2005

**Department of Finance and Administration**  
Post Office Box 267  
Jackson, MS 39205

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



This book has been printed on recycled materials.



**HALEY BARBOUR**  
GOVERNOR

**STATE OF MISSISSIPPI**  
OFFICE OF THE GOVERNOR

---



December 20, 2005

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

With much optimism for our state's future, I proudly submit Mississippi's Comprehensive Annual Financial Report for the year ending June 30, 2005. The report provides you with an overview and detailed information regarding the fiscal activity of our state government.

In the past fiscal year, we continued our efforts to foster an environment conducive to job creation. Increased funding for education, workforce development and job training has helped to stimulate economic growth. Tort reform has helped control the cost of doing business in our state.

Education continues to be a priority in the state. My "UpGrade" education proposal focuses on the fundamentals of education. The proposed reforms include encouraging innovation at the local level, recruitment and retention of teachers, discipline in the classroom, redesigning our high schools and drop out prevention.

We have almost recovered from a \$700 million fiscal crisis without raising taxes. The fiscal year 2006 budget approved last spring reduces state spending by 1.75% while focusing on the priorities of K-12 public schools, higher education and law enforcement. In fiscal year 2005, for the first time since 1987, the State of Mississippi paid off more debt than was issued in the same time period. Improving our state's financial position will aid our Hurricane Katrina recovery efforts.

Hurricane Katrina struck our state a grievous blow and our work to recover, rebuild and renew from this disaster will take years. I genuinely appreciate the volunteers for the outpouring of assistance to our state in the wake of the worst natural disaster ever to hit America, but working together, we will be successful.

Sincerely,

A handwritten signature in cursive script, reading "Haley Barbour".

Haley Barbour



# Table of Contents

## INTRODUCTION

Letter of Transmittal.....	6
Officials of State Government.....	10
Organization Chart.....	11
Certificate of Achievement for Excellence in Financial Reporting.....	12

## FINANCIAL SECTION

Auditor’s Report.....	15
Management’s Discussion and Analysis.....	19

### Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Assets.....	30
Statement of Activities.....	32

Governmental Funds Financial Statements	
Balance Sheet.....	34
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	35
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	36
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	37

Proprietary Funds Financial Statements	
Statement of Net Assets.....	38
Statement of Revenues, Expenses, and Changes in Net Assets.....	42
Statement of Cash Flows.....	44

Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets.....	48
Statement of Changes in Fiduciary Net Assets.....	49

Component Units Financial Statements	
Statement of Net Assets.....	50
Statement of Activities.....	51

Notes to the Financial Statements	
Note 1 - Significant Accounting Policies.....	53
Note 2 - Other Accounting Disclosures.....	59
Note 3 - Interfund Transactions.....	60
Note 4 - Deposits and Investments.....	62
Note 5 - Receivables.....	67
Note 6 - Due From Other Governments.....	68
Note 7 - Loans and Notes Receivable.....	68
Note 8 - Capital Assets.....	69
Note 9 - General Obligation and Defeased Bonds and Notes.....	71
Note 10 - Limited Obligation Bonds.....	74
Note 11 - Revenue Bonds and Notes.....	75
Note 12 - Other Long-term Liabilities.....	76
Note 13 - Changes in Long-term Liabilities.....	77
Note 14 - Bonds Authorized But Unissued.....	78
Note 15 - Segment Information.....	79
Note 16 - Retirement Plans.....	80
Note 17 - Commitments.....	83
Note 18 - Risk Management.....	83
Note 19 - Contingencies.....	84
Note 20 - Endowments.....	85
Note 21 - Subsequent Events.....	85



**Required Supplementary Information**

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds and Notes..... 88  
Schedule of Funding Progress and Notes ..... 91

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

Nonmajor Governmental Funds  
Descriptions..... 95  
Combining Balance Sheet ..... 98  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... 100

Nonmajor Special Revenue Funds  
Health and Social Services  
Combining Balance Sheet..... 102  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 104  
Law, Justice and Public Safety  
Combining Balance Sheet..... 106  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 108  
Recreation and Resources Development  
Combining Balance Sheet..... 110  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 112  
Regulation of Business and Professions  
Combining Balance Sheet..... 114  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 116

Proprietary Funds  
Nonmajor Enterprise Funds  
Descriptions ..... 119  
Combining Statement of Net Assets..... 120  
Combining Statement of Revenues, Expenses, and Changes in Net Assets ..... 122  
Combining Statement of Cash Flows ..... 124  
Internal Service Funds  
Descriptions ..... 129  
Combining Statement of Net Assets..... 130  
Combining Statement of Revenues, Expenses, and Changes in Net Assets ..... 131  
Combining Statement of Cash Flows ..... 132

Fiduciary Funds  
Descriptions..... 135  
Pension Trust Funds  
Combining Statement of Fiduciary Net Assets ..... 136  
Combining Statement of Changes in Fiduciary Net Assets ..... 138  
Private-purpose Trust Funds  
Combining Statement of Fiduciary Net Assets ..... 140  
Combining Statement of Changes in Fiduciary Net Assets ..... 141  
Agency Funds  
Combining Statement of Fiduciary Net Assets ..... 142  
Combining Statement of Changes in Assets and Liabilities..... 143

Nonmajor Component Units  
Descriptions..... 145  
Combining Statement of Net Assets ..... 146  
Combining Statement of Activities ..... 148



## STATISTICAL AND ECONOMIC DATA

Expenditures by Function .....	I.....	152
Revenues by Source .....	II.....	152
State Tax Revenues by Source .....	III.....	152
Net General Obligation Bonded Debt Per capita .....	IV .....	154
Ratio of Annual Debt Service for Long-term Bonded Debt to Total Revenues and Expenditures.....	V .....	154
Computation of Legal Debt Margin .....	VI .....	155
Revenue Bond Coverage .....	VII .....	155
Demographic Statistics .....	VIII .....	156
Economic Characteristics .....	IX .....	156
Bank Deposits, Retail Sales, Median Household Income .....	X .....	157
Principal Industrial Employers .....	XI .....	157
Population and Employment.....	XII .....	158
Mississippi Average Annual Employment by Sector .....	XIII .....	158
Mississippi Average Annual Wages by Sector.....	XIV .....	158
Public School Enrollment.....	XV.....	160
Full-time Equivalent Student Enrollment - Community and Junior Colleges .....	XVI.....	160
Full-time Equivalent Student Enrollment - Universities .....	XVII.....	160
Miscellaneous Statistics.....	XVIII.....	162

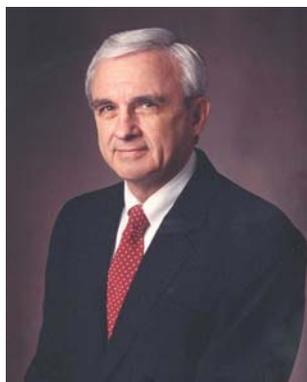
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**STATE OF MISSISSIPPI  
DEPARTMENT OF FINANCE AND ADMINISTRATION**

J.K. STRINGER, JR.  
EXECUTIVE DIRECTOR



December 20, 2005

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, 2005 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 internal control over financial reporting and on compliance and other matters, will be published separately.

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

## **Profile of the Government**

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

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

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

Mississippi state law requires both the Governor and the Legislative Budget 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**

In 2005, Mississippi's economy was enjoying an upswing: employment through August was up 1.2 percent compared to the first eight months of the previous year, and retail sales were running 4.8 percent ahead of year-ago figures. State general fund collections for fiscal year (FY) 2005, which ended June 30, were up 7.3 percent over FY 2004 collections. The number of building permits issued was higher than in 2004, despite rising interest rates. Personal income in the second quarter of 2005 rose at an annualized rate of 6.8 percent, the 13<sup>th</sup> highest rate in the nation. Consumer confidence was up.

On August 29, 2005, Hurricane Katrina devastated the Mississippi coast. Employment, output and income in the state dropped sharply in September. Employment declined 4.9 percent from August levels due to the decrease in employment in the southern counties of the state. However, it appears the setback will be only temporary. Numbers available post-Katrina indicate that the economy is doing better than initially anticipated and will be back on track by mid-2006, with output and employment expected to exceed pre-Katrina predictions.

Despite the impact of Katrina, total general fund collections in September and October averaged 8.9 percent higher than in 2004. Overall state revenue collections for FY 2006 remain on track—specifically in two critical areas: state sales tax and individual income tax collections. Most businesses in the coastal counties were back in operation two months after the hurricane, if not running at full capacity, with one exception: casinos and other businesses on the water's edge which are still being rebuilt. Most students in the hurricane-ravaged region have resumed attending classes, though there was some loss of enrollment (e.g., only 70 percent of students in the Biloxi school district were back in class by early November). The number of students attending continues to increase as families return to the area.

Governor Barbour called a special session in October to address urgent state needs due to Hurricane Katrina. During the special session, the Legislature established the Disaster Small Business Bridge Loan Program. This program allows Mississippi small businesses most impacted by Hurricane Katrina to access \$25 million in zero-interest short-term loans to bridge the gap until they receive insurance settlements, SBA disaster loans or other financing. In addition, the Governor also approved a bill which authorizes the bond commission to obtain a \$500 million line of credit and suspends provisions requiring cuts to agency budgets. The \$500 million line of credit may be used to cover deficiencies, to repay special fund borrowing, and/or to cover any insufficiency in disaster support

or assistance. As a result of this proactive response to the Katrina disaster by the Governor and the Legislature, Mississippi sustained its bond rating after initially being placed on a watch list by the rating agencies.

Once rebuilding is fully underway in 2006, employment and output will jump, financed by the inflow of billions of dollars. The White House is requesting an additional \$18 billion in federal funds for the state. There are several proposals before Congress that would provide additional funds, including proposals to exempt the state from meeting matching fund requirements for Medicaid and other programs. Inflows from private insurance companies will be about \$9.9 billion (Property Claims Service estimate), and private contributions for relief efforts in Mississippi are topping \$1 billion.

The construction boom will spark the highest growth rate of output and employment that the state has seen in years. The state forecast predicts a 4.1 percent increase in real gross state product, the most rapid rise since the casino boom of 1994. Employment growth of 2.3 percent will be led by a 15 percent increase in construction employment, with related industries also thriving. The rate of growth of personal income, which was hurt by net uninsured losses due to the hurricane, will recover from the modest growth rate of about 3.2 percent in 2005 to a rate of 7.3 percent in 2006.

Recent trends, prior to Hurricane Katrina, provide further insight into the State's economy. Total employment during the 1999-2004 period was slightly lower at period end (1,248,100) when compared to the period's high in the year 2000 (1,251,100). Mississippi experienced a moderate growth of output along with a slow growth of employment in 2004, in line with the south central region as a whole. Employment grew from 1,237,200 in 2003 to 1,248,100 in 2004. Employment is projected to grow at an average annual rate of 1.3 percent over the 2005-2010 period and will be led by increases in construction and service industries. The State continues to experience growth in gross state product and per capita income. Mississippi's gross state product grew from \$53,678,000 in 1995 to \$75,884,000 in 2004. The State's per capita income has grown from \$16,869 to \$24,507 during this same time period. Mississippi's economic indicators from 1995 to 2004 have been consistent with national trends except that the state's indicators reflect a more rapid recovery from the 2002-2003 economic downturn.

Growth of payroll employment in 2005 through August was led by net increases of 2,500 or more jobs in each of three industry groups: business and professional services, health care and social assistance, and local government. The increase in local government employment was largely due to an increase of 2.5 percent in jobs in local education. Also, transportation equipment added over 1,800 manufacturing jobs, with almost 800 of those jobs in shipbuilding. High gasoline prices slowed the growth of leisure and hospitality employment, which rose only 0.9 percent during the first eight months of 2005 in comparison to the same period in 2004. The fiscal squeeze hitting the state budget has impacted state employment, which grew only 0.2 percent in comparison to 2004.

The State continues to streamline government, identify efficiencies and institute program reforms to fund recurring expenses with recurring revenues. This will enable state agencies to have stable funding, and special and one-time funds will not be raided on an arbitrary basis. Future growth in revenue can be dedicated to the highest priority goals, such as education and health care, if the State's budgetary goals are met. Recruitment and retention of a quality state government workforce is a pressing issue. Essential government services throughout the state must be maintained while assisting with the recovery, rebuilding and renewal of our state post-Katrina.

Over the past two years, the State has controlled its spending and returned to a structurally balanced budget. For the first time since 1987, the State of Mississippi paid off more debt than was issued in the same time period. With the collaborative efforts of the Legislature and Executive branch, Mississippi's budget has almost recovered from a fiscal crisis without raising taxes. State agencies continue to look for ways to streamline costs while continuing to provide vital services to our citizens. These savings assisted with FY 2006 funding for education, such as an 8% pay raise for public school teachers and a 7.2% funding increase for K-12; and for law enforcement, such as a highway patrol training school to increase the number of law officers and level funding for the law enforcement and the National Guard.

These efforts in addition to the passage of the workforce development bill, the most comprehensive in state history, will result in a stronger, more skilled workforce. Enacting what the *Wall Street Journal* called the most comprehensive tort reform law in the nation has resulted in more competition, more affordable insurance and more jobs. By not raising taxes on our people who are trying to recover and rebuild their homes, their businesses and their lives, it will be easier for them to succeed and for Mississippi's economy to revive.

Additionally, the State possesses an optimistic future due to major economic development announcements such as Chevron (Jackson County), SteelCorr (Lowndes County), HINO (DeSoto County) and NASA Shared Services Center (Hancock County).

The number one economic development and quality of life issue in Mississippi is education. The FY 2006 budget approved last spring reduces state spending while focusing on the priorities of K-12 funding. After five years of cuts, the budget maintains level funding for higher education plus significant additional funding for community colleges for workforce development and job training.

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 2006, \$5,064,000 was transferred from the General Fund to the Account for fiscal year 2005 to reach the required \$40,000,000 balance. In addition, the entire 50 percent of unencumbered ending cash totaling \$52,591,000 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. As described earlier, this statutory requirement was temporarily suspended as a result of legislation passed during the October special session. 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.

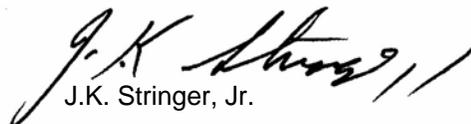
**Awards and Acknowledgements**

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, 2004. This was the eighteenth 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

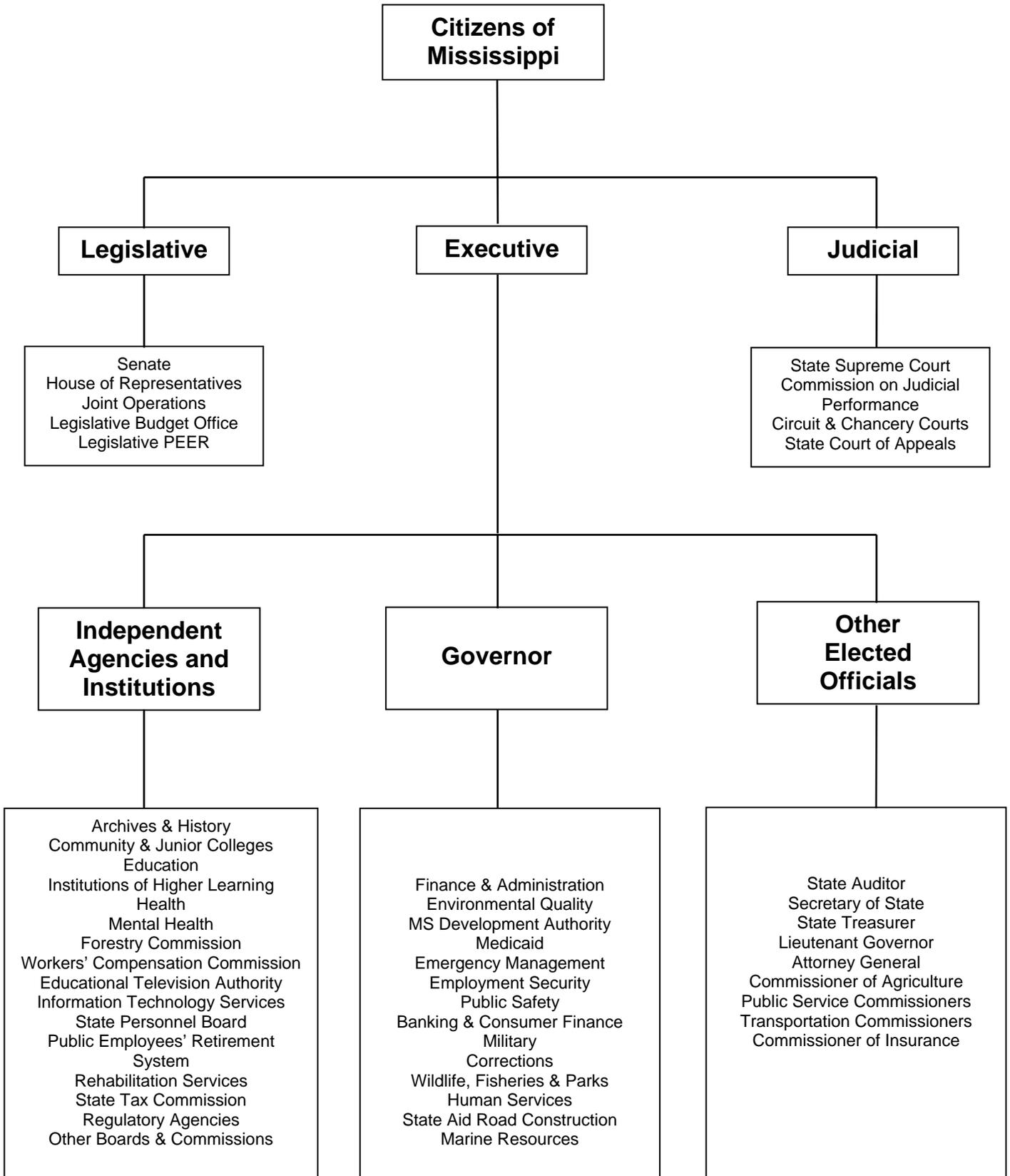
Oliver E. Diaz, Jr.

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, 2004

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.



*Nancy L. Zjelke*

President

*Jeffrey R. Emswiler*

Executive Director



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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**PHIL BRYANT**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi, as of and for the year ended June 30, 2005, 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 and the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund which, in the aggregate, represent 8% and 1%, 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 36% and 18%, respectively, of the assets and revenues of the Business-type Activities;

● Component Units

- certain blended component units within the Universities which represent 13% and 3%, respectively, of the assets and revenues of the Component Units and the nonmajor component units which represent 3% 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 11% 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 71% and 59%, respectively, of the assets and revenues of the nonmajor enterprise funds;
- Fiduciary Funds
  - the Pension Trust Funds;
  - the Mississippi Affordable College Savings Program which represents 100% 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, 2005, 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.

In accordance with *Government Auditing Standards*, our report dated December 20, 2005, on our consideration of the state's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters will be issued under separate cover in our *Single Audit Report* in March, 2006. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 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



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

Jackson, Mississippi  
December 20, 2005

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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, 2005. 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 \$9,674,770,000 (reported as "net assets"). Of this amount, \$48,667,000 was reported as "unrestricted net assets", which may be used to meet the government's ongoing obligations to citizens and creditors. Net assets of governmental activities increased by \$284,800,000. This was primarily due to a \$246,283,000 increase in infrastructure. Net assets of business-type activities increased by \$73,382,000. The major portion of the increase related to a \$62,707,000 increase in net assets restricted for unemployment compensation benefits, which is the result of unemployment compensation revenues exceeding related claims.

**Fund Level** - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2,437,397,000, which is a decrease of \$259,877,000 from the previous year. The \$130,668,000 decrease in the Capital Projects fund balance was responsible for approximately half of this amount as the activity related to the acquisition, construction and improvement of major capital facilities declined.

**Long-term Debt** - During fiscal year 2005, the State issued bonds net of premiums, discounts, and deferred amount on refunding of \$130,086,000, bringing its outstanding net long-term bonded indebtedness to \$3,012,645,000. These bonds were issued primarily for economic development, capital improvements, cultural development and disaster assistance. The State issued notes of \$72,349,000 for the refinancing of a building and to accelerate the construction of highway and bridge projects. The State's total debt decreased by \$50,266,000 due to sound financial management practices.

### 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 federal grants finance most of these activities.

**Business-type Activities** - The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. State fair, coliseum and stadium operations; home mortgage loans to veterans; port facilities; and unemployment compensation services are examples of these activities.

**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 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

During fiscal year 2005, the State's total net assets increased by \$358,182,000 or 3.8 percent from the previous year. In contrast, net assets in the prior year decreased by \$66,855,000 or 0.7 percent. The State is able to report positive balances in all three categories of total net assets. Business-type activities report all positive balances, while governmental activities reflect a negative balance in unrestricted net assets. However, the State's overall financial position has improved over the past fiscal year.

The largest portion of net assets, 87.7 percent, consists of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets invested in capital assets, net of related debt, rose \$428,748,000 from the previous year. Governmental activities' increase of \$423,859,000 was fueled primarily by \$136,303,000 in building additions, as well as \$246,283,000 of additions to new road, highway, and bridge projects. Business-type activities reflected a \$4,889,000 increase in net assets invested in capital assets, net of related debt, primarily resulting from capital expansion at the Port Authority at Gulfport.

Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 11.8 percent of total net assets. The remaining balance of unrestricted net assets, \$48,667,000, 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.

### Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 3,911,181	\$ 4,142,958	\$ 1,189,033	\$ 1,097,747	\$ 5,100,214	\$ 5,240,705
Capital assets	9,303,709	8,867,383	185,668	180,167	9,489,377	9,047,550
Total Assets	<u>13,214,890</u>	<u>13,010,341</u>	<u>1,374,701</u>	<u>1,277,914</u>	<u>14,589,591</u>	<u>14,288,255</u>
Noncurrent liabilities	3,034,242	3,103,412	238,734	212,984	3,272,976	3,316,396
Other liabilities	1,625,582	1,636,663	16,263	18,608	1,641,845	1,655,271
Total Liabilities	<u>4,659,824</u>	<u>4,740,075</u>	<u>254,997</u>	<u>231,592</u>	<u>4,914,821</u>	<u>4,971,667</u>
Net assets:						
Invested in capital assets, net of related debt	8,339,727	7,915,868	143,055	138,166	8,482,782	8,054,034
Restricted	336,262	476,794	807,059	750,915	1,143,321	1,227,709
Unrestricted	<u>(120,923)</u>	<u>(122,396)</u>	<u>169,590</u>	<u>157,241</u>	<u>48,667</u>	<u>34,845</u>
Total Net Assets	<u>\$ 8,555,066</u>	<u>\$ 8,270,266</u>	<u>\$ 1,119,704</u>	<u>\$ 1,046,322</u>	<u>\$ 9,674,770</u>	<u>\$ 9,316,588</u>



## Changes in Net Assets

As a result of the excess of revenues over expenses, the State's net assets increased by \$358,182,000 or 3.8 percent during fiscal year 2005. Taxes provided \$5,196,912,000, or 42.0 percent of the State's total revenues, while 37.6 percent resulted from operating grants and contributions and 15.9 percent from charges for services. Health and social services made up \$5,074,151,000 or 42.3 percent of the State's expenses, with 27.9 percent spent for education (other than universities), and 13.7 percent for general government. In the prior year, taxes were 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. In addition, health and social services were 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. These percentages are relatively unchanged from fiscal year 2004 to fiscal year 2005.

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

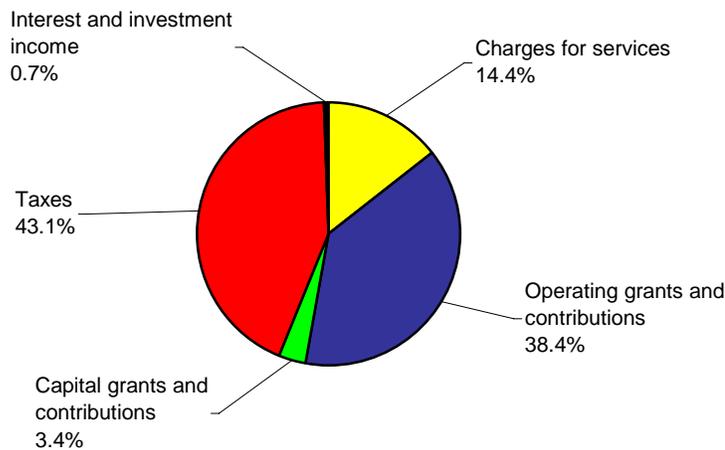
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 1,731,263	\$ 1,484,635	\$ 237,870	\$ 206,980	\$ 1,969,133	\$ 1,691,615
Operating grants and contributions	4,636,824	4,553,738	5,905	31,930	4,642,729	4,585,668
Capital grants and contributions	415,530	389,686	159	278	415,689	389,964
General revenues:						
Taxes	5,196,912	4,765,712			5,196,912	4,765,712
Gain on sale of assets	2,964	534			2,964	534
Interest and investment income	79,306	130,767	55,459	65,733	134,765	196,500
Total Revenues	<u>12,062,799</u>	<u>11,325,072</u>	<u>299,393</u>	<u>304,921</u>	<u>12,362,192</u>	<u>11,629,993</u>
Expenses:						
General government	1,649,879	1,648,142			1,649,879	1,648,142
Education	3,344,598	3,292,951			3,344,598	3,292,951
Health and social services	5,074,151	4,776,214			5,074,151	4,776,214
Law, justice and public safety	566,146	549,662			566,146	549,662
Recreation and resource development	423,983	461,243			423,983	461,243
Regulation of business and professions	30,355	34,269			30,355	34,269
Transportation	531,775	516,130			531,775	516,130
Interest on long-term debt	150,555	149,764			150,555	149,764
Unemployment compensation			138,825	198,147	138,825	198,147
Port Authority at Gulfport			14,957	13,879	14,957	13,879
Prepaid affordable college tuition			33,226	12,253	33,226	12,253
Other business-type			45,560	44,194	45,560	44,194
Total Expenses	<u>11,771,442</u>	<u>11,428,375</u>	<u>232,568</u>	<u>268,473</u>	<u>12,004,010</u>	<u>11,696,848</u>
Excess (Deficiency) before Transfers	291,357	(103,303)	66,825	36,448	358,182	(66,855)
Transfers	(6,557)	(4,293)	6,557	4,293		
Change in Net Assets	<u>284,800</u>	<u>(107,596)</u>	<u>73,382</u>	<u>40,741</u>	<u>358,182</u>	<u>(66,855)</u>
Net Assets - Beginning	8,270,266	8,377,862	1,046,322	1,005,581	9,316,588	9,383,443
Net Assets - Ending	<u>\$ 8,555,066</u>	<u>\$ 8,270,266</u>	<u>\$ 1,119,704</u>	<u>\$ 1,046,322</u>	<u>\$ 9,674,770</u>	<u>\$ 9,316,588</u>



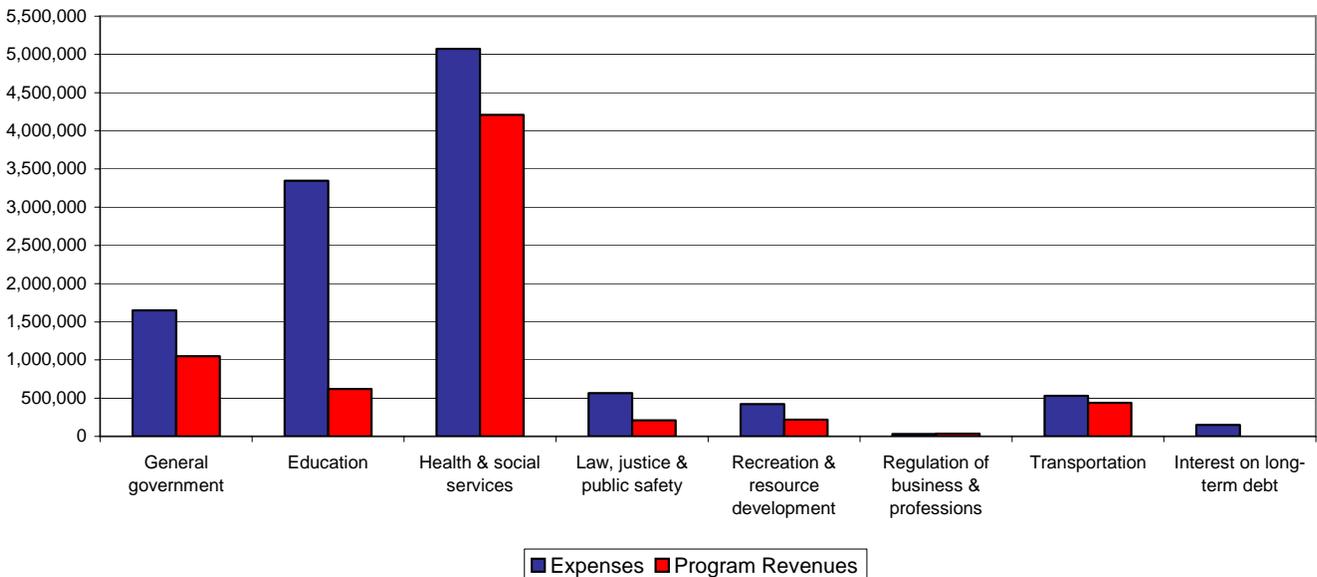
## Governmental Activities

Governmental activities increased the State's net assets by \$284,800,000. Contributing factors to this increase are a growth in infrastructure of \$246,283,000 related to accelerating road and bridge projects, the \$50,266,000 reduction in debt due to sound financial management practices, and the receipt of a \$100,000,000 settlement from MCI, formerly WorldCom. In addition, tax revenues increased by 9.0 percent due to a favorable economy. This is evidenced by \$248,787,000 growth in individual income tax and corporate income and franchise tax revenues. Although expenses overall rose \$343,067,000 or 3.0 percent, the increase in revenues more than doubled that of expenses. The largest increase in expenses occurred in the health and social services function, which increased by \$297,937,000 or 6.2 percent. Specifically, the Medicaid program experienced an \$183,369,000 increase in expenses due to the increased number of participants in the program and rising health care costs. Increased funding for the Mississippi Adequate Education Program, which provides funding for programs of each school district to meet the required level of accreditation, caused education expenses to increase by \$51,647,000 or 1.6 percent. In contrast, recreation and resource development expenses decreased by \$37,260,000 or 8.1 percent because a major economic impact project related to the Nissan plant was nearing completion and \$18,777,000 was expended on a one-time only federal catfish grant in the prior year.

### Governmental Activities - Revenues by Source



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

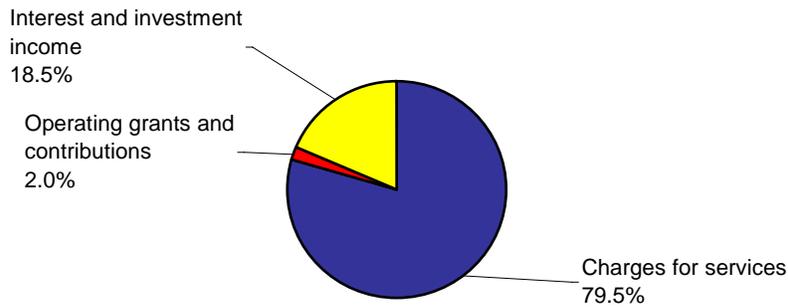




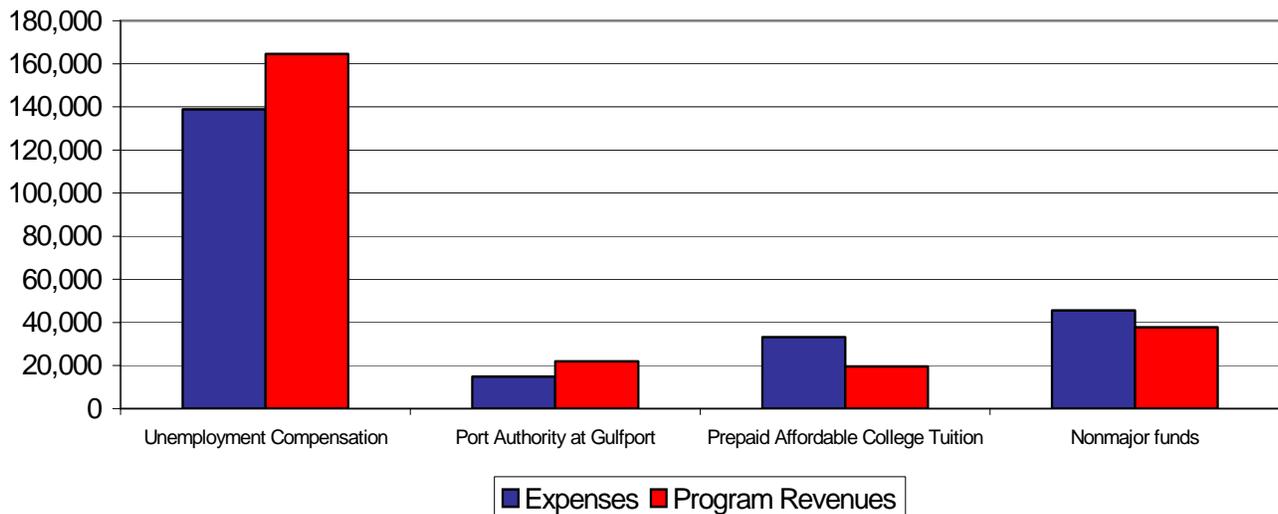
### Business-type Activities

Business-type activities increased the State's net assets by \$73,382,000, as compared to an increase of \$40,741,000 in the previous year. Unemployment Compensation and Port Authority at Gulfport net assets increased by \$62,707,000 and \$9,117,000, respectively. Charges for services increased by \$30,890,000 or 14.9 percent, primarily as a result of a 6.0 percent increase in unemployment compensation assessments paid by employers. While charges for services increased, the Temporary Extended Unemployment Compensation (TEUC) federal grant ended in fiscal year 2004, resulting in a \$26,030,000 decrease in operating grants and contributions. The favorable economy coupled with the reduction of expenses related to the TEUC federal grant explicates the \$59,322,000 decrease in unemployment compensation expenses. Total liabilities for the Port Authority at Gulfport have decreased over the past two fiscal years by \$6,120,000 as the Port Authority at Gulfport continues to extinguish its long-term debt.

### 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 \$2,437,397,000 as of June 30, 2005, a decrease of \$259,877,000 as compared to the prior year. Of this total amount, \$1,419,860,000 or 58.3 percent constituted unreserved fund balance. A significant portion of the unreserved balance, \$946,086,000, 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 \$1,425,054,000, which reflects a decrease of \$44,697,000. Revenues increased 6.0 percent or \$623,898,000 and expenditures increased by 2.9 percent or \$317,882,000; nonetheless, expenditures were greater than revenues. The increase in revenues was principally from additional individual income taxes of \$169,924,000 and sales and use taxes of \$121,881,000 over the previous year. This can be attributed to an improving economy resulting in an increase in per capita income and personal income. Court assessments and settlements increased 550 percent due to the State's \$100,000,000 settlement with MCI, formerly WorldCom. The largest increase in expenditures of \$242,116,000 in the health and social services function is the direct result of an increase in provider rates, the number of program participants, and the number of claims paid for the Medicaid program. Other financing sources and uses reported the greatest percentage change, 78.8 percent or a decrease of \$374,903,000. The effect of decreases in new debt issues and related premiums of \$483,589,000 caused the State to utilize funds on hand in order to meet excess expenditures.

The Health Care Fund reported a decrease in fund balance of \$94,615,000 from the previous fiscal year. Expenditures increased by \$36,188,000 or 36.1 percent which is attributed to rising health care costs. Investments decreased by \$328,967,000, which was due in part to the legislatively mandated \$240,000,000 loan to the Division of Medicaid to fund medical and administrative services provided by the agency. As a result of a reduction in the investment portfolio, interest and other investment income declined \$61,632,000.

The Capital Projects Fund reported an increase in capital outlay expenditures of \$7,604,000 related to state agency projects. Projects are dependent on needs, as well as available funds. Bonds issued and their related premiums decreased by \$30,505,000 or 38.7 percent. Due to a 41.8 percent decline in investments, interest and investment income decreased by 33.2 percent. Overall, fund balance decreased by \$130,668,000.

### Proprietary Funds

The Unemployment Compensation Fund posted an increase in net assets of \$62,707,000 for fiscal year 2005. An upswing in the economy resulted in employers paying increased employment insurance premiums and fewer persons claiming unemployment benefits. The financial statement result was a 6.0 percent increase in assessments from the previous year. Claims and benefits expense decreased by \$59,322,000 or 29.9 percent due to the end of the Temporary Extended Unemployment Compensation federal program in the prior year, along with the improving economy.

The Port Authority at Gulfport Fund reported ending net assets of \$136,442,000, reflecting a 7.2 percent increase from the previous year, which was in line with the prior year's increase of 7.9 percent. The Port Authority at Gulfport's operating revenues increased 2.2 percent due to a \$500,000 increase in non-maritime lease activity. Revenues from maritime customers were flat, due to the loss of the Port Authority at Gulfport's break bulk banana carrier in the fourth quarter. Operating expenses increased 11.0 percent, which is mainly attributed to warehouse roof repairs.

The Prepaid Affordable College Tuition Fund experienced a decrease in net assets of \$4,477,000. Interest and investment income decreased by \$9,862,000. The rate of return on investments decreased from 17.9 percent in the prior year to 6.7 percent in the current year.

## General Fund Budgetary Highlights

The original estimated amounts for General Fund revenues were not revised during fiscal year 2005; however, actual General Fund revenues were \$248,625,000 more than estimated amounts. The net change from the original expenditure budget amounts as compared to the final budget was an increase of \$38,764,000, while actual expenditures totaled \$2,297,000 less than the final budget.

The following summarizes the significant items impacting the budgetary amounts:

Tax revenues for individual and corporate income taxes were \$106,498,000 above their budgeted amounts, and revenue from court assessments and settlements was \$110,000,000 above the budgeted amounts.



Fiscal year 2005 proved to be a year of strong growth in general fund revenues. In comparison to prior year revenues, sales tax collections increased 6.1 percent, individual income tax collections increased 9.8 percent, and corporate income tax collections increased 14.5 percent. Overall general fund revenue growth in all categories for fiscal year 2005 was 10.1 percent.

## 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, 2005, amounted to \$12,774,931,000, less accumulated depreciation of \$3,285,554,000, resulting in a net book value of \$9,489,377,000. This reflected a net increase for the current fiscal year of 4.9 percent for governmental activities and 3.1 percent for business-type activities, compared to the prior fiscal year increase of 4.7 percent and 4.0 percent, respectively. Depreciation expense for fiscal year 2005 totaled \$316,248,000 for governmental and business-type activities.

Major capital asset events during fiscal year 2005 included the following:

Construction in progress additions for governmental activities included \$614,205,000 related to roads, highways and bridges, and \$15,425,000 related to the Military Department buildings.

Additions were made to governmental activities infrastructure in the amount of \$492,965,000 for completed roads, highways and bridges, primarily relating to pavement rehabilitation in Harrison, Stone, Yalobusha, and Simpson counties, and to the Four Lane Highway Program in Desoto, Lincoln, Lowndes, Monroe, Oktibbeha, Wayne, Montgomery, and Winston counties. Also, projects in Harrison county related to the gaming industry are included in total additions.

Completed projects added to buildings for governmental activities include the following: \$12,284,000 for the Juvenile Correctional Facility, \$12,206,000 for renovation of the Walter Sillers Building, \$20,293,000 for the new court facility, \$24,749,000 for the Archives and History Building and \$30,996,000 for the Lockheed Martin Propulsion, Thermal and Metrology Center Building.

Business-type activities experienced a net increase in construction in progress of 51.4 percent. This is attributed to the Port Authority at Gulfport's construction costs for berth rehabilitation, land expansion, and bulk handling upgrades.

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	
	2005	2004	2005	2004	2005	2004
Land	\$ 185,023	\$ 180,809	\$ 12,717	\$ 12,597	\$ 197,740	\$ 193,406
Buildings	1,041,409	905,537	76,131	78,128	1,117,540	983,665
Land improvements	44,063	41,659	21,131	21,309	65,194	62,968
Machinery and equipment	155,328	147,387	6,315	5,090	161,643	152,477
Infrastructure	4,487,588	4,241,305	43,101	45,692	4,530,689	4,286,997
Construction in progress	3,390,298	3,350,686	26,273	17,351	3,416,571	3,368,037
<b>Total</b>	<b>\$ 9,303,709</b>	<b>\$ 8,867,383</b>	<b>\$ 185,668</b>	<b>\$ 180,167</b>	<b>\$ 9,489,377</b>	<b>\$ 9,047,550</b>



## Debt Administration

The total general obligation bond debt outstanding for the State as of June 30, 2005 was \$2,920,650,000. General Obligation Refunding (\$1,382,735,000), Capital Improvements (\$395,715,000), and Major Economic Impact (\$435,015,000) bonds comprise 75.8 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 fiscal year 2005, the State issued \$130,086,000 in general obligation bonds, net of premiums, discounts, and deferred amount on refunding. However, total debt of the State decreased by \$50,266,000 as management has taken a conservative approach towards managing debt.

Mississippi has a rating of "AA" from both Standard & Poor's Rating Group, a division of The McGraw Hill Companies, and Fitch IBCA Inc., 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, 2005, the State had established a constitutional legal debt limit of \$8,740,586,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 14 to the financial statements.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004 *	2005	2004	2005	2004
General obligation bonds	\$ 2,879,945	\$ 2,965,083	\$ 40,705	\$ 43,207	\$ 2,920,650	\$ 3,008,290
Limited obligation bonds	91,845	112,515			91,845	112,515
Revenue bonds			150	295	150	295
Total	<u>\$ 2,971,790</u>	<u>\$ 3,077,598</u>	<u>\$ 40,855</u>	<u>\$ 43,502</u>	<u>\$ 3,012,645</u>	<u>\$ 3,121,100</u>

\* As restated in Note 13

## Economic Factors and Next Year's Budget

The State's unemployment rate increased from the calendar year 2004 average of 6.2 percent to an average of 7.4 percent for the twelve months ending October 2005. The national rates for the same time periods were 5.5 percent and 5.2 percent, respectively. Current inflationary trends in the region compare favorably to national indexes.

Hurricane Katrina struck the Mississippi Gulf Coast on August 29, 2005, completely devastating the entire coastline. Its impact extended more than 200 miles inland. Thousands of homes and businesses were destroyed, and thousands of residents have been displaced as a result. Many schools and public buildings sit in ruin, and public infrastructure, ports, and water and sewer systems have all been destroyed. The State's estimated loss has not yet been determined.

Despite Hurricane Katrina, the State's economy is expected to continue strong growth during fiscal year 2006. Original overall fiscal year 2006 general fund revenue estimated growth was 2.9 percent. Original general fund component revenue growth projections for fiscal year 2006 included 2.1 percent in sales tax, 4.6 percent in individual income tax, and 5.0 percent in corporate income tax. As of October 2005, the 2006 general fund revenue growth rate is currently estimated at 3.6 percent and component revenue growth projections are 4.3 percent, 4.5 percent and 5.4 percent for sales tax, individual income tax and corporate income tax, respectively.

The fiscal year 2006 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**

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## Statement of Net Assets

June 30, 2005 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets:				
Equity in internal investment pool	\$ 1,518,575	\$ 29,789	\$ 1,548,364	\$ 19,874
Cash and cash equivalents	169,624	762,688	932,312	178,410
Investments	174,673	42,418	217,091	214,598
Receivables, net	543,258	68,948	612,206	236,536
Restricted assets:				
Equity in internal investment pool		660	660	
Cash and cash equivalents		1	1	
Investments		1,114	1,114	
Interest receivable, net		1	1	
Due from other governments, net	295,989	1,559	297,548	528
Internal balances	1,785	(1,785)		
Due from component units	938	145	1,083	
Due from primary government				17,302
Inventories	42,992	849	43,841	20,413
Prepaid items	50,048	337	50,385	11,026
Loans and notes receivable, net	16,525	4,186	20,711	10,295
Other assets				2,091
Total Current Assets	2,814,407	910,910	3,725,317	711,073
Noncurrent assets:				
Investments	483,920	153,168	637,088	431,489
Receivables, net	51,026		51,026	
Due from other governments, net	410,451		410,451	1,009
Loans and notes receivable, net	145,372	121,503	266,875	98,025
Interfund loans	1,058	(1,058)		
Deferred charges	4,947		4,947	
Restricted assets:				
Equity in internal investment pool		717	717	
Cash and cash equivalents		121	121	73,657
Investments		3,672	3,672	379,736
Capital assets:				
Land and construction in progress	3,575,321	38,990	3,614,311	348,691
Other capital assets, net	5,728,388	146,678	5,875,066	1,532,441
Other assets				2,455
Total Noncurrent Assets	10,400,483	463,791	10,864,274	2,867,503
Total Assets	\$ 13,214,890	\$ 1,374,701	\$ 14,589,591	\$ 3,578,576

(Continued on Next Page)



## Statement of Net Assets

June 30, 2005 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Current liabilities:				
Warrants payable	\$ 86,831	\$ 863	\$ 87,694	\$ 302
Accounts payable and other liabilities	478,358	3,461	481,819	96,317
Contracts payable	112,346		112,346	
Retainage payable		100	100	
Income tax refunds payable	183,300		183,300	
Liabilities payable from restricted assets:				
Warrants payable		633	633	
Accounts payable and other liabilities		419	419	
Retainage payable		723	723	
Due to other governments	237,008	2,110	239,118	
Due to component units	17,265	37	17,302	
Due to primary government				1,083
Claims and benefits payable	120,517	3,335	123,852	
Deposits		1,250	1,250	761
Unearned revenues	71,763	364	72,127	39,659
Bonds and notes payable	310,692	2,839	313,531	25,181
Certificates of participation	125		125	
Lease obligations payable	7,377	129	7,506	6,009
Other liabilities				30,954
<b>Total Current Liabilities</b>	<b>1,625,582</b>	<b>16,263</b>	<b>1,641,845</b>	<b>200,266</b>
Noncurrent liabilities:				
Due to other governments		8,991	8,991	
Claims and benefits payable		190,614	190,614	
Bonds and notes payable	2,885,723	38,016	2,923,739	428,265
Certificates of participation	2,460		2,460	
Lease obligations payable	55,079	320	55,399	12,403
Liabilities payable from restricted assets:				
Deposits		133	133	
Other liabilities	90,980	660	91,640	138,719
<b>Total Noncurrent Liabilities</b>	<b>3,034,242</b>	<b>238,734</b>	<b>3,272,976</b>	<b>579,387</b>
<b>Total Liabilities</b>	<b>4,659,824</b>	<b>254,997</b>	<b>4,914,821</b>	<b>779,653</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,339,727	143,055	8,482,782	1,475,832
Restricted for:				
Capital projects	188,856		188,856	
Debt service	97,312		97,312	
Other purposes	2,274	4,378	6,652	11,491
Permanent trusts:				
Expendable	2,122		2,122	416,775
Nonexpendable	45,698		45,698	433,314
Unemployment compensation benefits		802,681	802,681	
Unrestricted (deficit)	(120,923)	169,590	48,667	461,511
<b>Total Net Assets</b>	<b>\$ 8,555,066</b>	<b>\$ 1,119,704</b>	<b>\$ 9,674,770</b>	<b>\$ 2,798,923</b>

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

# MISSISSIPPI

## Statement of Activities

For the Year Ended June 30, 2005 (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	\$ 1,649,879	\$ 1,041,597	\$ 6,808	\$ 1,944
Education	3,344,598	24,857	596,488	138
Health and social services	5,074,151	465,923	3,742,553	
Law, justice and public safety	566,146	76,864	126,362	7,297
Recreation and resource development	423,983	60,230	158,407	
Regulation of business and professions	30,355	32,315	1,777	
Transportation	531,775	29,477	4,429	406,151
Interest on long-term debt	150,555			
<b>Total Governmental Activities</b>	<b>11,771,442</b>	<b>1,731,263</b>	<b>4,636,824</b>	<b>415,530</b>
Business-type activities:				
Unemployment compensation	138,825	158,695	5,885	
Port Authority at Gulfport	14,957	21,892		86
Prepaid affordable college tuition	33,226	19,679		
Other business-type	45,560	37,604	20	73
<b>Total Business-type Activities</b>	<b>232,568</b>	<b>237,870</b>	<b>5,905</b>	<b>159</b>
<b>Total Primary Government</b>	<b>\$ 12,004,010</b>	<b>\$ 1,969,133</b>	<b>\$ 4,642,729</b>	<b>\$ 415,689</b>
<b>Component units:</b>				
Universities	\$ 2,095,116	\$ 842,727	\$ 567,141	\$ 24,093
Nonmajor	30,946	24,995	2,954	673
<b>Total Component Units</b>	<b>\$ 2,126,062</b>	<b>\$ 867,722</b>	<b>\$ 570,095</b>	<b>\$ 24,766</b>

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>		
\$ (599,530)	\$	\$ (599,530)		
(2,723,115)		(2,723,115)		
(865,675)		(865,675)		
(355,623)		(355,623)		
(205,346)		(205,346)		
3,737		3,737		
(91,718)		(91,718)		
(150,555)		(150,555)		
<u>(4,987,825)</u>		<u>(4,987,825)</u>		
	25,755	25,755		
	7,021	7,021		
	(13,547)	(13,547)		
	<u>(7,863)</u>	<u>(7,863)</u>		
	11,366	11,366		
<u>(4,987,825)</u>	<u>11,366</u>	<u>(4,976,459)</u>		
			\$ (661,155)	
			<u>(2,324)</u>	
			<u>(663,479)</u>	
2,626,792		2,626,792		
433,307		433,307		
1,243,192		1,243,192		
365,140		365,140		
165,955		165,955		
362,526		362,526		
2,964		2,964		
79,306	55,459	134,765	39,252	
			57,352	
			649,696	
			24,365	
<u>(6,557)</u>	<u>6,557</u>			
5,272,625	62,016	5,334,641	770,665	
284,800	73,382	358,182	107,186	
8,270,266	1,046,322	9,316,588	2,691,737	
<u>\$ 8,555,066</u>	<u>\$ 1,119,704</u>	<u>\$ 9,674,770</u>	<u>\$ 2,798,923</u>	



## Governmental Funds

### Balance Sheet

June 30, 2005 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
<b>Assets</b>					
Equity in internal investment pool	\$ 1,175,719	\$ 19,978	\$ 157,418	\$ 137,111	\$ 1,490,226
Cash and cash equivalents	83,080	25,989		13,196	122,265
Investments	141,132	298,841	121,929	67,852	629,754
Receivables, net	581,738	4,984	372	6,892	593,986
Due from other governments, net	670,405			36,004	706,409
Due from other funds	7,842		248	23,828	31,918
Due from component units	873				873
Inventories	41,966			1,026	42,992
Prepaid items	50,000			48	50,048
Loans receivable, net	157,909			3,988	161,897
Loans to other funds	1,060	240,000	2,522	567	244,149
Total Assets	<u>\$ 2,911,724</u>	<u>\$ 589,792</u>	<u>\$ 282,489</u>	<u>\$ 290,512</u>	<u>\$ 4,074,517</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Warrants payable	\$ 75,178	\$ 458	\$ 1,005	\$ 9,139	\$ 85,780
Accounts payable and accruals	424,250	1,520		14,346	440,116
Contracts payable	83,679		28,667		112,346
Income tax refunds payable	183,300				183,300
Due to other governments	230,411	65		6,531	237,007
Due to other funds	23,553	6,020		3,198	32,771
Due to component units	16,418			846	17,264
Deferred revenues	129,117			7,416	136,533
Unearned revenues	59,150			11,778	70,928
Loans from other funds	258,614				258,614
Notes payable	3,000		59,285		62,285
Other liabilities				176	176
Total Liabilities	<u>1,486,670</u>	<u>8,063</u>	<u>88,957</u>	<u>53,430</u>	<u>1,637,120</u>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Ayers Endowment Trust	15,000				15,000
Distribution to local governments	15,273				15,273
Education and vocational training				39,523	39,523
Ellisville State School				2,025	2,025
Encumbrances	42,263	99		4,162	46,524
Inventories	41,966			1,026	42,992
Loans to other funds	1,060	240,000	2,522	567	244,149
Long-term portion of due from other governments	401,640			8,811	410,451
Long-term portion of loans receivable	142,278			3,094	145,372
Prepaid items	50,000			48	50,048
Scholarships and books	25				25
Wildlife conservation				6,155	6,155
<b>Unreserved - designated, reported in:</b>					
General fund	362,003				362,003
Special revenue funds		341,630		9,625	351,255
Capital projects funds			191,010		191,010
Debt service funds				41,818	41,818
<b>Unreserved - undesignated, reported in:</b>					
General fund	353,546				353,546
Special revenue funds				118,124	118,124
Permanent funds				2,104	2,104
Total Fund Balances	<u>1,425,054</u>	<u>581,729</u>	<u>193,532</u>	<u>237,082</u>	<u>2,437,397</u>
Total Liabilities and Fund Balances	<u>\$ 2,911,724</u>	<u>\$ 589,792</u>	<u>\$ 282,489</u>	<u>\$ 290,512</u>	<u>\$ 4,074,517</u>

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, 2005 (Expressed in Thousands)

**Total fund balances for governmental funds** \$ 2,437,397

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	\$ 185,023	
Buildings	1,343,418	
Land improvements	78,710	
Machinery and equipment	432,579	
Infrastructure	7,060,402	
Construction in progress	3,390,298	
Accumulated depreciation	<u>(3,192,753)</u>	9,297,677

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. 136,533

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	(2,869,280)	
Limited obligation bonds	(91,845)	
Capital lease obligations	(62,338)	
Accrued compensated absences	(95,664)	
Notes payable	(162,340)	
Certificates of participation	(2,585)	
Unamortized charges	84,841	
Unamortized premiums	(90,559)	
Accrued interest payable	<u>(27,559)</u>	(3,317,329)

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. 788

**Net assets of governmental activities** \$ 8,555,066

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, 2005 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
<b>Revenues</b>					
Taxes:					
Sales and use	\$ 2,609,936				\$ 2,609,936
Gasoline and other motor fuel	423,249			8,774	432,023
Individual income	1,224,403				1,224,403
Corporate income and franchise	363,361				363,361
Insurance	165,945			10	165,955
Other	357,819			4,707	362,526
Licenses, fees and permits	375,413			68,844	444,257
Federal government	4,755,184			295,226	5,050,410
Interest and other investment income	38,399	26,919	5,918	5,638	76,874
Charges for sales and services	254,509			10,580	265,089
Rentals	13,450			6,114	19,564
Court assessments and settlements	112,592	96,949			209,541
Other	308,477	1	4,151	36,996	349,625
<b>Total Revenues</b>	<b>11,002,737</b>	<b>123,869</b>	<b>10,069</b>	<b>436,889</b>	<b>11,573,564</b>
<b>Expenditures</b>					
Current:					
General government	1,227,277				1,227,277
Education	3,245,812		96,076	103	3,341,991
Health and social services	4,811,369	136,516		109,819	5,057,704
Law, justice and public safety	442,043			125,675	567,718
Recreation and resources development	250,579			160,045	410,624
Regulation of business and professions				30,574	30,574
Transportation	911,974				911,974
Debt service:					
Principal	149,350			90,175	239,525
Interest and other fiscal charges	110,134		423	42,209	152,766
Defeasance of debt				1,386	1,386
Capital outlay			85,443		85,443
<b>Total Expenditures</b>	<b>11,148,538</b>	<b>136,516</b>	<b>181,942</b>	<b>559,986</b>	<b>12,026,982</b>
Excess of Revenues under Expenditures	(145,801)	(12,647)	(171,873)	(123,097)	(453,418)
<b>Other Financing Sources (Uses)</b>					
Bonds and notes issued	135,194		48,300	5,000	188,494
Capital leases issued	3,975				3,975
Payments to refunded lease escrow agent	(6,882)				(6,882)
Premiums on bonds and refunding notes issued	874				874
Refunding notes issued	7,215				7,215
Transfers in	123,194	1,000	9,142	161,117	294,453
Transfers out	(162,466)	(82,968)	(16,237)	(32,917)	(294,588)
<b>Net Other Financing Sources (Uses)</b>	<b>101,104</b>	<b>(81,968)</b>	<b>41,205</b>	<b>133,200</b>	<b>193,541</b>
<b>Net Change in Fund Balances</b>	<b>(44,697)</b>	<b>(94,615)</b>	<b>(130,668)</b>	<b>10,103</b>	<b>(259,877)</b>
Fund Balances - Beginning	1,469,751	676,344	324,200	226,979	2,697,274
<b>Fund Balances - Ending</b>	<b>\$ 1,425,054</b>	<b>\$ 581,729</b>	<b>\$ 193,532</b>	<b>\$ 237,082</b>	<b>\$ 2,437,397</b>

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, 2005 (Expressed in Thousands)

**Net change in fund balances - total governmental funds** \$ (259,877)

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	\$ 742,313	
Depreciation expense	<u>(306,936)</u>	435,377

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the the internal service funds is reported with governmental activities. 22,334

Net change in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 38,834

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. (2,708)

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	(874)	
Bonds and notes issued	(188,494)	
Refunding bonds and notes issued	(7,215)	
Capital leases issued	(3,975)	
Payments of debt principal	239,525	
Payments to refunded bond and lease escrow agents	6,882	
Defeasance of debt	1,386	
Accrued interest payable	1,264	
Deferred issuance costs	<u>414</u>	48,913

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

Donations of equipment	2,112	
Change in compensated absences	(724)	
Amortization of deferred charges and premiums	<u>539</u>	<u>1,927</u>

**Change in net assets of governmental activities** \$ 284,800

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

## Proprietary Funds

### Statement of Net Assets

June 30, 2005 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$	\$	\$ 332
Cash and cash equivalents	744,061	6,657	3,822
Investments		38,928	3,490
Receivables, net:			
Accounts	4,567	1,794	
Assessments	58,295		
Interest and dividends		255	350
Restricted assets:			
Equity in internal investment pool		660	
Cash and cash equivalents		1	
Investments		1,114	
Interest receivable, net		1	
Due from other governments	1,441	55	
Due from other funds	327		
Due from component units	145		
Inventories			
Prepaid items		129	
Loans and notes receivable			
Total Current Assets	808,836	49,594	7,994
Noncurrent assets:			
Investments			153,168
Loans and notes receivable			
Loans to other funds			
Restricted assets:			
Equity in internal investment pool		717	
Cash and cash equivalents		121	
Investments		3,672	
Capital assets, net		126,974	
Total Noncurrent Assets		131,484	153,168
Total Assets	\$ 808,836	\$ 181,078	\$ 161,162

**Enterprise Funds**

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>	
<b>Nonmajor Funds</b>	<b>Totals</b>		<b>Funds</b>
\$ 29,457	\$ 29,789	\$	28,349
8,148	762,688		47,359
	42,418		100
3,210	9,571		31
	58,295		
477	1,082		235
	660		
	1		
	1,114		
	1		
63	1,559		31
522	849		3,001
	145		65
849	849		
208	337		
4,186	4,186		
<b>47,120</b>	<b>913,544</b>		<b>79,171</b>
	153,168		28,738
121,503	121,503		
2	2		14,162
	717		
	121		
	3,672		
58,694	185,668		6,032
180,199	464,851		48,932
<b>\$ 227,319</b>	<b>\$ 1,378,395</b>	<b>\$</b>	<b>128,103</b>

(Continued on Next Page)

## Proprietary Funds

### Statement of Net Assets

June 30, 2005 (Expressed in Thousands)

(Continued from Previous Page)

Liabilities	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Current liabilities:			
Warrants payable	\$	\$	\$ 122
Accounts payable and other liabilities	62	1,738	57
Retainage payable		100	
Liabilities payable from restricted assets:			
Warrants payable		633	
Accounts payable and other liabilities		419	
Retainage payable		723	
Due to other governments	2,047		
Due to other funds	705	6	
Due to component units			
Claims and benefits payable	3,335		
Deposits			
Bonds payable		2,689	
Unearned revenues	6		
Lease obligations payable			
Total Current Liabilities	6,155	6,308	179
Noncurrent liabilities:			
Due to other governments			
Loans from other funds			
Claims and benefits payable			190,614
Bonds payable		38,016	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		133	
Other liabilities		179	20
Total Noncurrent Liabilities		38,328	190,634
Total Liabilities	6,155	44,636	190,813
<b>Net Assets</b>			
Invested in capital assets, net of related debt		86,270	
Restricted for other purposes		4,378	
Restricted for unemployment compensation benefits	802,681		
Unrestricted (deficit)		45,794	(29,651)
Total Net Assets	\$ 802,681	\$ 136,442	\$ (29,651)

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

**Enterprise Funds**

<b>Nonmajor Funds</b>		<b>Totals</b>	<b>Governmental Activities - Internal Service Funds</b>
\$	741	\$ 863	\$ 1,051
	1,604	3,461	3,330
		100	
		633	
		419	
		723	
	63	2,110	1
	1,923	2,634	331
	37	37	1
		3,335	120,517
	1,250	1,250	
	150	2,839	
	358	364	835
	129	129	118
	6,255	18,897	126,184
	8,991	8,991	
	1,060	1,060	
		190,614	
		38,016	
	320	320	
		133	
	461	660	1,131
	10,832	239,794	1,131
	17,087	258,691	127,315
	56,785	143,055	5,914
		4,378	
		802,681	
	153,447	169,590	(5,126)
\$	210,232	\$ 1,119,704	\$ 788

# MISSISSIPPI

## Proprietary Funds

### Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended June 30, 2005 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Operating Revenues</b>			
Charges for sales and services/premiums	\$	\$	\$
Assessments	158,590		
Interest and other investment income			9,070
Rentals			
Fees			554
Tuition receipts			19,125
Other	105		
Total Operating Revenues	158,695	20,992	28,749
<b>Operating Expenses</b>			
Cost of sales and services			
General and administrative		2,482	227
Contractual services		6,026	861
Commodities		409	24
Depreciation		4,414	
Claims and benefits	138,825		32,114
Other			
Total Operating Expenses	138,825	13,331	33,226
Operating Income (Loss)	19,870	7,661	(4,477)
<b>Nonoperating Revenues</b>			
Federal grant	5,885		
Revenue from counties		900	
Interest and other investment income	38,073	1,012	
Total Nonoperating Revenues	43,958	1,912	
<b>Nonoperating Expenses</b>			
Loss on disposal of assets		414	
Interest		1,212	
Total Nonoperating Expenses		1,626	
Income (Loss) before Capital Contributions and Transfers	63,828	7,947	(4,477)
Capital Contributions		86	
Transfers In		1,089	
Transfers Out	(1,121)	(5)	
Change in Net Assets	62,707	9,117	(4,477)
Total Net Assets - Beginning	739,974	127,325	(25,174)
Total Net Assets - Ending	\$ 802,681	\$ 136,442	\$ (29,651)

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

**Enterprise Funds**

<b>Nonmajor Funds</b>		<b>Totals</b>	<b>Governmental Activities - Internal Service Funds</b>
\$	35,559	\$ 56,551	\$ 641,048
		158,590	
	6,755	15,825	
	1,549	1,549	
	50	604	
		19,125	
	446	551	19
	44,359	252,795	641,067
	25,291	25,291	
	9,888	12,597	15,524
	6,237	13,124	53,120
	1,392	1,825	718
	2,380	6,794	2,518
		170,939	546,445
	272	272	
	45,460	230,842	618,325
	(1,101)	21,953	22,742
	20	5,905	
		900	
	549	39,634	2,432
	569	46,439	2,432
	39	453	387
	61	1,273	6
	100	1,726	393
	(632)	66,666	24,781
	73	159	1,944
	8,060	9,149	358
	(1,466)	(2,592)	(4,749)
	6,035	73,382	22,334
	204,197	1,046,322	(21,546)
\$	210,232	\$ 1,119,704	\$ 788

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Cash Flows from Operating Activities</b>			
Cash receipts from federal agencies	\$ (46)	\$	
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		21,101	19,679
Cash receipts from assessments	150,305		
Cash payments to suppliers for goods and services		(5,987)	(1,148)
Cash payments to employees for services		(2,497)	(216)
Cash payments for claims and benefits	(139,855)		(5,482)
Other operating cash receipts			
Income received on tuition receipts			7,512
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	10,404	12,617	20,345
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in		1,089	
Transfers out	(1,121)	(5)	
Federal grants received	4,735		
Revenues from counties		900	
Net Cash Provided by (Used for) Noncapital Financing Activities	3,614	1,984	
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets		(9,993)	
Proceeds from sales of capital assets			
Principal paid on bonds and capital assets contracts		(2,502)	
Interest paid on bonds and capital assets contracts		(1,241)	
Net Cash Used for Capital and Related Financing Activities		(13,736)	
<b>Cash Flows From Investing Activities</b>			
Proceeds from sales of investments		8,620	56,482
Purchases of investments		(6,424)	(77,818)
Interest and other investment income	38,073	960	
Net Cash Provided by (Used for) Investing Activities	38,073	3,156	(21,336)
Net Increase (Decrease) in Cash and Cash Equivalents	52,091	4,021	(991)
Cash and Cash Equivalents - Beginning	691,970	4,135	5,145
Cash and Cash Equivalents - Ending	\$ 744,061	\$ 8,156	\$ 4,154

**Enterprise Funds**

Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$	\$	(46) \$
		193,153
38,020	78,800	446,555
	150,305	
(32,823)	(39,958)	(54,534)
(9,636)	(12,349)	(15,335)
	(145,337)	(557,992)
522	522	19
	7,512	
20,745	20,745	
(24,794)	(24,794)	
(7,966)	35,400	11,866
8,050	9,139	646
(1,439)	(2,565)	(4,708)
20	4,755	
	900	
6,631	12,229	(4,062)
(2,505)	(12,498)	(2,546)
4	4	
(619)	(3,121)	(115)
(62)	(1,303)	(6)
(3,182)	(16,918)	(2,667)
	65,102	39,039
	(84,242)	(3,017)
537	39,570	2,646
537	20,430	38,668
(3,980)	51,141	43,805
41,585	742,835	31,903
\$ 37,605	\$ 793,976	\$ 75,708

*(Continued on Next Page)*

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2005 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating income (loss)	\$ 19,870	\$ 7,661	\$ (4,477)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		4,414	
Net appreciation in fair value of investments			(1,678)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	(145)	43	
Assessments receivable	(8,414)		
Interest receivable			120
Due from federal government	(1)		
Due from other governments	151	66	
Due from other funds	(38)		
Due from component units	56		
Inventories			
Prepaid items		(4)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable		11	13
Accounts payable and other liabilities	(3)	421	(205)
Due to other governments	(400)		
Due to other funds	(706)	5	(1)
Due to component units			
Claims and benefits payable	79		26,573
Unearned revenues	(45)		
Total adjustments	(9,466)	4,956	24,822
Net Cash Provided by (Used for) Operating Activities	\$ 10,404	\$ 12,617	\$ 20,345
<b>Noncash Capital and Related Financing and Investing Activities</b>			
Transfer of capital assets to other state agencies			
Capital contributions		86	
Loss on disposal of capital assets		414	
Change in market value of investments			1,678

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

**Enterprise Funds**

Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$ (1,101)	\$ 21,953	\$ 22,742
2,380	6,794 (1,678)	2,518
(611)	(713) (8,414)	7
(6)	114 (1)	
(52)	165	6
1,516	1,478	(461)
	56	16
(239)	(239)	
(111)	(115)	
(10,598)	(10,598)	
(133)	(109)	131
843	1,056	(633)
63	(337)	(1)
(15)	(717)	36
37	37	(2)
	26,652	(11,585)
61	16	(908)
(6,865)	13,447	(10,876)
\$ (7,966)	\$ 35,400	\$ 11,866

27	27	42
73	159	1,944
39	453	387
	1,678	(264)



## Fiduciary Funds

### Statement of Fiduciary Net Assets

June 30, 2005 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Agency Funds
<b>Assets</b>			
Equity in internal investment pool	\$ 51,759	\$ 32	\$ 7,513
Cash and cash equivalents	271,271	565	10,358
Investments, at fair value:			
Short-term securities	129,034	1,512	
Long-term debt securities	4,274,538	11,119	
Equity securities	12,727,666	24,970	
Real estate investments	474,614	2,443	
Balanced asset fund	33,287		
Fixed rate and variable	431,693	6,051	
Life insurance contracts	540		
Securities lending:			
Short-term securities	1,907,381		
Long-term debt securities	771,541		
Receivables, net:			
Employer contributions	34,936		
Employee contributions	29,074		
Investment proceeds	112,038		
Interest and dividends	74,754	3	
Other	1,349	28	55
Loans to other funds			1,361
Commodity inventory			1,203
Capital assets, net	17,744		
Total Assets	<u>21,343,219</u>	<u>46,723</u>	<u>\$ 20,490</u>
<b>Liabilities</b>			
Warrants payable	707	1	\$ 286
Accounts payable and accruals	419,542	72	1,590
Due to other governments			1,258
Due to other funds	14	18	
Deferred contributions	50,000		
Amounts held in custody for others	1,138		17,356
Obligations under securities lending	2,676,456		
Total Liabilities	<u>3,147,857</u>	<u>91</u>	<u>\$ 20,490</u>
<b>Net Assets</b>			
Held in trust for pension benefits and trust beneficiaries	<u>\$ 18,195,362</u>	<u>\$ 46,632</u>	

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

# MISSISSIPPI

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds
<b>Additions</b>		
Contributions:		
Employer	\$ 513,557	\$
Plan participant	448,729	12,469
Total Contributions	<u>962,286</u>	<u>12,469</u>
Net Investment Income:		
Net change in fair value of investments	1,115,655	319
Interest and other investment income	493,033	2,983
Securities lending:		
Income from securities lending	54,459	
Interest expense and trading costs from securities lending	(48,299)	
Managers' fees and trading costs	(26,783)	
Net Investment Income	<u>1,588,065</u>	<u>3,302</u>
Other Additions:		
Administrative fees	530	175
Donations		228
Other	2,388	
Total Other Additions	<u>2,918</u>	<u>403</u>
Total Additions	<u>2,553,269</u>	<u>16,174</u>
<b>Deductions</b>		
Benefits	1,210,451	2,302
Refunds to terminated employees	71,163	
Administrative expenses	10,972	434
Depreciation	612	
Transfers out		2,031
Total Deductions	<u>1,293,198</u>	<u>4,767</u>
Change in Net Assets	1,260,071	11,407
Net Assets - Beginning	16,935,291	35,225
Net Assets - Ending	<u>\$ 18,195,362</u>	<u>\$ 46,632</u>

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

# MISSISSIPPI

## Component Units

### Statement of Net Assets

June 30, 2005 (Expressed in Thousands)

	Universities	Nonmajor	Totals
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$ 18,273	\$ 1,601	\$ 19,874
Cash and cash equivalents	167,015	11,395	178,410
Investments	196,534	18,064	214,598
Receivables, net	234,950	1,586	236,536
Due from other governments	176	352	528
Due from primary government	17,172	130	17,302
Inventories	19,982	431	20,413
Prepaid items	10,741	285	11,026
Notes receivable, net	10,295		10,295
Other assets	2,087	4	2,091
Total Current Assets	677,225	33,848	711,073
Noncurrent assets:			
Investments	429,713	1,776	431,489
Due from other governments	1,000	9	1,009
Notes receivable, net	98,025		98,025
Restricted assets:			
Cash and cash equivalents	73,657		73,657
Investments	372,819	6,917	379,736
Capital assets, net	1,800,647	80,485	1,881,132
Other assets	2,455		2,455
Total Noncurrent Assets	2,778,316	89,187	2,867,503
Total Assets	3,455,541	123,035	3,578,576
<b>Liabilities</b>			
Current liabilities:			
Warrants payable	302		302
Accounts payable and other liabilities	94,051	2,266	96,317
Due to primary government	1,067	16	1,083
Deposits		761	761
Unearned revenues	39,608	51	39,659
Bonds and notes payable	23,065	2,116	25,181
Lease obligations payable	5,883	126	6,009
Other liabilities	30,954		30,954
Total Current Liabilities	194,930	5,336	200,266
Noncurrent liabilities:			
Bonds and notes payable	427,772	493	428,265
Lease obligations payable	12,111	292	12,403
Other liabilities	138,303	416	138,719
Total Noncurrent Liabilities	578,186	1,201	579,387
Total Liabilities	773,116	6,537	779,653
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,398,568	77,264	1,475,832
Restricted for:			
Other purposes		11,491	11,491
Permanent endowments:			
Expendable	416,775		416,775
Nonexpendable	433,314		433,314
Unrestricted	433,768	27,743	461,511
Total Net Assets	\$ 2,682,425	\$ 116,498	\$ 2,798,923

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, 2005 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Universities	Nonmajor	Total
Universities	\$ 2,095,116	\$ 842,727	\$ 567,141	\$ 24,093	\$ (661,155)	\$	\$ (661,155)
Nonmajor	30,946	24,995	2,954	673		(2,324)	(2,324)
Total	\$ 2,126,062	\$ 867,722	\$ 570,095	\$ 24,766	(661,155)	(2,324)	(663,479)
General revenues:							
					38,219	1,033	39,252
					56,466	886	57,352
					649,696		649,696
					24,365		24,365
				Total General Revenues and Contributions	768,746	1,919	770,665
				Change in Net Assets	107,591	(405)	107,186
				Net Assets - Beginning, as restated	2,574,834	116,903	2,691,737
				Net Assets - Ending	\$ 2,682,425	\$ 116,498	\$ 2,798,923

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, 2005

### 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, 2005, and their report, dated November 18, 2005, 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 commingled real estate investment funds is based on independent appraisals, while Real Estate Investment Trusts (REIT) traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

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

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

- K. Restricted Assets** - Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.
- L. Capital Assets** - Capital assets are reported, net of depreciation, in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their fair market value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or fair market value, 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 and Unearned Revenues** - In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental fund financial statements as well as deferred revenues, which are recognized when revenues are unavailable.
- P. 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.



## Note 2 - Other Accounting Disclosures

- A. Deficit Net Assets** - At June 30, 2005, the Prepaid Affordable College Tuition Fund (a major enterprise fund) has deficit net assets of \$29,651,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) has deficit net assets of \$151,000, which resulted from legally mandated transfers out of net profit from operations. Within the Risk Management Fund (an internal service fund), the health and life benefits account has deficit net assets of \$19,195,000. 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 \$6,432,000 creating net deficit assets of \$12,763,000 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	\$ 53,340		\$ 2,154	\$ 41,818	\$ 97,312
Education	18,357				18,357
Energy programs				2,923	2,923
Future capital projects			188,856		188,856
Future loans	69,883			6,702	76,585
Health care		341,630			341,630
Port improvements	559				559
Road and highway construction	142,154				142,154
Special treasury accounts	57,908				57,908
Working cash stabilization reserve	19,802				19,802
Total	\$ 362,003	\$ 341,630	\$ 191,010	\$ 51,443	\$ 946,086

- C. Restatements of Net Assets** - During fiscal year 2005, prior period adjustments of \$7,365,000 were made to increase the beginning net assets of Universities, a major component unit. The restatement of beginning net assets is summarized as follows (amounts expressed in thousands):

	Component Units
Net Assets at June 30, 2004, as previously reported	\$ 2,684,372
Prior period adjustments	7,365
Net Assets at June 30, 2004, as restated	\$ 2,691,737

- 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. Changes in the line of credit activity during fiscal year 2005 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	\$ 78,000	\$ 185,000	\$ 263,000	\$ 0



### Note 3 - Interfund Transactions

At June 30, 2005, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To							Total
	General	Capital Projects	Nonmajor Governmental	Internal Service	Unemployment Compensation	Nonmajor Enterprise		
Governmental:								
General	\$	\$ 248	\$ 20,623	\$ 2,580		\$ 102	\$	23,553
Health Care		4,914		1,106				6,020
Nonmajor Governmental		2,377		401		420		3,198
Internal Service				4	327			331
Proprietary:								
Unemployment Compensation			705					705
Port Authority at Gulfport			5	1				6
Nonmajor Enterprise		533	1,389	1				1,923
Fiduciary		18		14				32
Total	\$	\$ 7,842	\$ 248	\$ 23,828	\$ 3,001	\$ 327	\$ 522	\$ 35,768

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, 2005, interfund loans consisted of (amounts expressed in thousands):

Loans To	Loans From							Total	
	General	Health Care	Capital Projects	Nonmajor Governmental	Internal Service	Nonmajor Enterprise	Fiduciary		
Governmental:									
General	\$	\$ 240,000	\$ 2,522	\$ 567	\$ 14,162	\$ 2	\$ 1,361	\$ 258,614	
Proprietary:									
Nonmajor Enterprise		1,060						1,060	
Total	\$	\$ 1,060	\$ 240,000	\$ 2,522	\$ 567	\$ 14,162	\$ 2	\$ 1,361	\$ 259,674

During fiscal year 2005, the State Legislature authorized the Health Care Fund to loan \$240,000,000 to the General Fund for funding medical and administrative services provided by the Division of Medicaid.

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. Loans to the General Fund are from the various funds as presented in the table above (i.e., Capital Projects, Nonmajor Governmental, Internal Service, Nonmajor Enterprise and Fiduciary) for a total of \$18,614,000.

Also included in the table is a \$2,500,000 loan to the Yellow Creek Inland Port Authority Fund (a nonmajor enterprise fund) for the construction of a building. At June 30, 2005, the outstanding balance is \$1,060,000.



At June 30, 2005, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To					
	Primary Government			Component Units		
	General	Internal Service	Unemployment Compensation	Universities	Nonmajor	Total
Primary Government:						
General	\$	\$	\$	\$ 16,325	\$ 93	\$ 16,418
Nonmajor Governmental				846		846
Internal Service				1		1
Nonmajor Enterprise					37	37
Component Units:						
Universities	872	50	145			1,067
Nonmajor	1	15				16
Total	\$ 873	\$ 65	\$ 145	\$ 17,172	\$ 130	\$ 18,385

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, 2005, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To							
	General	Health Care	Capital Projects	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:								
General	\$	\$ 1,000	\$ 2,824	\$ 150,115	\$ 358	\$ 1,089	\$ 7,080	\$ 162,466
Health Care	82,836			132				82,968
Capital Projects	9,111			7,126				16,237
Nonmajor Governmental	24,020		6,318	1,599			980	32,917
Internal Service	4,749							4,749
Proprietary:								
Unemployment Compensation				1,121				1,121
Port Authority at Gulfport				5				5
Nonmajor Enterprise	447			1,019				1,466
Fiduciary	2,031							2,031
Total	\$ 123,194	\$ 1,000	\$ 9,142	\$ 161,117	\$ 358	\$ 1,089	\$ 8,060	\$ 303,960

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

The Health Care Fund transferred \$78,000,000 to the General Fund to be expended exclusively for health care purposes.

During fiscal year 2005, the State Legislature directed the State Fiscal Officer to transfer monies to the General Fund for appropriation by the Legislature. Transfers to the General Fund are from the following: the Capital Projects Fund, \$7,205,000; nonmajor governmental funds, \$5,079,000; internal service funds, \$4,593,000; and nonmajor enterprise funds, \$15,000.

The State Legislature authorized transfers from the General Fund to supplement appropriations in the Health Care Fund for \$1,000,000, and the Military Department Camp Shelby Operations Fund (a nonmajor governmental fund) for \$400,000.

The State Legislature directed that all balances in the State Treasurer Memorial Burn Center Fund (a fiduciary fund) be transferred to the General Fund. The amount of the transfer is \$2,031,000.



## 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 2005, 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 \$552,000 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 \$628 million in CMOs at June 30, 2005. Of this amount, \$261 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 \$637 million in ABS that the System held at June 30, 2005, \$80 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.

At June 30, 2005, the System has invested in \$794 million in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

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, 2005, 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 82 days at June 30, 2005. 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, 2005, was 240 days with a weighted average maturity of 22 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, 2005, the aggregate fair value of securities lending holdings, including accrued interest was \$2,681,824,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$2,601,191,000. The value of the collateral pledged by borrowers at year end was \$2,680,701,000.

Section 25-11-121, Mississippi Code Ann. (1972), allows the System to invest up to 10 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. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually.

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 25% invested in any issue having a rating lower than AA or A1P1.

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

# MISSISSIPPI

responsible for reviewing and recommending criteria to be used by the State Treasurer in order to protect public deposits and the depositories in the guaranty pool program.

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

Under the criteria established by the Guaranty Pool Board, an approved guaranty pool member may meet its 105 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian) equal to at least 75 percent of the average daily balance of the public funds on deposit in excess of the portion insured by the FDIC and entering into an agreement of contingent liability with the State Treasurer for the remaining 30 percent. The agreement provides that if a loss to a public depositor in the guaranty pool is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment against other guaranty pool members on a pro rata basis.

Custodial credit risk is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30 2005, \$390,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, as of June 30, 2005, \$291,235,000 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, 2005 is as follows (expressed in thousands):

Rating	Fair Value
AAA	\$ 3,244,869
AA	494,744
A	2,136,302
BBB	297,225
BB	61,892
B	1,786
CCC	157
CC	2,373
SP-1	530
Not Rated	851,640
Total	<u>\$ 7,091,518</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 \$19,928,584,000 in investments at June 30, 2005. Of this amount, \$2,678,922,000 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, 2005, consisted of (expressed in thousands):

	Fair Value
Commercial paper	\$ 1,103,247
Repurchase agreements	483,662
Corporate bonds	565,818
Asset backed securities	504,488
Collateralized mortgage obligations	21,707
Total	<u>\$ 2,678,922</u>



**C. Concentration of Credit Risk** – The governmental activities of the primary government have the following investments that represent more than 5 percent of net investments:

Federal Home Loan Bank                      10.9%

**D. Interest Rate Risk** - As of June 30, 2005, 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	\$ 1,442,885	\$ 524,047	\$ 34,077	\$ 27,381	\$ 857,380
Collateralized mortgage obligations	628,368	4,001	35,418	5,769	583,180
Commercial paper	1,136,503	1,136,503			
Corporate bonds	1,517,140	117,891	835,212	354,740	209,297
Municipal bonds	113,112	3,107	3,875	35,629	70,501
Mutual funds	106,328	106,328			
Repurchase agreements	769,748	596,829	172,919		
U. S. Government agency obligations	787,987	291,639	319,630	99,010	77,708
U.S. Treasury obligations	1,264,639	69,486	625,549	275,942	293,662
Yankee bonds	113,189	16,499	36,518	29,249	30,923
Zero coupon bonds	2,520	243	446	1,028	803
<b>Total</b>	<b>\$ 7,882,419</b>	<b>\$ 2,866,573</b>	<b>\$ 2,063,644</b>	<b>\$ 828,748</b>	<b>\$ 2,123,454</b>

**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, 2005, was as follows (expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 119,175
British pound sterling	734,052
Canadian dollar	25,081
Danish krone	36,215
European euro	1,159,446
Hong Kong dollar	72,708
Japanese yen	572,145
Korean won	3,537
Malaysian ringgit	915
New Zealand dollar	1,768
Norwegian krone	30,128
Singapore dollar	29,991
Swedish krona	39,687
Swiss franc	219,890
Thailand baht	5,255
<b>Total</b>	<b>\$ 3,049,993</b>



## Note 5 - Receivables

At June 30, 2005, receivables consisted of (amounts expressed in thousands):

	<b>Governmental Funds</b>						<b>Total Governmental Activities</b>
	<b>General</b>	<b>Health Care</b>	<b>Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Internal Service</b>	<b>Fiduciary Receivables Reclass</b>	
Accounts	\$ 197,965	\$ 4,531	\$	\$ 5,700	\$ 31	\$ 32	208,259
Taxes:							
Sales	153,015						153,015
Income	98,416						98,416
Gasoline	39,782						39,782
Other	178,636						178,636
Interest and dividends	6,270	453	372	1,192	235		8,522
Other	405						405
Gross receivables	674,489	4,984	372	6,892	266	32	687,035
Allowance for uncollectibles	(92,751)						(92,751)
Receivables, net	\$ 581,738	\$ 4,984	\$ 372	\$ 6,892	\$ 266	\$ 32	594,284
Amounts not scheduled for collection in subsequent year	\$ 50,850			\$ 176			\$ 51,026

	<b>Business-type Activities</b>				
	<b>Unemployment Compensation</b>	<b>Port Authority at Gulfport</b>	<b>Prepaid Affordable College Tuition</b>	<b>Nonmajor Funds</b>	<b>Total</b>
Accounts	\$ 20,833	\$ 1,794	\$	\$ 3,556	\$ 26,183
Assessments	83,627				83,627
Interest and dividends		255	350	477	1,082
Gross receivables	104,460	2,049	350	4,033	110,892
Allowance for uncollectibles	(41,598)			(346)	(41,944)
Receivables, net	\$ 62,862	\$ 2,049	\$ 350	\$ 3,687	\$ 68,948

	<b>Component Units</b>		
	<b>Universities</b>	<b>Nonmajor</b>	<b>Total</b>
Accounts	\$ 1,597,785	\$ 1,422	\$ 1,599,207
Interest	3,081	164	3,245
Gross receivables	1,600,866	1,586	1,602,452
Allowance for uncollectibles	(1,365,916)		(1,365,916)
Receivables, net	\$ 234,950	\$ 1,586	\$ 236,536



## Note 6 - Due From Other Governments

At June 30, 2005, due from other governments consisted of (amounts expressed in thousands):

	<u>Governmental Funds</u>			<u>Total Governmental Activities</u>
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Internal Service</u>	
Due from other governments	\$ 670,425	\$ 36,004	\$ 31	\$ 706,460
Allowance for uncollectibles	(20)			(20)
Due from other governments, net	<u>\$ 670,405</u>	<u>\$ 36,004</u>	<u>\$ 31</u>	<u>\$ 706,440</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 401,640</u>	<u>\$ 8,811</u>		<u>\$ 410,451</u>

## Note 7 - Loans and Notes Receivable

At June 30, 2005, loans and notes receivables consisted of (amounts expressed in thousands):

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Funds</u>			<u>Universities</u>
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Activities</u>	
Loans and notes receivable	\$ 157,909	\$ 4,518	\$ 162,427	\$ 118,430
Allowance for uncollectibles		(530)	(530)	(10,110)
Loans and notes receivable, net	<u>\$ 157,909</u>	<u>\$ 3,988</u>	<u>\$ 161,897</u>	<u>\$ 108,320</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 142,278</u>	<u>\$ 3,094</u>	<u>\$ 145,372</u>	<u>\$ 98,025</u>



## Note 8 - Capital Assets

### Primary Government

Capital asset activity for the year ended June 30, 2005, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 180,809	\$ 4,706	\$ 492	\$ 185,023
Construction in progress	3,350,686	703,400	663,788	3,390,298
Total capital assets not being depreciated	3,531,495	708,106	664,280	3,575,321
Capital assets being depreciated:				
Buildings	1,185,102	159,089	773	1,343,418
Land improvements	74,441	4,269		78,710
Machinery and equipment	440,478	58,128	45,948	452,658
Infrastructure	6,669,165	492,965	101,728	7,060,402
Total capital assets being depreciated	8,369,186	714,451	148,449	8,935,188
Less accumulated depreciation for:				
Buildings	279,565	22,786	342	302,009
Land improvements	32,782	1,865		34,647
Machinery and equipment	293,091	38,121	33,882	297,330
Infrastructure	2,427,860	246,682	101,728	2,572,814
Total accumulated depreciation	3,033,298	309,454	135,952	3,206,800
Total capital assets being depreciated, net	5,335,888	404,997	12,497	5,728,388
Governmental activities capital assets, net	\$ 8,867,383	\$ 1,113,103	\$ 676,777	\$ 9,303,709
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 12,597	\$ 120	\$	\$ 12,717
Construction in progress	17,351	10,562	1,640	26,273
Total capital assets not being depreciated	29,948	10,682	1,640	38,990
Capital assets being depreciated:				
Buildings	99,031		135	98,896
Land improvements	35,641	1,427	532	36,536
Machinery and equipment	15,954	2,334	393	17,895
Infrastructure	72,546		441	72,105
Total capital assets being depreciated	223,172	3,761	1,501	225,432
Less accumulated depreciation for:				
Buildings	20,903	1,916	54	22,765
Land improvements	14,332	1,281	208	15,405
Machinery and equipment	10,864	1,017	301	11,580
Infrastructure	26,854	2,591	441	29,004
Total accumulated depreciation	72,953	6,805	1,004	78,754
Total capital assets being depreciated, net	150,219	(3,044)	497	146,678
Business-type activities capital assets, net	\$ 180,167	\$ 7,638	\$ 2,137	\$ 185,668

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

**Governmental activities:**

General government	\$ 4,618
Education	4,693
Health and social services	12,126
Law, justice and public safety	17,980
Recreation and resources development	9,080
Regulation of business and profession	278
Transportation	258,161
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	2,518
Total depreciation expense - governmental activities	\$ 309,454

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

	Project Authorization	Expended To Date	Outstanding Commitment
<b>Governmental activities:</b>			
Department of Transportation	\$ 4,543,894	\$ 3,138,687	\$ 1,451,546
Military Department	27,381	23,864	3,518
Department of Finance and Administration	92,027	60,514	23,333
Educational Television	14,421	9,786	714
East Mississippi State Hospital	12,239	10,642	907
Mississippi State Hospital	21,197	17,372	1
Department of Education	26,888	20,834	141
Mississippi Library Commission	11,191	9,306	1,885
Mississippi Emergency Management Agency	14,906	9,470	5,270
Mississippi Development Authority	43,072	38,099	4,973
Department of Employment Security	16,000	15,417	583
Other projects less than \$10 million	52,839	36,307	6,787
Total governmental activities	4,876,055	3,390,298	1,499,658
<b>Business-type activities:</b>			
Port Authority at Gulfport	34,272	25,211	9,061
Other projects less than \$10 million	1,705	1,062	643
Total business-type activities	35,977	26,273	9,704
Total construction in progress	\$ 4,912,032	\$ 3,416,571	\$ 1,509,362

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### Component Units

At June 30, 2005, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 45,793	\$ 14,884	\$ 60,677
Construction in progress	287,779	235	288,014
Total capital assets not being depreciated	333,572	15,119	348,691
Capital assets being depreciated:			
Buildings	1,539,436	55,027	1,594,463
Land improvements	156,027	52,245	208,272
Machinery and equipment	696,091	34,392	730,483
Total capital assets being depreciated	2,391,554	141,664	2,533,218
Less accumulated depreciation	924,479	76,298	1,000,777
Total capital assets being depreciated, net	1,467,075	65,366	1,532,441
Component units capital assets, net	\$ 1,800,647	\$ 80,485	\$ 1,881,132

### 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, 2005, 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, 2005, no arbitrage rebate liability existed.

### Short-Term Financing

During fiscal year 2005, the State issued \$62,285,000 in short-term general obligation notes to provide financing for capital improvement projects. At June 30, 2005, the outstanding short-term notes were \$62,285,000. The final maturity date for these notes is October 2005 with interest rates of 2.75% on Series 2005A and 3.5% on the taxable Series 2005B. Because this short-term debt does not meet long-term financing criteria, it is classified among the liabilities of the primary government's general and capital projects funds. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2005 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Notes, Series 2005A	\$	\$ 52,915	\$	\$ 52,915
General Obligation Notes, Series 2005B		9,370		9,370
	\$	\$ 62,285	\$	\$ 62,285



## **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, 2005, the Port of Pascagoula's outstanding general obligation bonds are \$1,775,000.

In prior years, the state defeased certain outstanding general 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 the defeased bonds. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2005, \$1,232,115,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

## **Interest Rate Exchange Agreements (Swaps)**

As a means to mitigate the State's exposure to fluctuating interest rates, the State entered into forward interest rate swap agreements in connection with three issues of \$50,000,000 each of variable rate bonds to be issued in the years 2005 through 2007. The 2005 bonds and its related swap have final maturities occurring from September 1, 2005 through September 1, 2025. Under the 2005 swap, executed October 29, 2004, the State pays the counterparty a fixed payment of 4.037% and receives a variable payment computed based on the BMA Municipal Swap Index. The 2006 bonds and its related swap have final maturities occurring from May 1, 2006 through May 1, 2021. Under the 2006 swap, executed February 4, 2005, the State pays the counterparty a fixed payment of 4.733% and receives a variable payment computed based on LIBOR. The 2007 bonds and its related swap have final maturities occurring from September 4, 2007 through September 1, 2027. Under the 2007 swap, executed May 31, 2005, the State pays the counterparty a fixed payment of 3.98% and receives a variable payment computed based on the BMA Municipal Swap Index. The negative fair values for the 2005, 2006 and 2007 swaps at June 30, 2005 were \$2,029,000, \$1,295,000, and \$808,000, respectively, estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Option components are valued using an option pricing model similar to the Black-Scholes model.

All three swap agreements require that the counterparty have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), also require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the contract of the authorized insurer and shall be deposited as directed by the State. Additionally, the swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000.

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

# MISSISSIPPI

At June 30, 2005, 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>				
Archusa Water Park	\$ 230	5%	Aug. 2008	\$ 481
Community and Jr. College Telecommunications Network	3,045	5%	Aug. 2008	6,619
Port Improvement	9,220	5%	Aug. 2008	19,976
Tech Prep	22,690	5% - 5.5%	Aug. 2008	55,024
Spillway Road	3,305	6% - 6.25%	Feb. 2011	4,950
Gaming Highway Improvement	162,800	5% - 5.5%	Oct. 2011	325,000
Ayers Settlement - Allstate Building	2,470	4.5% - 5.6%	June 2012	3,300
Single Family Residential Housing Fund	3,720	4.5% - 5.6%	June 2012	5,000
Deer Island Project	7,190	2.75% - 3.75%	Nov. 2012	8,800
Stennis Space Center	23,505	3% - 6.5%	June 2013	39,880
Franklin County Lake and Recreation Complex Road Construction	1,165	3% - 5%	Sept. 2013	1,250
ACE Fund	950	2.42% - 4.43%	Nov. 2014	950
Economic Development Highway	40,815	2.42% - 7%	Nov. 2014	74,962
Land, Water, and Timber Resources	32,265	2.42% - 5.22%	Nov. 2014	38,000
Local Governments Water System Improvement	6,593	2.42% - 7.5%	Nov. 2014	21,740
State Shipyard Improvements	56,650	2.42% - 5%	Nov. 2014	60,000
Telecommunication Conference and Training Center	12,715	3% - 5.22%	Nov. 2015	17,500
Local Governments Capital Improvements	14,400	5.5% - 7.55%	Sept. 2016	53,000
Local Governments Rail Program	14,305	2.42% - 7.55%	Sept. 2016	18,000
Farish Street Historic District	2,855	2.75% - 5.5%	Aug. 2018	3,000
Farm Reform	12,337	2.75% - 7.55%	Aug. 2018	41,038
Local System Bridge Replacement and Rehabilitation Fund	18,890	3.75% - 5%	Aug. 2018	20,000
Rural Impact Act	9,510	2.75% - 5.5%	Aug. 2018	10,000
Small Municipalities and Limited Population Counties	25,150	2.75% - 5.5%	Aug. 2018	30,000
Business Investment Act	78,442	2.42% - 7.55%	Oct. 2018	116,250
Major Energy Project Development	24,655	5.6% - 6.75%	Oct. 2018	30,000
Small Business Assistance	6,713	5.6% - 7.125%	Oct. 2018	20,000
Small Enterprise Development Finance	45,860	3% - 7%	Apr. 2019	176,770
Cultural Development	6,500	3% - 5%	Nov. 2019	6,500
Disaster Assistance	5,000	3% - 5%	Nov. 2019	5,000
Water Pollution Control	1,870	3% - 5%	Nov. 2019	1,870
General Obligation Refunding Bonds	1,382,735	1.87% - 6%	Nov. 2022	1,544,920
Capital Improvements *	395,715	3% - 6.5%	Nov. 2023	1,388,980
Major Economic Impact *	435,015	2.75% - 7.55%	Nov. 2028	472,740
Total	<u>2,869,280</u>			<u>4,621,500</u>
Premiums/Discounts	90,559			
Deferred Amount on Refunding	<u>(79,894)</u>			
Total Governmental Activities	2,879,945			
<b>Business-type Activities:</b>				
Port Improvement (Gulfport)	<u>40,705</u>	2.375% - 5.9%	Dec. 2019	<u>52,362</u>
Total General Obligation Bonds	<u>\$ 2,920,650</u>			<u>\$ 4,673,862</u>

\* Interest on \$91,200,000 and \$273,455,000 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 \$80,600,000 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, 2005, 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
2006	\$ 217,691	\$ 133,404	\$ 2,689	\$ 1,982
2007	219,453	122,731	2,932	1,847
2008	223,470	111,665	3,020	1,703
2009	227,027	100,641	3,178	1,549
2010	222,510	89,485	3,365	1,380
2011-2015	930,774	296,639	12,976	4,792
2016-2020	570,785	107,781	12,365	1,333
2021-2025	188,430	24,055	180	12
2026-2029	69,140	4,712		
Total	2,869,280	991,113	40,705	14,598
Premiums/Discounts	90,559			
Deferred Amount on Refunding	(79,894)			
Total Debt Service, Net	\$ 2,879,945	\$ 991,113	\$ 40,705	\$ 14,598

### 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, 2005, \$127,620,000 of outstanding limited obligation bonds (including prior years' refundings) are considered defeased.

At June 30, 2005, the outstanding limited obligation bonds presented in governmental activities were \$91,845,000. 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, 2005, future limited obligation debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Total
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
	\$ 91,845	\$ 12,312	\$ 104,157



## 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, 2005, 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	\$ 150	9.45%	Dec. 2005	\$ 1,650
Total Primary Government	<u>\$ 150</u>			<u>\$ 1,650</u>
<b>Component Units</b>				
Universities:				
Bonds	\$ 443,461	0% - 7%	June 2034	\$ 556,332
Notes	7,376	0% - 8.2%	Nov. 2023	6,613
Nonmajor Component Units:				
Notes	<u>2,609</u>	3.137% - 6.5%	Jan. 2018	<u>3,686</u>
Total Component Units	<u>\$ 453,446</u>			<u>\$ 566,631</u>

At June 30, 2005, 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
2006	\$ 150	\$ 7	\$ 25,181	\$ 19,083
2007			17,890	18,426
2008			18,724	17,853
2009			18,087	16,810
2010			18,094	16,183
2011-2015			94,613	68,128
2016-2020			96,892	42,767
2021-2025			80,500	22,776
2026-2030			53,265	9,851
2031-2034			<u>30,200</u>	<u>2,232</u>
	<u>\$ 150</u>	<u>\$ 7</u>	<u>\$ 453,446</u>	<u>\$ 234,109</u>



## Note 12 - Other Long-term Liabilities

**A. Compensated Absences** - The State's liability for compensated absences at June 30, 2005 was \$96,826,000 for governmental activities and \$702,000 for business-type activities. Internal service compensated absences of \$1,162,000 are included in governmental activities. The component units reported a liability of \$69,413,000 for compensated absences, of which \$68,795,000 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, 2005 were \$162,340,000 and \$2,585,000, respectively, for governmental activities. These notes payable were issued for financing software development, energy efficiency improvements, the purchase of a building, and to accelerate construction of roads and bridges. Certificates of participation were issued for the purchase of a building.

At June 30, 2005, 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
2006	\$ 125	\$ 134	\$ 9,191	\$ 5,898
2007	130	127	9,873	5,424
2008	140	119	11,397	5,084
2009	145	112	10,866	4,866
2010	155	105	11,350	4,304
2011-2015	890	392	58,348	15,623
2016-2020	1,000	100	34,650	7,330
2021-2025			16,665	2,164
	\$ 2,585	\$ 1,089	\$ 162,340	\$ 50,693

**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, 2005, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Asset:		
Buildings	\$ 62,691	\$ 568
Machinery and equipment	16,179	
Less: accumulated depreciation	(4,668)	(195)
Total	\$ 74,202	\$ 373

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$89,000 less \$66,000 accumulated depreciation are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$39,091,000.

During fiscal year 2005, the State issued \$7,215,000 of refunding notes to advance refund capital lease obligations for a building reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 10 years by \$138,000 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 \$424,000.



At June 30, 2005, 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
2006	\$ 10,315	\$ 142	\$ 10,457	\$ 6,557
2007	9,007	115	9,122	6,262
2008	8,191	111	8,302	3,726
2009	6,988	111	7,099	2,577
2010	5,900		5,900	440
2011-2015	27,890		27,890	1
2016-2020	13,795		13,795	
Total Minimum Lease Payments	82,086	479	82,565	19,563
Less Interest	19,630	30	19,660	1,151
Present Value of Net Minimum Lease Payments	\$ 62,456	\$ 449	\$ 62,905	\$ 18,412

Internal service future minimum lease payments of \$121,000 less interest of \$3,000 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 \$1,899,000,000 at June 30, 2005. 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, 2005 are summarized below (amounts expressed in thousands):

	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds (Note 9)	\$ 2,965,083	\$ 130,086	\$ 215,224	\$ 2,879,945	\$ 217,691
Limited Obligation Bonds (Note 10)	112,515		20,670	91,845	21,525
Capital Lease Obligations (Note 12)	74,277	3,975	15,796	62,456	7,377
Accrued Compensated Absences (Note 12)	96,047	54,507	53,728	96,826	6,023
Notes Payable (Note 12)	92,877	72,349	2,886	162,340	9,191
Certificates of Participation (Note 12)	2,700		115	2,585	125
	<u>\$ 3,343,499</u>	<u>\$ 260,917</u>	<u>\$ 308,419</u>	<u>\$ 3,295,997</u>	<u>\$ 261,932</u>
<b>Business-type Activities:</b>					
General Obligation Bonds (Note 9)	\$ 43,207	\$	\$ 2,502	\$ 40,705	\$ 2,689
Revenue Bonds (Note 11)	295		145	150	150
Accrued Compensated Absences (Note 12)	655	183	136	702	40
Capital Lease Obligations (Note 12)	613		164	449	129
	<u>\$ 44,770</u>	<u>\$ 183</u>	<u>\$ 2,947</u>	<u>\$ 42,006</u>	<u>\$ 3,008</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 \$233,000 and \$118,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,107,000 and \$1,162,000, 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, 2005, 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>		
Business Investment Act	\$ 292,000	\$ 39,723
Capital Improvements	895,987	346,587
Children's Museums	4,500	2,000
Community Heritage Preservation	20,750	5,750
Cultural Development Act	18,200	4,700
Deer Island Project	10,000	1,200
Economic Development Highway	186,500	72,600
Farish Street Historic District Loans	6,000	3,000
Farm Reform	142,000	39,000
Historical Properties	3,700	1,955
Land, Water, and Timber Resources	41,000	3,000
Local Governments Capital Improvements	118,000	18,000
Local Governments Water System Improvement	21,743	3
Local System Bridge Replacement	60,000	37,000
Major Economic Impact	722,100	186,210
Master Planned Communities	20,000	20,000
Museum of Art	2,000	2,000
Parks Improvement	15,925	3,019
Port Improvement (Gulfport)	80,000	48,150
Port of Gulfport Rail Line	20,000	20,000
Raspert Flight Research Laboratory	1,200	1,200
Rural Fire Truck Acquisition	10,000	10,000
Rural Impact	15,000	5,000
Small Enterprise Development Finance	140,000	94,140
Small Municipalities and Limited Population Counties	35,000	5,000
Soil and Water Commission	5,500	3,000
	2,887,105	972,237
<b>Limited Obligation Bonds:</b>		
Pascagoula River Bridge	30,000	30,000
	30,000	30,000
<b>Revenue Bonds:</b>		
Mississippi Fair Commission	4,000	1,525
Port of Gulfport Rail Line	20,000	20,000
	24,000	21,525
	\$ 2,941,105	\$ 1,023,762



## 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, 2005 (amounts expressed in thousands):

### CONDENSED STATEMENT OF NET ASSETS

Assets	
Due from other funds	\$ 13
Other current assets	1,747
Capital assets, net	18,253
Total Assets	<u>20,013</u>
Liabilities	
Due to other funds	128
Other current liabilities	349
Noncurrent liabilities	56
Total Liabilities	<u>533</u>
Net Assets	
Invested in capital assets, net of related debt	18,093
Unrestricted	1,387
Total Net Assets	<u>\$ 19,480</u>

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

Charges for sales and services (pledged against bonds)	\$ 4,440
Other operating revenues	178
Depreciation	(522)
Other operating expenses	<u>(4,190)</u>
Operating loss	(94)
Nonoperating expenses:	
Interest	(21)
Loss on disposal of assets	(5)
Capital contributions	14
Transfers In	44
Change in Net Assets	<u>(62)</u>
Total Net Assets - Beginning	19,542
Total Net Assets - Ending	<u>\$ 19,480</u>

### CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by (used for):	
Operating activities	\$ 410
Noncapital financing activities	44
Capital and related financing activities	<u>(194)</u>
Net Increase	260
Cash and Cash Equivalents - Beginning	1,366
Cash and Cash Equivalents - Ending	<u>\$ 1,626</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 qualifying employees and officials of the state, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by the political subdivisions and instrumentalities of the state, membership is contingent upon approval of the entity's participation in the plan by the System's Board of Trustees. If approved, membership is a condition of employment and eligibility is granted upon hiring. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of 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, 2005, the total additional annual payments were \$211,530,000.

**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 membership service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 1/2 percent of their average compensation during the four highest consecutive years of earnings reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. 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, 2005, the total additional annual payments were \$4,676,000.

**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, 2005, the total additional annual payments were \$3,752,000.

**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 calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2005, the total additional annual payments were \$72,000.

**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, 2005. 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, 2004. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

**D. Funding Policy and Annual Pension Costs**

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

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

	PERS	MHSPRS	MRS	SLRP
<b>Contribution rates:</b>				
State	9.75%	28.16%	N/A	6.33%
Other employers	N/A	N/A	.30 – 8.50 mills	N/A
Plan members	7.25%	6.50%	7.00% - 10.00%	3.00% *
Annual pension cost	\$ 492,434	\$ 6,335	\$ 13,286	\$ 417
Employer contributions made	\$ 492,434	\$ 6,335	\$ 13,884	\$ 417
Actuarial valuation date	June 30, 2005	June 30, 2005	Sept. 30, 2004	June 30, 2005
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
<b>Amortization method</b>				
	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	28.4 years ^	29.9 years ^	30 years	29.0 years ^
<b>Asset valuation method</b>				
	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
<b>Actuarial assumptions:</b>				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Wage inflation rate	4.00%	4.00%	4.00%	4.00%
Projected salary increases	5.00% - 15.00%	5.00% - 10.52%	6.00%	5.00%
Increases in benefits after retirement	3.00% ~	3.00% @	2.00% - 3.75% #	3.00% ~
<b>Proposed annual employer contribution rates for fiscal year 2007</b>				
	12.50%	30.30%	-	6.65%

\* In addition to 7.25% required by PERS.

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

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

# Varies depending on municipality.

^ GASB 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 2006. Beginning with fiscal year 2007, the maximum amortization period will be 30 years. Effective July 1, 2005, the PERS' annual required contribution (ARC) of the employer is 10.75 percent of payroll. This ARC results in an amortization period of 48.8 years for PERS, which exceeds the maximum acceptable amortization period. The actuary has recommended increases in the employer contribution rates for PERS, MHSPRS, and SLRP to 12.50, 30.30, and 6.65 percent of payroll, respectively, effective July 1, 2006. The proposed increases would result in amortization periods, as of July 1, 2005, of 28.4, 29.9, and 29.0 years, respectively. Accordingly, the above actuarial information as of June 30, 2005, has been prepared utilizing these proposed increases. However, except for the MHSPRS, the PERS Board has not approved the proposed increases.

## 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>				
2003	\$ 448,263	\$ 5,627	\$ 14,340	\$ 417
2004	459,567	6,528	13,979	372
2005	492,434	6,335	13,884	417

\* Information furnished for MRS is for the years ended September 30, 2002, 2003, and 2004, 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 132.5%, 116.6%, and 104.5% of the required contributions for the years ended September 30, 2002, 2003, and 2004, 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, 2002, 2003, and 2004, 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, 2005 were as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2006	\$ 16,694
2007	12,896
2008	9,881
2009	6,810
2010	3,692
2011 - 2015	5,728
2016 - 2020	522
2021 - 2025	354
2026 - 2030	350
2031 - 2035	177
Thereafter	143
Total Minimum Commitments	<u>\$ 57,247</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2005 amounted to \$17,326,000.

### B. Contracts

At June 30, 2005, the Department of Transportation had long-term contracts outstanding of approximately \$1,026,413,000 with performance continuing during fiscal year 2006. These contracts will be paid through the General Fund. Approximately 24 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 \$65,680,000 outstanding at June 30, 2005 for construction of state and county roads. These contracts will be paid through the General Fund. Approximately 36 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 \$101,522,000 at June 30, 2005. These contracts will be paid from capital projects funds.

The Military Department had long-term contracts outstanding of approximately \$5,883,000 at June 30, 2005. Approximately 97 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 incurrual and payment to estimate incurred claims from available claims data. Liabilities are based on the estimated ultimate cost of settling the claims, including inflation and other factors, and provisions for estimated claims adjustment expenses. Although the health and life benefits



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

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

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

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

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

**Workers' Compensation Benefits:** Workers' compensation benefits are established in statute and the rules and regulations are established by the Mississippi Workers' Compensation Commission and the Mississippi State Agencies Self-Insured Workers' Compensation Trust Board of Trustees. 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 2004 and 2005 (amounts expressed in thousands):

	Health and Life Benefits	Tort Claims	Unemployment Benefits	Workers' Compensation Benefits	Total Risk Management Fund
<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	\$ 72,971	\$ 23,689	\$ 2,750	\$ 32,692	\$ 132,102
<b>2005</b>					
Beginning Balance	\$ 72,971	\$ 23,689	\$ 2,750	\$ 32,692	\$ 132,102
Current Year Claims/Changes in Estimates	529,057	1,234	1,897	14,219	546,407
Claims Payments	(540,591)	(2,727)	(1,897)	(12,777)	(557,992)
Ending Balance	\$ 61,437	\$ 22,196	\$ 2,750	\$ 34,134	\$ 120,517

## 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 \$5,831,000. 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, 2005, 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 \$17,499,000 at June 30, 2005, 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 \$29,960,000 from the Working Cash Stabilization Reserve Account and \$510,000,000 from budgetary special funds as of December 20, 2005. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

On August 29, 2005, Hurricane Katrina made landfall on the Mississippi Gulf Coast. Most homes, businesses, public facilities and infrastructure along the gulf coast were destroyed or sustained extensive damage. Katrina impacted virtually the entire State. An estimate of the amount of loss to the State has not been determined at this time. A portion of the costs will be covered by insurance, private contributions and federal funds.

The State entered into financing agreements on October 19, 2005 to accelerate the construction of highway projects. These agreements resulted in notes payable totaling \$134,000,000 payable over 20 years at an interest rate of 5 percent.

On November 3, 2005, the State entered into a loan agreement for \$20,000,000 to provide short-term financing for highway projects. The loan is payable on July 28, 2006 at an interest rate of 3.11 percent.

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

Tax-exempt Variable Rate General Obligation Bonds, Capital Improvements, Series 2005 Issue totaling \$50,000,000 dated October 19, 2005. The bonds mature serially through the year 2025. In connection with the issuance of the variable rate bonds, the State executed a forward interest rate swap in which the State will pay interest at a fixed rate of 4.037 percent to the counterparty.

Tax-exempt General Obligation Refunding Notes, Series 2005C totaling \$52,915,000 dated September 30, 2005. The notes mature April 1, 2006, at an interest rate of 4 percent.

Taxable General Obligation Notes, Series 2005B Notes Refunding Issue, Mississippi Business Investment Act Issue, ACE Fund Act Issue, Mississippi Major Economic Impact Act Issue, and Small Municipalities and Counties Grant Program Act Issue, Series 2005D Issue totaling \$14,370,000 dated September 30, 2005. The notes mature April 1, 2006, at an interest rate of 4.67 percent.

Taxable General Obligation Notes, Mississippi Disaster Small Business Bridge Loan Program, Series 2005E Issue totaling \$10,000,000 dated October 19, 2005. The notes mature on December 31, 2006, at an interest rate of 4.6 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, 2005 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Sales tax	\$ 1,543,600	\$ 1,543,600	\$ 1,583,459	\$ 39,859
Individual income tax	1,099,800	1,099,800	1,165,900	66,100
Corporate income and franchise taxes	320,900	320,900	361,298	40,398
Use and wholesale compensating taxes	157,500	157,500	157,385	(115)
Tobacco, beer and wine taxes	87,100	87,100	86,212	(888)
Insurance tax	144,600	144,600	150,884	6,284
Oil and gas severance taxes	10,000	10,000	10,000	
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	48,900	48,900	50,474	1,574
Inheritance tax	5,000	5,000	12,620	7,620
Other taxes	18,200	18,200	17,467	(733)
Interest	19,800	19,800	8,880	(10,920)
Auto privilege, tag and title fees	19,500	19,500	15,428	(4,072)
Gaming fees	171,100	171,100	168,540	(2,560)
Highway Safety Patrol fees	21,100	21,100	20,967	(133)
Other fees and services	17,000	17,000	12,995	(4,005)
Miscellaneous	3,200	3,200	3,416	216
Court assessments and settlements			110,000	110,000
Special Fund revenues				
Total Revenues	<u>3,687,300</u>	<u>3,687,300</u>	<u>3,935,925</u>	<u>248,625</u>
<b>Expenditures by Major Budgetary Function</b>				
Legislative	22,028	22,426	22,064	(362)
Judiciary and justice	49,575	50,785	50,376	(409)
Executive and administrative	2,828	2,828	2,706	(122)
Fiscal affairs	62,456	62,356	62,347	(9)
Public education	1,703,073	1,703,073	1,702,597	(476)
Higher education	542,136	542,136	542,131	(5)
Public health	29,062	29,062	29,057	(5)
Hospitals and hospital schools	188,182	190,182	190,177	(5)
Agriculture, commerce and economic development	84,806	84,806	84,714	(92)
Conservation and recreation	51,919	51,919	51,919	
Insurance and banking	22	22	11	(11)
Corrections	217,043	228,186	228,129	(57)
Interdepartmental service				
Social welfare	328,328	333,328	333,272	(56)
Public protection and veterans assistance	61,416	63,779	63,769	(10)
Local assistance	75,377	76,127	76,127	
Motor vehicle and other regulatory agencies	1,087	1,087	1,087	
Miscellaneous	1,212	1,212	1,179	(33)
Public works				
Debt service	175,175	191,175	190,530	(645)
Total Expenditures	<u>3,595,725</u>	<u>3,634,489</u>	<u>3,632,192</u>	<u>(2,297)</u>
Excess of Revenues over (under) Expenditures	91,575	52,811	303,733	250,922
<b>Other Financing Sources (Uses)</b>				
Transfers in	7,700	7,700	5,432	(2,268)
Transfers out			(209,654)	(209,654)
Investments purchased, net				
Other sources (uses) of cash			(50,000)	(50,000)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>99,275</u>	<u>60,511</u>	<u>49,511</u>	<u>(11,000)</u>
Budgetary Fund Balances - Beginning	3,280	3,280	3,280	
Budgetary/Nonbudgetary Fund Reclassification, Net				
Budgetary Fund Balances - Beginning, as Reclassified	3,280	3,280	3,280	
Budgetary Fund Balances (Deficits) - Ending	<u>\$ 102,555</u>	<u>\$ 63,791</u>	<u>\$ 52,791</u>	<u>\$ (11,000)</u>

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)
\$ 200,496	\$ 209,860	\$ 217,369	\$ 7,509	\$	\$	\$	\$
17,825	17,589	18,175	586				
		48	48				
				7,953,520	9,749,384	7,709,234	(2,040,150)
218,321	227,449	235,592	8,143	7,953,520	9,749,384	7,709,234	(2,040,150)
					103	61	(42)
				40,013	48,225	32,706	(15,519)
				10,967	20,517	13,306	(7,211)
				49,344	55,319	45,768	(9,551)
151,817	151,817	151,381	(436)	832,101	895,278	817,231	(78,047)
71,217	71,217	71,178	(39)	128,843	128,843	120,263	(8,580)
				283,609	285,387	218,414	(66,973)
				356,674	365,531	314,051	(51,480)
3,239	3,239	3,239		167,167	203,578	164,715	(38,863)
125	125	125		204,850	248,949	165,889	(83,060)
				40,369	40,852	34,644	(6,208)
				49,058	51,899	49,094	(2,805)
				39,488	39,700	34,210	(5,490)
2,064	2,064	1,248	(816)	4,280,690	5,751,569	4,404,969	(1,346,600)
				249,145	368,243	222,297	(145,946)
				20,639	21,283	18,379	(2,904)
450	450	412	(38)	2,453	2,905	1,890	(1,015)
20	20	20		1,043,031	1,060,125	973,690	(86,435)
				155,079	161,078	156,194	(4,884)
228,932	228,932	227,603	(1,329)	7,953,520	9,749,384	7,787,771	(1,961,613)
(10,611)	(1,483)	7,989	9,472			(78,537)	(78,537)
		1,248	1,248			51,167	51,167
						(64,370)	(64,370)
						(5,364)	(5,364)
		(244)	(244)			50,000	50,000
(10,611)	(1,483)	8,993	10,476			(47,104)	(47,104)
		2,253	2,253			672,364	672,364
						761	761
		2,253	2,253			673,125	673,125
\$ (10,611)	\$ (1,483)	\$ 11,246	\$ 12,729	\$ 0	\$ 0	\$ 626,021	\$ 626,021

## Required Supplementary Information

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

For the Year Ended June 30, 2005

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis. The State's basis of budgeting is the cash basis plus encumbrances. The State has established three budgetary fund groups to account for its budgetary activities and functions. The General Fund group is established to receive and distribute general tax revenues and other general fund revenues and interest generated thereon. The Education Enhancement Fund group is established to receive specific tax revenues to support various educational programs. The Special Fund group is established to receive federal grants, fees, proceeds from the sale of goods and services, taxes levied for specific purposes and interest generated thereon, and to support the functional activities of the agencies that generate such revenues.

General Fund and Education Enhancement Fund original budget revenues represent the General Fund and Education Enhancement Fund revenue estimates adopted by the Legislative Budget Office at the date of sine die adjournment. Special Fund revenue estimates include anticipated revenues during the year and the amount of beginning cash balances on hand at the beginning of the year that are anticipated to be expended for special fund purposes.

Due to the complexity of the State's budget, a separate [Annual Report of Budgetary Basis Expenditures](#) has been prepared to present final budget to actual comparisons at the legal level of control. This budgetary report is available at the Department of Finance and Administration.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2005 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	\$ 49,511	\$ 8,993	\$ (47,104)
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	(86,923)	(9,013)	95,936
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds		20	(46,787)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	5,519		(92,043)
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(372,887)		232,802
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	360,083		(237,419)
Net Change in GAAP Fund Balances	\$ (44,697)	\$ 0	\$ (94,615)

# MISSISSIPPI

## Required Supplementary Information

### Schedule of Funding Progress

June 30, 2005 (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>						
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
2005	17,180,705	23,727,098	6,546,393	72.4	4,786,280	136.8
<b>Mississippi Highway Safety Patrol Retirement System</b>						
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
2005	253,477	335,117	81,640	75.6	22,343	365.4
<b>Municipal Retirement Systems *</b>						
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
2004	235,198	393,061	157,863	59.8	3,675	4,295.6
<b>Supplemental Legislative Retirement Plan</b>						
2003	\$ 10,196	\$ 12,220	\$ 2,024	83.4 %	\$ 6,228	32.5 %
2004	10,323	12,934	2,611	79.8	5,794	45.1
2005	10,634	13,402	2,768	79.3	6,530	42.4

\* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2005, does not differ materially from the value as of September 30, 2004.

### 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 2005 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.

**Department of Employment Security** - 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, 2005 (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	\$ 16,083	\$ 25,592	\$ 31,349	\$ 29,833	\$ 102,857
Cash and cash equivalents	1,128	3,607	5,390	105	10,230
Investments	121	4,638	12,965		17,724
Receivables:					
Interest	4	4	461	3	472
Other	3,572	832	976	319	5,699
Due from other governments	1,766	12,951	21,187	100	36,004
Due from other funds	2,919	1,436	9,032	7,441	20,828
Inventories		706	320		1,026
Prepaid items			48		48
Loans receivable, net			3,988		3,988
Loans to other funds	36	99	71	361	567
<b>Total Assets</b>	<b>\$ 25,629</b>	<b>\$ 49,865</b>	<b>\$ 85,787</b>	<b>\$ 38,162</b>	<b>\$ 199,443</b>
<b>Liabilities</b>					
Warrants payable	\$ 2,429	\$ 2,539	\$ 3,593	\$ 578	\$ 9,139
Accounts payable and accruals	4,104	5,514	4,305	389	14,312
Due to other governments	749	2,293	3,469	20	6,531
Due to other funds	444	1,596	597	127	2,764
Due to component units	29	408	409		846
Deferred revenues				7,416	7,416
Unearned revenues	109	9,022	1,639	7	10,777
Other liabilities				176	176
<b>Total Liabilities</b>	<b>7,864</b>	<b>21,372</b>	<b>14,012</b>	<b>8,713</b>	<b>51,961</b>
<b>Fund Balances</b>					
Reserved for:					
Education and vocational training					
Ellisville State School	2,025				2,025
Encumbrances	222	2,412	1,321	207	4,162
Inventories		706	320		1,026
Loans to other funds	36	99	71	361	567
Long-term portion of due from other governments			8,811		8,811
Long-term portion of loans receivable			3,094		3,094
Prepaid items			48		48
Wildlife conservation					
Unreserved:					
Designated for debt service					
Designated for energy programs			2,923		2,923
Designated for future loans			6,702		6,702
Undesignated	15,482	25,276	48,485	28,881	118,124
<b>Total Fund Balances</b>	<b>17,765</b>	<b>28,493</b>	<b>71,775</b>	<b>29,449</b>	<b>147,482</b>
<b>Total Liabilities and         Fund Balances</b>	<b>\$ 25,629</b>	<b>\$ 49,865</b>	<b>\$ 85,787</b>	<b>\$ 38,162</b>	<b>\$ 199,443</b>

<b>Debt Service</b>	<b>Permanent</b>	<b>Totals</b>
\$ 33,766	\$ 488	\$ 137,111
	2,966	13,196
5,895	44,233	67,852
209	512	1,193
		5,699
		36,004
3,000		23,828
		1,026
		48
		3,988
		567
<b>\$ 42,870</b>	<b>\$ 48,199</b>	<b>\$ 290,512</b>

\$	\$	\$	9,139
		34	14,346
			6,531
51	383		3,198
			846
			7,416
1,001			11,778
			176
<b>1,052</b>	<b>417</b>		<b>53,430</b>

	39,523	39,523
		2,025
		4,162
		1,026
		567
		8,811
		3,094
		48
	6,155	6,155
41,818		41,818
		2,923
		6,702
	2,104	120,228
<b>41,818</b>	<b>47,782</b>	<b>237,082</b>
<b>\$ 42,870</b>	<b>\$ 48,199</b>	<b>\$ 290,512</b>

# MISSISSIPPI

## Nonmajor Governmental Funds

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

For the Year Ended June 30, 2005 (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	\$	\$	\$ 8,774	\$	\$ 8,774
Insurance			10		10
Other	4,707				4,707
Licenses, fees and permits	315	8,382	27,985	31,981	68,663
Federal government	66,890	113,755	112,804	1,777	295,226
Interest and other investment income	164	232	1,337	98	1,831
Charges for sales and services	2,907	2,213	5,387	73	10,580
Rentals			6,101	13	6,114
Other	23,522	9,482	738	715	34,457
<b>Total Revenues</b>	<b>98,505</b>	<b>134,064</b>	<b>163,136</b>	<b>34,657</b>	<b>430,362</b>
<b>Expenditures</b>					
Current:					
Education					
Health and social services	109,819				109,819
Law, justice and public safety		125,675			125,675
Recreation and resources development			160,045		160,045
Regulation of business and professions				30,574	30,574
Debt service:					
Principal	30	1,588		6	1,624
Interest	115	141			256
Defeasance of debt					
<b>Total Expenditures</b>	<b>109,964</b>	<b>127,404</b>	<b>160,045</b>	<b>30,580</b>	<b>427,993</b>
Excess of Revenues over (under) Expenditures	(11,459)	6,660	3,091	4,077	2,369
<b>Other Financing Sources (Uses)</b>					
Bonds issued		5,000			5,000
Transfers in	16,065	9,080	9,196		34,341
Transfers out	(2,126)	(12,876)	(8,927)	(2,753)	(26,682)
<b>Net Other Financing Sources (Uses)</b>	<b>13,939</b>	<b>1,204</b>	<b>269</b>	<b>(2,753)</b>	<b>12,659</b>
<b>Net Change in Fund Balances</b>	<b>2,480</b>	<b>7,864</b>	<b>3,360</b>	<b>1,324</b>	<b>15,028</b>
Fund Balances - Beginning	15,285	20,629	68,415	28,125	132,454
Fund Balances - Ending	\$ 17,765	\$ 28,493	\$ 71,775	\$ 29,449	\$ 147,482

Debt Service	Permanent	Totals
\$	\$	\$
		8,774
		10
		4,707
	181	68,844
		295,226
2,562	1,245	5,638
		10,580
		6,114
1,357	1,182	36,996
3,919	2,608	436,889
		103
	103	103
		109,819
		125,675
		160,045
		30,574
88,551		90,175
41,953		42,209
1,386		1,386
131,890	103	559,986
(127,971)	2,505	(123,097)
		5,000
126,776		161,117
(3,995)	(2,240)	(32,917)
122,781	(2,240)	133,200
(5,190)	265	10,103
47,008	47,517	226,979
\$ 41,818	\$ 47,782	\$ 237,082



## Nonmajor Special Revenue Funds

### Combining Balance Sheet Health and Social Services

June 30, 2005 (Expressed in Thousands)

	Department of Rehabilitation Services		Department of Employment Security	
	Rehabilitation Services	Disability Determination	Employment Services	
<b>Assets</b>				
Equity in internal investment pool	\$ 1,762	\$ 7,853	\$	3,364
Cash and cash equivalents		5		434
Investments	121			
Receivables:				
Interest		3		
Other	660	3		2,629
Due from other governments	9	404		1,353
Due from other funds	1,781	25		719
Loans to other funds		1		35
Total Assets	\$ 4,333	\$ 8,294	\$	8,534
<b>Liabilities</b>				
Warrants payable	\$ 148	\$ 678	\$	1,564
Accounts payable and accruals	256	996		2,460
Due to other governments		6		742
Due to other funds	62	174		21
Due to component units				29
Unearned revenues				109
Total Liabilities	466	1,854		4,925
<b>Fund Balances</b>				
Reserved for:				
Ellisville State School				
Encumbrances	5	112		105
Loans to other funds		1		35
Unreserved:				
Undesignated	3,862	6,327		3,469
Total Fund Balances	3,867	6,440		3,609
Total Liabilities and Fund Balances	\$ 4,333	\$ 8,294	\$	8,534

**Department of Mental Health**

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Alcohol Abuse Program	Social Services	<b>Totals</b>
\$ 898	\$ 2,206	\$ 16,083
	689	1,128
		121
	1	4
	280	3,572
		1,766
394		2,919
		36
<b>\$ 1,292</b>	<b>\$ 3,176</b>	<b>\$ 25,629</b>
<hr/>		
\$ 39	\$	\$ 2,429
295	97	4,104
	1	749
181	6	444
		29
		109
515	104	7,864
<hr/>		
	2,025	2,025
		222
		36
777	1,047	15,482
777	3,072	17,765
<b>\$ 1,292</b>	<b>\$ 3,176</b>	<b>\$ 25,629</b>



## Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Department of Rehabilitation Services		Department of Employment Security
	Rehabilitation Services	Disability Determination	Employment Services
<b>Revenues</b>			
Other taxes	\$	\$	\$
Licenses, fees and permits			
Federal government	391	22,827	43,672
Interest	7	118	1
Charges for sales and services	83	305	101
Other	1	1,696	21,802
Total Revenues	482	24,946	65,576
<b>Expenditures</b>			
Current:			
Health and social services	7,680	28,459	67,800
Debt service:			
Principal		30	
Interest		115	
Total Expenditures	7,680	28,604	67,800
Excess of Revenues over (under) Expenditures	(7,198)	(3,658)	(2,224)
<b>Other Financing Sources (Uses)</b>			
Transfers in	9,396	4,979	1,690
Transfers out	(210)	(813)	(149)
Net Other Financing Sources (Uses)	9,186	4,166	1,541
Net Change in Fund Balances	1,988	508	(683)
Fund Balances - Beginning	1,879	5,932	4,292
Fund Balances - Ending	\$ 3,867	\$ 6,440	\$ 3,609

**Department of Mental Health**

Alcohol Abuse Program		Social Services		Totals
\$	4,707	\$		\$ 4,707
			315	315
				66,890
			38	164
			2,418	2,907
			23	23,522
	4,707		2,794	98,505
	3,356		2,524	109,819
				30
				115
	3,356		2,524	109,964
	1,351		270	(11,459)
				16,065
	(952)		(2)	(2,126)
	(952)		(2)	13,939
	399		268	2,480
	378		2,804	15,285
\$	777	\$	3,072	\$ 17,765

## Nonmajor Special Revenue Funds

**Combining Balance Sheet**  
**Law, Justice and Public Safety**  
 June 30, 2005 (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	\$ 579	\$ 2,319	\$ 11	\$ 5,484
Cash and cash equivalents		218	1,922	
Investments				
Receivables:				
Interest				
Other		7	147	675
Due from other governments	8			3,562
Due from other funds			1,390	
Inventories				
Loans to other funds		53		
Total Assets	\$ 587	\$ 2,597	\$ 3,470	\$ 9,721
<b>Liabilities</b>				
Warrants payable	\$ 23	\$ 89	\$	\$ 471
Accounts payable and accruals	15	7	57	1,298
Due to other governments			12	139
Due to other funds			230	471
Due to component units				249
Unearned revenues				5,576
Total Liabilities	38	96	299	8,204
<b>Fund Balances</b>				
Reserved for:				
Encumbrances	4	27	394	50
Inventories				
Loans to other funds		53		
Unreserved:				
Undesignated	545	2,421	2,777	1,467
Total Fund Balances	549	2,501	3,171	1,517
Total Liabilities and Fund Balances	\$ 587	\$ 2,597	\$ 3,470	\$ 9,721

**Military Department**

National Guard					
Facility and Training	Camp Shelby Operations	Emergency Management	Other	Totals	
\$ 2,364	\$ 1,390	\$ 11,688	\$ 1,757	\$ 25,592	
	140		1,327	3,607	
		4,638		4,638	
		4		4	
		3		832	
6,090	259	3,032		12,951	
		46		1,436	
706				706	
		28	18	99	
<b>\$ 9,160</b>	<b>\$ 1,789</b>	<b>\$ 19,439</b>	<b>\$ 3,102</b>	<b>\$ 49,865</b>	
<hr/>					
\$ 541	\$ 80	\$ 1,331	\$ 4	\$ 2,539	
3,262	247	208	420	5,514	
11		2,131		2,293	
		691	204	1,596	
		159		408	
2,955	407	84		9,022	
6,769	734	4,604	628	21,372	
<hr/>					
1,685	1	251		2,412	
706				706	
		28	18	99	
	1,054	14,556	2,456	25,276	
2,391	1,055	14,835	2,474	28,493	
<b>\$ 9,160</b>	<b>\$ 1,789</b>	<b>\$ 19,439</b>	<b>\$ 3,102</b>	<b>\$ 49,865</b>	

# MISSISSIPPI

## 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, 2005 (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>Revenues</b>				
Licenses, fees and permits	\$	\$ 8,370	\$	\$
Federal government	1,244			19,192
Interest		1	26	90
Charges for sales and services		2		
Other	688	73	3,628	571
Total Revenues	1,932	8,446	3,654	19,853
<b>Expenditures</b>				
Current:				
Law, justice and public safety	1,539	7,959	1,929	16,755
Debt service:				
Principal			1,588	
Interest			141	
Total Expenditures	1,539	7,959	3,658	16,755
Excess of Revenues over (under) Expenditures	393	487	(4)	3,098
<b>Other Financing Sources (Uses)</b>				
Bonds issued				
Transfers in	156		1,087	587
Transfers out		(1,169)	(882)	(3,858)
Net Other Financing Sources (Uses)	156	(1,169)	205	(3,271)
Net Change in Fund Balances	549	(682)	201	(173)
Fund Balances - Beginning		3,183	2,970	1,690
Fund Balances - Ending	\$ 549	\$ 2,501	\$ 3,171	\$ 1,517

**Military Department**

National Guard		Camp Shelby		Emergency	Other	Totals
Facility and	Operations	Management				
Training						
\$	\$	\$	11	\$	1	\$ 8,382
47,783	3,248	42,288				113,755
	4	104			7	232
389	1,822					2,213
1,477	77	498		2,470		9,482
49,649	5,151	42,901		2,478		134,064
50,131	5,455	41,547		360		125,675
						1,588
						141
50,131	5,455	41,547		360		127,404
(482)	(304)	1,354		2,118		6,660
1,077	800	5,000				5,000
		5,373				9,080
		(4,495)		(2,472)		(12,876)
1,077	800	5,878		(2,472)		1,204
595	496	7,232		(354)		7,864
1,796	559	7,603		2,828		20,629
\$ 2,391	\$ 1,055	\$ 14,835		\$ 2,474		\$ 28,493



## Nonmajor Special Revenue Funds

### Combining Balance Sheet Recreation and Resources Development

June 30, 2005 (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>Assets</b>							
Equity in internal investment pool	\$ 1,997	\$ 4,236	\$ 1,836	\$ 326			\$
Cash and cash equivalents	363			236			
Investments	1,300		6,115				712
Receivables:							
Interest		372	14				
Other	460	502					
Due from other governments	37	20,132	113				
Due from other funds							5
Inventories							
Prepaid items							
Loans receivable, net			3,988				
Loans to other funds							
Total Assets	\$ 4,157	\$ 25,242	\$ 12,066	\$ 567			\$ 712
<b>Liabilities</b>							
Warrants payable	\$	\$ 1,738	\$ 39	\$			\$
Accounts payable and accruals		2,552	32				
Due to other governments	15	3,121					
Due to other funds		365	21	136			
Due to component units		32					
Unearned revenues		1,501					
Total Liabilities	15	9,309	92	136			
<b>Fund Balances</b>							
Reserved for:							
Encumbrances	15	91	162				
Inventories							
Loans to other funds							
Long-term portion of due from other governments		8,811					
Long-term portion of loans receivable			3,094				
Prepaid items							
Unreserved:							
Designated for energy programs			2,923				
Designated for future loans		6,702					
Undesignated	4,127	329	5,795	431			712
Total Fund Balances	4,142	15,933	11,974	431			712
Total Liabilities and Fund Balances	\$ 4,157	\$ 25,242	\$ 12,066	\$ 567			\$ 712

**Department of Wildlife, Fisheries and Parks**

<b>Department of Wildlife, Fisheries and Parks</b>				<b>Department of Marine Resources</b>	<b>Totals</b>
<b>Fisheries and Wildlife</b>	<b>Parks and Recreation</b>	<b>Motor Vehicle</b>	<b>Other</b>		
\$ 3,424	\$ 1,022	\$ 1,817	\$ 2,008	\$ 14,683	\$ 31,349
410	915	32	3,425	9	5,390
			4,838		12,965
1	1		68	5	461
10				4	976
				905	21,187
5,750			142	3,135	9,032
197	123				320
48					48
					3,988
1	57		13		71
<b>\$ 9,841</b>	<b>\$ 2,118</b>	<b>\$ 1,849</b>	<b>\$ 10,494</b>	<b>\$ 18,741</b>	<b>\$ 85,787</b>
\$ 709	\$ 400	\$	\$ 1	\$ 706	\$ 3,593
831	687		32	171	4,305
5	28			300	3,469
50	21			4	597
247				130	409
128		10			1,639
<b>1,970</b>	<b>1,136</b>	<b>10</b>	<b>33</b>	<b>1,311</b>	<b>14,012</b>
455	81	55	10	452	1,321
197	123				320
1	57		13		71
					8,811
					3,094
48					48
					2,923
					6,702
<b>7,170</b>	<b>721</b>	<b>1,784</b>	<b>10,438</b>	<b>16,978</b>	<b>48,485</b>
<b>7,871</b>	<b>982</b>	<b>1,839</b>	<b>10,461</b>	<b>17,430</b>	<b>71,775</b>
<b>\$ 9,841</b>	<b>\$ 2,118</b>	<b>\$ 1,849</b>	<b>\$ 10,494</b>	<b>\$ 18,741</b>	<b>\$ 85,787</b>



## Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2005 (Expressed in Thousands)

	<u>Department of Agriculture and Commerce</u>	<u>Mississippi Development Authority</u>			<u>State Treasurer</u>
	Rice and Soybean Promotion	Community Development	Energy Conservation	Other	Court Assessments and Settlements
<b>Revenues</b>					
Taxes:					
Gasoline and other motor fuel	\$	\$	\$	\$	\$
Insurance					
Licenses, fees and permits	2,082		5		
Federal government		97,136	773		
Interest and other investment income	67	563	196	7	15
Charges for sales and services	1,753			193	
Rentals					
Other		155			
Total Revenues	3,902	97,854	974	200	15
<b>Expenditures</b>					
Recreation and resources development	2,837	93,969	1,061	208	
Excess of Revenues over (under) Expenditures	1,065	3,885	(87)	(8)	15
<b>Other Financing Sources (Uses)</b>					
Transfers in				5	
Transfers out	(14)	(3,102)	(84)	(101)	
Net Other Financing Sources (Uses)	(14)	(3,102)	(84)	(96)	
Net Change in Fund Balances	1,051	783	(171)	(104)	15
Fund Balances - Beginning	3,091	15,150	12,145	535	697
Fund Balances - Ending	\$ 4,142	\$ 15,933	\$ 11,974	\$ 431	\$ 712

**Department of Wildlife, Fisheries and Parks**

<b>Department of Wildlife, Fisheries and Parks</b>				<b>Department of Marine Resources</b>	<b>Totals</b>
<b>Fisheries and Wildlife</b>	<b>Parks and Recreation</b>	<b>Motor Vehicle</b>	<b>Other</b>		
\$ 5,730	\$	\$	\$	\$ 3,044	\$ 8,774
				10	10
13,454	8,672	1,043	1,695	1,034	27,985
8,915	1,547			4,433	112,804
74	22	29	95	269	1,337
845	33	557	760	1,246	5,387
				6,101	6,101
457	38		34	54	738
29,475	10,312	1,629	2,584	16,191	163,136
28,838	16,273	506	1,424	14,929	160,045
637	(5,961)	1,123	1,160	1,262	3,091
(134)	7,520			1,805	9,196
(1,517)	(2,461)			(1,648)	(8,927)
(1,651)	5,059			157	269
(1,014)	(902)	1,123	1,160	1,419	3,360
8,885	1,884	716	9,301	16,011	68,415
\$ 7,871	\$ 982	\$ 1,839	\$ 10,461	\$ 17,430	\$ 71,775



## Nonmajor Special Revenue Funds

### Combining Balance Sheet Regulation of Business and Professions

June 30, 2005 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
<b>Assets</b>			
Equity in internal investment pool	\$ 6,403	\$ 7,413	\$ 693
Cash and cash equivalents			
Receivables:			
Interest		3	
Other	6	284	6
Due from other governments	82		
Due from other funds	7,441		
Loans to other funds	280	48	27
Total Assets	<u>\$ 14,212</u>	<u>\$ 7,748</u>	<u>\$ 726</u>
<b>Liabilities</b>			
Warrants payable	\$ 118	\$ 105	\$ 56
Accounts payable and accruals	83	107	60
Due to other governments			
Due to other funds	23	2	27
Deferred revenues	7,416		
Unearned revenues			
Other liabilities		176	
Total Liabilities	<u>7,640</u>	<u>390</u>	<u>143</u>
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	1		86
Loans to other funds	280	48	27
Unreserved:			
Undesignated	6,291	7,310	470
Total Fund Balances	<u>6,572</u>	<u>7,358</u>	<u>583</u>
Total Liabilities and Fund Balances	<u>\$ 14,212</u>	<u>\$ 7,748</u>	<u>\$ 726</u>

Oil and Gas Board	Other Regulatory Agencies	Totals
\$ 3,244	\$ 12,080	\$ 29,833
	105	105
		3
14	9	319
	18	100
		7,441
	6	361
<b>\$ 3,258</b>	<b>\$ 12,218</b>	<b>\$ 38,162</b>
<hr/>		
\$ 61	\$ 238	\$ 578
6	133	389
	20	20
2	73	127
		7,416
	7	7
		176
69	471	8,713
<hr/>		
55	65	207
	6	361
3,134	11,676	28,881
3,189	11,747	29,449
<b>\$ 3,258</b>	<b>\$ 12,218</b>	<b>\$ 38,162</b>

# MISSISSIPPI

## Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
<b>Revenues</b>			
Licenses, fees and permits	\$ 7,647	\$ 5,138	\$ 4,924
Federal government	1,576		
Interest		69	
Charges for sales and services	2	49	
Rentals			
Other	592		
Total Revenues	9,817	5,256	4,924
<b>Expenditures</b>			
Current:			
Regulation of business and professions	7,095	4,824	4,579
Debt service:			
Principal			
Total Expenditures	7,095	4,824	4,579
Excess of Revenues over (under) Expenditures	2,722	432	345
<b>Other Financing Uses</b>			
Transfers out	(1,110)	(150)	(600)
Net Other Financing Uses	(1,110)	(150)	(600)
Net Change in Fund Balances	1,612	282	(255)
Fund Balances - Beginning	4,960	7,076	838
Fund Balances - Ending	\$ 6,572	\$ 7,358	\$ 583

	Oil and Gas Board		Other Regulatory Agencies		Totals
\$	2,357	\$	11,915	\$	31,981
	107		94		1,777
			29		98
			22		73
			13		13
			123		715
	2,464		12,196		34,657
	2,661		11,415		30,574
			6		6
	2,661		11,421		30,580
	(197)		775		4,077
			(893)		(2,753)
			(893)		(2,753)
	(197)		(118)		1,324
	3,386		11,865		28,125
\$	3,189	\$	11,747	\$	29,449

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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** 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, 2005 (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	\$ 1,568	\$ 26,738	\$ 40	\$	
Cash and cash equivalents	58	13	17	2,994	4,193
Receivables, net:					
Accounts	121	62		165	2,176
Interest		477			
Due from other governments		14			
Due from other funds	13				261
Inventories					185
Prepaid items				17	
Loans and notes receivable		4,186			
Total Current Assets	1,760	31,490	57	3,176	6,815
Noncurrent assets:					
Loans and notes receivable		121,503			
Loans to other funds			2		
Capital assets, net	18,253	1,655	12,813	17,389	
Total Noncurrent Assets	18,253	123,158	12,815	17,389	
Total Assets	20,013	154,648	12,872	20,565	6,815
<b>Liabilities</b>					
Current liabilities:					
Warrants payable	37	501	22		
Accounts payable and other liabilities	63	67	62	2	852
Due to other governments					
Due to other funds	128			250	
Due to component units					
Deposits		1,250			
Bonds payable	150				
Unearned revenues	89				269
Lease obligations payable	10				
Total Current Liabilities	477	1,818	84	252	1,121
Noncurrent liabilities:					
Due to other governments				8,991	
Loans from other funds				1,060	
Lease obligations payable					
Other liabilities	56	49	26	30	
Total Noncurrent Liabilities	56	49	26	10,081	
Total Liabilities	533	1,867	110	10,333	1,121
<b>Net Assets</b>					
Invested in capital assets, net of related debt	18,093	1,655	12,813	16,079	
Unrestricted (deficit)	1,387	151,126	(51)	(5,847)	5,694
Total Net Assets	\$ 19,480	\$ 152,781	\$ 12,762	\$ 10,232	\$ 5,694

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		
\$ 19	\$ 88	\$ 130	\$ 13	\$ 861	\$	29,457
	110		573	190		8,148
11		16	659			3,210
		49				477
		18	5	225		63
	27	2	375	260		522
			191			849
						208
						4,186
30	225	215	1,816	1,536		47,120
						121,503
						2
705	4,412	188	92	3,187		58,694
705	4,412	188	92	3,187		180,199
735	4,637	403	1,908	4,723		227,319
2	10	14		155		741
12	27	22	414	83		1,604
			63			63
			1,545			1,923
			37			37
						1,250
						150
						358
				119		129
14	37	36	2,059	357		6,255
						8,991
						1,060
				320		320
8	39	20		233		461
8	39	20		553		10,832
22	76	56	2,059	910		17,087
705	4,412	188	92	2,748		56,785
8	149	159	(243)	1,065		153,447
\$ 713	\$ 4,561	\$ 347	\$ (151)	\$ 3,813	\$	210,232

# MISSISSIPPI

## Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2005 (Expressed in Thousands)

		Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	Department of Rehabilitation Services  AbilityWorks
<b>Operating Revenues</b>					
Charges for sales and services	\$ 4,440	\$	\$ 996	\$ 1,128	\$ 19,291
Interest income		6,755			
Rentals		47		651	
Fees		50			
Other	178	3	164		29
Total Operating Revenues	4,618	6,855	1,160	1,779	19,320
<b>Operating Expenses</b>					
Cost of sales and services	65				18,870
General and administrative	915	700	349	476	5,248
Contractual services	2,976	295	703	166	1,061
Commodities	232	25	152	68	242
Depreciation	522	58	446	866	
Other	2				255
Total Operating Expenses	4,712	1,078	1,650	1,576	25,676
Operating Income (Loss)	(94)	5,777	(490)	203	(6,356)
<b>Nonoperating Revenues</b>					
Federal grant					
Interest and other investment income		473	1	40	19
Total Nonoperating Revenues		473	1	40	19
<b>Nonoperating Expenses</b>					
Loss on disposal of assets	5				
Interest	21			31	
Total Nonoperating Expenses	26			31	
Income (Loss) before Capital Contributions and Transfers	(120)	6,250	(489)	212	(6,337)
Capital Contributions	14				
Transfers In	44			76	6,651
Transfers Out					
Change in Net Assets	(62)	6,250	(489)	288	314
Total Net Assets - Beginning	19,542	146,531	13,251	9,944	5,380
Total Net Assets - Ending	\$ 19,480	\$ 152,781	\$ 12,762	\$ 10,232	\$ 5,694

<b>Department of Agriculture and Commerce</b>		<b>Department of Finance and Administration</b>	<b>Department of Corrections</b>								
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants and Commissary	Prison Agricultural Enterprises		<b>Totals</b>					
\$	\$	98	\$	538	\$	7,669	\$	1,399	\$	35,559	
										6,755	
	191	308						352		1,549	
										50	
	1	3				68				446	
	192	409		538		7,737		1,751		44,359	
		52				5,257		1,047		25,291	
	88	401		263		758		690		9,888	
	118	300		118		333		167		6,237	
	11	89		21		180		372		1,392	
	14	114		9		54		297		2,380	
		15								272	
	231	971		411		6,582		2,573		45,460	
	(39)	(562)		127		1,155		(822)		(1,101)	
	20									20	
				2		14				549	
	20			2		14				569	
	1			31				2		39	
								9		61	
	1			31				11		100	
	(20)	(562)		98		1,169		(833)		(632)	
		36		16		6		1		73	
		399				35		855		8,060	
		(15)		(38)		(1,386)		(27)		(1,466)	
	(20)	(142)		76		(176)		(4)		6,035	
	733	4,703		271		25		3,817		204,197	
\$	713	\$	4,561	\$	347	\$	(151)	\$	3,813	\$	210,232



## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2005 (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	\$ 4,642	\$ 47	\$ 996	\$ 1,790	\$ 20,041
Cash payments to suppliers for goods and services	(3,325)	(273)	(798)	(237)	(20,244)
Cash payments to employees for services	(907)	(674)	(337)	(456)	(5,093)
Other operating cash receipts		258	163		29
Principal and interest received on program loans		20,745			
Issuance of program loans		(24,794)			
Net Cash Provided by (Used for) Operating Activities	410	(4,691)	24	1,097	(5,267)
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers in	44			76	6,651
Transfers out					
Federal grants received					
Net Cash Provided by (Used for) Noncapital Financing Activities	44			76	6,651
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets	(19)		(6)	(2,258)	
Proceeds from sales of capital assets	1				
Principal paid on bonds and capital assets contracts	(154)			(310)	
Interest paid on bonds and capital assets contracts	(22)			(31)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(194)		(6)	(2,599)	
<b>Cash Flows from Investing Activities</b>					
Interest and other investment income		461	1	40	19
Net Cash Provided by Investing Activities		461	1	40	19
Net Increase (Decrease) in Cash and Cash Equivalents	260	(4,230)	19	(1,386)	1,403
Cash and Cash Equivalents - Beginning	1,366	30,981	38	4,380	2,790
Cash and Cash Equivalents - Ending	\$ 1,626	\$ 26,751	\$ 57	\$ 2,994	\$ 4,193

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		
\$ 192	\$ 406	\$ 472	\$ 7,682	\$ 1,752	\$	38,020
(126)	(437)	(148)	(5,473)	(1,762)		(32,823)
(86)	(403)	(252)	(744)	(684)		(9,636)
1	3		68			522
						20,745
						(24,794)
(19)	(431)	72	1,533	(694)		(7,966)
	399		35	845		8,050
	(15)	(38)	(1,386)			(1,439)
20						20
20	384	(38)	(1,351)	845		6,631
			(17)	(205)		(2,505)
		3				4
				(155)		(619)
				(9)		(62)
		3	(17)	(369)		(3,182)
		2	14			537
		2	14			537
1	(47)	39	179	(218)		(3,980)
18	245	91	407	1,269		41,585
\$ 19	\$ 198	\$ 130	\$ 586	\$ 1,051	\$	37,605

(Continued on Next Page)



## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2005 (Expressed in Thousands)

(Continued from Previous Page)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	Department of Rehabilitation Services  AbilityWorks
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>					
Operating income (loss)	\$ (94)	\$ 5,777	\$ (490)	\$ 203	\$ (6,356)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	522	58	446	866	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable, net	(24)	(61)		11	(538)
Interest receivable		(6)			
Due from other governments		(14)			
Due from other funds	(12)				1,543
Inventories					(28)
Prepaid items				14	45
Loans and notes receivable		(10,598)			
Increase (decrease) in liabilities:					
Warrants payable	(17)	(141)	1		
Accounts payable and other liabilities	(27)	294	67	3	199
Due to other governments					
Due to other funds	1				(132)
Due to component units					
Unearned revenues	61				
Total adjustments	504	(10,468)	514	894	1,089
Net Cash Provided by (Used for) Operating Activities	\$ 410	\$ (4,691)	\$ 24	\$ 1,097	\$ (5,267)

### Noncash Capital and Related Financing Activities

Transfer of capital assets to other  
state agencies

Capital contributions 14

Loss on disposal of capital assets 5

<b>Department of Agriculture and Commerce</b>		<b>Department of Finance and Administration</b>	<b>Department of Corrections</b>			
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants and Commissary	Prison Agricultural Enterprises		<b>Totals</b>
\$ (39)	\$ (562)	\$ 127	\$ 1,155	\$ (822)		\$ (1,101)
14	114	9	54	297		2,380
		(11)	12			(611)
		(38)				(6)
		(17)	2			(52)
	(4)	(2)	(38)	(167)		1,516
			(170)			(239)
						(111)
						(10,598)
(2)	3	(5)		28		(133)
8	18	9	270	2		843
			63			63
			148	(32)		(15)
			37			37
						61
20	131	(55)	378	128		(6,865)
\$ (19)	\$ (431)	\$ 72	\$ 1,533	\$ (694)		\$ (7,966)

				27	27
	36	16	6	1	73
1		31		2	39

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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, 2005 (Expressed in Thousands)

	Department of Finance and Administration			Totals
	Personnel Board	Information Technology Services	Risk Management	
<b>Assets</b>				
Current assets:				
Equity in internal investment pool	\$ 1,476	\$ 5,382	\$ 21,491	\$ 28,349
Cash and cash equivalents			47,359	47,359
Investments			100	100
Receivables:				
Accounts	6	24	1	31
Interest			235	235
Due from other governments	1	30		31
Due from other funds	93	2,625	283	3,001
Due from component units	2	47	16	65
Total Current Assets	1,578	8,108	69,485	79,171
Noncurrent assets:				
Loans to other funds	33	122	14,007	14,162
Investments			28,738	28,738
Capital assets, net	16	5,984	32	6,032
Total Noncurrent Assets	49	6,106	42,777	48,932
Total Assets	1,627	14,214	112,262	128,103
<b>Liabilities</b>				
Current liabilities:				
Warrants payable	107	699	245	1,051
Accounts payable and other liabilities	59	290	2,981	3,330
Due to other governments		1		1
Due to other funds		1	330	331
Due to component units		1		1
Claims and benefits payable			120,517	120,517
Unearned revenues			835	835
Lease obligations payable		118		118
Total Current Liabilities	166	1,110	124,908	126,184
Noncurrent liabilities:				
Other liabilities	252	762	117	1,131
Total Noncurrent Liabilities	252	762	117	1,131
Total Liabilities	418	1,872	125,025	127,315
<b>Net Assets</b>				
Invested in capital assets, net of related debt	16	5,866	32	5,914
Unrestricted (deficit)	1,193	6,476	(12,795)	(5,126)
Total Net Assets	\$ 1,209	\$ 12,342	\$ (12,763)	\$ 788



## Internal Service Funds

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

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Personnel Board	Information Technology Services	Department of Finance and Administration		Totals
			Risk Management		
<b>Operating Revenues</b>					
Charges for sales and services/premiums	\$ 5,904	\$ 28,367	\$ 606,777	\$	641,048
Other			19		19
Total Operating Revenues	5,904	28,367	606,796		641,067
<b>Operating Expenses</b>					
General and administrative	3,403	9,237	2,884		15,524
Contractual services	1,898	16,682	34,540		53,120
Commodities	169	424	125		718
Depreciation	5	2,509	4		2,518
Claims and benefits			546,445		546,445
Total Operating Expenses	5,475	28,852	583,998		618,325
Operating Income (Loss)	429	(485)	22,798		22,742
<b>Nonoperating Revenues</b>					
Interest and other investment income			2,432		2,432
Total Nonoperating Revenues			2,432		2,432
<b>Nonoperating Expenses</b>					
Loss on disposal of assets	2	385			387
Interest		6			6
Total Nonoperating Expenses	2	391			393
Income (Loss) before Capital Contributions and Transfers	427	(876)	25,230		24,781
Capital Contributions		1,944			1,944
Transfers In		96	262		358
Transfers Out	(125)	(1,322)	(3,302)		(4,749)
Change in Net Assets	302	(158)	22,190		22,334
Total Net Assets - Beginning	907	12,500	(34,953)		(21,546)
Total Net Assets - Ending	\$ 1,209	\$ 12,342	\$ (12,763)	\$	788

## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2005 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			<b>Totals</b>
	<b>Personnel Board</b>	<b>Information Technology Services</b>	<b>Risk Management</b>	
<b>Cash Flows from Operating Activities</b>				
Cash receipts/premiums from interfund services provided	\$ 5,880	\$ 26,806	\$ 160,467	\$ 193,153
Cash receipts/premiums from customers	74	1,205	445,276	446,555
Cash payments to suppliers for goods and services	(2,231)	(17,776)	(34,527)	(54,534)
Cash payments to employees for services	(3,334)	(9,140)	(2,861)	(15,335)
Cash payments for claims and benefits			(557,992)	(557,992)
Other operating cash receipts			19	19
Net Cash Provided by Operating Activities	389	1,095	10,382	11,866
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers in		77	569	646
Transfers out	(125)	(1,281)	(3,302)	(4,708)
Net Cash Used for Noncapital Financing Activities	(125)	(1,204)	(2,733)	(4,062)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(5)	(2,541)		(2,546)
Principal paid on capital assets contracts		(115)		(115)
Interest paid on capital assets contracts		(6)		(6)
Net Cash Used for Capital and Related Financing Activities	(5)	(2,662)		(2,667)
<b>Cash Flows from Investing Activities</b>				
Proceeds from sales of investments			39,039	39,039
Purchases of investments			(3,017)	(3,017)
Interest and other investment income			2,646	2,646
Net Cash Provided by Investing Activities			38,668	38,668
Net Increase (Decrease) in Cash and Cash Equivalents	259	(2,771)	46,317	43,805
Cash and Cash Equivalents - Beginning	1,217	8,153	22,533	31,903
Cash and Cash Equivalents - Ending	\$ 1,476	\$ 5,382	\$ 68,850	\$ 75,708

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## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2005 (Expressed in Thousands)

(Continued from Previous Page)

	Personnel Board	Information Technology Services	Department of Finance and Administration  Risk Management	Totals
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating income (loss)	\$ 429	\$ (485)	\$ 22,798	\$ 22,742
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	5	2,509	4	2,518
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	6	2	(1)	7
Due from other governments	(1)	7		6
Due from other funds	47	(383)	(125)	(461)
Due from component units	(1)	17		16
Increase (decrease) in liabilities:				
Warrants payable	(120)	171	80	131
Accounts payable and other liabilities	28	(741)	80	(633)
Due to other governments		(1)		(1)
Due to other funds	(1)	(2)	39	36
Due to component units	(3)	1		(2)
Claims and benefits payable			(11,585)	(11,585)
Unearned revenues			(908)	(908)
Total adjustments	(40)	1,580	(12,416)	(10,876)
Net Cash Provided by Operating Activities	\$ 389	\$ 1,095	\$ 10,382	\$ 11,866

### Noncash Capital and Related Financing and Investing Activities

Transfer of capital assets to other state agencies		42		42
Capital contributions		1,944		1,944
Loss on disposal of capital assets	2	385		387
Change in market value of investments			(264)	(264)

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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, 2005 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
<b>Assets</b>			
Equity in internal investment pool	\$ 51,759	\$	\$
Cash and cash equivalents	261,856	3,851	3,404
Investments, at fair value:			
Short-term securities	116,433	1,714	1,515
Long-term debt securities	4,135,740	60,870	53,807
Equity securities	12,060,347	177,507	156,907
Real estate investments	461,528	6,792	6,005
Balanced asset fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	1,855,468	26,959	23,807
Long-term debt securities	750,542	10,905	9,630
Receivables:			
Employer contributions	34,571		365
Employee contributions	25,706		17
Investment proceeds	108,949	1,604	1,417
Interest and dividends	72,508	1,067	943
Other	619	723	7
Capital assets, net	17,744		
Total Assets	19,953,770	291,992	257,824
<b>Liabilities</b>			
Warrants payable	707		
Accounts payable and accruals	407,764	5,954	5,384
Due to other funds	14		
Deferred contributions	50,000		
Amounts held in custody for others	1,138		
Obligations under securities lending	2,603,612	37,829	33,406
Total Liabilities	3,063,235	43,783	38,790
<b>Net Assets</b>			
Held in trust for pension benefits	\$ 16,890,535	\$ 248,209	\$ 219,034

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$	\$	\$
163	1,997	51,759
		271,271
73	9,299	129,034
2,588	21,533	4,274,538
7,547	325,358	12,727,666
289		474,614
	33,287	33,287
	431,693	431,693
	540	540
1,147		1,907,381
464		771,541
		34,936
	3,351	29,074
68		112,038
45	191	74,754
		1,349
		17,744
12,384	827,249	21,343,219
		707
257	183	419,542
		14
		50,000
		1,138
1,609		2,676,456
1,866	183	3,147,857
\$	\$	\$
10,518	827,066	18,195,362



## Pension Trust Funds

### Combining Statement of Changes in Fiduciary Net Assets For the Year Ended June 30, 2005 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
<b>Additions</b>			
Contributions:			
Employer	\$ 492,434	\$ 6,335	\$ 14,371
Employee	365,355	1,462	378
Total Contributions	857,789	7,797	14,749
Net Investment Income:			
Net change			
in fair value of investments	1,050,461	15,263	13,478
Interest and dividends	476,680	6,926	6,116
Securities lending:			
Income from securities lending	52,976	770	680
Interest expense and trading costs from securities lending	(46,984)	(683)	(603)
Managers' fees and trading costs	(26,054)	(379)	(334)
Net Investment Income	1,507,079	21,897	19,337
Other Additions:			
Administrative fees	530		
Other		2,388	
Total Other Additions	530	2,388	
Total Additions	2,365,398	32,082	34,086
<b>Deductions</b>			
Retirement annuities	1,116,405	18,005	34,296
Refunds to terminated employees	71,064	86	11
Administrative expenses	10,442	127	395
Depreciation	612		
Total Deductions	1,198,523	18,218	34,702
Change in Net Assets	1,166,875	13,864	(616)
Net Assets - Beginning	15,723,660	234,345	219,650
Net Assets - Ending	\$ 16,890,535	\$ 248,209	\$ 219,034

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$ 417	\$	\$ 513,557
197	81,337	448,729
614	81,337	962,286
649	35,804	1,115,655
295	3,016	493,033
33		54,459
(29)		(48,299)
(16)		(26,783)
932	38,820	1,588,065
		530
		2,388
		2,918
1,546	120,157	2,553,269
599	41,146	1,210,451
2		71,163
8		10,972
		612
609	41,146	1,293,198
937	79,011	1,260,071
9,581	748,055	16,935,291
\$ 10,518	\$ 827,066	\$ 18,195,362



## Private-purpose Trust Funds

### Combining Statement of Fiduciary Net Assets

June 30, 2005 (Expressed in Thousands)

	State Treasurer		Totals
	Affordable College Savings	Memorial Burn Center	
<b>Assets</b>			
Equity in internal investment pool	\$ 14	\$ 18	\$ 32
Cash and cash equivalents	565		565
Investments, at fair value:			
Short-term securities	1,512		1,512
Long-term debt securities	11,119		11,119
Equity securities	24,970		24,970
Real estate investments	2,443		2,443
Fixed rate and variable	6,051		6,051
Receivables:			
Interest and dividends	3		3
Other	28		28
Total Assets	46,705	18	46,723
<b>Liabilities</b>			
Warrants payable	1		1
Accounts payable and accruals	72		72
Due to other funds		18	18
Total Liabilities	73	18	91
<b>Net Assets</b>			
Held in trust for trust beneficiaries	\$ 46,632	\$ 0	\$ 46,632



## Private-purpose Trust Funds

### Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2005 (Expressed in Thousands)

	State Treasurer		Totals
	Affordable College Savings	Memorial Burn Center	
<b>Additions</b>			
Participant contributions	\$ 12,469	\$	12,469
Net change in fair value of investments	319		319
Interest and other investment income	2,952	31	2,983
Administrative fees	175		175
Donations		228	228
Total Additions	15,915	259	16,174
<b>Deductions</b>			
Benefits	2,302		2,302
Administrative expenses	415	19	434
Transfers out		2,031	2,031
Total Deductions	2,717	2,050	4,767
Change in Net Assets	13,198	(1,791)	11,407
Net Assets - Beginning	33,434	1,791	35,225
Net Assets - Ending	\$ 46,632	\$ 0	\$ 46,632



## Agency Funds

### Combining Statement of Fiduciary Net Assets

June 30, 2005 (Expressed in Thousands)

	Local			
	Government	Program	Institutional	Totals
	Distributive			
<b>Assets</b>				
Equity in internal investment pool	\$ 1,107	\$ 6,406	\$	\$ 7,513
Cash and cash equivalents	175	4,078	6,105	10,358
Receivables, net:				
Other			55	55
Loans to other funds		1,361		1,361
Commodity inventory		1,203		1,203
Total Assets	<u>\$ 1,282</u>	<u>\$ 13,048</u>	<u>\$ 6,160</u>	<u>\$ 20,490</u>
<b>Liabilities</b>				
Warrants payable	\$ 95	\$ 191	\$	\$ 286
Accounts payable and accruals		64	1,526	1,590
Due to other governments	1,187	71		1,258
Amounts held in custody for others		12,722	4,634	17,356
Total Liabilities	<u>\$ 1,282</u>	<u>\$ 13,048</u>	<u>\$ 6,160</u>	<u>\$ 20,490</u>

# MISSISSIPPI

## Agency Funds

### Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2005 (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	\$ 693	\$ 171	\$	\$	\$	\$ 864
Additions	38,359	218				38,577
Deductions	37,945	214				38,159
Balance - Ending	1,107	175				1,282
<b>Program:</b>						
Balance - Beginning	8,343	4,097	4	1,361	2,158	15,963
Additions	26,842	36,079	68		12,649	75,638
Deductions	28,779	36,098	72		13,604	78,553
Balance - Ending	6,406	4,078	0	1,361	1,203	13,048
<b>Institutional:</b>						
Balance - Beginning		5,617	59			5,676
Additions		64,233	168			64,401
Deductions		63,745	172			63,917
Balance - Ending		6,105	55			6,160
<b>Total - All Agency Funds:</b>						
Balance - Beginning	9,036	9,885	63	1,361	2,158	22,503
Additions	65,201	100,530	236		12,649	178,616
Deductions	66,724	100,057	244		13,604	180,629
Balance - Ending	\$ 7,513	\$ 10,358	\$ 55	\$ 1,361	\$ 1,203	\$ 20,490

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	\$ 85	\$	\$ 779	\$	\$ 864
Additions	35,256		82,175		117,431
Deductions	35,246		81,767		117,013
Balance - Ending	95		1,187		1,282
<b>Program:</b>					
Balance - Beginning	105	20	4	15,834	15,963
Additions	24,811	125	490	49,138	74,564
Deductions	24,725	81	423	52,250	77,479
Balance - Ending	191	64	71	12,722	13,048
<b>Institutional:</b>					
Balance - Beginning		1,487		4,189	5,676
Additions		1,267		55,746	57,013
Deductions		1,228		55,301	56,529
Balance - Ending		1,526		4,634	6,160
<b>Total - All Agency Funds:</b>					
Balance - Beginning	190	1,507	783	20,023	22,503
Additions	60,067	1,392	82,665	104,884	249,008
Deductions	59,971	1,309	82,190	107,551	251,021
Balance - Ending	\$ 286	\$ 1,590	\$ 1,258	\$ 17,356	\$ 20,490

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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, 2005 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
<b>Assets</b>			
Current assets:			
Equity in internal investment pool	\$ 1,601	\$	\$
Cash and cash equivalents	722	504	182
Investments	9,689	2,354	399
Receivables, net	162	366	49
Due from other governments			
Due from primary government			
Inventories			
Prepaid items		268	
Other assets			
Total Current Assets	12,174	3,492	630
Noncurrent assets:			
Investments			
Due from other governments			
Restricted assets:			
Investments		6,917	
Capital assets, net	23	25,383	16
Total Noncurrent Assets	23	32,300	16
Total Assets	12,197	35,792	646
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other liabilities	24	119	
Due to primary government			
Deposits	112	455	
Bonds and notes payable		283	
Unearned revenues		51	
Lease obligations payable		126	
Total Current Liabilities	136	1,034	
Noncurrent liabilities:			
Bonds and notes payable			
Lease obligations payable		292	
Other liabilities	154		
Total Noncurrent Liabilities	154	292	
Total Liabilities	290	1,326	
<b>Net Assets</b>			
Invested in capital assets, net of related debt	23	24,516	16
Restricted for other purposes		7,000	
Unrestricted	11,884	2,950	630
Total Net Assets	\$ 11,907	\$ 34,466	\$ 646

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
\$	\$	\$	\$	\$	\$
490	2,186	387	2,278	4,646	1,601
1,497		4,125			11,395
569	7	36	366	31	18,064
	80	203		69	1,586
130					352
396	18			17	130
16				1	431
4					285
					4
3,102	2,291	4,751	2,644	4,764	33,848
	1,776				1,776
		9			9
					6,917
3,427	8,617	2,639	37,606	2,774	80,485
3,427	10,393	2,648	37,606	2,774	89,187
6,529	12,684	7,399	40,250	7,538	123,035
277	894	75	875	2	2,266
				16	16
			194		761
	33		1,800		2,116
					51
					126
277	927	75	2,869	18	5,336
	493				493
	144	34	23	61	292
	637	34	23	61	416
					1,201
277	1,564	109	2,892	79	6,537
3,427	8,063	2,639	35,806	2,774	77,264
	838	3,653			11,491
2,825	2,219	998	1,552	4,685	27,743
\$	\$	\$	\$	\$	\$
6,252	11,120	7,290	37,358	7,459	116,498

# MISSISSIPPI

## Nonmajor Component Units

### Combining Statement of Activities

For the Year Ended June 30, 2005 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Mississippi Business Finance Corporation	\$ 1,294	\$ 807	\$	\$	(487)
Mississippi Coast Coliseum Commission	6,185	4,539			(1,646)
Mississippi Development Bank	230	517			287
Mississippi Prison Industries Corporation	6,084	6,568	134		618
Pat Harrison Waterway District	5,272	2,802	2,709		239
Pearl River Basin Development District	1,288	98	111		(1,079)
Pearl River Valley Water Supply District	9,393	7,959		671	(763)
Tombigbee River Valley Water Management District	1,200	1,705		2	507
Total	\$ 30,946	\$ 24,995	\$ 2,954	\$ 673	\$ (2,324)

<b>General Revenues</b>					
<b>Interest and Investment Income</b>	<b>Other</b>	<b>Change in Net Assets</b>	<b>Net Assets - Beginning</b>	<b>Net Assets - Ending</b>	
\$ 309	\$	\$ (178)	\$ 12,085	\$ 11,907	
387		(1,259)	35,725	34,466	
7		294	352	646	
11		629	5,623	6,252	
102	71	412	10,708	11,120	
94	815	(170)	7,460	7,290	
18		(745)	38,103	37,358	
105		612	6,847	7,459	
<b>\$ 1,033</b>	<b>\$ 886</b>	<b>\$ (405)</b>	<b>\$ 116,903</b>	<b>\$ 116,498</b>	

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## Statistical and Economic Data

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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	2005	2004	2003	2002
General government	\$ 1,227,277	\$ 1,219,944	\$ 1,191,877	\$ 1,133,606
Education	3,341,991	3,211,882	3,022,046	2,852,710
Health and social services	5,057,704	4,775,753	4,291,837	4,212,066
Law, justice and public safety	567,718	551,354	522,509	507,662
Recreation and resources development	410,624	482,235	484,955	381,064
Regulation of business and professions	30,574	34,163	32,096	30,175
Transportation	911,974	925,757	876,269	875,165
Debt service	393,677	371,248	344,706	435,020
Capital outlay	85,443	77,839	114,941	103,940
<b>Total Expenditures</b>	<b>\$ 12,026,982</b>	<b>\$ 11,650,175</b>	<b>\$ 10,881,236</b>	<b>\$ 10,531,408</b>

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	2005	2004	2003	2002
State taxes	\$ 5,158,204	\$ 4,810,030	\$ 4,603,549	\$ 4,441,358
Licenses, fees and permits	444,257	428,412	412,367	402,878
Federal government	5,050,410	4,943,360	4,477,533	4,204,079
Interest and other investment income	76,874	130,333	86,974	37,353
Charges for sales and services	265,089	258,217	241,153	268,098
Rentals	19,564	16,651	16,320	15,154
Court assessments and settlements	209,541	109,796	172,099	239,509
Other	349,625	299,009	312,856	317,263
<b>Total Revenues</b>	<b>\$ 11,573,564</b>	<b>\$ 10,995,808</b>	<b>\$ 10,322,851</b>	<b>\$ 9,925,692</b>

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	2005	2004	2003	2002
Sales and use	\$ 2,609,936	\$ 2,488,055	\$ 2,377,996	\$ 2,364,112
Gasoline and other motor fuel	432,023	433,091	418,049	407,935
Privilege	69,402	68,817	69,078	69,091
Motor vehicle registration	33,510	31,953	32,421	27,934
Individual income	1,224,403	1,054,479	1,021,967	980,284
Alcoholic beverage	85,449	82,895	81,138	45,843
Corporate income and franchise	363,361	320,848	287,335	254,785
Severance	67,521	54,167	48,205	32,238
Inheritance	12,342	15,473	21,854	30,369
Tobacco	56,103	54,809	56,445	55,569
Insurance	165,955	160,757	149,458	131,763
Nuclear power	20,000	20,000	20,000	20,000
Other	18,199	24,686	19,603	21,435
<b>Total Tax Revenues</b>	<b>\$ 5,158,204</b>	<b>\$ 4,810,030</b>	<b>\$ 4,603,549</b>	<b>\$ 4,441,358</b>

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.

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
\$	1,046,103	\$ 1,034,840	\$ 973,084	\$ 919,048	\$ 858,218	\$ 817,625
	2,265,034	2,224,058	2,017,162	1,907,632	1,765,476	1,793,100
	3,587,400	3,138,724	2,843,194	2,715,471	2,736,515	2,633,871
	528,874	471,444	461,383	408,957	381,929	339,796
	389,912	334,666	304,507	304,795	266,633	249,433
	28,815	27,864	25,820	24,007	22,518	22,734
	756,564	881,051	815,496	749,466	694,895	651,044
	289,843	264,282	222,653	193,392	174,787	134,406
	80,921	110,072	78,014	84,883	86,435	126,592
<b>\$</b>	<b>8,973,466</b>	<b>\$ 8,487,001</b>	<b>\$ 7,741,313</b>	<b>\$ 7,307,651</b>	<b>\$ 6,987,406</b>	<b>\$ 6,768,601</b>

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
\$	4,453,359	\$ 4,431,550	\$ 4,255,102	\$ 4,023,265	\$ 3,742,013	\$ 3,563,533
	390,216	370,980	347,498	322,081	298,158	270,438
	3,538,494	3,098,013	2,865,653	2,765,550	2,778,514	2,729,566
	115,055	175,799	143,488	124,338	122,271	122,682
	259,090	256,976	235,310	234,250	212,532	194,764
	15,047	12,896	13,211	10,396	9,142	10,591
	245,114	199,792	110,231	348	210	2,732
	242,968	241,421	233,325	393,904	219,429	182,740
<b>\$</b>	<b>9,259,343</b>	<b>\$ 8,787,427</b>	<b>\$ 8,203,818</b>	<b>\$ 7,874,132</b>	<b>\$ 7,382,269</b>	<b>\$ 7,077,046</b>

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
\$	2,322,787	\$ 2,295,463	\$ 2,212,773	\$ 2,059,249	\$ 1,920,884	\$ 1,847,589
	399,358	411,618	397,262	392,260	358,866	354,104
	69,104	87,509	76,717	66,290	65,288	67,630
	28,940	26,691	26,195	28,023	25,406	24,700
	1,021,549	1,007,752	942,027	894,790	790,805	730,035
	45,518	45,826	44,987	43,261	42,530	41,270
	276,263	293,658	298,464	280,361	292,827	262,728
	48,187	26,388	18,845	29,573	31,841	29,057
	28,666	22,183	30,308	21,471	12,638	14,208
	54,496	56,544	57,486	57,344	57,201	55,121
	121,995	116,823	110,938	112,207	107,224	101,472
	18,041	21,959	20,000	20,000	20,000	20,000
	18,455	19,136	19,100	18,436	16,503	15,619
<b>\$</b>	<b>4,453,359</b>	<b>\$ 4,431,550</b>	<b>\$ 4,255,102</b>	<b>\$ 4,023,265</b>	<b>\$ 3,742,013</b>	<b>\$ 3,563,533</b>



## Net General Obligation Bonded Debt Per capita

For the Last Ten Fiscal Years

Table IV

Fiscal Year	Population	General Obligation Bonded Debt (1)			Net	Net General Obligation Debt Per capita
		<i>(Expressed in Thousands)</i>				
		Principal Outstanding	Less: Debt Service Funds (2)			
2005	2,910,000	\$ 2,869,280	\$ 97,312	\$ 2,771,968	\$ 953	
2004	2,900,000	2,954,134	107,149	2,846,985	982	
2003	2,890,000	2,516,497	176,556	2,339,941	810	
2002	2,870,000	2,442,581	129,771	2,312,810	806	
2001	2,860,000	2,274,822	116,724	2,158,098	755	
2000	2,850,000	2,014,076	95,068	1,919,008	673	
1999	2,830,000	1,883,255	80,474	1,802,781	637	
1998	2,810,000	1,595,044	30,795	1,564,249	557	
1997	2,780,000	1,361,693	37,635	1,324,058	476	
1996	2,750,000	1,205,498	30,473	1,175,025	427	

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			
2005	\$ 393,677	\$ 11,573,564	3.4 %	\$ 12,026,982	3.3 %
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

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, 2005 (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)	\$	8,740,586
Amount of debt applicable to debt limit (2)	\$	2,869,280
Less: amounts available for debt service		97,312
Net amount of debt applicable to debt limit		2,771,968
Legal Debt Margin	\$	5,968,618

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
2004	\$ 5,827,057
2003	5,619,370
2002	5,405,988
2001	5,428,212

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

## Revenue Bond Coverage

For the Last Ten Fiscal Years (Expressed in Thousands)

Table VII

### FAIR COMMISSION

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	\$ 4,618	\$ 4,190	\$ 428	\$ 145	\$ 21	\$ 166	2.58
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

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
2004	2,900,000	\$ 24,507	492,557	6.2 %
2003	2,890,000	23,309	491,623	6.4
2002	2,870,000	22,415	492,198	6.7
2001	2,860,000	21,994	496,558	5.6
2000	2,850,000	21,003	499,362	5.6
1999	2,830,000	20,037	502,379	5.1
1998	2,810,000	19,526	504,792	5.4
1997	2,780,000	18,527	503,967	5.7
1996	2,750,000	17,677	503,602	6.1
1995	2,730,000	16,869	503,301	6.1

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 Department of Employment Security

## 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
2004	\$ 75,884,000	\$ 40,171,500	\$ 71,171,000	\$ 37,676,500	188.9
2003	72,293,000	39,289,700	67,258,000	36,553,300	184.0
2002	69,136,000	38,430,200	64,328,000	35,757,600	179.9
2001	66,233,000	37,398,600	62,892,000	35,512,100	177.1
2000	64,930,000	37,706,200	59,838,000	34,749,100	172.2
1999	63,802,000	38,296,500	56,719,000	34,045,000	166.6
1998	61,065,000	37,463,200	54,820,000	33,631,900	163.0
1997	58,129,000	36,217,400	51,514,000	32,096,000	160.5
1996	55,854,000	35,598,500	48,645,000	31,003,800	156.9
1995	53,678,000	35,221,800	45,974,000	30,166,700	152.4

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
2004	\$ 33,203,007	\$ 37,310,479	\$ 35
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

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
Nissan North America	2	5,374
Tyson Foods	6	4,699
Howard Industries	4	4,030
Sanderson Farms	6	3,958
Furniture Brands International	5	3,575
Peco Foods	8	2,852
Lennox/Outokumpu	3	2,692
Koch Foods	3	2,647
Georgia-Pacific	17	2,557
Ashley Furniture	3	2,555
Sara Lee	4	2,455
La-Z-Boy	7	2,397
Berkline/Benchcraft	5	1,938
Leggett & Platt	13	1,870
Delphi	3	1,720
Weyerhaeuser	9	1,626
Peavey Electronics	2	1,600
Cooper Tire & Rubber	2	1,586
ChevronTexaco	2	1,273
ContiGroup Companies	2	1,218
Cooper Industries	2	1,176
Franklin Corporation	1	1,150
Quebecor World	2	1,150
Caterpillar	3	1,081
Corinthian, Inc.	2	1,075

Source: Mississippi Development Authority

# MISSISSIPPI

## Population and Employment

For the Last Ten Calendar Years

Table XII

Selected Indicators	2004	2003	2002
Population	2,900,000	2,890,000	2,870,000
Employed	1,248,100	1,237,200	1,219,100
Unemployed	82,100	84,600	87,800
Total Labor Force	1,330,200	1,321,800	1,306,900
Mississippi Unemployment Rate	6.2%	6.4%	6.7%
U.S. Unemployment Rate	5.5%	6.0%	5.8%

Source: Population -- Mississippi Econometric Model

Employed, Unemployed, Mississippi Unemployment Rate -- Mississippi Department of Employment Security

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	2004	2003	2002
Agriculture	16,089	15,966	16,211
Construction	52,614	54,228	57,383
Finance, insurance and real estate	45,997	46,042	45,835
Manufacturing	180,146	179,671	188,857
Mining	4,842	4,785	4,824
Public administration	53,983	53,231	52,832
Retail trade	139,062	138,848	140,879
Services	489,639	480,338	473,257
Transportation and public utilities	63,224	62,895	63,352
Wholesale trade	34,929	34,993	34,980

Source: Mississippi Department of Employment Security - Labor Market Information

## Mississippi Average Annual Wages by Sector

For the Last Ten Calendar Years

Table XIV

Sector	2004	2003	2002
Agriculture	\$ 23,398	\$ 22,910	\$ 21,748
Construction	29,445	29,594	29,682
Finance, insurance and real estate	34,748	33,455	32,562
Manufacturing	33,204	31,950	30,346
Mining	46,320	44,827	43,682
Public administration	26,754	26,089	25,055
Retail trade	19,650	19,158	18,471
Services	25,889	24,984	24,104
Transportation and public utilities	35,972	34,590	33,897
Wholesale trade	40,135	37,870	36,614

Source: Mississippi Department of Employment Security - Labor Market Information

2001	2000	1999	1998	1997	1996	1995
2,860,000	2,850,000	2,830,000	2,810,000	2,780,000	2,750,000	2,730,000
1,229,960	1,251,100	1,203,000	1,199,200	1,189,800	1,180,200	1,180,000
73,330	75,300	64,500	68,200	72,500	77,000	77,000
1,303,290	1,326,400	1,267,500	1,267,400	1,262,300	1,257,200	1,257,000
5.6%	5.6%	5.1%	5.4%	5.7%	6.1%	6.1%
4.7%	4.0%	4.2%	4.5%	4.9%	5.4%	5.6%

2001	2000	1999	1998	1997	1996	1995
17,169	17,983	18,427	17,056	16,731	15,947	16,126
55,311	58,513	58,741	57,738	54,271	52,045	48,777
45,942	42,915	42,940	42,620	41,778	40,800	40,069
201,623	233,396	244,019	245,561	241,618	245,989	257,739
5,479	4,523	5,025	6,272	5,918	5,293	4,888
53,037	51,069	49,358	47,814	46,943	46,506	45,277
142,212	209,811	207,042	197,611	192,892	188,653	184,025
464,686	387,568	384,459	374,512	364,600	350,685	335,208
64,513	57,615	55,712	53,804	52,908	52,643	51,136
35,263	46,866	47,387	47,689	45,507	44,378	44,411

2001	2000	1999	1998	1997	1996	1995
\$ 21,193	\$ 19,239	\$ 18,859	\$ 18,064	\$ 17,318	\$ 16,501	\$ 16,153
28,312	27,705	26,937	26,508	24,369	23,294	22,188
31,215	32,252	30,460	30,005	28,030	26,707	25,916
29,376	28,496	27,630	26,712	25,584	24,323	23,301
41,754	38,404	40,171	36,794	34,674	31,661	30,025
24,393	23,829	23,043	22,463	21,703	20,731	19,923
18,003	14,736	14,500	14,003	13,333	12,635	12,181
23,476	24,508	23,489	22,870	21,980	21,222	20,569
33,488	34,910	33,210	32,721	32,041	30,406	29,520
35,567	33,399	32,532	31,466	29,636	28,387	27,367

# MISSISSIPPI

## Public School Enrollment

For the Last Ten Academic Years

Table XV

Grade	2004/2005	2003/2004	2002/2003	2001/2002
Kindergarten	42,158	40,536	38,811	38,736
Grades 1-3	114,453	114,719	116,431	119,157
Grades 4-6	116,383	117,899	118,463	119,022
Grades 7-9	120,186	118,632	116,799	114,533
Grades 10-12	89,641	88,384	88,437	88,644
Special Education	11,769	12,387	12,682	12,106
Total Enrollment	494,590	492,557	491,623	492,198

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	2004/2005	2003/2004	2002/2003	2001/2002
Coahoma Community College	2,506	2,392	2,481	2,150
Copiah-Lincoln Community College	3,681	3,796	3,370	3,160
East Central Community College	3,540	3,540	3,414	3,347
East Mississippi Community College	4,523	4,103	4,043	3,303
Hinds Community College	13,803	15,202	11,152	11,389
Holmes Community College	4,991	4,945	3,851	3,482
Itawamba Community College	6,567	6,778	5,667	4,563
Jones County Junior College	6,344	6,231	5,841	5,625
Meridian Community College	4,089	3,944	3,815	3,743
Mississippi Delta Community College	3,862	4,128	3,960	3,750
Mississippi Gulf Coast Community College	10,894	10,551	9,934	8,877
Northeast Mississippi Community College	5,854	4,996	4,667	4,463
Northwest Mississippi Community College	6,663	6,523	6,371	5,760
Pearl River Community College	4,585	3,898	3,661	3,156
Southwest Mississippi Community College	2,303	2,280	2,277	2,159
Total Community and Junior Colleges	84,205	83,307	74,504	68,927

Source: Mississippi State Board for Community and Junior Colleges

## Full-time Equivalent Student Enrollment - Universities

For the Last Ten Academic Years

Table XVII

University	2004/2005	2003/2004	2002/2003	2001/2002
Alcorn State University	3,443	3,309	3,150	3,096
Delta State University	3,990	3,902	3,963	3,875
Jackson State University	8,351	7,815	7,783	7,098
Mississippi State University	15,934	16,173	16,610	16,878
Mississippi University for Women	2,231	2,048	2,105	2,328
Mississippi Valley State University	3,621	3,506	3,501	3,081
University of Mississippi	14,497	13,804	13,288	12,771
University of Southern Mississippi	15,253	15,050	15,266	15,232
Total Universities	67,320	65,607	65,666	64,359
University of Mississippi Medical Center	2,003	1,773	1,673	1,658

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

2000/2001	1999/2000	1998/1999	1997/1998	1996/1997	1995/1996
39,055	39,455	41,057	40,667	40,511	40,559
121,810	124,176	124,759	123,254	120,952	118,376
118,450	116,155	113,584	112,996	113,212	114,646
114,885	115,585	116,913	120,205	122,732	123,903
89,796	90,947	91,783	92,183	90,311	89,375
12,562	13,044	14,283	15,487	16,249	16,743
496,558	499,362	502,379	504,792	503,967	503,602

2000/2001	1999/2000	1998/1999	1997/1998	1996/1997	1995/1996
1,418	1,317	1,336	1,458	1,457	1,576
3,272	3,086	2,967	3,047	2,984	2,941
3,312	2,605	2,518	2,463	2,358	4,404
3,121	2,848	3,033	2,725	3,426	2,896
10,976	10,943	10,361	10,635	10,745	10,290
3,328	3,089	2,466	2,854	2,968	2,492
4,075	3,946	3,965	3,820	4,302	3,957
5,572	5,016	5,465	5,133	5,128	5,073
3,183	3,077	3,132	3,271	3,213	2,963
3,419	5,242	4,208	3,597	3,576	3,343
9,140	10,054	10,124	9,965	10,203	10,550
4,353	4,792	4,366	4,416	4,044	3,879
5,127	5,074	5,083	5,247	5,276	4,653
3,245	3,291	3,264	2,967	3,049	2,840
2,083	2,066	2,022	1,997	1,900	1,792
65,624	66,446	64,310	63,595	64,629	63,649

2000/2001	1999/2000	1998/1999	1997/1998	1996/1997	1995/1996
2,936	2,871	2,860	2,847	3,073	2,989
3,916	4,086	4,048	4,085	4,015	3,288
6,832	6,354	6,292	6,333	6,218	5,479
16,561	16,076	15,718	15,645	14,859	12,185
2,815	2,953	3,314	3,309	3,277	2,055
2,687	2,509	2,445	2,253	2,199	2,145
12,234	11,746	11,443	11,301	10,993	9,449
14,509	14,350	14,533	14,593	14,117	11,689
62,490	60,945	60,653	60,366	58,751	49,279
1,694	1,781	1,862	1,877	1,806	2,450

## Miscellaneous Statistics

June 30, 2005

Table XVIII

<b>Date Entered Union</b>	December 10, 1817
<b>Form of Government</b>	Legislative - Executive - Judicial
<b>Miles of State Highway</b>	10,927
<b>Land Area</b>	47,233 Square Miles

**State Highway Patrol:**

Number of Stations	9
Number of Sworn Officers	521

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

Number of Campuses in State	54
Number of Educators	7,329
Number of Students	153,528

**Recreation:**

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

**State Employees:**

Full-Time	36,837
Part-Time	1,278

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

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

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

## **Cover:**

The photo is an evening view of a dancer in front of the fountains at Thalia Mara Hall in Jackson. Mississippi is designated as the official site for the USA International Ballet Competition ([www.usaibc.com](http://www.usaibc.com)), which is rotated every fourth year with Bulgaria, Moscow and Tokyo. Photo is courtesy of the Mississippi Development Authority.

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