



Mississippi

Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2006*

MISSISSIPPI



Fiscal Year Ended June 30, 2006

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

J. K. Stringer, Jr.
Executive Director



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HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI OFFICE OF THE GOVERNOR



January 19, 2007

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

With much optimism for Mississippi's future, I proudly submit our state's Comprehensive Annual Financial Report for the year ending June 30, 2006. This report provides you with an overview and detailed information regarding the fiscal activity of our state government.

In less than three years, despite bearing the brunt of the worst natural disaster in American history, we have recovered from a \$720 million fiscal crisis without raising taxes. We did it by controlling spending, reforming government, and creating more and higher paying jobs resulting in more taxpayers and more taxable income. Improving our state's financial position has aided our Katrina recovery efforts.

The Fiscal Year 2007 budget approved last spring is building back up Mississippi's rainy day fund. Under my budget recommendation to the Legislature for Fiscal Year 2008, the rainy day fund will grow to more than \$270 million.

The number one economic development issue and the number one quality of life issue in our state is education. Under my budget proposal for FY 2008, spending for our K-12 public schools would increase by \$480 million during my Administration, the largest four-year increase under any Governor in state history; universities would increase by \$166 million since we came into office in FY 2004, an increase of 28.3 percent; and community colleges would increase by \$48 million (27.8 percent) in addition to a doubling of their workforce training budgets.

Out of Hurricane Katrina comes an incredible opportunity. Much has been accomplished since August 29, 2005, but our work is not finished. We must continue to focus on Mississippi's top priorities, such as job creation and education. By doing so, I am confident we will rebuild our great state bigger and better than ever.

Sincerely,

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

Haley Barbour



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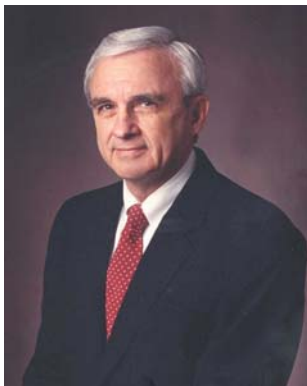


Introduction



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

J.K. STRINGER, JR.
EXECUTIVE DIRECTOR



January 19, 2007

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, 2006 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

Hurricane Katrina, the worst natural disaster to hit America, brought out the best in people. The stories of ordinary people performing extraordinary acts of courage and selflessness are extremely common. It also generated the greatest outpouring of philanthropy and assistance in our country's history. Moreover, that generosity has made a huge difference in our relief and recovery. Corporate America and small businesses, philanthropists and every day citizens throughout the nation have been incredibly generous with their time and with their money.

The State has been able to set aside \$268,000,000 into a Hurricane Disaster Reserve Fund to pay for the State's share of removing debris, rebuilding public infrastructure, schools and individual assistance. To date, Mississippi has paid more than \$100,000,000 in state match funds to the federal government for Katrina expenses. In addition, the State has provided approximately \$17,500,000 of direct grants to cash-strapped Gulf Coast local governments so they could maintain essential services such as fire and police protection.

The legislature approved formation of a regional board with county authorities for improved management of the public utility needs in south Mississippi, enacted a requirement that coastal counties meet minimum requirements of the International Building Code, and approved casinos to be built on land within 800 feet of the Gulf of Mexico, rather than on the water. Sales tax on modular homes was reduced from 7% to 3% in a special session.

Congress passed and the President signed unprecedented laws to help Mississippi and the Gulf Region not only to recover and rebuild, but also to renew itself. The Gulf Opportunity Zone Act of 2005 provides numerous federal tax incentives for businesses and individuals in the disaster areas. The Katrina emergency appropriation bill allowed the State to use federal grant money to help homeowners whose homes were outside the flood plain but were destroyed by Katrina's storm surge. In addition, funds were allocated for highway and bridge reconstruction, to support law enforcement, for environmental restoration, to rebuild our military facilities and naval shipbuilding, for social services, and for economic and community development programs. Congress amended the original education support provisions so Mississippi would get appropriate assistance for our schools, which have been back open for months. Mississippi is being a good steward of these taxpayer dollars. We have put into place systems of controls and accountability and these funds will be spent in a reasonable and responsible manner.

Mississippi's economy is back on track, after the devastating impact of this hurricane. The State's coastal counties, which account for about 15% of the State's employment and population, are slowly recovering. Statewide, output and employment have surpassed pre-Katrina levels, and a reconstruction boom is anticipated for the coming three to five years.

Massive inflows of federal and private assistance have greatly impacted the economy. Inflows include those from private insurance companies, estimated at \$12.2 billion by Property Claims Service; private contributions for relief efforts, which have topped \$1 billion; and federal funds, which are approaching \$22 billion.

Employment through August 2006 was up 0.2% compared to the same period in 2005, despite the fact that the number of persons employed in coastal counties remained 10.5% below 2005 levels as of August. The state unemployment rate, which had risen to 9.5% in September 2005 after Katrina hit, was down to 7.2% by the end of summer 2006, as recovery activity strengthened. State revenue collections have increased dramatically since the hurricane. Total general fund collections for FY2006 were up 12% over FY2005, boosted by expenditures on post-Katrina recovery. Collections in the first quarter of FY2007 were up by a stunning 20%.

Retail sales in the twelve months after Hurricane Katrina were 19% above pre-storm levels. Consumer confidence in the state rose sharply at the beginning of 2006, but dropped somewhat in the second quarter of 2006; business confidence levels remained positive and stable.

The employment picture has been steadily improving. About 2,400 more persons were employed in the first eight months of 2006 than during the same period in 2005. Employment increases were concentrated in construction, up 11%, and in administration & support, up 8%. The latter category includes temporary workers, who have been employed in large numbers in debris removal and other tasks on the coast. Other major industries that added sizeable numbers of employees include retail trade; health care & social assistance; and transportation and warehousing. Several industries in durable manufacturing also employed more workers, including wood products, but overall employment in durable manufacturing, and in nondurable manufacturing as well, dropped.

All thirteen hotel-casinos on the Mississippi coast were damaged or destroyed. Ten of these have reopened. Employment in amusements and gaming was at 88% of year-ago levels by July 2006. By the end of 2006, it was estimated that 14,000 casino employees were back at work. Mississippi casino gross gaming revenue in September and October 2006 exceeded any prior year September and October gaming revenues. In addition, a new D'Iberville casino development is planned with an estimated \$250,000,000 investment and a 52,500 square foot casino.

The post-Katrina construction boom will spark an acceleration of economic growth in the state over the next three to five years. When final economic indicators are available for 2006, gross state product is expected to grow 2.6% in real terms, with a higher growth rate forecast for 2007 as reconstruction efforts pick up. Employment growth, which is expected to be about 0.4% in 2006, will more than double, climbing above 1% in 2007 as the number of persons employed on the coast reaches and exceeds pre-Katrina levels. The double-digit growth in construction employment in 2006 will gradually slow over the next two years, although the level of construction activity will remain high. The accompanying increase in wages, salaries and labor income will boost personal incomes, as will the recovery in property income. Overall, a growth rate on the order of 5% or more in personal income is predicted for the next two years. Gradually, as the pace of rebuilding slows, there will be a return to the State's long-run growth path.

Economic indicators for 2000-2005 show that the State's economy has followed regional trends, with a slight downward bump in 2005 due to the effects of Hurricane Katrina. Over the 2006-2011 period, an average annual growth rate of employment of just over 1% is projected, led by increases in construction and service industries. The average annual increase in gross state product will approach 3%.

The State continues to streamline government, identify efficiencies and institute program reforms in efforts 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. As the State's budgetary goals are met, future growth in revenue can be dedicated to the highest priority goals, such as education and job creation. The number one economic development issue and the number one quality of life issue in our state is education.

By not raising taxes and overhauling our workforce development initiatives, Mississippi's forecast is a climate for more and better jobs. Additionally, the State possesses an optimistic future due to major economic development

announcements such as Rolls Royce Outdoor Engine Testing Facility (Hancock County), Tower Automotive (Lauderdale County), Baldor Electric Company (Lowndes County) and Howard Computers (Jones County).

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 2007, \$21,080,000 was transferred from the General Fund to the Account for fiscal year 2006 to reach the required \$40,000,000 balance. In addition, the entire 50 percent of unencumbered ending cash totaling \$32,572,000 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 is required to balance the General Fund budget. One action that may be taken is to reduce allotted expenditure authority to general fund agencies by the amount necessary so that expenditures do not exceed the actual General Fund receipts for the fiscal year. In addition, the Account balance, in excess of \$40,000,000, may be permanently transferred to the General Fund to cover such deficits up to a maximum of \$50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5 percent maximum is again attained.

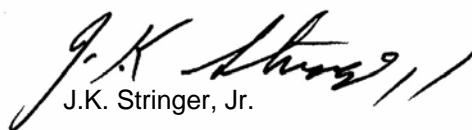
Awards and Acknowledgements

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, 2005. This was the nineteenth 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
Leonard Bentz

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

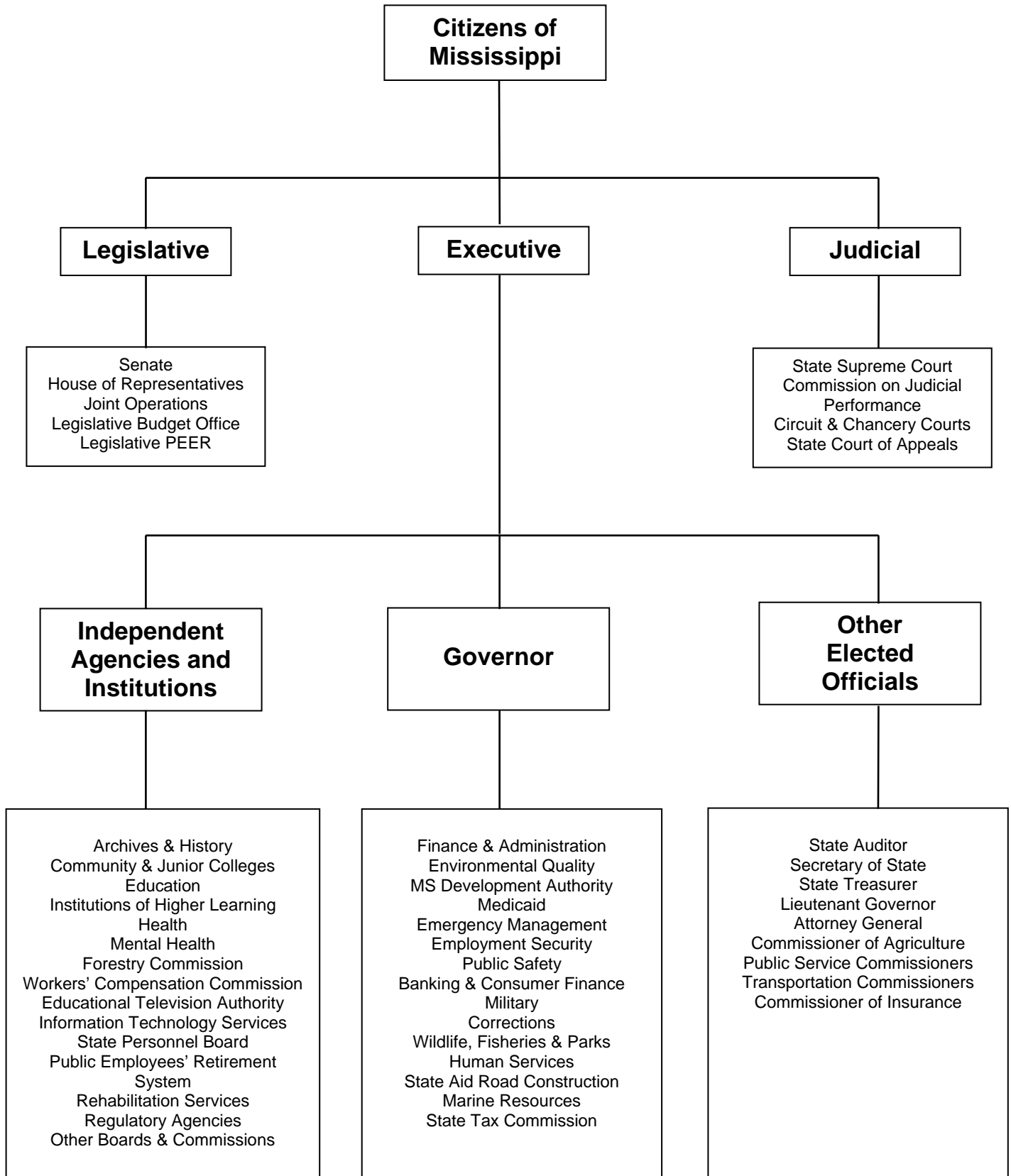
Chief Justice
James W. Smith, Jr.

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, 2005

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



A handwritten signature in black ink, appearing to read "Thomas J. Blain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



Financial Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi, as of and for the year ended June 30, 2006, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- Government-wide Financial Statements
 - Governmental Activities
 - the Health Care Trust Fund, the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Department of Corrections, the Department of Employment Security, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 8% and 8%, 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, AbilityWorks, Inc. within the Department of Rehabilitation Services, and the Unemployment Compensation Fund which, in the aggregate, represent 96% and 88%, respectively, of the assets and revenues of the Business-type Activities;
 - Component Units
 - certain blended component units and other funds within the Universities which represent 25% and 25%, respectively, of the assets and revenues of the Component Units and the nonmajor component units which represent 3% and 2%, 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 12% and less than 1%, respectively, of the assets and revenues of the General Fund;
- the Health Care Trust Fund which represents 96% and 100%, respectively, of the assets and revenues of the Health Care major governmental fund;

• Proprietary Funds

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, and the Unemployment Compensation Fund, all of which are considered major enterprise funds;

• Aggregate Remaining Funds

- selected nonmajor governmental funds at the Department of Corrections, the Department of Employment Security, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks;
- nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc.;
- the Pensions Trust Funds;
- the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

all of which represent 98% and 80%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Mississippi Foundation, the Mississippi State University Foundation, Inc., the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Tort Liability Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, the Medical Center Educational Building Corporation, and the University Hospitals and Clinics Fund of the University of Mississippi Medical Center, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as

evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Mississippi, as of June 30, 2006, 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 January 19, 2007, 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, 2007. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


The accompanying Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, 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 introductory section, the supplementary information - combining and individual fund financial statements and supporting schedules and the statistical section as 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 supplementary information - combining and individual fund financial statements and supporting 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
January 19, 2007

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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, 2006. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

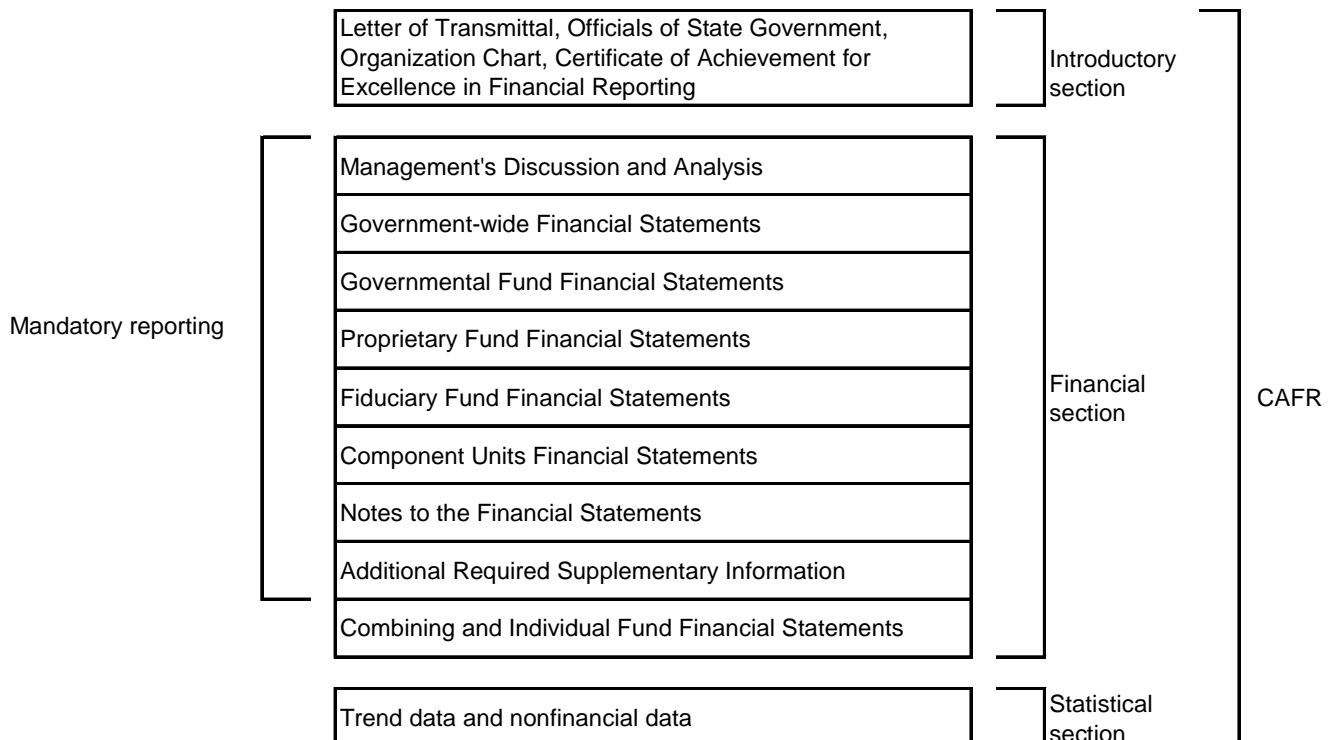
Government-wide - The assets of the State exceeded its liabilities at the close of the fiscal year by \$10,581,965,000 (reported as "net assets"). Of this amount, \$369,275,000 was reported as "unrestricted net assets", which may be used to meet the government's ongoing obligations to citizens and creditors. Hurricane Katrina devastated the Mississippi coast and the economic impact was felt in almost every county of the State. Despite this, the increase in sales and use taxes collected from recovery purchases coupled with additional federal disaster grants caused an increase of \$948,144,000 in net assets of governmental activities. Net assets of business-type activities decreased by \$7,807,000 due to the rise in unemployment compensation claims expenses generated mainly from Katrina displaced workers.

Fund Level - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2,991,536,000, which is an increase of \$554,139,000 from the previous year. This includes a \$531,182,000 increase in the General Fund's fund balance that was derived from increased tax collections and federal assistance.

Long-term Debt - During fiscal year 2006, the State issued bonds and notes, net of premiums, discounts, and deferred amount on refunding of \$560,080,000, bringing its outstanding net long-term bonds and notes to \$3,465,147,000 and its total debt to \$3,583,622,000, an increase of \$245,619,000. These bonds and notes were issued primarily for economic development, capital improvements, and to accelerate the construction of highway and bridge projects.

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. The layout and relationship of financial statements and supplementary information is visually illustrated below.





Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the State's finances. These statements consist of the statement of net assets and the statement of activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents information on all of the State's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets". Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements for the primary government report two types of activities:

Governmental Activities - The State's basic services are reported here, including general government; education; health and social services; law, justice and public safety; recreation and resource development; regulation of business and professions; and transportation. Taxes and federal grants finance most of these activities.

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

Fund Financial Statements

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

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.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on the government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit financial statements.

Other Information

This report also contains the following required supplementary information (RSI): the Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds and the Schedule of Funding Progress for 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

The State's overall financial position improved over the past fiscal year. During fiscal year 2006, the State's total net assets increased by \$940,337,000 or 9.8 percent from the previous year. In comparison, net assets in the prior year increased by \$325,040,000 or 3.5 percent. The State is able to report positive balances in all three categories of net assets for both governmental and business-type activities.

The largest portion of net assets, 85 percent, consists of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets invested in capital assets, net of related debt, increased \$546,163,000 from the previous year. Governmental activities' increase of \$576,825,000 related primarily to construction in progress and infrastructure additions. Most of the business-type activities' decrease of \$30,662,000 was the result of damage experienced during Hurricane Katrina at the Port Authority at Gulfport. Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 11.5 percent of total net assets. The remaining balance, unrestricted net assets of \$369,275,000, 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	
	2006	2005 *	2006	2005	2006	2005 *
Current and other assets	\$ 4,973,510	\$ 3,911,181	\$ 1,233,503	\$ 1,189,033	\$ 6,207,013	\$ 5,100,214
Capital assets	9,831,199	9,270,567	151,789	185,668	9,982,988	9,456,235
Total Assets	14,804,709	13,181,748	1,385,292	1,374,701	16,190,001	14,556,449
Noncurrent liabilities	3,223,584	3,034,242	256,327	238,734	3,479,911	3,272,976
Other liabilities	2,111,057	1,625,582	17,068	16,263	2,128,125	1,641,845
Total Liabilities	5,334,641	4,659,824	273,395	254,997	5,608,036	4,914,821
Net assets:						
Invested in capital assets, net of related debt	8,883,410	8,306,585	112,393	143,055	8,995,803	8,449,640
Restricted	427,128	336,262	789,759	807,059	1,216,887	1,143,321
Unrestricted	159,530	(120,923)	209,745	169,590	369,275	48,667
Total Net Assets	\$ 9,470,068	\$ 8,521,924	\$ 1,111,897	\$ 1,119,704	\$ 10,581,965	\$ 9,641,628

* As restated in Note 2 to the financial statements

Changes in Net Assets

Operating grants and contributions provided \$6,151,414,000 or 42.1 percent of the State's total revenues, while taxes and charges for services provided 39 percent and 12.3 percent, respectively. Health and social services made up \$5,180,153,000 or 37.9 percent of the State's expenses, with 26.8 percent spent for education (other than universities), and 13.4 percent for general government. In the prior year, taxes were approximately 42 percent of the State's total revenue, while 37.6 percent resulted from operating grants and contributions and 15.9 percent from charges for services. In addition, health and social services were 42.2 percent of the State's expenses, with 27.8 percent spent for education (other than universities), and 14 percent for general government in the prior year. The percentage variations from fiscal year 2005 to fiscal year 2006 were directly related to increased federal assistance for cleanup, repair and rebuilding in storm ravaged areas, as well as, direct aid to hurricane victims.



Changes in Net Assets
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005 *	2006	2005	2006	2005 *
Revenues:						
Program revenues:						
Charges for services	\$ 1,621,817	\$ 1,731,263	\$ 174,314	\$ 237,870	\$ 1,796,131	\$ 1,969,133
Operating grants and contributions	6,058,258	4,636,824	93,156	5,905	6,151,414	4,642,729
Capital grants and contributions	792,929	415,530	539	159	793,468	415,689
General revenues:						
Taxes	5,702,530	5,196,912			5,702,530	5,196,912
Gain on sale of assets	585	2,964	7		592	2,964
Interest and investment income	122,553	79,306	55,974	55,459	178,527	134,765
Total Revenues	<u>14,298,672</u>	<u>12,062,799</u>	<u>323,990</u>	<u>299,393</u>	<u>14,622,662</u>	<u>12,362,192</u>
Expenses:						
General government	1,826,995	1,683,021			1,826,995	1,683,021
Education	3,668,314	3,344,598			3,668,314	3,344,598
Health and social services	5,180,153	5,074,151			5,180,153	5,074,151
Law, justice and public safety	1,384,238	566,146			1,384,238	566,146
Recreation and resource development	364,796	423,983			364,796	423,983
Regulation of business and professions	30,944	30,355			30,944	30,355
Transportation	728,716	531,775			728,716	531,775
Interest on long-term debt	150,556	150,555			150,556	150,555
Unemployment compensation			242,134	138,825	242,134	138,825
Port Authority at Gulfport			17,221	14,957	17,221	14,957
Prepaid affordable college tuition			29,983	33,226	29,983	33,226
Other business-type			49,737	45,560	49,737	45,560
Total Expenses	<u>13,334,712</u>	<u>11,804,584</u>	<u>339,075</u>	<u>232,568</u>	<u>13,673,787</u>	<u>12,037,152</u>
Excess (deficiency) before Extraordinary Item and Transfers	963,960	258,215	(15,085)	66,825	948,875	325,040
Extraordinary Item - Impairment gain (loss) from hurricane damage, net of insurance recovery	(9,871)		1,333		(8,538)	
Transfers	(5,945)	(6,557)	5,945	6,557		
Change in Net Assets	<u>948,144</u>	<u>251,658</u>	<u>(7,807)</u>	<u>73,382</u>	<u>940,337</u>	<u>325,040</u>
Net Assets - Beginning	8,521,924	8,270,266	1,119,704	1,046,322	9,641,628	9,316,588
Net Assets - Ending	<u>\$ 9,470,068</u>	<u>\$ 8,521,924</u>	<u>\$ 1,111,897</u>	<u>\$ 1,119,704</u>	<u>\$ 10,581,965</u>	<u>\$ 9,641,628</u>

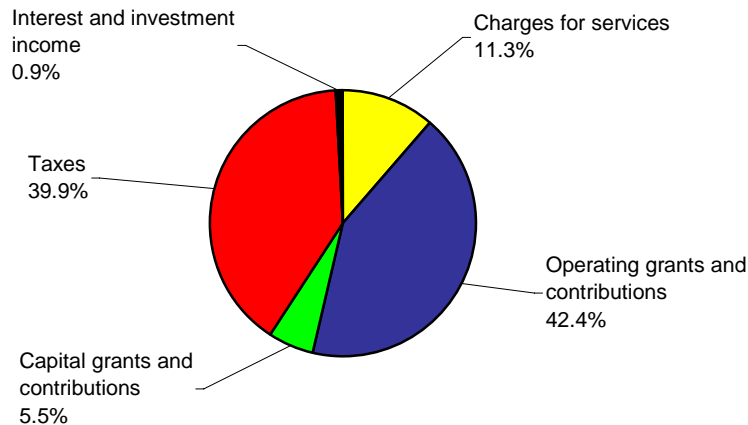
* As restated in Note 2 to the financial statements



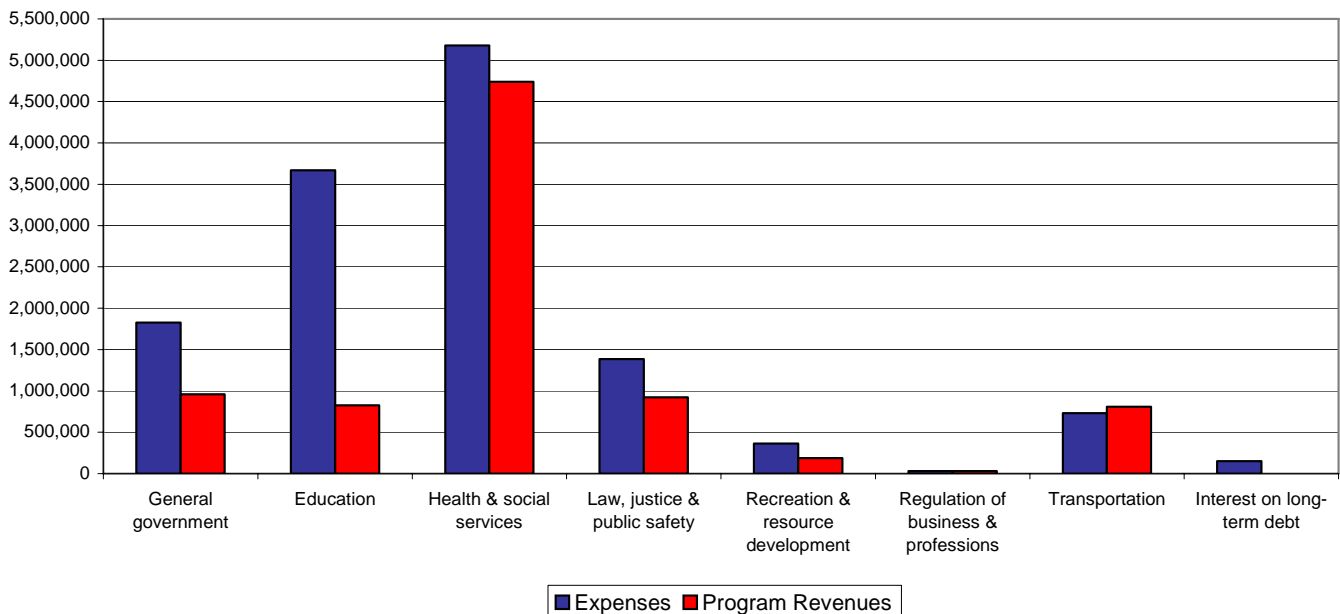
Governmental Activities

Governmental activities increased the State's net assets by \$948,144,000. Total tax revenues increased by \$505,618,000 which includes a \$448,865,000 growth in sales and use taxes. A contributing factor to this increase was the volume of household and personal items purchased as citizens rebuilt and replaced damaged property after the hurricane. Federal assistance was provided for, but not limited to the following services: federal highway cleanup, school repairs, community infrastructure rebuilding and repairing projects, employee training, homeowner assistance, enhanced medicaid benefits and emergency management projects. While total expenses rose \$1,530,128,000 or 13 percent, the largest increase in expenses occurred in the law, justice and public safety function, which increased by \$818,092,000 or 144.5 percent. The most notable increase related to expenses of the Emergency Management Fund in providing subgrants to state and local agencies in response to the disaster. Expenses related to the federal Hurricane Relief - Restart Program and 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 \$323,716,000 or 9.7 percent. Expenses decreased by \$59,187,000 or 14 percent in recreation and resource development as the result of a one time subsidy for local economic development in the prior year.

Governmental Activities - Revenues by Source



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

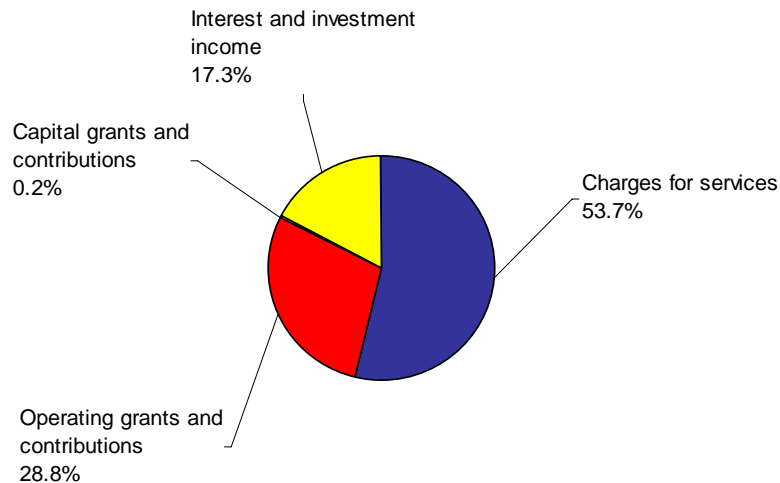




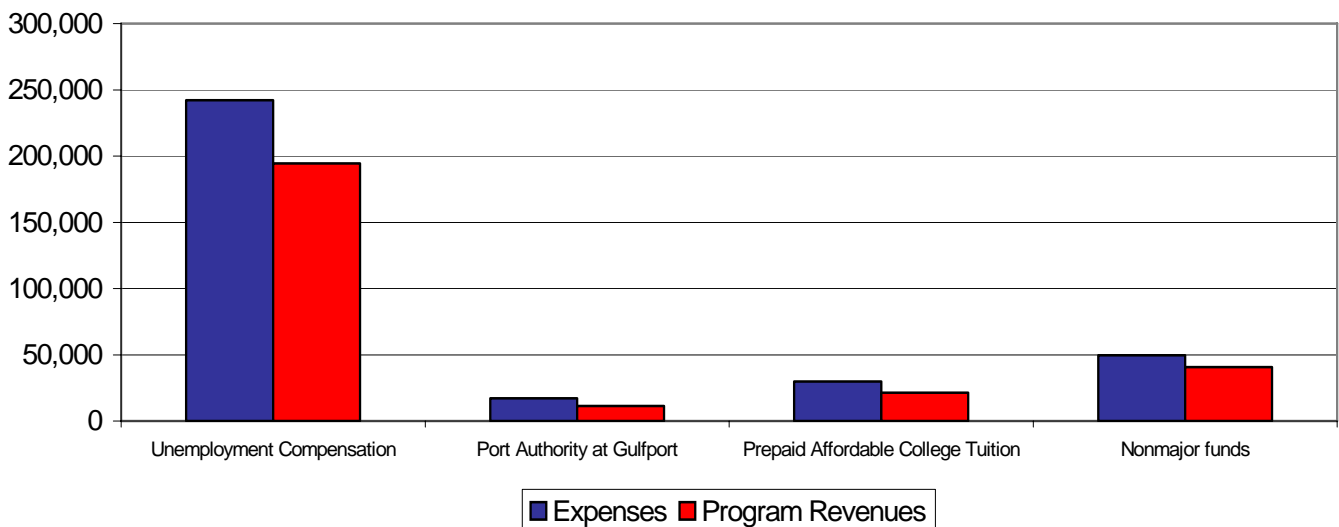
Business-type Activities

Business-type activities decreased the State's net assets by \$7,807,000, as compared to an increase of \$73,382,000 in the previous year. The impact of Hurricane Katrina is reflected in both Unemployment Compensation and Port Authority at Gulfport net assets which decreased \$16,723,000 and \$656,000, respectively. Charges for services decreased by \$63,556,000 or 26.7 percent. Unemployment compensation assessments decreased by 34.1 percent which directly related to a decline in post-Katrina employment. Port Authority at Gulfport revenue decreased by 68 percent as operations stopped and slowly resumed due to the extensive damage sustained from the hurricane. While charges for services decreased, operating grants and contributions increased by \$87,251,000 primarily from federal assistance provided for disaster unemployment payments and port cleanup and recovery efforts. Total business-type activities expenses grew 45.8 percent or \$106,507,000. \$103,309,000 of this increase was unemployment compensation claims paid to post-Katrina unemployed workers.

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 \$2,991,536,000 as of June 30, 2006, an increase of \$554,139,000 as compared to the prior year. Of this total amount, \$1,982,948,000 or 66.3 percent constituted unreserved fund balance. A significant portion of the unreserved balance, \$1,424,946,000, 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 \$1,956,236,000, which reflects an increase of \$531,182,000. Revenues increased 12.1 percent or \$1,332,795,000 and expenditures increased by 7 percent or \$820,845,000. The increase in revenues was principally from additional federal revenue of \$966,685,000 and sales and use taxes of \$464,895,000 over the previous year. Both of these increases are directly related to post-Katrina recovery. Court assessments and settlements decreased due to a one time settlement of \$100,000,000 the State received in fiscal year 2005 from MCI, formerly WorldCom. The Division of Medicaid, which is reported within the General Fund, experienced a \$232,276,000 decrease in expenditures due to the reduction of pharmacy benefits paid as certain Medicaid recipients moved to the Medicare plan and the number of Medicaid prescriptions allowed per month was reduced. The transportation function reported the largest increase in expenditures, \$372,931,000, as the direct result of clearing debris and repairing infrastructure related to Katrina recovery. Other financing sources and uses reported an increase of \$63,929,000 or 63.2 percent which can mostly be attributed to the issuance of bonds and notes.

The Health Care Fund reported a decrease in fund balance of \$46,062,000 from the previous fiscal year. Expenditures increased by \$44,265,000 or 32.4 percent due in part to rising health care costs, causing investments to decrease by \$33,015,000. Although investments decreased, interest and other investment income increased by \$11,114,000 as the rate of return and the market value on investments rose.

The Capital Projects Fund reported a decrease in expenditures of \$34,764,000 as projects slowed in the wake of Katrina. Bonds issued to fund new projects increased by \$60,420,000 or 125 percent. As a result of an increase in investment bond proceeds and a positive rate of return on investments, interest and investment income increased by \$1,478,000. An increase of \$89,245,000 in transfers in from other funds for construction and improvement to capital facilities contributed to the overall increase in fund balance of \$61,967,000.

Proprietary Funds

The Unemployment Compensation Fund posted a decrease in net assets of \$16,723,000 for fiscal year 2006. Unemployment insurance premiums were down \$54,042,000 in the current fiscal year due to business slowdown and/or stoppage after the hurricane. This decline was offset by federal disaster unemployment assistance grants of \$85,000,000. Claims and benefits expense increased by \$103,309,000 or 74 percent due to increased unemployment claims filed in the aftermath of the storm.

The Port Authority at Gulfport Fund reported ending net assets of \$135,786,000, reflecting less than one percent decrease from the previous year. Operating revenues decreased \$14,276,000 or 68 percent in fiscal year 2006. Revenues were impacted by the significant amount of damage from Katrina, which destroyed over one million square feet of transit shed space and 5,300 linear feet of dock space. Operating expenses rose 23 percent. Over half of the \$16,346,000 in total operating expenses was from hurricane damage cleanup and repair. Despite a \$38,956,000 loss of capital assets, the Fund reported an extraordinary gain of \$1,547,000 after receiving \$40,503,000 in insurance proceeds.

The Prepaid Affordable College Tuition Fund reported an increase in net assets of \$3,345,000. Most of this increase was the result of a \$2,745,000 increase in interest and investment income. Investments grew by \$22,593,000, supplemented by the rate of return rising from 6.7 percent in the prior year to 7.7 percent in the current year.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2006 General Fund revenues was 2.9 percent. This estimate was revised twice, to a sine die estimate of 4.5 percent and in October 2005 to a growth rate of 3.6 percent. Actual fiscal year 2006 General Fund revenue collections were 10 percent above the prior year, with component revenue growth of 17.2 percent growth in sales tax, 6.9 percent in individual income tax, and 14.1 percent in corporate income and franchise tax.

Actual fiscal year 2006 revenues were \$329,560,000 more than estimated amounts. The net change from the original expenditure budget amounts as compared to the final budget was an increase of \$101,450,000, while actual expenditures totaled \$7,302,000 less than the final budget.



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, 2006, amounted to \$13,483,006,000, less accumulated depreciation of \$3,500,018,000, resulting in a net book value of \$9,982,988,000. This reflected a net increase for the current fiscal year of 6 percent for governmental activities and an 18.3 percent decrease for business-type activities, compared to the prior fiscal year increase of 4.6 percent and 3.1 percent, respectively. Depreciation expense for fiscal year 2006 totaled \$339,214,000 for governmental and business-type activities.

Major capital asset events during fiscal year 2006 included the following:

Construction in progress additions for governmental activities included \$797,805,000 related to roads, highways and bridges; \$4,573,000 related to Military Department buildings; and \$40,676,000 related to Department of Finance and Administration building projects, such as the Walter Sillers Building (Phase II), the New Court Facility (Phase II), the Mississippi Crafts Center, and the Emergency Management Administration and Operations Facility.

Additions were made to governmental activities infrastructure in the amount of \$537,223,000 for completed roads, highways and bridges. Pavement rehabilitation projects were completed in Madison, Scott, Rankin, Newton, Lauderdale, Lincoln, Desoto, and Montgomery counties. Bridge construction projects took place in Jackson, Noxubee and Leake counties. In addition, Four Lane Highway Program projects were finished in Wayne, Lincoln, Leake, Clarke, Monroe, Lawrence, Yazoo and Oktibbeha counties. Other projects were completed in Desoto County related to the gaming industry and Madison County related to the Nissan plant.

Completed projects added to buildings for governmental activities include the following: \$12,023,000 for the Mississippi State Hospital Crisis Receiving Unit (Phase I), \$10,503,000 for the Mississippi School of Fine Arts Complex, \$9,602,000 for the School for the Blind and Deaf renovations and additions (Phase III), \$4,441,000 for the Security Fence at Parchman Correctional Facility, \$2,370,000 for the Mississippi State Hospital Intervention Center, and \$2,259,000 for the Mississippi Archives and History Building (Phase II).

Business-type activities experienced a net increase in construction in progress of 15.4 percent. This is attributed to the Port Authority at Gulfport's construction costs for rehabilitating berth facilities, bulk handling upgrades, and capital restoration of hurricane damaged assets. Capital assets, net of accumulated depreciation, decreased by \$33,879,000. The Port Authority at Gulfport contributed \$32,372,000 to this decline as all of the warehouse space, rail lines, and water and sewer systems were severely damaged or totally destroyed by Hurricane Katrina and over 75 percent of the dock space was unusable.

The State reported an impairment loss from hurricane damage, net of insurance recovery, totaling \$8,538,000. The destruction of certain major roads and bridges, (e.g., the Biloxi Bay Bridge, St. Louis Bay Bridge and Highway 90) are not included in this impairment loss because infrastructure acquired prior to July 1, 1980 was not required to be capitalized in GASB Statement 34.

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	
	2006	2005 *	2006	2005	2006	2005 *
Land	\$ 182,389	\$ 185,023	\$ 12,679	\$ 12,717	\$ 195,068	\$ 197,740
Buildings	1,084,658	1,032,640	46,842	76,131	1,131,500	1,108,771
Land improvements	53,036	44,063	15,405	21,131	68,441	65,194
Machinery and equipment	156,932	155,328	4,813	6,315	161,745	161,643
Infrastructure	4,759,079	4,487,588	41,745	43,101	4,800,824	4,530,689
Construction in progress	3,595,105	3,365,925	30,305	26,273	3,625,410	3,392,198
Total	\$ 9,831,199	\$ 9,270,567	\$ 151,789	\$ 185,668	\$ 9,982,988	\$ 9,456,235

* As restated in Note 8 to the financial statements



Debt Administration

Outstanding general obligation debt for the State as of June 30, 2006 was \$3,049,736,000, net of premiums, discounts, and deferred amount on refunding. General Obligation Refunding (\$1,323,979,000), Capital Improvements (\$523,255,000), and Major Economic Impact (\$472,085,000) bonds and notes comprise 76.1 percent of this outstanding debt. During fiscal year 2006, the State issued \$365,513,000 in general obligation bonds and notes which are reported in governmental activities. These current issues provided funding for capital improvement projects and grants to local governments and universities. Within business-type activities, general obligation bonds decreased by \$2,689,000 as the Port Authority at Gulfport continued to extinguish its long-term debt. Notes payable of \$194,567,000 were issued to expedite the construction of roads and bridges and to purchase previously leased correctional facilities in Wilkinson and Lauderdale counties.

Mississippi has a rating of "AA" from Standard & Poor's, a division of The McGraw Hill Companies, "AA" from Fitch IBCA Inc., and "Aa3" from Moody's Investors Service. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and its potential for future economic diversification. 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, 2006, the State had established a constitutional legal debt limit of \$10,056,571,000, 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 Debt Bonds and Notes (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds and notes	\$ 3,011,720	\$ 2,879,945	\$ 38,016	\$ 40,705	\$ 3,049,736	\$ 2,920,650
Limited obligation bonds	70,320	91,845			70,320	91,845
Notes payable	345,091	162,340			345,091	162,340
Total	<u>\$ 3,427,131</u>	<u>\$ 3,134,130</u>	<u>\$ 38,016</u>	<u>\$ 40,705</u>	<u>\$ 3,465,147</u>	<u>\$ 3,174,835</u>

Economic Factors and Next Year's Budget

The State's average unemployment rate of 7.9 percent for the twelve months ending October 2006 matched identically with the 7.9 percent calendar year 2005 average. The national rates for the same time periods were 4.7 percent and 5.1 percent, respectively. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2007, the State economy is expected to continue strong growth. The initial estimated overall fiscal year 2007 General Fund revenue growth rate was 6.9 percent, with component revenue growth projections of 6.1 percent in sales tax, 7 percent in individual income tax and 5.8 percent in corporate income and franchise tax. The estimate has been revised twice, to a sine die estimate of 3.4 percent and in October 2006 to 7.8 percent. The October component revenue growth projections are 8 percent, 7.5 percent, and 6.2 percent in sales tax, individual income tax, and corporate income and franchise tax respectively. At the end of November 2006, fiscal year 2007 General Fund collections exceeded the estimate at 14.7 percent, with actual component revenue growth of 10 percent, 19.3 percent, and 30.1 percent in sales tax, individual income tax, and corporate income and franchise tax, respectively.

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.



Basic Financial Statements



Statement of Net Assets

June 30, 2006 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	\$ 1,846,061	\$ 22,156	\$ 1,868,217	\$ 16,792
Cash and cash equivalents	312,965	767,185	1,080,150	220,705
Investments	114,168	79,456	193,624	179,392
Receivables, net	628,225	56,746	684,971	274,505
Restricted assets:				
Equity in internal investment pool		215	215	
Cash and cash equivalents		41	41	2,631
Investments		759	759	
Due from other governments, net	856,357	2,976	859,333	823
Internal balances	10,145	(10,145)		
Due from component units	2,327	197	2,524	
Due from primary government				16,953
Inventories	45,623	745	46,368	21,643
Prepaid items	105	260	365	11,294
Loans and notes receivable, net	18,912	4,520	23,432	11,146
Other assets				11,879
Total Current Assets	3,834,888	925,111	4,759,999	767,763
Noncurrent assets:				
Investments	500,380	168,231	668,611	495,675
Receivables, net	43,544		43,544	
Due from other governments, net	445,735		445,735	
Loans and notes receivable, net	138,725	137,283	276,008	108,238
Internal loans	798	(798)		
Deferred charges	9,440		9,440	
Restricted assets:				
Equity in internal investment pool		708	708	
Cash and cash equivalents		90	90	98,931
Investments		2,878	2,878	484,011
Capital assets:				
Land and construction in progress	3,777,494	42,984	3,820,478	364,961
Other capital assets, net	6,053,705	108,805	6,162,510	1,681,245
Other assets				3,542
Total Noncurrent Assets	10,969,821	460,181	11,430,002	3,236,603
Total Assets	\$ 14,804,709	\$ 1,385,292	\$ 16,190,001	\$ 4,004,366

(Continued on Next Page)



Statement of Net Assets

June 30, 2006 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Warrants payable	\$ 121,049	\$ 1,426	\$ 122,475	\$ 108,582
Accounts payable and other liabilities	618,977	3,821	622,798	
Contracts payable	152,479		152,479	
Retainage payable		310	310	
Income tax refunds payable	192,000		192,000	
Liabilities payable from restricted assets:				
Retainage payable		759	759	
Due to other governments	374,202	1,931	376,133	
Due to component units	16,933	20	16,953	
Due to primary government				2,524
Claims and benefits payable	128,880	3,503	132,383	
Deposits		1,853	1,853	786
Unearned revenues	107,104	408	107,512	42,365
Bonds and notes payable, net	393,432	2,932	396,364	30,547
Certificates of participation	130		130	
Lease obligations payable	5,871	105	5,976	6,512
Other liabilities				41,671
Total Current Liabilities	2,111,057	17,068	2,128,125	232,987
Noncurrent liabilities:				
Due to other governments		8,991	8,991	
Claims and benefits payable		211,256	211,256	
Bonds and notes payable, net	3,118,699	35,084	3,153,783	499,288
Certificates of participation	2,330		2,330	
Lease obligations payable	13,163	215	13,378	14,793
Liabilities payable from restricted assets:				
Deposits		131	131	
Other liabilities	89,392	650	90,042	165,987
Total Noncurrent Liabilities	3,223,584	256,327	3,479,911	680,068
Total Liabilities	5,334,641	273,395	5,608,036	913,055
Net Assets				
Invested in capital assets, net of related debt	8,883,410	112,393	8,995,803	1,562,624
Restricted for:				
Capital projects	250,799		250,799	
Debt service	105,347		105,347	
Other purposes	23,136	3,801	26,937	14,489
Permanent trusts:				
Expendable	1,682		1,682	470,911
Nonexpendable	46,164		46,164	546,127
Unemployment compensation benefits		785,958	785,958	
Unrestricted	159,530	209,745	369,275	497,160
Total Net Assets	\$ 9,470,068	\$ 1,111,897	\$ 10,581,965	\$ 3,091,311

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



Statement of Activities

For the Year Ended June 30, 2006 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 1,826,995	\$ 944,744	\$ 12,745	\$ 2,801	
Education	3,668,314	29,784	793,567	838	
Health and social services	5,180,153	446,315	4,293,058	1,643	
Law, justice and public safety	1,384,238	81,807	829,884	10,920	
Recreation and resource development	364,796	64,182	122,271	130	
Regulation of business and professions	30,944	28,223	362		
Transportation	728,716	26,762	6,371	776,597	
Interest on long-term debt	150,556				
Total Governmental Activities	13,334,712	1,621,817	6,058,258	792,929	
Business-type activities:					
Unemployment compensation	242,134	104,548	89,875		
Port Authority at Gulfport	17,221	7,609	3,281	480	
Prepaid affordable college tuition	29,983	21,513			
Other business-type	49,737	40,644		59	
Total Business-type Activities	339,075	174,314	93,156	539	
Total Primary Government	\$ 13,673,787	\$ 1,796,131	\$ 6,151,414	\$ 793,468	
Component units:					
Universities	\$ 2,226,415	\$ 901,529	\$ 669,201	\$ 45,608	
Nonmajor	32,470	29,153	4,200	2,922	
Total Component Units	\$ 2,258,885	\$ 930,682	\$ 673,401	\$ 48,530	

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

Extraordinary item - Impairment gain (loss) from
hurricane damage, net of insurance recovery

Transfers

Total General Revenues, Contributions,
Extraordinary Items and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (866,705)	\$	\$ (866,705)	
(2,844,125)		(2,844,125)	
(439,137)		(439,137)	
(461,627)		(461,627)	
(178,213)		(178,213)	
(2,359)		(2,359)	
81,014		81,014	
(150,556)		(150,556)	
(4,861,708)		(4,861,708)	
	(47,711)	(47,711)	
	(5,851)	(5,851)	
	(8,470)	(8,470)	
	(9,034)	(9,034)	
	(71,066)	(71,066)	
(4,861,708)	(71,066)	(4,932,774)	
			\$ (610,077)
			3,805
			(606,272)
3,075,657		3,075,657	
442,190		442,190	
1,204,055		1,204,055	
425,091		425,091	
169,727		169,727	
385,810		385,810	
585	7	592	
122,553	55,974	178,527	62,668
			68,944
			657,301
			31,107
(9,871)	1,333	(8,538)	8,161
(5,945)	5,945		
5,809,852	63,259	5,873,111	828,181
948,144	(7,807)	940,337	221,909
8,521,924	1,119,704	9,641,628	2,869,402
\$ 9,470,068	\$ 1,111,897	\$ 10,581,965	\$ 3,091,311



Governmental Funds

Balance Sheet

June 30, 2006 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
Assets					
Equity in internal investment pool	\$ 1,376,724	\$ 28,385	\$ 152,045	\$ 209,966	\$ 1,767,120
Cash and cash equivalents	237,878	9,189		16,337	263,404
Investments	138,497	265,826	123,257	61,114	588,694
Receivables, net	583,943	43,850	376	38,733	666,902
Due from other governments, net	1,181,558			120,511	1,302,069
Due from other funds	80,129		1,059	34,322	115,510
Due from component units	2,241				2,241
Inventories	44,339			1,284	45,623
Prepaid items				105	105
Loans receivable, net	154,127			3,510	157,637
Loans to other funds	800	240,000	2,522	567	243,889
Total Assets	\$ 3,800,236	\$ 587,250	\$ 279,259	\$ 486,449	\$ 5,153,194
Liabilities and Fund Balances					
Liabilities:					
Warrants payable	\$ 85,593	\$ 5,502	\$ 63	\$ 28,283	\$ 119,441
Accounts payable and accruals	576,060	1,318		21,664	599,042
Contracts payable	128,789		23,690		152,479
Income tax refunds payable	192,000				192,000
Due to other governments	309,075	51		65,075	374,201
Due to other funds	28,866	9,972	7	53,675	92,520
Due to component units	15,172			1,761	16,933
Claims payable	1,981				1,981
Deferred revenues	130,459	34,740			165,199
Unearned revenues	32,391			71,747	104,138
Loans from other funds	258,614				258,614
Notes payable	85,000				85,000
Other liabilities				110	110
Total Liabilities	1,844,000	51,583	23,760	242,315	2,161,658
Fund balances:					
Reserved for:					
Ayers Endowment Trust	15,000				15,000
Distribution to local governments	40,851				40,851
Education and vocational training				40,199	40,199
Ellisville State School				2,025	2,025
Encumbrances	26,791	454		2,563	29,808
Inventories	44,339			1,284	45,623
Loans to other funds	800	240,000	2,522	567	243,889
Long-term portion of due from other governments	438,499			7,236	445,735
Long-term portion of loans receivable	136,112			2,613	138,725
Prepaid items				105	105
Scholarships and books	25				25
Wildlife conservation				6,603	6,603
Unreserved - designated, reported in:					
General fund	817,451				817,451
Special revenue funds		295,213		12,098	307,311
Capital projects funds			250,799		250,799
Debt service funds			2,178	47,207	49,385
Unreserved - undesignated, reported in:					
General fund	436,368				436,368
Special revenue funds				120,631	120,631
Permanent funds				1,003	1,003
Total Fund Balances	1,956,236	535,667	255,499	244,134	2,991,536
Total Liabilities and Fund Balances	\$ 3,800,236	\$ 587,250	\$ 279,259	\$ 486,449	\$ 5,153,194

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, 2006 (Expressed in Thousands)

Total fund balances for governmental funds	\$ 2,991,536
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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	\$ 182,389	
Buildings	1,414,694	
Land improvements	87,000	
Machinery and equipment	449,449	
Infrastructure	7,516,257	
Construction in progress	3,595,105	
Accumulated depreciation	<u>(3,419,218)</u>	9,825,676

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.

165,199

Long-term liabilities and related accrued interest are not due and payable
in the current period and therefore are not reported in the funds:

General obligation bonds and notes	(2,995,452)	
Limited obligation bonds	(70,320)	
Capital lease obligations	(18,933)	
Accrued compensated absences	(94,872)	
Notes payable	(339,019)	
Certificates of participation	(2,460)	
Unamortized charges	85,615	
Unamortized discounts	121	
Unamortized premiums	(98,460)	
Claims payable	(370)	
Accrued interest payable	<u>(21,583)</u>	(3,555,733)

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.

43,390

Net assets of governmental activities

\$ 9,470,068

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, 2006 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
Revenues					
Taxes:					
Sales and use	\$ 3,074,831	\$	\$	\$	\$ 3,074,831
Gasoline and other motor fuel	434,350			8,800	443,150
Individual income	1,213,733				1,213,733
Corporate income and franchise	412,839				412,839
Insurance	169,727				169,727
Other	380,680			5,130	385,810
Licenses, fees and permits	341,478			107,004	448,482
Federal government	5,721,869			1,122,429	6,844,298
Interest and other investment income	64,839	38,033	7,396	8,620	118,888
Charges for sales and services	270,276			9,623	279,899
Rentals	5,144			7,860	13,004
Court assessments and settlements	12,666	100,469			113,135
Other	233,100	2	6,422	42,384	281,908
Total Revenues	12,335,532	138,504	13,818	1,311,850	13,799,704
Expenditures					
Current:					
General government	1,375,916		3,931		1,379,847
Education	3,589,969		73,009	104	3,663,082
Health and social services	4,713,842	180,781		281,448	5,176,071
Law, justice and public safety	490,798			873,952	1,364,750
Recreation and resources development	217,540			134,261	351,801
Regulation of business and professions				30,981	30,981
Transportation	1,284,905				1,284,905
Debt service:					
Principal	167,382			94,496	261,878
Interest and other fiscal charges	129,031		634	47,563	177,228
Defeasance of debt				2,138	2,138
Capital outlay			69,604		69,604
Total Expenditures	11,969,383	180,781	147,178	1,464,943	13,762,285
Excess of Revenues over (under) Expenditures	366,149	(42,277)	(133,360)	(153,093)	37,419
Other Financing Sources (Uses)					
Bonds and notes issued	378,060		108,720		486,780
Capital leases issued	11,324				11,324
Discounts on notes issued	(242)				(242)
Insurance recovery	1,437		2,385	586	4,408
Payments to refunded lease escrow agent	(50,462)				(50,462)
Premiums on bonds and refunding notes issued	15,442				15,442
Refunding notes issued	51,870				51,870
Transfers in	124,179		98,387	276,057	498,623
Transfers out	(366,575)	(3,785)	(15,085)	(116,498)	(501,943)
Net Other Financing Sources (Uses)	165,033	(3,785)	194,407	160,145	515,800
Extraordinary Item					
Insurance recovery from hurricane damage			920		920
Net Change in Fund Balances	531,182	(46,062)	61,967	7,052	554,139
Fund Balances - Beginning	1,425,054	581,729	193,532	237,082	2,437,397
Fund Balances - Ending	\$ 1,956,236	\$ 535,667	\$ 255,499	\$ 244,134	\$ 2,991,536

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, 2006 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 554,139

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	\$ 905,790	
Depreciation expense	(331,613)	574,177

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service funds is reported with governmental activities.		42,602
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Net change in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		28,666
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In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(7,431)
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In the statement of activities, only the extraordinary loss from the impairment of capital assets (\$9,871,000) is reported, while in the governmental funds, the insurance recovery from hurricane damage (\$920,000) increases financial resources. Thus, the change in net assets differs from the change in fund balance by the carrying value of the assets impaired.		(10,791)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

Premiums on bonds and refunding notes issued	(15,442)	
Bonds and notes issued	(486,780)	
Refunding notes issued	(51,870)	
Capital leases issued	(11,324)	
Payments of debt principal	261,878	
Payments to refunded lease escrow agents	50,462	
Defeasance of debt	2,138	
Discounts on notes issued	242	
Accrued interest payable	5,976	
Deferred issuance costs	5,185	(239,535)

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

Donations of equipment	5,186	
Change in claims payable	(370)	
Change in compensated absences	792	
Amortization of deferred charges and premiums	709	6,317

Change in net assets of governmental activities \$ 948,144

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



Proprietary Funds

Statement of Net Assets

June 30, 2006 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Assets			
Current assets:			
Equity in internal investment pool	\$	\$	\$ 982
Cash and cash equivalents	749,448	4,830	4,476
Investments		68,436	11,020
Receivables, net:			
Accounts	5,892	565	
Assessments	44,192		
Insurance		2,052	
Interest and dividends		414	388
Restricted assets:			
Equity in internal investment pool		215	
Cash and cash equivalents		41	
Investments		759	
Due from other governments	1,576	1,320	
Due from other funds	521		
Due from component units	196		
Inventories			
Prepaid items		30	
Loans and notes receivable			
Total Current Assets	801,825	78,662	16,866
Noncurrent assets:			
Investments			168,231
Loans and notes receivable			
Loans to other funds			
Restricted assets:			
Equity in internal investment pool		708	
Cash and cash equivalents		90	
Investments		2,878	
Capital assets, net		94,602	
Total Noncurrent Assets		98,278	168,231
Total Assets	\$ 801,825	\$ 176,940	\$ 185,097

Enterprise Funds

				Governmental Activities - Internal Service Funds
Nonmajor Funds		Totals		
\$	21,174	\$	22,156	\$ 78,941
	8,431		767,185	49,561
			79,456	100
	2,757		9,214	26
			44,192	
			2,052	
	486		1,288	230
			215	
			41	
			759	
	80		2,976	23
	1,540		2,061	6,418
	1		197	86
	745		745	
	230		260	
	4,520		4,520	
	39,964		937,317	135,385
			168,231	25,754
	137,283		137,283	
	2		2	14,162
			708	
			90	
			2,878	
	57,187		151,789	5,523
	194,472		460,981	45,439
\$	234,436	\$	1,398,298	\$ 180,824

(Continued on Next Page)



Proprietary Funds

Statement of Net Assets

June 30, 2006 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Liabilities			
Current liabilities:			
Warrants payable	\$	\$	\$ 70
Accounts payable and other liabilities	78	1,738	64
Retainage payable		310	
Liabilities payable from restricted assets:			
Retainage payable		759	
Due to other governments	1,836		
Due to other funds	10,450		1
Due to component units			
Claims and benefits payable	3,503		
Deposits			
Bonds and notes payable		2,932	
Unearned revenues		50	
Lease obligations payable			
Total Current Liabilities	15,867	5,789	135
Noncurrent liabilities:			
Due to other governments			
Loans from other funds			
Claims and benefits payable			211,256
Bonds and notes payable		35,084	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		131	
Other liabilities		150	12
Total Noncurrent Liabilities		35,365	211,268
Total Liabilities	15,867	41,154	211,403
Net Assets			
Invested in capital assets, net of related debt		56,586	
Restricted for other purposes		3,801	
Restricted for unemployment compensation benefits	785,958		
Unrestricted (deficit)		75,399	(26,306)
Total Net Assets	\$ 785,958	\$ 135,786	\$ (26,306)

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

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 1,356	\$ 1,426	\$ 1,608	
1,941	3,821	4,456	
	310		
	759		
95	1,931	1	
1,755	12,206	535	
20	20		
	3,503	126,529	
1,853	1,853		
	2,932	117	
358	408	2,966	
105	105	19	
7,483	29,274	136,231	
8,991	8,991		
800	800		
	211,256		
	35,084	60	
215	215	82	
	131		
488	650	1,061	
10,494	257,127	1,203	
17,977	286,401	137,434	
55,807	112,393	5,397	
	3,801		
	785,958		
160,652	209,745	37,993	
\$ 216,459	\$ 1,111,897	\$ 43,390	



Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	\$	\$ 6,716	\$
Assessments	104,548		
Interest and other investment income			11,815
Federal agencies	85,000		
Rentals			
Fees			549
Tuition receipts			20,964
Other			
Total Operating Revenues	189,548	6,716	33,328
Operating Expenses			
Cost of sales and services			
General and administrative		2,200	195
Contractual services		10,781	1,019
Commodities		506	31
Depreciation		2,859	
Claims and benefits	242,134		28,738
Other			
Total Operating Expenses	242,134	16,346	29,983
Operating Income (Loss)	(52,586)	(9,630)	3,345
Nonoperating Revenues			
Federal grant	4,875	3,281	
Revenue from counties		893	
Gain on disposal of capital assets			
Interest and other investment income	34,192	2,102	
Total Nonoperating Revenues	39,067	6,276	
Nonoperating Expenses			
Loss on disposal of capital assets			
Interest		875	
Total Nonoperating Expenses		875	
Income (Loss) before Capital Contributions, Transfers, and Extraordinary Items	(13,519)	(4,229)	3,345
Capital Contributions		480	
Extraordinary item - Impairment gain (loss) from hurricane damage		1,547	
Transfers In		1,551	
Transfers Out	(3,204)	(5)	
Change in Net Assets	(16,723)	(656)	3,345
Total Net Assets - Beginning	802,681	136,442	(29,651)
Total Net Assets - Ending	\$ 785,958	\$ 135,786	\$ (26,306)

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

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 38,768	\$ 45,484	\$ 665,531	
	104,548		
7,061	18,876		
	85,000		
1,214	1,214		
15	564		
	20,964		
647	647	17	
47,705	277,297	665,548	
26,760	26,760		
10,368	12,763	15,304	
7,508	19,308	57,962	
1,789	2,326	1,004	
2,228	5,087	2,514	
	270,872	548,895	
1,038	1,038		
49,691	338,154	625,679	
(1,986)	(60,857)	39,869	
	8,156		
	893		
8	8		
804	37,098	3,677	
812	46,155	3,677	
1	1	15	
46	921	7	
47	922	22	
(1,221)	(15,624)	43,524	
59	539	1,703	
(214)	1,333		
8,997	10,548	794	
(1,394)	(4,603)	(3,419)	
6,227	(7,807)	42,602	
210,232	1,119,704	788	
\$ 216,459	\$ 1,111,897	\$ 43,390	



Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Cash Flows from Operating Activities			
Cash receipts from federal agencies	\$ 85,000	\$	\$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		8,000	21,513
Cash receipts from assessments	116,975		
Cash payments to suppliers for goods and services		(10,922)	(1,051)
Cash payments to employees for services		(2,228)	(186)
Cash payments for claims and benefits	(232,415)		(8,155)
Other operating cash receipts			
Income received on tuition receipts			12,148
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(30,440)	(5,150)	24,269
Cash Flows from Noncapital Financing Activities			
Transfers in		1,567	
Transfers out	(3,204)		
Proceeds from notes issued			
Principal paid on notes			
Interest paid on notes			
Federal grants received	4,839	2,011	
Revenues from counties		893	
Net Cash Provided by (Used for) Noncapital Financing Activities	1,635	4,471	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(10,504)	
Capital grants received		470	
Principal paid on bonds and capital assets contracts		(2,688)	
Interest paid on bonds and capital assets contracts		(905)	
Proceeds from insurance recovery		38,450	
Net Cash Used for Capital and Related Financing Activities		24,823	
Cash Flows From Investing Activities			
Proceeds from sales of investments		26,400	59,843
Purchases of investments		(54,759)	(82,808)
Interest and other investment income	34,192	1,943	
Net Cash Provided by (Used for) Investing Activities	34,192	(26,416)	(22,965)
Net Increase (Decrease) in Cash and Cash Equivalents	5,387	(2,272)	1,304
Cash and Cash Equivalents - Beginning	744,061	8,156	4,154
Cash and Cash Equivalents - Ending	\$ 749,448	\$ 5,884	\$ 5,458

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$	\$	85,000	\$
			183,550
40,038	69,551		480,716
	116,975		
(36,871)	(48,844)		(57,428)
(10,114)	(12,528)		(15,243)
	(240,570)		(542,689)
446	446		5
	12,148		
24,146	24,146		
(32,555)	(32,555)		
(14,910)	(26,231)		48,911
8,933	10,500		773
(680)	(3,884)		(3,419)
			235
			(57)
			(4)
	6,850		
	893		
8,253	14,359		(2,472)
(1,583)	(12,087)		(192)
	470		
(529)	(3,217)		(118)
(47)	(952)		(3)
	38,450		
(2,159)	22,664		(313)
	86,243		8,985
	(137,567)		(7,253)
816	36,951		4,936
816	(14,373)		6,668
(8,000)	(3,581)		52,794
37,605	793,976		75,708
\$	\$	\$	\$
29,605	790,395	128,502	

(Continued on Next Page)

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2006 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ (52,586)	\$ (9,630)	\$ 3,345
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		2,859	
Net depreciation in fair value of investments			371
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	(1,326)	1,229	
Assessments receivable	14,103		
Interest receivable			(38)
Due from other governments	(105)	56	
Due from other funds	(194)		
Due from component units	(52)		
Inventories			
Prepaid items		99	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable		(10)	(51)
Accounts payable and other liabilities	17	254	(1)
Due to other governments	(211)		
Due to other funds	9,746	(7)	1
Due to component units			
Claims and benefits payable	168		20,642
Unearned revenues			
Total adjustments	22,146	4,480	20,924
Net Cash Provided by (Used for) Operating Activities	\$ (30,440)	\$ (5,150)	\$ 24,269

Noncash Capital and Related Financing and Investing Activities

Transfer of capital assets to other state agencies			
Capital contributions		10	
New capital leases			
Gain (loss) on disposal of capital assets			
Extraordinary item - Gain (loss) from hurricane damage		1,547	
Change in market value of investments			(371)

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

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ (1,986)	\$ (60,857)	\$	39,869
2,228	5,087		2,514
	371		
453	356		5
	14,103		
(20)	(58)		
(16)	(65)		8
(953)	(1,147)		(3,398)
(1)	(53)		(21)
102	102		
(21)	78		
(16,115)	(16,115)		
614	553		557
969	1,239		1,030
32	(179)		
(179)	9,561		205
(17)	(17)		(1)
	20,810		6,012
			2,131
(12,924)	34,626		9,042
\$ (14,910)	\$ (26,231)	\$	48,911

714	714		
59	69		1,703
			101
7	7		(15)
(214)	1,333		
	(371)		(1,252)



Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2006 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Agency Funds
Assets			
Equity in internal investment pool	\$ 1,377	\$ 58	\$ 7,577
Cash and cash equivalents	212,216	690	10,907
Investments, at fair value:			
Short-term securities	287,908	2,272	
Long-term debt securities	4,253,864	14,076	
Equity securities	13,888,808	33,670	
Real estate investments	723,127	3,278	
Balanced asset fund	36,570		
Fixed rate and variable	462,622		
Life insurance contracts	461	7,055	
Securities lending:			
Short-term securities	1,117,999		
Long-term debt securities	3,992,089		
Receivables, net:			
Employer contributions	39,323		
Employee contributions	32,211		
Investment proceeds	304,617		
Interest and dividends	86,874	9	
Other	969	30	262
Loans to other funds			1,361
Commodity inventory			1,603
Capital assets, net	17,180		
Total Assets	<u>25,458,215</u>	<u>61,138</u>	<u>\$ 21,710</u>
Liabilities			
Warrants payable	349		\$ 296
Accounts payable and accruals	582,109	110	1,893
Due to other governments			1,285
Due to other funds	18,728		
Amounts held in custody for others	1,138		18,236
Obligations under securities lending	5,118,965		
Total Liabilities	<u>5,721,289</u>	<u>110</u>	<u>\$ 21,710</u>
Net Assets			
Held in trust for pension benefits and trust beneficiaries	<u>\$ 19,736,926</u>	<u>\$ 61,028</u>	

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



Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 580,739	\$
Plan participant	459,984	13,221
Total Contributions	1,040,723	13,221
Net Investment Income:		
Net change in fair value of investments	1,390,737	929
Interest and other investment income	515,049	3,118
Securities lending:		
Income from securities lending	165,166	
Interest expense and trading costs from securities lending	(154,720)	
Managers' fees and trading costs	(32,309)	
Net Investment Income	1,883,923	4,047
Other Additions:		
Administrative fees	576	175
Other	2,632	
Total Other Additions	3,208	175
Total Additions	2,927,854	17,443
Deductions		
Benefits	1,302,484	2,590
Refunds to terminated employees	73,456	
Administrative expenses	9,787	457
Depreciation	563	
Total Deductions	1,386,290	3,047
Change in Net Assets	1,541,564	14,396
Net Assets - Beginning	18,195,362	46,632
Net Assets - Ending	\$ 19,736,926	\$ 61,028

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



Component Units

Statement of Net Assets

June 30, 2006 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	\$ 15,142	\$ 1,650	\$ 16,792
Cash and cash equivalents	200,818	19,887	220,705
Investments	163,059	16,333	179,392
Receivables, net	268,806	5,699	274,505
Restricted assets:			
Cash and cash equivalents		2,631	2,631
Due from other governments		823	823
Due from primary government	16,805	148	16,953
Inventories	21,067	576	21,643
Prepaid items	11,057	237	11,294
Notes receivable, net	11,146		11,146
Other assets	11,875	4	11,879
Total Current Assets	719,775	47,988	767,763
Noncurrent assets:			
Investments	493,099	2,576	495,675
Notes receivable, net	108,238		108,238
Restricted assets:			
Cash and cash equivalents	98,931		98,931
Investments	477,275	6,736	484,011
Capital assets, net	1,969,131	77,075	2,046,206
Other assets	3,542		3,542
Total Noncurrent Assets	3,150,216	86,387	3,236,603
Total Assets	3,869,991	134,375	4,004,366
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	105,152	3,430	108,582
Due to primary government	2,507	17	2,524
Deposits		786	786
Unearned revenues	42,329	36	42,365
Bonds and notes payable	27,181	3,366	30,547
Lease obligations payable	6,381	131	6,512
Other liabilities	41,671		41,671
Total Current Liabilities	225,221	7,766	232,987
Noncurrent liabilities:			
Bonds and notes payable	497,061	2,227	499,288
Lease obligations payable	14,600	193	14,793
Other liabilities	165,676	311	165,987
Total Noncurrent Liabilities	677,337	2,731	680,068
Total Liabilities	902,558	10,497	913,055
Net Assets			
Invested in capital assets, net of related debt	1,492,689	69,935	1,562,624
Restricted for:			
Other purposes		14,489	14,489
Permanent endowments:			
Expendable	470,911		470,911
Nonexpendable	546,127		546,127
Unrestricted	457,706	39,454	497,160
Total Net Assets	\$ 2,967,433	\$ 123,878	\$ 3,091,311

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, 2006 (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	\$ 2,226,415	\$ 901,529	\$ 669,201	\$ 45,608	\$ (610,077)		\$ (610,077)
Nonmajor	32,470	29,153	4,200	2,922		3,805	3,805
Total	\$ 2,258,885	\$ 930,682	\$ 673,401	\$ 48,530	(610,077)	3,805	(606,272)
General revenues:							
Interest and investment income					61,573	1,095	62,668
Other					67,108	1,836	68,944
Payment from State of Mississippi					657,301		657,301
Contributions to permanent endowments					31,107		31,107
Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery					7,517	644	8,161
Total General Revenues, Contributions, and Extraordinary Items					824,606	3,575	828,181
Change in Net Assets					214,529	7,380	221,909
Net Assets - Beginning, as restated					2,752,904	116,498	2,869,402
Net Assets - Ending					\$ 2,967,433	\$ 123,878	\$ 3,091,311

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, 2006

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, 2006, and their report, dated November 28, 2006, 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 financial statements and the financial statements of the proprietary funds and fiduciary funds (excluding agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus, but use the accrual basis of accounting.

The State's enterprise funds and business-type activities apply all applicable GASB pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The State considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include sales taxes, individual income taxes, corporate income taxes and federal grants. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures and related fund liabilities are recognized upon receipt of goods and services.

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State. It accounts for transactions related to resources obtained and used for those services traditionally provided by a state government, which are not required to be accounted for in other funds. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

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

The 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 income.

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 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 on the date of donation, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$5,000, infrastructure - \$100,000, and construction in progress - based on the project's class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated service lives of the respective assets. Estimated service lives include 40 years for buildings, 20 years for land improvements, 5 to 15 years for machinery and equipment, 3 years for computer equipment, 5 to 15 years for heavy and outdoor equipment, and 3 to 10 years for vehicles. The estimated service life varies from 8 to 50 years for infrastructure, based on the individual asset.

- M. Claims and Benefits Payable** - A liability for an insurance claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality.



In the Prepaid Affordable College Tuition Fund (a major proprietary fund), claims and benefits payable represents the actuarially determined present value of future tuition obligations. In the Unemployment Compensation Fund (a major proprietary fund), claims and benefits payable represents amounts incurred prior to the reporting date.

- N. Accumulated Unpaid Personal Leave and Major Medical Leave** - State law authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless employees present medical evidence that their physical condition is such that they can no longer work in a capacity of state government.

The State's obligation for accumulated unpaid personal leave, up to the maximum of 30 days per employee, is reported as "Other Liabilities" in the government-wide financial statements, as well as proprietary and fiduciary fund financial statements. In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The State uses the last-in, first-out method of recognizing use of compensated absences. The reported liability applicable to all funds includes the related fringe benefits that the State as employer is required to pay when the accrued compensated absences are liquidated.

Accumulated unpaid major medical leave is not accrued, except in the Universities, because it is not probable that the compensation will be paid in a lump sum other than in the event of severe illness. However, state law authorizes the Universities to make payment for a maximum of 30 days in a lump sum upon termination of employment for nine-month faculty members eligible to receive retirement benefits.

- O. Deferred and Unearned Revenues** - In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental fund financial statements as well as deferred revenues, which are recognized when revenues are unavailable.
- P. Net Assets/Fund Balance** - The difference between fund assets and liabilities is "Net Assets" on government-wide, proprietary, and fiduciary funds financial statements and "Fund Balance" on governmental funds financial statements.

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

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

- Q. Federal Grants** - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.
- R. Bond and Note Premiums/Discounts** - Bond and note proceeds, premiums and discounts are reported as an other financing source or use in the governmental fund financial statements. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide and proprietary fund financial statements, bond and note premiums and discounts, as well as issuance costs and refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds and notes using the straight-line method. Bonds and notes payable are reported net of the applicable unamortized bond and note premium, discount or refunding charge while bond and note issuance costs are reported as deferred charges.
- S. Changes in Accounting Standards** - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1*; GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*; and GASB Statement No. 47, *Accounting for Termination Benefits*.



Note 2 - Other Accounting Disclosures

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

	Governmental Funds				Totals
	General	Health Care	Capital Projects	Nonmajor Funds	
Fund balances, unreserved - designated:					
Debt service	\$ 55,962	\$	\$ 2,178	\$ 47,207	\$ 105,347
Energy programs				3,506	3,506
Future capital projects			250,799		250,799
Future loans	75,887			8,592	84,479
Health care		295,213			295,213
Port improvements	559				559
Road and highway construction	274,495				274,495
Special treasury accounts	406,772				406,772
Working cash stabilization reserve	3,776				3,776
Total	<u>\$ 817,451</u>	<u>\$ 295,213</u>	<u>\$ 252,977</u>	<u>\$ 59,305</u>	<u>\$ 1,424,946</u>

- B. Net Assets Restricted by Enabling Legislation** - The State's net assets restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net assets reports \$1,216,887,000 of restricted net assets, of which \$70,914,000 is restricted by enabling legislation.
- C. Deficit Net Assets** - At June 30, 2006, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of \$26,306,000. 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 \$23,000, which resulted from legally mandated transfers out of net profit from operations. The Military Department National Guard Facility and Training Fund (a nonmajor governmental fund) has a deficit fund balance of \$475,000 resulting from accrued expenditures exceeding revenues.
- D. Restatements of Net Assets** - During fiscal year 2006, prior period adjustments were made to decrease the beginning net assets of Governmental Activities as a result of corrections to accumulated depreciation, \$8,769,000, and construction in progress, \$24,373,000. Prior period adjustments of \$70,479,000 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):

	Governmental Activities	Component Units
Net Assets at June 30, 2005, as previously reported	\$ 8,555,066	\$ 2,798,923
Prior period adjustments	(33,142)	70,479
Net Assets at June 30, 2005, as restated	<u>\$ 8,521,924</u>	<u>\$ 2,869,402</u>

- E. Insurance Recovery** - Program expenses have been reduced by insurance recovery in the following functions (amounts expressed in thousands):

Governmental activities:

General government	\$ 533
Education	1,789
Health and social services	1,198
Law, justice and public safety	204
Recreation and resources development	684
Total insurance recovery	<u>\$ 4,408</u>



Note 3 - Interfund Transactions

At June 30, 2006, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To						
	General	Capital Projects	Nonmajor Governmental	Internal Service	Unemployment Compensation	Nonmajor Enterprise	Total
Governmental:							
General	\$	\$ 1,059	\$ 21,730	\$ 6,059		\$ 18	\$ 28,866
Health Care	9,972						9,972
Capital Projects				7			7
Nonmajor Governmental	51,093		729	331		1,522	53,675
Internal Service	14				521		535
Proprietary:							
Unemployment Compensation			10,450				10,450
Prepaid Affordable College Tuition				1			1
Nonmajor Enterprise	339		1,413	3			1,755
Fiduciary	18,711			17			18,728
Total	\$ 80,129	\$ 1,059	\$ 34,322	\$ 6,418	\$ 521	\$ 1,540	\$ 123,989

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, 2006, interfund loans consisted of (amounts expressed in thousands):

Loans To	Loans From						
	General	Health Care	Capital Projects	Nonmajor Governmental	Internal Service	Nonmajor Enterprise	Fiduciary
Governmental:							
General	\$	\$ 240,000	\$ 2,522	\$ 567	\$ 14,162	\$ 2	\$ 1,361
Proprietary:							
Nonmajor Enterprise	800						
Total	\$ 800	\$ 240,000	\$ 2,522	\$ 567	\$ 14,162	\$ 2	\$ 1,361

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, 2006, the outstanding balance is \$800,000.



At June 30, 2006, 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	Nonmajor Enterprise	Universities	Nonmajor	Total							
Primary Government:														
General	\$	\$	\$	\$	\$	15,079	\$	93	\$	15,172				
Nonmajor Governmental						1,726		35		1,761				
Nonmajor Enterprise								20		20				
Component Units:														
Universities		2,241		70		196				2,507				
Nonmajor				16		1				17				
Total	\$	2,241	\$	86	\$	196	\$	1	\$	16,805	\$	148	\$	19,477

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, 2006, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To						Total
	General	Capital Projects	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	
Governmental:							
General	\$	\$ 91,939	\$ 264,500	\$ 657	\$ 1,551	\$ 7,928	\$ 366,575
Health Care	3,785						3,785
Capital Projects	12,065		3,011			9	15,085
Nonmajor Governmental	104,167	6,448	4,686	137		1,060	116,498
Internal Service	3,419						3,419
Proprietary:							
Unemployment Compensation			3,204				3,204
Port Authority at Gulfport			5				5
Nonmajor Enterprise	743		651				1,394
Total	\$ 124,179	\$ 98,387	\$ 276,057	\$ 794	\$ 1,551	\$ 8,997	\$ 509,965

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

During fiscal year 2006, 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: nonmajor governmental funds, \$4,759,000, and internal service funds, \$3,304,000.

The State Legislature authorized transfers of \$89,554,000 from the General Fund to Emergency Management (a nonmajor governmental fund) to match federal funds and pay expenditures for disaster support and assistance related to Hurricanes Katrina and/or Rita. In addition, the State Legislature authorized transfers from the General Fund to supplement appropriations in the Military Department National Guard Facility and Training Fund (a nonmajor governmental fund) for \$694,000.

As a result of Hurricane Katrina, Emergency Management (a nonmajor governmental fund) transferred \$49,924,000 in federal disaster relief monies to the General Fund.



Note 4 - Deposits and Investments

The State Treasurer maintains a cash and short-term investment pool for all state treasury funds and for investments of certain other state agencies. In addition, the Public Employees' Retirement System (the System), and a small number of other agencies carry out investment activities separate from the State Treasurer. A discussion of statutory authority for these investments follows.

The State Treasurer is authorized to invest all excess treasury funds of the state under Section 27-105-33, Mississippi Code Ann. (1972). Funds in the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account are invested by the State Treasurer as authorized by Sections 27-103-203 and 7-9-103, respectively, Mississippi Code Ann. (1972).

As a result of the settlement of the State's lawsuit against tobacco companies in 1999, Section 43-13-409, Mississippi Code Ann. (1972) created the Health Care Trust Fund Board (the Board). This code designates the State Treasurer as chairman and gives the Board investment authority.

The System is authorized to invest funds under Section 25-11-121, Mississippi Code Ann. (1972). All investments are governed by the Board of Trustee's policy of the prudent person rule. The prudent person rule establishes a standard for all fiduciaries, to act as a prudent person would be expected to act, with discretion and intelligence, while investing for income and preservation of principal.

Primary Government Deposits (except for the System)

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

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5 1/2 percent primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105 percent of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish a public funds guaranty pool administered by the Guaranty Pool Board and the State Treasurer. The Guaranty Pool Board is composed of the State Treasurer, Commissioner of Banking and Consumer Finance, five members nominated by the Mississippi Bankers Association, one member nominated by the Mississippi Supervisors Association, and one member nominated by the Mississippi Municipal League. The Guaranty Pool Board is responsible for reviewing and recommending criteria to be used by the State Treasurer in order to protect public deposits and the depositories in the guaranty pool program.

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

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

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2006, \$5,197,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2006, \$7,177,000 was uninsured and uncollateralized.



Primary Government Investment Policies (except for the System)

The State Treasurer is authorized to invest all funds in the state pool in the following:

Certificates of deposit or term repurchase agreements with approved financial institutions, banks and savings associations domiciled in Mississippi;

Repurchase agreements and securities lending transactions (with at least 80 percent of the total dollar amount with qualified state depositories); and

Direct U.S. Treasury obligations, U.S. Government instrumentalities, U.S. 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 U.S. (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalities or sponsored enterprises). The total dollar amount of funds invested in all open-end and closed-end management type companies and investment trust cannot exceed 20 percent of total investments. Not more than \$500,000 may be invested with foreign financial institutions.

The State Treasurer, for the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account; and the Board are authorized to invest in the following:

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

School district bonds of the State of Mississippi;

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

Highway bonds of the State of Mississippi;

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

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by Standard & Poor's Corporation or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the U. S. Securities and Exchange Commission (SEC);

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.; and

Interest-bearing bonds or notes which are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment.

In addition, the Board is authorized to invest in the following:

Bonds rated A or better, stocks and convertible securities of established non-U.S. companies which are listed on primary national stock exchanges of foreign nations and foreign government securities rated A or better by a recognized rating agency. The Board is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;



Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments; and

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the Board.

Primary Government Investments (except for the System)

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The primary government's exposure to credit risk as of June 30, 2006 is as follows (amounts expressed in thousands):

Rating	Fair Value
AAA	\$ 1,187,227
AA	4,501
A	16,586
BBB	1,286
Not Rated	318,022
Total	<u>\$ 1,527,622</u>

- B. Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The primary government has no formal policy for custodial credit risk. Within the primary government, only the State Treasurer's investments which totaled \$1,626,344,000 at June 30, 2006 are subject to custodial credit risk. Of this amount, repurchase agreements of \$11,490,000 were uninsured and unregistered.

- C. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2006, the primary government had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset and mortgage backed securities	\$ 247,133	\$ 34	\$ 1,232	\$ 68,321	\$ 177,546
Corporate bonds	25,463	3,730	14,822	2,935	3,976
Municipal bonds	588		194	123	271
Mutual funds	698,889	698,889			
Repurchase agreements	205,395	30,708	174,687		
U.S. Government agency obligations	293,794	137,255	149,838	6,701	
U.S. Treasury obligations	170,090	111,498	41,378	4,295	12,919
Zero coupon bonds	2,170		449	976	745
Total	<u>\$ 1,643,522</u>	<u>\$ 982,114</u>	<u>\$ 382,600</u>	<u>\$ 83,351</u>	<u>\$ 195,457</u>



- D. Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2006, was as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 1,503
Euro	34,548
Hong Kong dollar	1,464
Japanese yen	13,795
Malaysian ringgit	1,019
New Taiwan dollar	410
Norwegian krone	959
Pound sterling	14,069
Singapore dollar	1,544
Swedish krona	569
Swiss franc	8,898
Thailand baht	783
Total	\$ 79,561

- E. Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The primary government limits investment in the Veteran's Home Purchase Board notes or certificates to not more than five percent of total investment holdings. By statute the Board's investments in stocks of any one corporation are limited to not more than three percent of the book value of their assets. The primary government has the following investments that represent more than 5 percent of net investments:

Federal Home Loan Bank	18.91%
Federal Home Loan Mortgage Corporation	14.25%
Federal National Mortgage Association	21.80%

System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, where possible, the types of collateral securing deposits are limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2006, the System had no deposits in foreign demand deposit accounts.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any bank of the U.S. shall, where possible, be safeguarded and guaranteed by the posting of bonds, notes, and other securities as security by the depository. The System's Board of Trustees has formally adopted a short-term investment policy that requires that the market value of securities guaranteeing the deposits shall at all times be equal to 100 percent of the amount of funds on deposit. As of June 30, 2006, the System had cash equivalents of \$210,054,000 that were uninsured and collateral held by the custodial bank was not in the System's name.

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State of Mississippi;

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



Highway bonds of the State of Mississippi;

Corporate bonds of investment grade as rated by Standard & Poor's Corporation or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by Standard & Poor's Corporation or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the SEC;

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.;

Interest-bearing bonds or notes which are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment;

Bonds rated A or better, stocks and convertible securities of established non-U.S. companies which are listed on primary national stock exchanges of foreign nations and foreign government securities rated A or better by a recognized rating agency. The System is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments;

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the System. Such investments shall at no time exceed 10 percent of total investments. The portfolio is divided between core commingled real estate fund investments, which directly invest in properties, and in managed portfolios of Real Estate Investment Trusts (REITs). REITs are exchange traded securities which provide indirect exposure to real estate properties and real estate management companies. Fair values of commingled fund properties are based on the most recent independent appraisal values. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually; and

Types of investments not specifically authorized if the investments are in the form of a separate account managed by a SEC registered investment advisory firm retained as an investment manager by the Board of Trustees, or a limited partnership or commingled fund approved by the Board of Trustees, provided that the total book value of these investments at no time exceed ten percent of the total book value of all investments of the System.

System Investments

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Board of Trustees has adopted a short-term investment policy which further restricts commercial paper to be of corporations with long-term debt to be rated A or better by Standard and Poor's or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by Standard and Poor's and Moody's, respectively. This applies to all short-term investments. In addition to the short-term investment policy, a policy adopted for the internally-managed short-term account requires that for any amount above the established core of \$30 million, no more than 25 percent may be invested in any issue having a rating lower than AA or A1P1. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the System. Policy requires that the credit quality of the underlying asset must be rated A or better by Moody's or Standard and Poor's. The lending agent is permitted to purchase only AAA asset-backed securities for the cash collateral fund.



The System's exposure to credit risk as of June 30, 2006 is as follows (amounts expressed in thousands):

Rating	Fair Value
AAA	\$ 4,461,730
AA	2,054,267
A	1,534,665
BBB	288,379
BAA	7,532
BB	16,204
B	5,741
D	2,231
Total	<u>\$ 8,370,749</u>

- B. Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have \$23,852,218,000 in investments at June 30, 2006. Of this amount, \$5,110,088,000 was cash collateral reinvestment securities acquired by the custodian, whom is also the lending agent/counterparty. This is consistent with the securities lending agreement in place with the custodian.

The fair value of the System's cash collateral securities as of June 30, 2006, consisted of (amounts expressed in thousands):

	Fair Value
Commercial paper	\$ 467,999
Repurchase agreements	650,000
Corporate bonds	2,081,543
Asset backed securities	1,465,546
Collateralized mortgage obligations	445,000
Total	<u>\$ 5,110,088</u>

- C. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2006, the System had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset and mortgage backed securities \$	1,223,169	\$ 1,161,196	\$ 1,416	\$ 9,846	\$ 50,711
Collateralized mortgage obligations	1,146,645	325,674	36,610	30,086	754,275
Commercial paper	519,299	519,299			
Corporate bonds	3,416,067	310,689	2,585,429	299,443	220,506
Mortgage pass-throughs	759,906	60	4,504	6,490	748,852
Municipal bonds	60,823		2,346	11,615	46,862
Repurchase agreements	807,090	807,090			
U.S. Government agency obligations	436,943	72,308	266,642	60,602	37,391
U.S. Treasury obligations	1,175,908	795	612,863	333,552	228,698
Yankee Global bonds	53,462	3,314	25,445	6,415	18,288
Total	<u>\$ 9,599,312</u>	<u>\$ 3,200,425</u>	<u>\$ 3,535,255</u>	<u>\$ 758,049</u>	<u>\$ 2,105,583</u>

During fiscal year 2006, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, principal-only (PO) strips, collateralized mortgage obligations (CMOs) and asset-backed securities (ABS). The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and PO strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at \$4,000,000 and PO strips valued at \$3,000,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.



CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held \$1,146,645,000 in CMOs at June 30, 2006. Of this amount, \$421,000,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the \$1,223,169,000 in ABS held at June 30, 2006, \$34,000,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2006, the System has invested in \$759,906,000 in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

- D. Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The investment asset allocation policy limits non-U.S. investments to 15 percent of total investments. The System's exposure to foreign currency risk at June 30, 2006, was as follows (amounts expressed in thousands):

Currency		Fair Value
Australian dollar	\$	129,767
Brazilian real		55,223
Canadian dollar		33,990
Danish krone		26,836
Egyptian pound		17,010
Euro		1,286,852
Hong Kong dollar		77,606
Hungarian forint		7,751
Indian rupee		27,837
Indonesian rupiah		10,580
Israeli shekel		13,823
Japanese yen		687,556
Malaysian ringgit		948
Mexican nuevo peso		8,430
New Taiwan dollar		36,176
New Zealand dollar		3,067
Norwegian krone		27,891
Polish zloty		212
Pound sterling		816,167
Singapore dollar		23,262
South African rand		27,025
South Korean won		67,497
Swedish krona		59,541
Swiss franc		224,104
Thailand baht		10,527
Turkish lira		8,178
Total	\$	3,687,856



E. Securities Lending Transactions - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2006, 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 custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

The maturities of the investments made with cash collateral generally do not match the maturities of the securities lent. All securities on loan can be terminated on demand by either the System or the borrower, although the average term of these loans was 1.5 days at June 30, 2006. 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 weighted average final duration of all collateral investments at June 30, 2006, was 508 days with a weighted average maturity of 25 days.

Securities lent at year end for cash collateral are presented by type; securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were no securities lent for securities collateral as of June 30, 2006. 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, 2006, the aggregate fair value of securities lending holdings, including accrued interest was \$5,131,378,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$5,015,113,000. The value of the collateral pledged by borrowers at year end was \$5,118,965,000.



Note 5 - Receivables

At June 30, 2006, receivables consisted of (amounts expressed in thousands):

	Governmental Funds					Receivables Reclass/ Elimination	Total Governmental Activities
	General	Health Care	Capital Projects	Nonmajor Funds	Internal Service		
Accounts	\$ 146,618	\$ 29,119	\$	\$ 37,127	\$ 26	\$ 18,728	\$ 231,618
Taxes:							
Sales	223,743						223,743
Income	193,742						193,742
Gasoline	41,189						41,189
Other	49,168						49,168
Interest and dividends	17,793	14,731	376	1,606	230	(14,117)	20,619
Other	414						414
Gross receivables	672,667	43,850	376	38,733	256	4,611	760,493
Allowance for uncollectibles	(88,724)						(88,724)
Receivables, net	\$ 583,943	\$ 43,850	\$ 376	\$ 38,733	\$ 256	\$ 4,611	\$ 671,769

Amounts not scheduled for collection in subsequent year	\$ 43,435	\$ 14,117		\$ 109		(14,117)	\$ 43,544
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	Business-type Activities					Total
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds		
Accounts	\$ 26,419	\$ 565	\$	\$ 2,789	\$	29,773
Assessments	76,057					76,057
Insurance		2,052				2,052
Interest and dividends		414	388	486		1,288
Gross receivables	102,476	3,031	388	3,275		109,170
Allowance for uncollectibles	(52,392)			(32)		(52,424)
Receivables, net	\$ 50,084	\$ 3,031	\$ 388	\$ 3,243	\$	56,746

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 1,778,960	\$ 3,431	\$ 1,782,391
Insurance		2,103	2,103
Interest	3,200	165	3,365
Gross receivables	1,782,160	5,699	1,787,859
Allowance for uncollectibles	(1,513,354)		(1,513,354)
Receivables, net	\$ 268,806	\$ 5,699	\$ 274,505



Note 6 - Due From Other Governments

At June 30, 2006, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			Total
	General	Nonmajor Funds	Internal Service	Governmental Activities
Due from other governments	\$ 1,181,577	\$ 120,511	\$ 23	\$ 1,302,111
Allowance for uncollectibles	(19)			(19)
Due from other governments, net	\$ 1,181,558	\$ 120,511	\$ 23	\$ 1,302,092
Amounts not scheduled for collection in subsequent year	\$ 438,499	\$ 7,236		\$ 445,735

Note 7 - Loans and Notes Receivable

At June 30, 2006, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government			Component Units
	Governmental Funds			Universities
	General	Nonmajor Funds	Total Governmental Activities	
Loans and notes receivable	\$ 154,127	\$ 4,037	\$ 158,164	\$ 131,967
Allowance for uncollectibles		(527)	(527)	(12,583)
Loans and notes receivable, net	\$ 154,127	\$ 3,510	\$ 157,637	\$ 119,384
Amounts not scheduled for collection in subsequent year	\$ 136,112	\$ 2,613	\$ 138,725	\$ 108,238



Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2006, was as follows (amounts expressed in thousands):

	Beginning Balance as restated	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 185,023	\$ 793	\$ 3,427	\$ 182,389
Construction in progress	3,365,925	863,189	634,009	3,595,105
Total capital assets not being depreciated	3,550,948	863,982	637,436	3,777,494
Capital assets being depreciated:				
Buildings	1,343,418	97,770	26,494	1,414,694
Land improvements	78,710	12,467	2,550	88,627
Machinery and equipment	452,658	48,028	31,296	469,390
Infrastructure	7,060,402	537,223	81,368	7,516,257
Total capital assets being depreciated	8,935,188	695,488	141,708	9,488,968
Less accumulated depreciation for:				
Buildings	310,778	25,026	5,768	330,036
Land improvements	34,647	2,382	1,438	35,591
Machinery and equipment	297,330	40,987	25,859	312,458
Infrastructure	2,572,814	265,732	81,368	2,757,178
Total accumulated depreciation	3,215,569	334,127	114,433	3,435,263
Total capital assets being depreciated, net	5,719,619	361,361	27,275	6,053,705
Governmental activities capital assets, net	\$ 9,270,567	\$ 1,225,343	\$ 664,711	\$ 9,831,199
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,717	\$ 38	\$ 38	\$ 12,679
Construction in progress	26,273	10,752	6,720	30,305
Total capital assets not being depreciated	38,990	10,752	6,758	42,984
Capital assets being depreciated:				
Buildings	98,896		35,793	63,103
Land improvements	36,536		8,070	28,466
Machinery and equipment	17,895	357	3,840	14,412
Infrastructure	72,105	6,434	10,960	67,579
Total capital assets being depreciated	225,432	6,791	58,663	173,560
Less accumulated depreciation for:				
Buildings	22,765	1,148	7,652	16,261
Land improvements	15,405	678	3,022	13,061
Machinery and equipment	11,580	784	2,765	9,599
Infrastructure	29,004	2,477	5,647	25,834
Total accumulated depreciation	78,754	5,087	19,086	64,755
Total capital assets being depreciated, net	146,678	1,704	39,577	108,805
Business-type activities capital assets, net	\$ 185,668	\$ 12,456	\$ 46,335	\$ 151,789



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

Governmental activities:

General government	\$	6,860
Education		4,790
Health and social services		13,638
Law, justice and public safety		19,528
Recreation and resources development		8,088
Regulation of business and profession		324
Transportation		278,385
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		2,514
Total depreciation expense - governmental activities	\$	334,127

Business-type activities:

Port Authority at Gulfport	\$	2,859
Other business-type		2,228
Total depreciation expense - business-type activities	\$	5,087

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental activities:			
Department of Transportation	\$ 5,388,393	\$ 3,413,856	\$ 1,974,617
Military Department	18,870	5,909	12,961
Department of Finance and Administration	78,829	54,511	18,570
Educational Television	18,678	11,587	7,052
East Mississippi State Hospital	12,324	11,563	732
Mississippi Library Commission	11,585	10,921	640
Mississippi Emergency Management Agency	17,105	15,893	595
Mississippi Development Authority	75,900	39,072	35,537
Other projects less than \$10 million	56,896	31,793	12,327
Total governmental activities	5,678,580	3,595,105	2,063,031
Business-type activities:			
Port Authority at Gulfport	37,135	27,879	9,256
Other projects less than \$10 million	2,684	2,426	258
Total business-type activities	39,819	30,305	9,514
Total construction in progress	\$ 5,718,399	\$ 3,625,410	\$ 2,072,545



Component Units

At June 30, 2006, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 49,673	\$ 14,880	\$ 64,553
Construction in progress	297,268	3,140	300,408
Total capital assets not being depreciated	346,941	18,020	364,961
Capital assets being depreciated:			
Buildings	1,711,215	51,460	1,762,675
Land improvements	169,797	53,274	223,071
Machinery and equipment	742,029	28,795	770,824
Total capital assets being depreciated	2,623,041	133,529	2,756,570
Less accumulated depreciation	1,000,851	74,474	1,075,325
Total capital assets being depreciated, net	1,622,190	59,055	1,681,245
Component units capital assets, net	\$ 1,969,131	\$ 77,075	\$ 2,046,206

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 - Long-term General Obligation Bonds and Notes

Bond indebtedness incurred by the State of Mississippi must be authorized by legislation governing the specific programs or projects to be financed. Such legislation provides the state bond commission authority to approve and authorize the sale and issuance of bonds. The state bond commission is comprised of the Governor as chairman, the state attorney general as secretary, and the State Treasurer.

General obligation bonds 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, 2006, 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, 2006, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in these funds, the State remains contingently liable for its payment. In accordance with Mississippi state law, the State serves as the guarantor for the general obligation bonds of the Greater Port of Pascagoula. The port is not considered part of the reporting entity; however, if the port's resources are insufficient to make the debt service payments on the outstanding bonds, the deficiency must be paid by the State. As of June 30, 2006, the Port of Pascagoula's outstanding general obligation bonds are \$725,000.

During fiscal year 2006, the State issued general obligation notes of \$15,000,000 to provide a portion of the funds necessary to finance a disaster loan program for small businesses directly impacted by Hurricane Katrina. These notes meet long-term debt criteria and, therefore, are not reported as a fund liability.

Commercial Paper

During fiscal year 2006, the State issued general obligation Capital Asset Program Term Extendible Note Shelf (CAPTENS) notes of \$33,000,000 in anticipation of bonds for capital improvements and economic development projects. These commercial paper notes may be redeemed from the proceeds of permanent bonds or reissued notes. This short-term debt meets long-term financing criteria, and therefore, is not recorded as a fund liability.

Defeased Bonds

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, 2006, \$1,095,905,000 of outstanding general obligation bonds (including prior years' refundings) is 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.

Terms - The 2005 bonds and its related swap have final maturities occurring from September 2005 through September 2025. Under the 2005 swap, executed October 29, 2004, the State pays the counterparty a fixed rate payment of 4.037% and receives a variable rate payment computed based on the BMA Municipal Swap Index. The 2006 Swap Agreement was terminated at the option of the State on April 24, 2006. It had a positive fair value at the time of termination and the State received \$2,120,000 from the swap counterparty. The 2007 bonds and its related swap will have final maturities occurring from September 2007 through September 2027. Under the 2007 swap agreement, executed May 31, 2005, upon issuance of the 2007 bonds, the State will pay the counterparty a fixed payment of 3.98% and receive a variable payment based on the BMA Municipal Swap Index.

Fair Value - As of June 30, 2006, the fair values of the 2005 and 2007 swaps were \$682,000 and \$1,241,000, respectively. The fair value was determined by a third party consultant based on the information in the Interest Rate Swap Confirmations supplied by the swap counterparty, Morgan Stanley. Based on that information and the swap market conditions prevailing on June 30, 2006, the third party consultant calculated the estimated market value. The fair value may vary throughout the life of the swap agreements due to swap market conditions.



Associated Debt - The 2005 variable rate bonds are subject to the interest rate exchange agreement. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on all debt reported under governmental activities and business-type activities is presented at the end of this note. At June 30, 2006, future debt service requirements on the bonds subject to the swap agreement are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2007	\$ 1,615	\$ 1,922	\$ 33	\$ 3,570
2008	1,685	1,859	32	3,576
2009	1,760	1,787	30	3,577
2010	1,840	1,715	29	3,584
2011	1,920	1,640	28	3,588
2012-2016	10,920	6,949	118	17,987
2017-2021	13,520	4,510	76	18,106
2022-2026	16,740	1,491	25	18,256
	<u>\$ 50,000</u>	<u>\$ 21,873</u>	<u>\$ 371</u>	<u>\$ 72,244</u>

Interest Rate Risk - Although the interest rate is synthetically fixed on the 2005 and 2007 bonds under the interest rate exchange agreements, interest payments on the variable rate bonds subject to the interest rate exchange agreements and the net swap payments will vary as interest rates change.

Credit Risk - The 2005 and 2007 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.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the BMA Municipal Swap Index and the variable rate bonds vary, which changes the synthetic rate on the bonds. As of June 30, 2006, the BMA rate was 3.97% and the interest rate on the 2005 variable rate bonds was 3.95%. The relationship between these rates will vary over time and any variation will result in an adjustment to the intended synthetic interest rate.

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

Market-Access Risk or Rollover Risk - The State's 2005 and 2007 swap agreements are for the term (maturity) of the corresponding variable rate bonds and, therefore, there is no market-access risk or rollover risk.



At June 30, 2006, the primary government's outstanding general obligation bonds and notes as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Bonds				
Archusa Water Park	\$ 175	5%	Aug. 2008	\$ 481
Community and Jr. College Telecommunications Network	2,340	5%	Aug. 2008	6,619
Port Improvement	7,085	5%	Aug. 2008	19,976
Tech Prep	16,685	5% - 5.5%	Aug. 2008	55,024
Spillway Road	2,830	6.25%	Feb. 2011	4,950
Gaming Highway Improvement	138,565	5% - 5.5%	Oct. 2011	325,000
Ayers Settlement - Allstate Building	2,170	4.8% - 5.6%	June 2012	3,300
Single Family Residential Housing Fund	3,270	4.8% - 5.6%	June 2012	5,000
Deer Island Project	6,365	2.75% - 3.75%	Nov. 2012	8,800
Franklin County Lake and Recreation Complex Road Construction	1,085	4% - 5%	Sept. 2013	1,250
Economic Development Highway	34,365	3% - 7%	Nov. 2014	66,962
Land, Water, and Timber Resources	28,900	3% - 5.22%	Nov. 2014	38,000
Local Governments Water System Improvement	4,904	3% - 7.5%	Nov. 2014	16,740
Telecommunication Conference and Training Center	11,640	3% - 5.22%	Nov. 2015	17,500
Local Governments Rail Program	12,960	3% - 7.55%	Sept. 2016	18,000
Farish Street Historic District	2,705	3% - 5.5%	Aug. 2018	3,000
Major Energy Project Development	23,540	5.6% - 6.45%	Oct. 2018	30,000
Small Business Assistance	6,244	5.6% - 7.13%	Oct. 2018	20,000
Cultural Development	6,185	3% - 5%	Nov. 2019	6,500
Disaster Assistance	4,755	3% - 5%	Nov. 2019	5,000
Water Pollution Control	1,775	3% - 5%	Nov. 2019	1,870
Small Enterprise Development Finance	43,325	3% - 6.5%	Dec. 2020	171,420
General Obligation Refunding Bonds	1,323,979	2.37% - 6%	Nov. 2022	1,544,920
ACE Fund	4,375	3% - 5.55%	Dec. 2025	4,450
Business Investment Act	77,809	3% - 7.55%	Dec. 2025	110,600
Capital Improvements *	523,255	3% - 6.5%	Dec. 2025	1,397,865
Existing Industry	3,500	5.13% - 5.55%	Dec. 2025	3,500
Farm Reform	10,693	3% - 7.55%	Dec. 2025	34,038
Job Protection	5,000	5.13% - 5.55%	Dec. 2025	5,000
Local Governments Capital Improvements	15,770	5.13% - 7.55%	Dec. 2025	48,000
Local System Bridge Replacement and Rehabilitation Fund	37,745	3.75% - 5%	Dec. 2025	40,000
Raspert Flight Research Laboratory	1,200	5.5% - 5.55%	Dec. 2025	1,200
Rural Fire Truck Acquisition	6,450	4% - 5%	Dec. 2025	6,450
Rural Impact Act	14,005	3% - 5.55%	Dec. 2025	15,000
Small Municipalities and Limited Population Counties	27,805	3% - 5.55%	Dec. 2025	35,000
State Shipyard Improvements	71,600	3% - 5.55%	Dec. 2025	80,000
Stennis Space Center	22,060	3% - 6.37%	Dec. 2025	42,450
Major Economic Impact *	445,085	3% - 7.55%	Nov. 2028	499,440
Total Bonds	<u>2,952,199</u>			<u>4,693,305</u>

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Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Notes				
Disaster Assistance	\$ 10,253	4.6% - 4.98%	Dec. 2006	\$ 15,000
Major Economic Impact	27,000	5.2%	Dec. 2006	27,000
Secretary of State Voting Systems	6,000	3.45%	Dec. 2006	6,000
Total Notes	43,253			48,000
Premiums/Discounts	90,335			
Deferred Amount on Refunding	(74,067)			
Total Governmental Activities	3,011,720			4,741,305
Business-type Activities:				
Port Improvement (Gulfport) Bonds	38,016	4.25% - 5.9%	Dec. 2019	52,362
Total General Obligation Bonds and Notes	\$ 3,049,736			\$ 4,793,667

* Interest on \$87,750,000 and \$267,090,000 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 \$77,400,000 of outstanding general obligation bonds relating to Major Economic Impact is paid at the auction rate and reset every 35 days. An interest rate swap agreement has been entered into in connection with \$50,000,000 of variable rate general obligation bonds for Capital Improvements where the State pays the counterparty a fixed rate payment of 4.037% and receives a variable rate payment computed based on the BMA Municipal Swap Index. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2006, 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
2007	\$ 271,171	\$ 145,424	\$ 2,932	\$ 1,847
2008	232,475	132,888	3,020	1,703
2009	236,577	121,176	3,178	1,549
2010	232,770	109,285	3,365	1,380
2011	227,405	97,715	2,795	1,216
2012-2016	921,655	333,342	13,095	4,133
2017-2021	574,444	137,210	9,521	783
2022-2026	245,915	40,603	110	5
2027-2029	53,040	4,306		
Total	2,995,452	1,121,949	38,016	12,616
Premiums/Discounts	90,335			
Deferred Amount on Refunding	(74,067)			
Total Debt Service, Net	\$ 3,011,720	\$ 1,121,949	\$ 38,016	\$ 12,616

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, 2006, \$91,254,000 of outstanding limited obligation bonds (including prior years' refundings) are considered defeased.



At June 30, 2006, the outstanding limited obligation bonds presented in governmental activities were \$70,320,000. 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, 2006, future limited obligation debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2007	\$ 22,440	\$ 3,692
2008	23,420	2,514
2009	24,460	1,284
	<u>\$ 70,320</u>	<u>\$ 7,490</u>

Note 11 - Revenue Bonds and Notes

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

At June 30, 2006, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	\$ 517,276	0% - 7%	June 2035	\$ 672,762
Notes	6,966	0% - 8.2%	Nov. 2023	9,663
Nonmajor Component Units:				
Notes	5,593	3.137% - 4.23%	Jan. 2018	6,392
Total Component Units	<u>\$ 529,835</u>			<u>\$ 688,817</u>

At June 30, 2006, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units	
	Principal	Interest
2007	\$ 30,547	\$ 23,667
2008	22,597	22,830
2009	20,983	21,431
2010	20,439	20,695
2011	20,399	19,970
2012-2016	108,189	83,051
2017-2021	112,154	57,355
2022-2026	92,957	33,133
2027-2031	66,115	15,832
2032-2035	35,455	3,044
	<u>\$ 529,835</u>	<u>\$ 301,008</u>



Note 12 - Other Long-term Liabilities

- A. Compensated Absences** - The State's liability for compensated absences at June 30, 2006 was \$95,981,000 for governmental activities and \$680,000 for business-type activities. Internal service compensated absences of \$1,109,000 are included in governmental activities. The component units reported a liability of \$72,461,000 for compensated absences, of which \$71,859,000 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, 2006 were \$345,091,000 and \$2,460,000, respectively, for governmental activities. Notes payable include principal payments of \$177,000 and interest payments of \$7,000 for internal service funds. Notes payable were issued for financing software development, energy efficiency improvements, the purchase of buildings, and to accelerate construction of roads and bridges. Certificates of participation were issued for the purchase of a building.

During fiscal year 2006, the State issued \$51,870,000 of refunding notes to advance refund capital lease obligations for buildings reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 10 years by \$1,479,000 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 \$1,306,000.

At June 30, 2006, 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
2007	\$ 130	\$ 127	\$ 13,380	\$ 13,764
2008	140	119	15,322	13,289
2009	145	112	19,601	12,820
2010	155	105	20,450	11,890
2011	160	96	21,071	11,240
2012-2016	940	344	109,213	42,898
2017-2021	790	52	76,564	23,855
2022-2026			63,595	7,900
Total	2,460	955	339,196	137,656
Premiums			8,004	
Deferred Amount on Refunding			(2,109)	
Total Debt Service, Net	\$ 2,460	\$ 955	\$ 345,091	\$ 137,656

Interest Rate Exchange Agreements (Swaps)

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

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

Fair Value - The fair value of the 2009 swap agreement at June 30, 2006 was negative \$445,000, estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap agreement, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement under the swap agreement.

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

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



Credit Risk – The swap agreement requires that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the Standard & Poor's Ratings Group rating of "BBB-" or the Moody's Investors Services, Inc. rating of "Baa3", that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States, with a net market value of at least 102% of the net market value of the contract of the authorized issuer and shall be deposited as directed by the State. Additionally, the swap agreement requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000.

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

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

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

2004, 2005A and 2005B Swap Agreements - The State entered into an interest rate swap agreement in connection with its \$84,400,000 refunding notes issued in 2004 and entered into two interest rate swap agreements in connection with its \$29,760,000 refunding notes (2005A Notes) and \$22,110,000 refunding notes (2005B Notes) both issued in 2005. These refunding notes were issued for the purchase of correctional facilities and the swap agreements were entered into to mitigate the State's exposure to fluctuating interest rates.

Terms - The 2004 notes and its related swap have final maturities occurring from October 2005 through October 2019. Under the 2004 swap, executed February 2004, the State pays the counterparty a fixed rate payment of 2.83% and receives a variable rate payment computed based on USD-LIBOR-BBA multiplied by 0.68. The 2005A notes and its related swap have final maturities occurring from August 2006 through August 2017. Under the 2005A swap agreement, executed July 2005, the State pays the counterparty a fixed payment of 3.275% and receives a variable payment based on 67% of the USD-LIBOR-BBA. The 2005B notes and its related swap have final maturities occurring from August 2006 through August 2016. Under the 2005B swap agreement, executed July 2005, the State pays the counterparty a fixed payment of 3.265% and receives a variable payment based on 67% of the USD-LIBOR-BBA.

Fair Value - The fair values of the 2005A and 2005B swap agreements at June 30, 2006 were \$642,000 and \$455,000, respectively. The fair values were based upon mid-market quotations for the swap transactions on June 30, 2006. The fair value may vary throughout the life of the swap agreements due to swap market conditions. The fair value of the 2004 swap agreement at June 30, 2006 was not available.

Associated Debt - The 2004, 2005A and 2005B variable rate notes are subject to the interest rate exchange agreements. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate notes and the net swap payments will change. The future debt service requirements on notes payable and certificates of participation are presented at the beginning of this note. At June 30, 2006, future debt service requirements on the notes subject to the swap agreements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2007	\$ 9,240	\$ 4,838	\$ (743)	\$ 13,335
2008	9,965	4,451	(684)	13,732
2009	10,075	4,057	(623)	13,509
2010	10,595	3,645	(560)	13,680
2011	10,790	3,223	(495)	13,518
2012-2016	57,920	9,307	(1,436)	65,791
2017-2020	22,260	1,119	(212)	23,167
	<u>\$ 130,845</u>	<u>\$ 30,640</u>	<u>\$ (4,753)</u>	<u>\$ 156,732</u>



Interest Rate Risk - Although the interest rate is synthetically fixed on the 2004, 2005A and 2005B notes under the interest rate exchange agreements, interest payments on the variable rate notes subject to the interest rate exchange agreements and the net swap payments will vary as interest rates change.

Credit Risk – All of the swap agreements require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the counterparty transfer the agreement to an entity that meets the required rating.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the USD-LIBOR-BBA and the variable rate notes vary, which changes the synthetic rate on the notes. As of June 30, 2006, the USD-LIBOR-BBA rate was 5.33% and the interest rates on the 2004, 2005A and 2005B variable rate notes were 3.89%, 3.97% and 3.97%, respectively. The relationship between these rates will vary over time and any variation will result in an adjustment to the intended synthetic interest rate.

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

Market-Access Risk or Rollover Risk - The State's 2004, 2005A and 2005B swap agreements are for the term (maturity) of the corresponding variable rate notes and, therefore, there is no market-access risk or rollover risk.

- 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, 2006, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 16,922	\$ 478
Less accumulated depreciation	(5,682)	(186)
Total	<u>\$ 11,240</u>	<u>\$ 292</u>

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$101,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$47,999,000.

At June 30, 2006, 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
2007	\$ 6,556	\$ 115	\$ 6,671	\$ 7,286
2008	5,739	111	5,850	5,999
2009	3,983	112	4,095	4,884
2010	2,331		2,331	2,705
2011	1,776		1,776	2,203
2012-2015	389		389	188
Total Minimum Lease Payments	20,774	338	21,112	23,265
Less Interest	1,740	18	1,758	1,960
Present Value of Net Minimum Lease Payments	<u>\$ 19,034</u>	<u>\$ 320</u>	<u>\$ 19,354</u>	<u>\$ 21,305</u>

Internal service future minimum lease payments of \$114,000 less interest of \$13,000 are included in the governmental activities column.



Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2006 are summarized below (amounts expressed in thousands):

	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	\$ 2,869,280	\$ 352,780	\$ 226,608	\$ 2,995,452	\$ 271,171
Premiums/Discounts (Note 9)	90,559	6,906	7,130	90,335	7,028
Deferred Amount on Refunding (Note 9)	(79,894)	5,827		(74,067)	(5,800)
Limited Obligation Bonds (Note 10)	91,845		21,525	70,320	22,440
Notes Payable (Note 12)	162,340	186,105	9,249	339,196	13,380
Premiums (Note 12)		8,294	290	8,004	410
Deferred Amount on Refunding (Note 12)		168	2,277	(2,109)	(197)
Total Bonds and Notes	3,134,130	560,080	267,079	3,427,131	308,432
Capital Lease Obligations (Note 12)	62,456	11,425	54,847	19,034	5,871
Accrued Compensated Absences (Note 12)	96,826	52,210	53,055	95,981	6,699
Certificates of Participation (Note 12)	2,585		125	2,460	130
	<u>\$ 3,295,997</u>	<u>\$ 623,715</u>	<u>\$ 375,106</u>	<u>\$ 3,544,606</u>	<u>\$ 321,132</u>
Business-type Activities:					
General Obligation Bonds (Note 9)	\$ 40,705	\$	\$ 2,689	\$ 38,016	\$ 2,932
Revenue Bonds	150		150	0	
Accrued Compensated Absences (Note 12)	702	167	189	680	29
Capital Lease Obligations (Note 12)	449		129	320	105
	<u>\$ 42,006</u>	<u>\$ 167</u>	<u>\$ 3,157</u>	<u>\$ 39,016</u>	<u>\$ 3,066</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 \$118,000 and \$101,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,162,000 and \$1,109,000, respectively, of internal service funds. The ending balance of governmental activities notes payable includes \$177,000 of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund and special revenue funds.

The amount shown in this schedule for notes payable does not include the short-term borrowing disclosed in Note 15. The current portion of accrued compensated absences is reported in accounts payable and other liabilities and the long-term portion is included in noncurrent other liabilities.



Note 14 - Bonds Authorized But Unissued

At June 30, 2006, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds:		
ACE Fund	\$ 7,950	\$ 3,500
B.B. King Museum	2,000	2,000
Business Investment Act	306,000	46,223
Capital Improvements	954,691	422,291
Children's Museums	4,500	1,400
Community Heritage Preservation	24,250	9,750
County Voting System Assistance	6,000	6,000
Cultural Development Act	20,200	6,700
Deer Island Project	10,000	1,200
Disaster Matching Funds	61,000	51,000
Economic Development Highway	196,500	82,600
Existing Industry Productivity	7,000	3,500
Farish Street Historic District	6,000	3,000
Farm Reform	142,000	38,000
Historical Properties	3,700	1,955
Infinity Space, Science and Education Center	6,000	6,000
Jackson Redevelopment Authority	2,000	2,000
Job Protection	12,000	7,000
Land, Water, and Timber Resources	41,000	3,000
Local Governments Capital Improvements	118,000	13,000
Local Governments Water System Improvement	25,743	4,003
Local System Bridge Replacement	80,000	40,000
Major Economic Impact	746,400	183,810
Marine Resources Equipment and Facilities	30,000	30,000
Museum of Art	2,500	500
Parks Improvement	15,925	3,019
Port Improvement (Gulfport)	80,000	49,760
Port of Gulfport Rail Line	20,000	20,000
Railroad Lines and Bridges Improvements	5,000	5,000
Rural Fire Truck Acquisition	10,000	3,550
Rural Impact	20,000	5,000
Small Enterprise Development Finance	140,000	96,675
Small Municipalities and Limited Population Counties	40,000	5,000
Southern Arts and Entertainment Center	4,000	4,000
Water Pollution Control	9,193	2,013
	<u>3,159,552</u>	<u>1,162,449</u>
Limited Obligation Bonds:		
Pascagoula River Bridge	<u>30,000</u>	<u>30,000</u>
Revenue Bonds:		
Mississippi Fair Commission	4,000	1,525
Port of Gulfport Rail Line	20,000	20,000
	<u>24,000</u>	<u>21,525</u>
	<u>\$ 3,213,552</u>	<u>\$ 1,213,974</u>



Note 15 - Short-term Financing

- A. General Obligation Notes** - During fiscal year 2006, the State issued \$67,285,000 in short-term general obligation notes to refinance the General Obligation Notes Series 2005A and taxable Series 2005B and to provide financing for economic development projects. These notes matured in April 2006 and carried interest rates of 4% on Series 2005C and 4.67% on taxable Series 2005D. At June 30, 2006, there were no outstanding general obligation short-term notes. Changes in general obligation short-term activity recorded in the governmental activities during fiscal year 2006 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Notes, Series 2005A	\$ 52,915	\$	\$ 52,915	\$ 0
General Obligation Notes, Series 2005B	9,370		9,370	0
General Obligation Notes, Series 2005C		52,915	52,915	0
General Obligation Notes, Series 2005D		14,370	14,370	0
	<u>\$ 62,285</u>	<u>\$ 67,285</u>	<u>\$ 129,570</u>	<u>\$ 0</u>

- B. Notes** - During fiscal year 2006, the State issued \$85,000,000 in notes to provide short-term financing for highway projects: \$20,000,000 which matures July 2006 with an interest rate of 3.11% and \$65,000,000 which matures March 2007 with an interest rate of 3.8%. At June 30, 2006, the entire balance was outstanding. Changes in short-term note activity recorded in the governmental activities during fiscal year 2006 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Notes	\$ 0	\$ 85,000	\$ 0	\$ 85,000

- C. 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 2006 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	\$ 0	\$ 75,000	\$ 75,000	\$ 0



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, 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, 2006, the total additional annual payments were \$232,710,000.

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, 2006, the total additional annual payments were \$4,974,000.

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, 2006, the total additional annual payments were \$4,215,000.

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, 2006, the total additional annual payments were \$87,000.

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, 2006. 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, 2005. 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.



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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	10.75%	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	\$ 557,831	\$ 9,512	\$ 14,091	\$ 411
Employer contributions made	\$ 557,831	\$ 9,512 ***	\$ 13,950	\$ 411
Actuarial valuation date	June 30, 2006	June 30, 2006	Sept. 30, 2005	June 30, 2006
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level	Level	Level	Level
	percent open	percent open	dollar closed	percent open
Remaining amortization period	28.7 years	29.7 years	29.0 years	24.5 years
Asset valuation method	5-year	5-year	5-year	5-year
	smoothed market^	smoothed market^	smoothed market	smoothed market^
Actuarial assumptions:				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Wage inflation rate	4.00%	4.00%	4.00%	4.00%
Projected salary increases	5.00% - 15.00%	5.00% - 10.52%	4.50% - 6.00%	5.00%
Increases in benefits after retirement	3.00% ~	3.00% @	2.00% - 3.75% #	3.00% ~
Proposed annual employer contribution rates for fiscal year 2007	11.30% **	30.30%	-	6.65%

* In addition to 7.25% required by PERS.

^ Actuarial value of assets was set to the market value on June 30, 2006. Smoothing will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value.

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

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

Varies depending on municipality.

** In order to comply with GASB Statements No. 25 and No. 27, the PERS' consulting actuary recommended an employer contribution rate increase of 1.75 percent or 12.5 percent of covered wages. The PERS Board of Trustees adopted a plan to phase-in the contribution rate increase in .55 percent increments. As a result, the employer contribution rate was increased to 11.3 percent effective July 1, 2006, with the expectation that the rate will continue to increase by .55 percent each fiscal year until the recommended contribution rate results in an unfunded accrued liability period less than 30 years. The June 30, 2006 actuarial valuation included a temporary method change, in which actuarial assets were set equal to the market value of net assets for PERS, MHSPRS and SLRP recognizing the actuarial losses and gains to date. As a result of this change, the PERS' consulting actuaries have revised the recommended employer contribution rate to 12.25 percent.

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

E. Three-Year Trend Information

The following table provides the employer contribution to PERS, MHSPRS, MRS, and SLRP for the last three fiscal years (amounts expressed in thousands):

	PERS	MHSPRS	MRS*	SLRP
Contributions:				
2004	\$ 459,567	\$ 6,528	\$ 13,979	\$ 372
2005	492,434	6,335	13,884	417
2006	557,831	9,512**	13,950	411

* Information furnished for MRS is for the years ended September 30, 2003, 2004, and 2005, respectively.

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

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 116.6%, 104.5%, and 99.0% of the required contributions for the years ended September 30, 2003, 2004, and 2005, 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, 2003, 2004, and 2005, 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. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2006 were as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2007	\$ 18,707
2008	14,650
2009	11,104
2010	7,642
2011	5,184
2012 - 2016	7,827
2017 - 2021	1,211
2022 - 2026	500
2027 - 2031	471
2032 - 2036	311
Thereafter	409
Total Minimum Commitments	<u>\$ 68,016</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2006 amounted to \$19,694,000.

B. Contracts

At June 30, 2006, the Department of Transportation had long-term contracts outstanding of approximately \$1,445,876,000 with performance continuing during fiscal year 2007. These contracts will be paid through the General Fund. Approximately 30 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 \$74,105,000 outstanding at June 30, 2006 for construction of state and county roads. These contracts will be paid through the General Fund. Approximately 43 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 \$174,887,000 at June 30, 2006. These contracts will be paid from capital projects funds.

The Military Department had long-term contracts outstanding of approximately \$12,961,000 at June 30, 2006. Approximately 99 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.



Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Changes in claim liabilities recorded in governmental activities for fiscal years 2005 and 2006 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2005	\$ 132,102	\$ 546,407	\$ 557,992	\$ 120,517
2006	\$ 120,517	\$ 558,653	\$ 550,290	\$ 128,880

Health and Life Benefits: The State has elected to manage the health benefit through the retention of all exposure. The life benefit is purchased from a commercial insurance company for death benefit distribution under tax law but management of the risk is accomplished by self insuring within an insured shell. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through this plan.

Estimates of the liability for unpaid claims are actuarially determined using the development method. This method uses past observed patterns of time between claim incurral and payment to estimate incurred claims from available claims data. Liabilities are based on the estimated ultimate cost of settling the claims, including inflation and other factors, and provisions for estimated claims adjustment expenses.

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

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

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

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

Workers' Compensation Benefits: Workers' compensation benefits are established in statute and the rules and regulations are established by the Mississippi Workers' Compensation Commission and the Mississippi State Agencies Self-Insured Workers' Compensation Trust Board of Trustees. Four major state agencies have been granted exemption from participation in the Risk Management Fund.

The exposure of risk in the Risk Management Fund is financed mostly through retention of all exposure, with limited purchase of commercial excess insurance. The benefits are financed through collection of premiums, based on an actuarial estimate, from agencies which provides a stable cash flow for claims payments. In the last three years, settled claims have not exceeded commercial coverage. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and include provisions for estimated claims adjustment expenses.

Exempted state agencies cover all claim settlements and judgments with the resources of the General Fund. Claim expenditures and estimates of the related liability are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.



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 \$5,642,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the state.
- C. Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized to provide loan guarantees on behalf of rural businesses for the purpose of promoting business and economic development in rural areas of the state. At June 30, 2006, outstanding MDA loan guarantees totaled \$630,000.

The State of Mississippi has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program on behalf of local governments. The program provides operational funding to help local governments, or other political subdivisions of the State, that have incurred a significant loss in revenue, due to a presidentially declared disaster, that has adversely affected their ability to provide essential governmental services. At June 30, 2006, outstanding Community Disaster loan guarantees totaled \$62,436,000.

- D. Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately \$2,243,000,000 at June 30, 2006. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 - Endowments

The State of Mississippi Board of Trustees of the Institutions of Higher Learning (IHL) has established an investment policy regarding endowment funds in accordance with Section 79-11-601 through 79-11-617, Miss. Code Ann. (1972), otherwise known as the Uniform Management of Institutional Funds Act (UMIFA). The UMIFA allows the board to appropriate for expenditure 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 \$22,596,000 at June 30, 2006, 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 \$57,592,000 from the Working Cash Stabilization Reserve Account and \$320,000,000 from budgetary special funds as of January 19, 2007. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State entered into a financing agreement on October 11, 2006 to accelerate the construction of a highway project. This agreement resulted in notes payable totaling \$145,000,000 payable beginning in year 2009 through year 2027 with interest rates ranging from 4.5 percent to 5 percent.

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

Taxable General Obligation Refunding Bonds, Series 2006A totaling \$24,875,000 dated September 6, 2006. The bonds mature serially through year 2010 with interest rates ranging from 5.21 percent to 5.34 percent.

Tax-exempt General Obligation Refunding Bonds, Series 2006B totaling \$76,135,000 dated September 6, 2006. The bonds mature serially beginning in year 2010 through year 2018 with interest rates ranging from 5 percent to 5.25 percent.

Taxable General Obligation Refunding Bonds, Series 2006C totaling \$41,355,000 dated September 1, 2006. These were issued in connection with a bond purchase option contract executed in January 2004. The bonds mature serially through year 2016 with interest rates ranging from 7 percent to 7.35 percent.

Tax-exempt General Obligation Bonds, Series 2006D totaling \$167,315,000 dated November 1, 2006. These bonds provided funding for the Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B.B. King Museum, various capital improvement projects and to refund the tax-exempt Capital Asset Program Term Extendible Note Shelf (CAPTENS) Notes. The bonds mature serially through year 2026 with interest rates ranging from 4.25 percent to 5 percent.

Taxable General Obligation Bonds, Series 2006E totaling \$58,950,000 dated November 1, 2006. These bonds provided funding for the Small Municipalities and Limited Population Counties Fund, Rural Impact Fund, King Edward Hotel Project Fund, Farish Street Historic District Fund, Mississippi Business Investment Development Infrastructure Grant Fund, various capital improvement projects and to refund the taxable CAPTENS Notes. The bonds mature serially through year 2016 with interest rates ranging from 5 percent to 6 percent.

General Obligation Gulf Tax Credit Bonds, Series 2006 totaling \$100,000,000 dated October 31, 2006. These bonds provided funding to pay debt service for fiscal year 2007 on qualified general obligation bonds of the State issued prior to August 28, 2005 subject to the limitations imposed by the Gulf Opportunity Zone Act enacted by the United States Congress in response to Hurricanes Katrina, Rita, and Wilma. The bonds shall not bear interest and will mature on October 30, 2008.

Tax-exempt General Obligation CAPTENS Notes were issued to provide short-term financing as follows: \$21,220,000 dated August 8, 2006 for capital improvement projects and \$4,000,000 dated August 30, 2006 for the Local System Bridge Replacement and Rehabilitation Program. The State has the ability to roll these notes upon maturity until such time as they are paid off with the issuance of long-term debt. These notes were paid in full upon issuance of long-term debt dated November 1, 2006.

Taxable General Obligation CAPTENS Notes were issued to provide short-term financing as follows: \$750,000 dated September 5, 2006 for capital improvement projects; \$3,400,000 dated September 11, 2006 for an economic development project funded; and \$2,050,000 dated September 27, 2006 for a capital improvement project. The State has the ability to roll these notes upon maturity until such time as they are paid off with the issuance of long-term debt. These notes were paid in full upon issuance of long-term debt dated November 1, 2006.

Subsequent to year end, the State entered into the following transactions:

Interest Rate Swap Transactions dated July 28, 2006 in the amount of \$25,005,000 and \$24,995,000 in connection with the outstanding Taxable Variable Rate General Obligation Bonds (Nissan North America, Inc., Project), Series 2003A and Series 2003B, respectively. The 2003A and 2003B Bonds and related swaps have final maturities occurring from November 1, 2026 through November 1, 2028. Under the swap agreements, the State pays the counterparty a fixed rate payment of 5.708 percent and receives a variable rate payment based on the taxable floating rate index (LIBOR).

Required Supplementary Information

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

For the Year Ended June 30, 2006 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 1,652,200	\$ 1,652,200	\$ 1,855,067	\$ 202,867
Individual income tax	1,197,000	1,197,000	1,246,063	49,063
Corporate income and franchise taxes	380,800	380,800	412,092	31,292
Use and wholesale compensating taxes	160,700	160,700	213,886	53,186
Tobacco, beer and wine taxes	86,500	86,500	89,914	3,414
Insurance tax	155,800	155,800	153,323	(2,477)
Oil and gas severance taxes	39,200	39,200	59,327	20,127
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	50,600	50,600	54,622	4,022
Inheritance tax	4,000	4,000		(4,000)
Other taxes	23,400	23,400	20,446	(2,954)
Interest	7,500	7,500	17,133	9,633
Auto privilege, tag and title fees	17,900	17,900	16,432	(1,468)
Gaming fees	189,300	189,300	145,710	(43,590)
Highway Safety Patrol fees	18,300	18,300	19,053	753
Other fees and services	12,200	12,200	11,784	(416)
Miscellaneous	3,200	3,200	3,308	108
Court assessments and settlements			10,000	10,000
Special Fund revenues				
Total Revenues	3,998,600	3,998,600	4,328,160	329,560
Expenditures by Major Budgetary Function				
Legislative	21,932	22,364	21,302	(1,062)
Judiciary and justice	50,145	62,288	61,808	(480)
Executive and administrative	2,726	2,726	2,687	(39)
Fiscal affairs	62,727	63,177	63,162	(15)
Public education	1,858,226	1,858,226	1,853,919	(4,307)
Higher education	542,784	555,784	555,757	(27)
Public health	26,963	26,963	26,906	(57)
Hospitals and hospital schools	189,942	197,619	197,582	(37)
Agriculture, commerce and economic development	81,388	81,388	81,221	(167)
Conservation and recreation	46,843	47,326	47,322	(4)
Insurance and banking	11	11	11	
Corrections	209,226	217,722	217,637	(85)
Interdepartmental service				
Social welfare	449,860	449,860	449,800	(60)
Public protection and veterans assistance	67,172	67,172	67,148	(24)
Local assistance	82,100	82,850	82,110	(740)
Motor vehicle and other regulatory agencies	1,087	1,087	1,087	
Miscellaneous	1,118	1,193	1,178	(15)
Public works				
Debt service	215,569	273,513	273,330	(183)
Total Expenditures	3,909,819	4,011,269	4,003,967	(7,302)
Excess of Revenues over (under) Expenditures	88,781	(12,669)	324,193	336,862
Other Financing Sources (Uses)				
Transfers in	15,700	15,700	4,456	(11,244)
Transfers out			(345,549)	(345,549)
Investments purchased, net				
Other sources (uses) of cash			(9)	(9)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	104,481	3,031	(16,909)	(19,940)
Budgetary Fund Balances - Beginning	52,791	52,791	52,791	
Budgetary/Nonbudgetary Fund Reclassification, Net				
Budgetary Fund Balances - Beginning, as Reclassified	52,791	52,791	52,791	
Budgetary Fund Balances (Deficits) - Ending	\$ 157,272	\$ 55,822	\$ 35,882	\$ (19,940)

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)
\$ 219,513	\$ 239,289	\$ 259,062	\$ 19,773	\$	\$	\$	\$
18,082	24,096	25,864	1,768				
		85	85				
		1	1				
				7,940,713	11,046,927	8,986,595	(2,060,332)
237,595	263,385	285,012	21,627	7,940,713	11,046,927	8,986,595	(2,060,332)
				100	100	72	(28)
				40,240	48,026	34,297	(13,729)
				10,880	37,852	25,904	(11,948)
				59,130	64,415	44,810	(19,605)
177,544	177,544	167,423	(10,121)	796,436	1,135,235	984,270	(150,965)
83,238	83,238	83,238		140,562	140,711	124,314	(16,397)
				267,290	279,780	224,421	(55,359)
				321,610	346,115	321,322	(24,793)
3,239	3,239	3,239		115,042	161,491	103,397	(58,094)
125	125	125		205,171	249,086	171,193	(77,893)
				82,634	91,416	82,309	(9,107)
				75,167	79,511	74,968	(4,543)
				40,984	41,143	33,373	(7,770)
				4,431,744	4,930,389	4,161,463	(768,926)
2,065				246,192	1,730,039	1,019,404	(710,635)
				21,616	22,773	19,405	(3,368)
450	450	450		2,339	2,464	1,830	(634)
				933,705	1,511,510	1,366,746	(144,764)
				149,871	174,871	161,685	(13,186)
266,661	264,596	254,475	(10,121)	7,940,713	11,046,927	8,955,183	(2,091,744)
(29,066)	(1,211)	30,537	31,748			31,412	31,412
						27,621	27,621
						(16,864)	(16,864)
						(12,143)	(12,143)
		(457)	(457)				
(29,066)	(1,211)	30,080	31,291			30,026	30,026
		11,246	11,246			626,021	626,021
						443	443
		11,246	11,246			626,464	626,464
\$ (29,066)	\$ (1,211)	\$ 41,326	\$ 42,537	\$ 0	\$ 0	\$ 656,490	\$ 656,490

Required Supplementary Information

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

For the Year Ended June 30, 2006

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, 2006 is presented below (amounts expressed in thousands):

<u>Budgetary Funds</u>	<u>General</u>	<u>Education Enhancement</u>	<u>Special</u>
<u>Financial Statement Major Funds</u>	<u>General</u>		<u>Health Care</u>
Net Change in Budgetary Fund Balances	\$ (16,909)	\$ 30,080	\$ 30,026
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	76,207	(30,080)	(46,127)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			20,007
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	110,683		(47,312)
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	163,090		(2,374)
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	198,111		(282)
Net Change in GAAP Fund Balances	<u>\$ 531,182</u>	<u>\$ 0</u>	<u>\$ (46,062)</u>

Required Supplementary Information

Schedule of Funding Progress

June 30, 2006 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)
Public Employees' Retirement System of Mississippi						
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
2006	18,321,063	24,928,464	6,607,401	73.5	4,971,974	132.9
Mississippi Highway Safety Patrol Retirement System						
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
2006	265,637	350,638	85,001	75.8	24,499	347.0
Municipal Retirement Systems *						
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
2005	217,140	387,386	170,246	56.1	2,909	5,852.4
Supplemental Legislative Retirement Plan						
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
2006	11,620	14,064	2,444	82.6	6,354	38.5

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2006, does not differ materially from the value as of September 30, 2005.

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. As of June 30, 2006, PERS, MHSPRS and SLRP plans' actuarial values of assets are set equal to the respective market values of net assets. Smoothing will resume for these plans in fiscal year 2007 with an additional constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value. Actuarial value of assets for MRS is smoothed for 2006. Smoothing calculations recognize 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2006 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, 2006 (Expressed in Thousands)

	Nonmajor Special Revenue				Totals
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions	
Assets					
Equity in internal investment pool	\$ 19,971	\$ 67,834	\$ 44,382	\$ 33,889	\$ 166,076
Cash and cash equivalents	2,558	5,993	3,616	106	12,273
Investments	124	4,588	13,234		17,946
Receivables:					
Interest	1		758		759
Other	7,337	29,159	416	216	37,128
Due from other governments	4,671	92,294	23,246	300	120,511
Due from other funds	12,198	9,389	9,209	26	30,822
Inventories		943	341		1,284
Prepaid items			105		105
Loans receivable, net			3,510		3,510
Loans to other funds	36	99	71	361	567
Total Assets	\$ 46,896	\$ 210,299	\$ 98,888	\$ 34,898	\$ 390,981
Liabilities					
Warrants payable	\$ 2,263	\$ 22,611	\$ 2,718	\$ 681	\$ 28,273
Accounts payable and accruals	5,367	7,551	8,308	402	21,628
Due to other governments	424	61,719	2,917	15	65,075
Due to other funds	13,810	37,973	540	942	53,265
Due to component units	28	1,689	44		1,761
Unearned revenues	4,153	63,648	3,946		71,747
Other liabilities				110	110
Total Liabilities	26,045	195,191	18,473	2,150	241,859
Fund Balances					
Reserved for:					
Education and vocational training					
Ellisville State School	2,025				2,025
Encumbrances	345	416	1,539	263	2,563
Inventories		943	341		1,284
Loans to other funds	36	99	71	361	567
Long-term portion of due from other governments			7,236		7,236
Long-term portion of loans receivable			2,613		2,613
Prepaid items			105		105
Wildlife conservation					
Unreserved:					
Designated for debt service					
Designated for energy programs			3,506		3,506
Designated for future loans			8,592		8,592
Undesignated	18,445	13,650	56,412	32,124	120,631
Total Fund Balances	20,851	15,108	80,415	32,748	149,122
Total Liabilities and Fund Balances	\$ 46,896	\$ 210,299	\$ 98,888	\$ 34,898	\$ 390,981

Debt Service	Permanent	Totals
\$ 43,590	\$ 300	\$ 209,966
	4,064	16,337
110	43,058	61,114
196	650	1,605
		37,128
		120,511
3,500		34,322
		1,284
		105
		3,510
		567
<u>\$ 47,396</u>	<u>\$ 48,072</u>	<u>\$ 486,449</u>
\$	\$ 10	\$ 28,283
	36	21,664
		65,075
189	221	53,675
		1,761
		71,747
		110
<u>189</u>	<u>267</u>	<u>242,315</u>
	40,199	40,199
		2,025
		2,563
		1,284
		567
		7,236
		2,613
		105
	6,603	6,603
47,207		47,207
		3,506
		8,592
	1,003	121,634
<u>47,207</u>	<u>47,805</u>	<u>244,134</u>
<u>\$ 47,396</u>	<u>\$ 48,072</u>	<u>\$ 486,449</u>

MISSISSIPPI

Nonmajor Governmental Funds

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

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Nonmajor Special Revenue				Totals
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions	
Revenues					
Taxes:					
Gasoline and other motor fuel	\$	\$	\$ 8,800	\$	\$ 8,800
Other	5,130				5,130
Licenses, fees and permits	32,186	10,278	28,737	35,354	106,555
Federal government	231,686	807,318	83,063	362	1,122,429
Interest and other investment income	327	714	2,360	209	3,610
Charges for sales and services	3,639	1,688	4,220	76	9,623
Rentals			7,847	13	7,860
Other	27,494	9,504	1,032	201	38,231
Total Revenues	300,462	829,502	136,059	36,215	1,302,238
Expenditures					
Current:					
Education					
Health and social services	281,448				281,448
Law, justice and public safety		873,952			873,952
Recreation and resources development			134,256		134,256
Regulation of business and professions				30,981	30,981
Debt service:					
Principal	279	2,293			2,572
Interest	160	167			327
Defeasance of debt					
Total Expenditures	281,887	876,412	134,256	30,981	1,323,536
Excess of Revenues over (under) Expenditures	18,575	(46,910)	1,803	5,234	(21,298)
Other Financing Sources (Uses)					
Insurance recovery			586		586
Transfers in	20,443	102,227	10,977	7	133,654
Transfers out	(35,932)	(68,702)	(4,726)	(1,942)	(111,302)
Net Other Financing Sources (Uses)	(15,489)	33,525	6,837	(1,935)	22,938
Net Change in Fund Balances	3,086	(13,385)	8,640	3,299	1,640
Fund Balances - Beginning	17,765	28,493	71,775	29,449	147,482
Fund Balances - Ending	\$ 20,851	\$ 15,108	\$ 80,415	\$ 32,748	\$ 149,122

Debt	Service	Permanent	Totals
\$		\$	\$
			8,800
			5,130
		449	107,004
			1,122,429
	3,914	1,096	8,620
			9,623
			7,860
	3,477	676	42,384
	7,391	2,221	1,311,850
		104	104
			281,448
			873,952
		5	134,261
			30,981
	91,924		94,496
	47,236		47,563
	2,138		2,138
	141,298	109	1,464,943
	(133,907)	2,112	(153,093)
			586
	142,403		276,057
	(3,107)	(2,089)	(116,498)
	139,296	(2,089)	160,145
	5,389	23	7,052
	41,818	47,782	237,082
\$	47,207	\$ 47,805	\$ 244,134



Nonmajor Special Revenue Funds

Combining Balance Sheet Health and Social Services

June 30, 2006 (Expressed in Thousands)

	Department of Rehabilitation Services		Department of Employment Security
	Rehabilitation Services	Disability Determination	Employment Services
Assets			
Equity in internal investment pool	\$ 2,957	\$ 9,015	\$ 4,510
Cash and cash equivalents		5	1,474
Investments	124		
Receivables:			
Interest	1		
Other	712	3	6,306
Due from other governments	74	448	4,149
Due from other funds	1,298	38	10,455
Loans to other funds		1	35
Total Assets	\$ 5,166	\$ 9,510	\$ 26,929
Liabilities			
Warrants payable	\$ 68	\$ 494	\$ 1,689
Accounts payable and accruals	408	830	3,657
Due to other governments		7	415
Due to other funds	715	621	12,304
Due to component units		6	22
Unearned revenues			4,153
Total Liabilities	1,191	1,958	22,240
Fund Balances			
Reserved for:			
Ellisville State School			
Encumbrances	9	44	292
Loans to other funds		1	35
Unreserved:			
Undesignated	3,966	7,507	4,362
Total Fund Balances	3,975	7,552	4,689
Total Liabilities and Fund Balances	\$ 5,166	\$ 9,510	\$ 26,929

Department of Mental Health

Alcohol Abuse Program		Social Services		Totals
\$	1,216	\$	2,273	\$ 19,971
			1,079	2,558
				124
				1
		316		7,337
				4,671
	407			12,198
				36
\$	1,623	\$	3,668	\$ 46,896
\$	12	\$		\$ 2,263
	389		83	5,367
			2	424
	129		41	13,810
				28
				4,153
	530		126	26,045
			2,025	2,025
				345
				36
	1,093		1,517	18,445
	1,093		3,542	20,851
\$	1,623	\$	3,668	\$ 46,896



Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Department of Rehabilitation Services		Department of Employment Security
	Rehabilitation Services	Disability Determination	Employment Services
Revenues			
Other taxes	\$	\$	\$
Licenses, fees and permits			31,880
Federal government	194	24,259	207,233
Interest	12	224	23
Charges for sales and services	45	355	146
Other	7	1,982	25,473
Total Revenues	258	26,820	264,755
Expenditures			
Current:			
Health and social services	8,507	31,105	235,341
Debt service:			
Principal	7	272	
Interest	2	158	
Total Expenditures	8,516	31,535	235,341
Excess of Revenues over (under) Expenditures	(8,258)	(4,715)	29,414
Other Financing Sources (Uses)			
Transfers in	8,578	6,755	5,109
Transfers out	(212)	(928)	(33,443)
Net Other Financing Sources (Uses)	8,366	5,827	(28,334)
Net Change in Fund Balances	108	1,112	1,080
Fund Balances - Beginning	3,867	6,440	3,609
Fund Balances - Ending	\$ 3,975	\$ 7,552	\$ 4,689

Department of Mental Health

Alcohol Abuse Program		Social Services	Totals
\$	5,130	\$	5,130
		306	32,186
			231,686
		68	327
		3,093	3,639
	7	25	27,494
	5,137	3,492	300,462
	3,473	3,022	281,448
			279
			160
	3,473	3,022	281,887
	1,664	470	18,575
		1	20,443
	(1,348)	(1)	(35,932)
	(1,348)	0	(15,489)
	316	470	3,086
	777	3,072	17,765
\$	1,093	\$	3,542
		\$	20,851

Nonmajor Special Revenue Funds

Combining Balance Sheet Law, Justice and Public Safety June 30, 2006 (Expressed in Thousands)

	<u>Attorney General</u>	<u>Department of Corrections</u>	<u>Department of Public Safety</u>
	Medicaid Fraud	Community Services	Inmate Welfare and Training
			Public Safety Planning
Assets			
Equity in internal investment pool	\$ 622	\$ 1,898	\$ 4
Cash and cash equivalents		63	1,510
Investments			
Receivables:			
Other		7	330
Due from other governments	20		28,791
Due from other funds			4,891
Inventories			1,413
Loans to other funds		53	7,778
Total Assets	\$ 642	\$ 2,021	\$ 3,257
			\$ 66,880
Liabilities			
Warrants payable	\$ 29	\$ 79	\$ 1,282
Accounts payable and accruals	12	332	451
Due to other governments			9
Due to other funds			290
Due to component units		12	22
Unearned revenues			505
Total Liabilities	41	423	772
			65,911
Fund Balances			
Reserved for:			
Encumbrances	49	131	97
Inventories			34
Loans to other funds		53	
Unreserved:			
Undesignated	552	1,414	2,388
Total Fund Balances	601	1,598	2,485
Total Liabilities and Fund Balances	\$ 642	\$ 2,021	\$ 3,257
			\$ 66,880

Military Department					
National Guard Facility and Training	Camp Shelby Operations	Emergency Management	Other	Totals	
\$ 1,200	\$ 1,624	\$ 35,358	\$ 1,708	\$	67,834
	167	2	4,251		5,993
		4,588			4,588
13		18			29,159
3,555	1,000	82,828			92,294
43		155			9,389
943					943
		28	18		99
\$ 5,754	\$ 2,791	\$ 122,977	\$ 5,977	\$	210,299
\$ 312	\$ 72	\$ 20,832	\$ 5	\$	22,611
2,795	454	362	1,503		7,551
8		61,702			61,719
		35,378	119		37,973
		1,150			1,689
3,114	238				63,648
6,229	764	119,424	1,627		195,191
	102	3			416
943					943
		28	18		99
(1,418)	1,925	3,522	4,332		13,650
(475)	2,027	3,553	4,350		15,108
\$ 5,754	\$ 2,791	\$ 122,977	\$ 5,977	\$	210,299



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, 2006 (Expressed in Thousands)

	Attorney General	Department of Corrections	Department of Public Safety
	Medicaid Fraud	Community Services	Inmate Welfare and Training
			Public Safety Planning
Revenues			
Licenses, fees and permits	\$	\$ 10,270	\$
Federal government	1,295		20,322
Interest		1	432
Charges for sales and services			
Other	350	37	3,942
	383		
Total Revenues	1,645	10,308	3,975
			21,137
Expenditures			
Current:			
Law, justice and public safety	1,593	10,022	2,248
Debt service:			
Principal		162	2,131
Interest			167
Total Expenditures	1,593	10,184	4,546
			16,705
Excess of Revenues over (under) Expenditures	52	124	(571)
			4,432
Other Financing Sources (Uses)			
Transfers in		11	707
Transfers out		(1,038)	(822)
Net Other Financing Sources (Uses)		(1,027)	(115)
			(4,980)
Net Change in Fund Balances	52	(903)	(686)
			(548)
Fund Balances - Beginning	549	2,501	3,171
			1,517
Fund Balances - Ending	\$ 601	\$ 1,598	\$ 2,485
			\$ 969

Military Department					
National Guard					
Facility and Training	Camp Shelby Operations	Emergency Management	Other		Totals
\$	\$	\$	\$	\$	
		7	1		10,278
43,416	3,348	738,937			807,318
	20	223	5		714
70	1,617	1			1,688
554	63	198	3,977		9,504
44,040	5,048	739,366	3,983		829,502
49,130	7,440	786,119	695		873,952
					2,293
					167
49,130	7,440	786,119	695		876,412
(5,090)	(2,392)	(46,753)	3,288		(46,910)
2,224	3,364	95,426			102,227
		(59,955)	(1,412)		(68,702)
2,224	3,364	35,471	(1,412)		33,525
(2,866)	972	(11,282)	1,876		(13,385)
2,391	1,055	14,835	2,474		28,493
\$	\$	\$	\$	\$	
(475)	2,027	3,553	4,350		15,108



Nonmajor Special Revenue Funds

Combining Balance Sheet Recreation and Resources Development

June 30, 2006 (Expressed in Thousands)

	Department of Agriculture and Commerce		Mississippi Development Authority			State Treasurer	
	Rice and Soybean Promotion	Community Development	Energy Conservation	Other	Court Assessments and Settlements		
Assets							
Equity in internal investment pool	\$ 277	\$ 5,457	\$ 4,766	\$ 419	\$		
Cash and cash equivalents	480			87			
Investments	1,300		3,326				740
Receivables:							
Interest		432	22				
Other	402						
Due from other governments	3	22,610	240				
Due from other funds							
Inventories							
Prepaid items							
Loans receivable, net			3,510				
Loans to other funds							
Total Assets	\$ 2,462	\$ 28,499	\$ 11,864	\$ 506	\$		740
Liabilities							
Warrants payable	\$	\$ 868	\$ 15	\$	\$		
Accounts payable and accruals		5,872	5				
Due to other governments		2,532					
Due to other funds		168	19				
Due to component units		36					
Unearned revenues		2,692	1				
Total Liabilities		12,168	40				
Fund Balances							
Reserved for:							
Encumbrances	113	422	111				
Inventories							
Loans to other funds							
Long-term portion of due from other governments		7,236					
Long-term portion of loans receivable			2,613				
Prepaid items							
Unreserved:							
Designated for energy programs			3,506				
Designated for future loans		8,592					
Undesignated	2,349	81	5,594	506			740
Total Fund Balances	2,462	16,331	11,824	506			740
Total Liabilities and Fund Balances	\$ 2,462	\$ 28,499	\$ 11,864	\$ 506	\$		740

Department of Wildlife, Fisheries and Parks					Department of Marine Resources	Totals
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other			
\$ 5,698 503	\$ 4,699 624	\$ 1,787 30	\$ 2,367 1,859 7,868	\$ 18,912 33	\$ 44,382 3,616 13,234	
			304		758	
10				4	416	
				393	23,246	
5,913			150	3,146	9,209	
234	107				341	
105					105	
					3,510	
1	57		13		71	
\$ 12,464	\$ 5,487	\$ 1,817	\$ 12,561	\$ 22,488	\$ 98,888	
\$ 680 1,300 201 46	\$ 504 766 184	\$ 220	\$	\$ 431 365	\$ 2,718 8,308 2,917	
				307 8	540 44	
1,174	12	65	2		3,946	
3,401	1,466	285	2	1,111	18,473	
165 234 1	33 107 57	83	1 13	611	1,539 341 71	
					7,236	
					2,613	
105					105	
					3,506	
					8,592	
8,558	3,824	1,449	12,545	20,766	56,412	
9,063	4,021	1,532	12,559	21,377	80,415	
\$ 12,464	\$ 5,487	\$ 1,817	\$ 12,561	\$ 22,488	\$ 98,888	



Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Department of Agriculture and Commerce	Mississippi Development Authority			State Treasurer
	Rice and Soybean Promotion	Community Development	Energy Conservation	Other	Court Assessments and Settlements
Revenues					
Taxes:					
Gasoline and other motor fuel	\$	\$	\$	\$	\$
Licenses, fees and permits	2,075			5	
Federal government		65,997	701		
Interest and other investment income	93	539	328	11	28
Charges for sales and services	1,283			244	
Rentals					
Other		297	6		
Total Revenues	3,451	66,833	1,035	260	28
Expenditures					
Recreation and resources development	5,118	66,071	1,105	190	
Excess of Revenues over (under) Expenditures	(1,667)	762	(70)	70	28
Other Financing Sources (Uses)					
Insurance recovery					
Transfers in				5	
Transfers out	(13)	(364)	(80)		
Net Other Financing Sources (Uses)	(13)	(364)	(80)	5	
Net Change in Fund Balances	(1,680)	398	(150)	75	28
Fund Balances - Beginning	4,142	15,933	11,974	431	712
Fund Balances - Ending	\$ 2,462	\$ 16,331	\$ 11,824	\$ 506	\$ 740

Department of Wildlife, Fisheries and Parks				Department of Marine Resources	Totals
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other		
\$ 5,750	\$	\$	\$	\$ 3,050	\$ 8,800
15,389	9,094	124	1,074	976	28,737
8,538	2,545			5,282	83,063
255	92	25	435	554	2,360
720	279		667	1,027	4,220
179				7,668	7,847
527	177			25	1,032
31,358	12,187	149	2,176	18,582	136,059
29,985	16,416	456	78	14,837	134,256
1,373	(4,229)	(307)	2,098	3,745	1,803
				586	586
1,889	7,268			1,815	10,977
(2,070)				(2,199)	(4,726)
(181)	7,268			202	6,837
1,192	3,039	(307)	2,098	3,947	8,640
7,871	982	1,839	10,461	17,430	71,775
\$ 9,063	\$ 4,021	\$ 1,532	\$ 12,559	\$ 21,377	\$ 80,415



Nonmajor Special Revenue Funds

Combining Balance Sheet
Regulation of Business and Professions
June 30, 2006 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
Assets			
Equity in internal investment pool	\$ 7,413	\$ 8,155	\$ 1,136
Cash and cash equivalents			
Receivables:			
Other	6	189	6
Due from other governments	271		
Due from other funds	26		
Loans to other funds	280	48	27
Total Assets	\$ 7,996	\$ 8,392	\$ 1,169
Liabilities			
Warrants payable	\$ 104	\$ 122	\$ 159
Accounts payable and accruals	85	120	72
Due to other governments			
Due to other funds	350		25
Other liabilities		110	
Total Liabilities	539	352	256
Fund Balances			
Reserved for:			
Encumbrances	3		17
Loans to other funds	280	48	27
Unreserved:			
Undesignated	7,174	7,992	869
Total Fund Balances	7,457	8,040	913
Total Liabilities and Fund Balances	\$ 7,996	\$ 8,392	\$ 1,169

Oil and Gas Board		Other Regulatory Agencies		Totals
\$	3,929	\$	13,256	\$ 33,889
			106	106
	6		9	216
			29	300
				26
			6	361
\$	3,935	\$	13,406	\$ 34,898
\$	43	\$	253	\$ 681
	13		112	402
			15	15
	78		489	942
				110
	134		869	2,150
	108		135	263
			6	361
	3,693		12,396	32,124
	3,801		12,537	32,748
\$	3,935	\$	13,406	\$ 34,898

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, 2006 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
Revenues			
Licenses, fees and permits	\$ 7,387	\$ 5,273	\$ 5,634
Federal government	189		
Interest		143	
Charges for sales and services	12	32	
Rentals			
Other	53		
Total Revenues	7,641	5,448	5,634
Expenditures			
Current:			
Regulation of business and professions	6,756	4,616	5,304
Total Expenditures	6,756	4,616	5,304
Excess of Revenues over Expenditures	885	832	330
Other Financing Sources (Uses)			
Transfers in			
Transfers out		(150)	
Net Other Financing Sources (Uses)		(150)	
Net Change in Fund Balances	885	682	330
Fund Balances - Beginning	6,572	7,358	583
Fund Balances - Ending	\$ 7,457	\$ 8,040	\$ 913

Oil and Gas Board		Other Regulatory Agencies	Totals
\$	2,720	\$ 14,340	\$ 35,354
	45	128	362
		66	209
		32	76
		13	13
		148	201
	2,765	14,727	36,215
	2,153	12,152	30,981
	2,153	12,152	30,981
	612	2,575	5,234
		7	7
		(1,792)	(1,942)
		(1,785)	(1,935)
	612	790	3,299
	3,189	11,747	29,449
\$	3,801	\$ 12,537	\$ 32,748

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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. Funding sources include gross receipts from the state fair, livestock show, Industrial Building and other events conducted at the coliseum and fairgrounds, as well as operating transfers from the General Fund.

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

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

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

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

Department of Agriculture and Commerce - The **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, 2006 (Expressed in Thousands)

**Department of
Rehabilitation
Services**

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Assets					
Current assets:					
Equity in internal investment pool	\$ 2,484	\$ 18,143	\$ 80	\$	
Cash and cash equivalents	58	609	22	2,433	4,131
Receivables, net:					
Accounts	35	62		301	1,647
Interest		486			
Due from other governments					
Due from other funds	16				1,234
Due from component units					
Inventories					189
Prepaid items				18	2
Loans and notes receivable		4,520			
Total Current Assets	2,593	23,820	102	2,752	7,203
Noncurrent assets:					
Loans and notes receivable		137,283			
Loans to other funds			2		
Capital assets, net	17,808	1,624	12,167	17,909	
Total Noncurrent Assets	17,808	138,907	12,169	17,909	
Total Assets	20,401	162,727	12,271	20,661	7,203
Liabilities					
Current liabilities:					
Warrants payable	43	1,216	25		
Accounts payable and other liabilities	39	6	12	2	1,043
Due to other governments					
Due to other funds	2	1		260	
Due to component units					
Deposits		1,853			
Unearned revenues	89				269
Lease obligations payable					
Total Current Liabilities	173	3,076	37	262	1,312
Noncurrent liabilities:					
Due to other governments				8,991	
Loans from other funds				800	
Lease obligations payable					
Other liabilities	57	50	26	28	
Total Noncurrent Liabilities	57	50	26	9,819	
Total Liabilities	230	3,126	63	10,081	1,312
Net Assets					
Invested in capital assets, net of related debt	17,808	1,624	12,167	16,849	
Unrestricted (deficit)	2,363	157,977	41	(6,269)	5,891
Total Net Assets	\$ 20,171	\$ 159,601	\$ 12,208	\$ 10,580	\$ 5,891

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		
\$ 1	\$ 66 56	\$ 233	\$ 6 1,073	\$ 161 49	\$ 21,174 8,431	
11		49	652		2,757 486 80 1,540 1 745 230 4,520	
	24	2	310 210	290 220		
12	146	365	2,251	720	39,964	
					137,283 2	
	4,317	184	105	3,073	57,187	
	4,317	184	105	3,073	194,472	
12	4,463	549	2,356	3,793	234,436	
1	5	9		57	1,356	
	25	9 1	773 94 1,492 20	32	1,941 95 1,755 20 1,853 358 105	
1	30	19	2,379	194	7,483	
					8,991 800 215 215 488	
9	46	20		252	10,494	
9	46	20		467	17,977	
10	76	39	2,379	661		
	4,317	184	105	2,753	55,807	
2	70	326	(128)	379	160,652	
\$ 2	\$ 4,387	\$ 510	\$ (23)	\$ 3,132	\$ 216,459	



Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2006 (Expressed in Thousands)

**Department of
Rehabilitation
Services**

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Operating Revenues					
Charges for sales and services	\$ 5,244	\$	\$ 1,254	\$ 1,468	\$ 20,708
Interest income		7,061			
Rentals		43		515	
Fees		15			
Other	328	3	236		74
Total Operating Revenues	5,572	7,122	1,490	1,983	20,782
Operating Expenses					
Cost of sales and services	49				20,138
General and administrative	1,072	715	333	487	5,155
Contractual services	3,264	241	764	143	1,727
Commodities	309	32	297	56	42
Depreciation	500	35	437	843	
Other	12			1,003	14
Total Operating Expenses	5,206	1,023	1,831	2,532	27,076
Operating Income (Loss)	366	6,099	(341)	(549)	(6,294)
Nonoperating Revenues					
Gain on disposal of capital assets					
Interest and other investment income		721	2	36	20
Total Nonoperating Revenues		721	2	36	20
Nonoperating Expenses					
Loss on disposal of capital assets			1		
Interest	6			26	
Total Nonoperating Expenses	6		1	26	
Income (Loss) before Capital Contributions and Transfers	360	6,820	(340)	(539)	(6,274)
Capital Contributions	42				
Extraordinary item - Impairment loss from hurricane damage			(214)		
Transfers In	298			887	6,471
Transfers Out	(9)				
Change in Net Assets	691	6,820	(554)	348	197
Total Net Assets - Beginning	19,480	152,781	12,762	10,232	5,694
Total Net Assets - Ending	\$ 20,171	\$ 159,601	\$ 12,208	\$ 10,580	\$ 5,891

Department of Agriculture and Commerce		Department of Finance and Administration	Department of Corrections		
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants and Commissary	Prison Agricultural Enterprises	Totals
\$	\$ 138	\$ 614	\$ 8,433	\$ 909	\$ 38,768
					7,061
9	317	11		319	1,214
					15
1	2		3		647
10	457	625	8,436	1,228	47,705
	60		5,483	1,030	26,760
5	516	255	1,227	603	10,368
9	383	110	708	159	7,508
2	87	31	261	672	1,789
	112	4	47	250	2,228
	9				1,038
16	1,167	400	7,726	2,714	49,691
(6)	(710)	225	710	(1,486)	(1,986)
				8	8
		4	21		804
		4	21	8	812
					1
				14	46
				14	47
(6)	(710)	229	731	(1,492)	(1,221)
	17				59
	519			822	(214)
(705)		(66)	(603)	(11)	8,997
(711)	(174)	163	128	(681)	(1,394)
713	4,561	347	(151)	3,813	6,227
					210,232
\$ 2	\$ 4,387	\$ 510	\$ (23)	\$ 3,132	\$ 216,459



Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2006 (Expressed in Thousands)

**Department of
Rehabilitation
Services**

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Cash Flows from Operating Activities					
Cash receipts from customers	\$ 5,656	\$ 315	\$ 1,253	\$ 1,848	\$ 20,250
Cash payments to suppliers for goods and services	(3,783)	(64)	(1,108)	(1,214)	(21,913)
Cash payments to employees for services	(1,067)	(699)	(332)	(479)	(4,964)
Other operating cash receipts		130	236		74
Principal and interest received on program loans		24,146			
Issuance of program loans		(32,555)			
Net Cash Provided by (Used for) Operating Activities	806	(8,727)	49	155	(6,553)
Cash Flows from Noncapital Financing Activities					
Transfers in	298			887	6,471
Transfers out					
Net Cash Provided by (Used for) Noncapital Financing Activities	298			887	6,471
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(21)	(5)	(6)	(1,363)	
Principal paid on bonds and capital assets contracts	(160)			(250)	
Interest paid on bonds and capital assets contracts	(7)			(26)	
Net Cash Used for Capital and Related Financing Activities	(188)	(5)	(6)	(1,639)	
Cash Flows from Investing Activities					
Interest and other investment income		733	2	36	20
Net Cash Provided by Investing Activities		733	2	36	20
Net Increase (Decrease) in Cash and Cash Equivalents	916	(7,999)	45	(561)	(62)
Cash and Cash Equivalents - Beginning	1,626	26,751	57	2,994	4,193
Cash and Cash Equivalents - Ending	\$ 2,542	\$ 18,752	\$ 102	\$ 2,433	\$ 4,131

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections		
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants and Commissary	Prison Agricultural Enterprises	Totals	
\$ 10	\$ 455	\$ 578	\$ 8,445	\$ 1,228	\$	40,038
(24)	(542)	(162)	(6,101)	(1,960)		(36,871)
(5)	(510)	(251)	(1,212)	(595)		(10,114)
1	2		3			446
						24,146
						(32,555)
(18)	(595)	165	1,135	(1,327)		(14,910)
	519			758		8,933
		(66)	(603)	(11)		(680)
	519	(66)	(603)	747		8,253
			(60)	(128)		(1,583)
				(119)		(529)
				(14)		(47)
			(60)	(261)		(2,159)
		4	21			816
		4	21			816
(18)	(76)	103	493	(841)		(8,000)
19	198	130	586	1,051		37,605
\$ 1	\$ 122	\$ 233	\$ 1,079	\$ 210	\$	29,605

(Continued on Next Page)



Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2006 (Expressed in Thousands)

(Continued from Previous Page)

					<u>Department of Rehabilitation Services</u>
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ 366	\$ 6,099	\$ (341)	\$ (549)	\$ (6,294)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	500	35	437	843	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable, net	86			(135)	529
Interest receivable		(20)			
Due from other governments		14			
Due from other funds	(3)				(973)
Due from component units					
Inventories					(5)
Prepaid items				(1)	(1)
Loans and notes receivable		(16,115)			
Increase (decrease) in liabilities:					
Warrants payable	5	716	3		
Accounts payable and other liabilities	(22)	544	(50)	(3)	191
Due to other governments					
Due to other funds	(126)				
Due to component units					
Total adjustments	440	(14,826)	390	704	(259)
Net Cash Provided by (Used for) Operating Activities	\$ 806	\$ (8,727)	\$ 49	\$ 155	\$ (6,553)

Noncash Capital and Related Financing Activities

Transfer of capital assets to other state agencies	9				
Capital contributions	42				
Gain (loss) on disposal of capital assets			(1)		
Extraordinary item - Impairment loss from hurricane damage			214		

Department of Agriculture and Commerce		Department of Finance and Administration	Department of Corrections		
Farmers' Central Market Board	Agriculture and Forestry Museum	Office of Surplus Property	Restaurants and Commissary	Prison Agricultural Enterprises	Totals
\$ (6)	\$ (710)	\$ 225	\$ 710	\$ (1,486)	\$ (1,986)
	112	4	47	250	2,228
		(34)	7		453
		(30)			(20)
		18	5		(16)
		(1)			(953)
	3		65	39	(1)
			(19)		102
					(21)
					(16,115)
(2)	(5)	(5)		(98)	614
(10)	5	(13)	359	(32)	969
		1	31		32
			(53)		(179)
			(17)		(17)
(12)	115	(60)	425	159	(12,924)
\$ (18)	\$ (595)	\$ 165	\$ 1,135	\$ (1,327)	\$ (14,910)

705				714
	17			59
			8	7
				214

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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, 2006 (Expressed in Thousands)

	Personnel Board		Information Technology Services		Department of Finance and Administration		Totals
					Risk Management		
Assets							
Current assets:							
Equity in internal investment pool	\$	1,506	\$	6,622	\$	70,813	\$ 78,941
Cash and cash equivalents						49,561	49,561
Investments						100	100
Receivables:							
Accounts		4		21		1	26
Interest						230	230
Due from other governments				20		3	23
Due from other funds		253		3,280		2,885	6,418
Due from component units		1		69		16	86
Total Current Assets		1,764		10,012		123,609	135,385
Noncurrent assets:							
Loans to other funds		33		122		14,007	14,162
Investments						25,754	25,754
Capital assets, net		13		5,411		99	5,523
Total Noncurrent Assets		46		5,533		39,860	45,439
Total Assets		1,810		15,545		163,469	180,824
Liabilities							
Current liabilities:							
Warrants payable		76		649		883	1,608
Accounts payable and other liabilities		84		976		3,396	4,456
Due to other governments				1			1
Due to other funds						535	535
Claims and benefits payable						126,529	126,529
Unearned revenues						2,966	2,966
Notes payable				117			117
Lease obligations payable				19			19
Total Current Liabilities		160		1,762		134,309	136,231
Noncurrent liabilities:							
Notes payable				60			60
Lease obligations payable				82			82
Other liabilities		237		727		97	1,061
Total Noncurrent Liabilities		237		869		97	1,203
Total Liabilities		397		2,631		134,406	137,434
Net Assets							
Invested in capital assets, net of related debt		13		5,285		99	5,397
Unrestricted		1,400		7,629		28,964	37,993
Total Net Assets	\$	1,413	\$	12,914	\$	29,063	\$ 43,390



Internal Service Funds

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

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Operating Revenues				
Charges for sales and services/premiums	\$ 5,531	\$ 28,589	\$ 631,411	\$ 665,531
Other		1	16	17
Total Operating Revenues	5,531	28,590	631,427	665,548
Operating Expenses				
General and administrative	3,132	9,122	3,050	15,304
Contractual services	1,943	17,914	38,105	57,962
Commodities	249	592	163	1,004
Depreciation	3	2,503	8	2,514
Claims and benefits			548,895	548,895
Total Operating Expenses	5,327	30,131	590,221	625,679
Operating Income (Loss)	204	(1,541)	41,206	39,869
Nonoperating Revenues				
Interest and other investment income			3,677	3,677
Total Nonoperating Revenues			3,677	3,677
Nonoperating Expenses				
Loss on disposal of assets		15		15
Interest		7		7
Total Nonoperating Expenses		22		22
Income (Loss) before Capital Contributions and Transfers	204	(1,563)	44,883	43,524
Capital Contributions		1,627	76	1,703
Transfers In		508	286	794
Transfers Out			(3,419)	(3,419)
Change in Net Assets	204	572	41,826	42,602
Total Net Assets - Beginning	1,209	12,342	(12,763)	788
Total Net Assets - Ending	\$ 1,413	\$ 12,914	\$ 29,063	\$ 43,390

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2006 (Expressed in Thousands)

			<u>Department of Finance and Administration</u>	
	Personnel Board	Information Technology Services	Risk Management	Totals
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	\$ 5,322	\$ 26,736	\$ 151,492	\$ 183,550
Cash receipts/premiums from customers	53	1,211	479,452	480,716
Cash payments to suppliers for goods and services	(2,229)	(17,975)	(37,224)	(57,428)
Cash payments to employees for services	(3,116)	(9,079)	(3,048)	(15,243)
Cash payments for claims and benefits			(542,689)	(542,689)
Other operating cash receipts		1	4	5
Net Cash Provided by Operating Activities	30	894	47,987	48,911
Cash Flows From Noncapital Financing Activities				
Transfers in		485	288	773
Transfers out			(3,419)	(3,419)
Proceeds from notes issued		235		235
Principal paid on notes		(57)		(57)
Interest paid on notes		(4)		(4)
Net Cash Provided by (Used for) Noncapital Financing Activities		659	(3,131)	(2,472)
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets		(192)		(192)
Principal paid on capital assets contracts		(118)		(118)
Interest paid on capital assets contracts		(3)		(3)
Net Cash Used for Capital and Related Financing Activities		(313)		(313)
Cash Flows from Investing Activities				
Proceeds from sales of investments			8,985	8,985
Purchases of investments			(7,253)	(7,253)
Interest and other investment income			4,936	4,936
Net Cash Provided by Investing Activities			6,668	6,668
Net Increase in Cash and Cash Equivalents	30	1,240	51,524	52,794
Cash and Cash Equivalents - Beginning	1,476	5,382	68,850	75,708
Cash and Cash Equivalents - Ending	\$ 1,506	\$ 6,622	\$ 120,374	\$ 128,502

(Continued on Next Page)

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2006 (Expressed in Thousands)

(Continued from Previous Page)

	Department of Finance and Administration			Totals
	Personnel Board	Information Technology Services	Risk Management	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 204	\$ (1,541)	\$ 41,206	\$ 39,869
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3	2,503	8	2,514
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	2	3		5
Due from other governments	1	10	(3)	8
Due from other funds	(160)	(633)	(2,605)	(3,398)
Due from component units	1	(22)		(21)
Increase (decrease) in liabilities:				
Warrants payable	(31)	(50)	638	557
Accounts payable and other liabilities	10	625	395	1,030
Due to other funds			205	205
Due to component units		(1)		(1)
Claims and benefits payable			6,012	6,012
Unearned revenues			2,131	2,131
Total adjustments	(174)	2,435	6,781	9,042
Net Cash Provided by Operating Activities	\$ 30	\$ 894	\$ 47,987	\$ 48,911

Noncash Capital and Related Financing and Investing Activities

Capital contributions	1,627	76	1,703
New capital leases	101		101
Loss on disposal of capital assets	15		15
Change in market value of investments		(1,252)	(1,252)

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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.

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, 2006 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	\$ 1,377	\$	\$
Cash and cash equivalents	204,796	2,568	2,158
Investments, at fair value:			
Short-term securities	269,788	3,393	2,850
Long-term debt securities	4,136,088	52,011	43,686
Equity securities	13,196,210	165,943	139,380
Real estate investments	706,395	8,883	7,462
Balanced asset fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	1,088,230	15,874	13,199
Long-term debt securities	3,885,791	56,684	47,131
Receivables:			
Employer contributions	38,989		334
Employee contributions	28,209		21
Investment proceeds	297,568	3,742	3,143
Interest and dividends	84,675	1,065	894
Other	559	406	4
Capital assets, net	17,180		
Total Assets	23,955,855	310,569	260,262
Liabilities			
Warrants payable	349		
Accounts payable and accruals	568,457	7,103	5,979
Due to other funds	18,728		
Amounts held in custody for others	1,138		
Obligations under securities lending	5,046,120	37,829	33,406
Total Liabilities	5,634,792	44,932	39,385
Net Assets			
Held in trust for pension benefits	\$ 18,321,063	\$ 265,637	\$ 220,877

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$	\$	\$
112	2,582	1,377 212,216
148	11,729	287,908
2,269	19,810	4,253,864
7,238	380,037	13,888,808
387		723,127
	36,570	36,570
	462,622	462,622
	461	461
696		1,117,999
2,483		3,992,089
		39,323
	3,981	32,211
164		304,617
47	193	86,874
		969
		17,180
13,544	917,985	25,458,215
		349
314	256	582,109
		18,728
		1,138
1,610		5,118,965
1,924	256	5,721,289
\$	\$	\$
11,620	917,729	19,736,926



Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	\$ 557,831	\$ 6,884	\$ 15,613
Employee	375,612	1,589	263
Total Contributions	933,443	8,473	15,876
Net Investment Income:			
Net change in fair value of investments	1,300,551	18,972	15,774
Interest and dividends	498,583	7,273	6,047
Securities lending:			
Income from securities lending	160,769	2,345	1,949
Interest expense and trading costs from securities lending	(150,601)	(2,197)	(1,826)
Managers' fees and trading costs	(31,449)	(459)	(381)
Net Investment Income	1,777,853	25,934	21,563
Other Additions:			
Administrative fees	576		
Other	4	2,628	
Total Other Additions	580	2,628	
Total Additions	2,711,876	37,035	37,439
Deductions			
Retirement annuities	1,198,230	19,359	35,165
Refunds to terminated employees	73,344	110	1
Administrative expenses	9,211	138	430
Depreciation	563		
Total Deductions	1,281,348	19,607	35,596
Change in Net Assets	1,430,528	17,428	1,843
Net Assets - Beginning	16,890,535	248,209	219,034
Net Assets - Ending	\$ 18,321,063	\$ 265,637	\$ 220,877

Supplemental Legislative Retirement Plan		Government Employees' Deferred Compensation Plan		Totals
\$	411	\$		\$ 580,739
	195		82,325	459,984
	606		82,325	1,040,723
	831		54,609	1,390,737
	319		2,827	515,049
	103			165,166
	(96)			(154,720)
	(20)			(32,309)
	1,137		57,436	1,883,923
				576
				2,632
				3,208
	1,743		139,761	2,927,854
	632		49,098	1,302,484
	1			73,456
	8			9,787
				563
	641		49,098	1,386,290
	1,102		90,663	1,541,564
	10,518		827,066	18,195,362
\$	11,620	\$	917,729	\$ 19,736,926

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2006 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
Assets				
Equity in internal investment pool	\$ 1,277	\$ 6,300	\$	\$ 7,577
Cash and cash equivalents	174	4,003	6,730	10,907
Receivables, net:				
Other		207	55	262
Loans to other funds		1,361		1,361
Commodity inventory		1,603		1,603
Total Assets	\$ 1,451	\$ 13,474	\$ 6,785	\$ 21,710
Liabilities				
Warrants payable	\$ 219	\$ 77	\$	\$ 296
Accounts payable and accruals		299	1,594	1,893
Due to other governments	1,232	53		1,285
Amounts held in custody for others		13,045	5,191	18,236
Total Liabilities	\$ 1,451	\$ 13,474	\$ 6,785	\$ 21,710

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Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2006 (Expressed in Thousands)

Fund	Assets					
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Loans to Other Funds	Commodity Inventory	Total Assets
Local Government Distributive:						
Balance - Beginning	\$ 1,107	\$ 175	\$	\$	\$	\$ 1,282
Additions	41,089	227				41,316
Deductions	40,919	228				41,147
Balance - Ending	1,277	174				1,451
Program:						
Balance - Beginning	6,406	4,078		1,361	1,203	13,048
Additions	17,523	37,342	207		11,951	67,023
Deductions	17,629	37,417			11,551	66,597
Balance - Ending	6,300	4,003	207	1,361	1,603	13,474
Institutional:						
Balance - Beginning		6,105	55			6,160
Additions		28,626	98			28,724
Deductions		28,001	98			28,099
Balance - Ending		6,730	55			6,785
Total - All Agency Funds:						
Balance - Beginning	7,513	10,358	55	1,361	1,203	20,490
Additions	58,612	66,195	305		11,951	137,063
Deductions	58,548	65,646	98		11,551	135,843
Balance - Ending	\$ 7,577	\$ 10,907	\$ 262	\$ 1,361	\$ 1,603	\$ 21,710

	Liabilities				
	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	Total Liabilities
Local Government Distributive:					
Balance - Beginning	\$ 95	\$	\$ 1,187	\$	\$ 1,282
Additions	37,853		10,474		48,327
Deductions	37,729		10,429		48,158
Balance - Ending	219		1,232		1,451
Program:					
Balance - Beginning	191	64	71	12,722	13,048
Additions	16,558	424	479	50,342	67,803
Deductions	16,672	189	497	50,019	67,377
Balance - Ending	77	299	53	13,045	13,474
Institutional:					
Balance - Beginning		1,526		4,634	6,160
Additions		518		28,213	28,731
Deductions		450		27,656	28,106
Balance - Ending		1,594		5,191	6,785
Total - All Agency Funds:					
Balance - Beginning	286	1,590	1,258	17,356	20,490
Additions	54,411	942	10,953	78,555	144,861
Deductions	54,401	639	10,926	77,675	143,641
Balance - Ending	\$ 296	\$ 1,893	\$ 1,285	\$ 18,236	\$ 21,710

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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, 2006 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	\$ 1,650	\$	\$
Cash and cash equivalents	611	4,313	246
Investments	9,941	2,375	480
Receivables, net	143	2,530	31
Restricted assets:			
Cash and cash equivalents		2,631	
Due from other governments			
Due from primary government			
Inventories			
Prepaid items		220	
Other assets			
Total Current Assets	12,345	12,069	757
Noncurrent assets:			
Investments			
Restricted assets:			
Investments		6,736	
Capital assets, net	17	19,146	10
Total Noncurrent Assets	17	25,882	10
Total Assets	12,362	37,951	767
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	54	211	
Due to primary government			
Deposits		581	
Bonds and notes payable		832	
Unearned revenues		8	
Lease obligations payable		131	
Total Current Liabilities	54	1,763	
Noncurrent liabilities:			
Bonds and notes payable		1,768	
Lease obligations payable		193	
Other liabilities	60		
Total Noncurrent Liabilities	60	1,961	
Total Liabilities	114	3,724	
Net Assets			
Invested in capital assets, net of related debt	17	14,999	10
Restricted for other purposes		9,631	
Unrestricted	12,231	9,597	757
Total Net Assets	\$ 12,248	\$ 34,227	\$ 767

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
\$	\$	\$	\$	\$	\$
680	2,479	2,110	4,669	4,779	1,650
1,000	326	2,211			19,887
965	688	30	1,207	105	16,333
					5,699
	77	682		64	2,631
148					823
542	17			17	148
17					576
4					237
					4
3,356	3,587	5,033	5,876	4,965	47,988
	2,576				2,576
					6,736
4,164	8,200	2,590	37,440	5,508	77,075
4,164	10,776	2,590	37,440	5,508	86,387
7,520	14,363	7,623	43,316	10,473	134,375
359	1,458	44	1,288	16	3,430
			1	16	17
			205		786
	34		2,500		3,366
		28			36
					131
359	1,492	72	3,994	32	7,766
	459				2,227
					193
	134	32	23	62	311
	593	32	23	62	2,731
359	2,085	104	4,017	94	10,497
4,164	7,706	2,590	34,941	5,508	69,935
	1,176	3,682			14,489
2,997	3,396	1,247	4,358	4,871	39,454
\$ 7,161	\$ 12,278	\$ 7,519	\$ 39,299	\$ 10,379	\$ 123,878



Nonmajor Component Units

Combining Statement of Activities

For the Year Ended June 30, 2006 (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	\$ 784	\$ 808	\$	\$	24
Mississippi Coast Coliseum Commission	4,124	2,660	389		(1,075)
Mississippi Development Bank	233	340			107
Mississippi Prison Industries Corporation	7,381	8,002	256		877
Pat Harrison Waterway District	6,216	3,776	2,460		20
Pearl River Basin Development District	2,055	143	1,095	29	(788)
Pearl River Valley Water Supply District	10,099	11,895		100	1,896
Tombigbee River Valley Water Management District	1,578	1,529		2,793	2,744
Total	\$ 32,470	\$ 29,153	\$ 4,200	\$ 2,922	\$ 3,805

General Revenues		Extraordinary item -		Change in Net Assets	Net Assets - Beginning	Net Assets - Ending
Interest and Investment Income	Other	Impairment gain from hurricane damage, net of insurance recovery				
\$ 317	\$	\$	\$ 341	\$ 11,907	\$ 12,248	
192		644	(239)	34,466	34,227	
14			121	646	767	
32			909	6,252	7,161	
151	987		1,158	11,120	12,278	
168	849		229	7,290	7,519	
45			1,941	37,358	39,299	
176			2,920	7,459	10,379	
\$ 1,095	\$ 1,836	\$ 644	\$ 7,380	\$ 116,498	\$ 123,878	

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Statistical Section

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

Financial Trends

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

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Revenue Capacity

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

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Debt Capacity

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

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Demographic and Economic Information

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

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Operating Information

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

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Table 18 – Operating Indicators by Function	174



Net Assets by Component

Last Five Fiscal Years

Table 1

Accrual Basis of Accounting (Expressed in Thousands)

	2006	2005	2004	2003	2002
Governmental activities					
Invested in capital assets, net of related debt	\$ 8,883,410	\$ 8,306,585	\$ 7,915,868	\$ 7,173,292	\$ 6,727,606
Restricted	427,128	336,262	476,794	636,014	601,879
Unrestricted (deficit)	159,530	(120,923)	(122,396)	568,556	747,945
Total governmental activities net assets	\$ 9,470,068	\$ 8,521,924	\$ 8,270,266	\$ 8,377,862	\$ 8,077,430
Business-type activities					
Invested in capital assets, net of related debt	\$ 112,393	\$ 143,055	\$ 138,166	\$ 133,594	\$ 120,320
Restricted	789,759	807,059	750,915	739,605	787,669
Unrestricted	209,745	169,590	157,241	132,382	123,491
Total business-type activities net assets	\$ 1,111,897	\$ 1,119,704	\$ 1,046,322	\$ 1,005,581	\$ 1,031,480
Primary Government					
Invested in capital assets, net of related debt	\$ 8,995,803	\$ 8,449,640	\$ 8,054,034	\$ 7,306,886	\$ 6,847,926
Restricted	1,216,887	1,143,321	1,227,709	1,375,619	1,389,548
Unrestricted	369,275	48,667	34,845	700,938	871,436
Total primary government net assets	\$ 10,581,965	\$ 9,641,628	\$ 9,316,588	\$ 9,383,443	\$ 9,108,910

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

Changes in Net Assets

Last Five Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)

	2006	2005	2004	2003	2002
Expenses					
Governmental activities:					
General government	\$ 1,826,995	\$ 1,683,021	\$ 1,648,142	\$ 1,453,788	\$ 1,082,176
Education	3,668,314	3,344,598	3,292,951	3,139,812	2,959,707
Health and social services	5,180,153	5,074,151	4,776,214	4,290,392	4,219,675
Law, justice and public safety ¹	1,384,238	566,146	549,662	517,753	509,295
Recreation and resource development	364,796	423,983	461,243	465,393	379,325
Regulation of business and professions	30,944	30,355	34,269	32,059	29,960
Transportation	728,716	531,775	516,130	443,155	433,730
Interest on long-term debt	150,556	150,555	149,764	145,345	179,102
Total governmental activities expenses	13,334,712	11,804,584	11,428,375	10,487,697	9,792,970
Business-type activities:					
Unemployment compensation	242,134	138,825	198,147	251,010	218,517
Port Authority at Gulfport	17,221	14,957	13,879	13,339	11,223
Prepaid affordable college tuition	29,983	33,226	12,253	4,778	12,528
Other business-type	49,737	45,560	44,194	41,421	39,912
Total business-type activities expenses	339,075	232,568	268,473	310,548	282,180
Total primary government expenses	\$ 13,673,787	\$ 12,037,152	\$ 11,696,848	\$ 10,798,245	\$ 10,075,150
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 944,744	\$ 1,041,597	\$ 842,566	\$ 806,664	\$ 491,132
Education	29,784	24,857	20,925	25,639	29,399
Health and social services	446,315	465,923	420,116	477,577	542,157
Law, justice and public safety	81,807	76,864	68,089	60,811	58,130
Recreation and resources development	64,182	60,230	57,470	58,247	55,919
Regulation of business and professions	28,223	32,315	37,170	35,397	29,364
Transportation	26,762	29,477	38,299	44,136	50,540
Operating grants and contributions ¹	6,058,258	4,636,824	4,553,738	4,066,898	3,812,409
Capital grants and contributions	792,929	415,530	389,686	410,636	391,670
Total governmental activities program revenues	8,473,004	6,783,617	6,428,059	5,986,005	5,460,720
Business-type activities:					
Charges for services:					
Unemployment compensation	104,548	158,695	149,726	118,671	177,048
Port Authority at Gulfport	7,609	21,892	21,578	20,931	19,706
Prepaid affordable college tuition	21,513	19,679	551	1,938	488
Other business-type	40,644	37,604	35,125	31,065	29,882
Operating grants and contributions	93,156	5,905	31,930	53,006	30,002
Capital grants and contributions	539	159	278	903	13,257
Total business-type activities program revenues	268,009	243,934	239,188	226,514	270,383
Total primary government program revenues	\$ 8,741,013	\$ 7,027,551	\$ 6,667,247	\$ 6,212,519	\$ 5,731,103
Net (Expense) Revenue					
Governmental activities	\$ (4,861,708)	\$ (5,020,967)	\$ (5,000,316)	\$ (4,501,692)	\$ (4,332,250)
Business-type activities	(71,066)	11,366	(29,285)	(84,034)	(11,797)
Total primary government net expense	\$ (4,932,774)	\$ (5,009,601)	\$ (5,029,601)	\$ (4,585,726)	\$ (4,344,047)

(Continued on Next Page)

Changes in Net Assets

Table 2

Last Five Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Sales and use ²	\$ 3,075,657	\$ 2,626,792	\$ 2,459,718	\$ 2,418,763	\$ 2,378,956
Gasoline and other motor fuel	442,190	433,307	432,892	418,941	409,536
Individual income	1,204,055	1,243,192	1,039,488	1,084,999	989,877
Corporate income and franchise	425,091	365,140	320,057	289,441	255,532
Insurance	169,727	165,955	160,757	149,458	131,763
Other	385,810	362,526	352,800	348,744	302,479
Gain on sale of assets	585	2,964	534	296	420
Interest and investment income	122,553	79,306	130,767	92,243	42,572
Extraordinary item - Impairment gain (loss) from hurricane damage, net of insurance recovery	(9,871)				
Transfers	(5,945)	(6,557)	(4,293)	(761)	(11,025)
Total governmental activities	5,809,852	5,272,625	4,892,720	4,802,124	4,500,110
Business-type activities:					
Gain on sale of assets	7				
Interest and investment income	55,974	55,459	65,733	57,374	45,890
Extraordinary item - Impairment gain (loss) from hurricane damage, net of insurance recovery	1,333				
Transfers	5,945	6,557	4,293	761	11,025
Total business-type activities	63,259	62,016	70,026	58,135	56,915
Total primary government	\$ 5,873,111	\$ 5,334,641	\$ 4,962,746	\$ 4,860,259	\$ 4,557,025
Change in Net Assets					
Governmental activities	\$ 948,144	\$ 251,658	\$ (107,596)	\$ 300,432	\$ 167,860
Business-type activities	(7,807)	73,382	40,741	(25,899)	45,118
Total primary government	\$ 940,337	\$ 325,040	\$ (66,855)	\$ 274,533	\$ 212,978

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

¹ From fiscal year 2005 to 2006, the increase in law, justice and public safety expenses was related to the response to Hurricane Katrina. Likewise, the increase in operating grants and contributions can be attributed to federal assistance in the recovery efforts.

² Fiscal year 2006 sales and use taxes increased primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after the hurricane.



Fund Balances of Governmental Funds

Last Five Fiscal Years

Table 3

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2006	2005	2004	2003	2002
General Fund					
Reserved	\$ 702,417	\$ 709,505	\$ 593,863	\$ 576,966	\$ 612,098
Unreserved	1,253,819	715,549	875,888	868,595	1,169,275
Total General Fund	<u>\$ 1,956,236</u>	<u>\$ 1,425,054</u>	<u>\$ 1,469,751</u>	<u>\$ 1,445,561</u>	<u>\$ 1,781,373</u>
All Other Governmental Funds					
Reserved	\$ 306,171	\$ 308,032	\$ 68,051	\$ 59,196	\$ 64,206
Unreserved, reported in:					
Special revenue funds	427,942	469,379	787,576	708,736	709,541
Capital project funds	250,799	191,010	321,678	400,602	407,681
Debt service funds	49,385	41,818	47,008	107,782	65,213
Permanent funds	1,003	2,104	3,210	4,037	3,427
Total All Other Governmental Funds	<u>\$ 1,035,300</u>	<u>\$ 1,012,343</u>	<u>\$ 1,227,523</u>	<u>\$ 1,280,353</u>	<u>\$ 1,250,068</u>

Note: Due to changes in the State's fund structure when GASB Statement 34 was implemented, the fund balance information is only available beginning in fiscal year 2002.

Changes in Fund Balances of Governmental Funds

Last Five Fiscal Years

Table 4

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2006	2005	2004	2003	2002
Revenues					
Taxes					
Sales and use ²	\$ 3,074,831	\$ 2,609,936	\$ 2,488,055	\$ 2,377,996	\$ 2,364,112
Gasoline and other motor fuel	443,150	432,023	433,091	418,049	407,935
Individual income	1,213,733	1,224,403	1,054,479	1,021,967	980,284
Corporate income and franchise	412,839	363,361	320,848	287,335	254,785
Insurance	169,727	165,955	160,757	149,458	131,763
Other	385,810	362,526	352,800	348,744	302,479
Licenses, fees and permits	448,482	444,257	428,412	412,367	402,878
Federal government ¹	6,844,298	5,050,410	4,943,360	4,477,533	4,204,079
Interest and other investment income	118,888	76,874	130,333	86,974	37,353
Charges for sales and services	279,899	265,089	258,217	241,153	268,098
Rentals	13,004	19,564	16,651	16,320	15,154
Court assessments and settlements	113,135	209,541	109,796	172,099	239,509
Other	281,908	349,625	299,009	312,856	317,263
Total Revenues	13,799,704	11,573,564	10,995,808	10,322,851	9,925,692
Expenditures					
General government	1,379,847	1,227,277	1,219,944	1,191,877	1,133,606
Education	3,663,082	3,341,991	3,211,882	3,022,046	2,852,710
Health and social services	5,176,071	5,057,704	4,775,753	4,291,837	4,212,066
Law, justice and public safety ¹	1,364,750	567,718	551,354	522,509	507,662
Recreation and resources development	351,801	410,624	482,235	484,955	381,064
Regulation of business and professions	30,981	30,574	34,163	32,096	30,175
Transportation	1,284,905	911,974	925,757	876,269	875,165
Debt service					
Principal	261,878	239,525	216,287	194,318	280,590
Interest and other fiscal charges	177,228	152,766	153,272	146,429	154,430
Defeasance of debt	2,138	1,386	1,689	3,959	
Capital outlay	69,604	85,443	77,839	114,941	103,940
Total Expenditures	13,762,285	12,026,982	11,650,175	10,881,236	10,531,408
Excess of revenues over (under) expenditures	\$ 37,419	\$ (453,418)	\$ (654,367)	\$ (558,385)	\$ (605,716)

(Continued on Next Page)

Changes in Fund Balances of Governmental Funds

Table 4

Last Five Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2006	2005	2004	2003	2002
Other Financing Sources (Uses)					
Bonds and notes issued	\$ 486,780	\$ 188,494	\$ 625,015	\$ 239,000	\$ 415,466
Capital leases issued	11,324	3,975	4,834	6,046	5,070
Discounts on notes issued	(242)				
Insurance recovery	4,408				
Payments to refunded bond and lease escrow agents	(50,462)	(6,882)	(180,678)	(536,921)	(381,313)
Premiums on bonds and refunding notes issued	15,442	874	7,865	59,728	41,558
Refunding bonds and notes issued	51,870	7,215	172,505	486,970	364,033
Transfers in	498,623	294,453	304,180	248,954	352,432
Transfers out	(501,943)	(294,588)	(307,994)	(250,919)	(355,539)
Net Other Financing Sources (Uses)	515,800	193,541	625,727	252,858	441,707
Extraordinary Item					
Insurance recovery from hurricane damage	920				
Net Change in Fund Balances	\$ 554,139	\$ (259,877)	\$ (28,640)	\$ (305,527)	\$ (164,009)
Debt Service as a Percentage of Noncapital Expenditures	3.4%	3.5%	3.4%	3.4%	4.4%

Note: Due to changes in the State's fund structure when GASB Statement 34 was implemented, the changes in fund balance information is only available beginning in fiscal year 2002.

¹ From fiscal year 2005 to 2006, the increase in law, justice and public safety expenditures was related to the response to Hurricane Katrina. Likewise, the increase in federal government revenues can be attributed to federal assistance in the recovery efforts.

² Fiscal year 2006 sales and use taxes increased primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after the hurricane.

Taxable Sales by Industry

Table 5

Last Ten Fiscal Years

(Expressed in Thousands)

	2005	2004	2003	2002
Automotive	\$ 6,146,219	\$ 6,153,868	\$ 5,993,019	\$ 6,102,300
Contracting	4,450,580	4,227,714	4,062,074	4,074,641
Food and Beverage	6,667,695	6,585,188	6,181,754	6,329,716
Furniture	759,240	740,400	724,376	730,471
General Merchandise	6,627,840	6,350,285	5,994,698	5,809,645
Lumber and Building Materials	2,675,275	2,384,863	2,016,383	1,915,703
Machinery, Equipment and Supplies	2,253,956	2,056,435	2,079,293	2,124,054
Miscellaneous Retail	3,317,464	3,480,913	3,700,174	3,305,031
Miscellaneous Services	1,944,014	1,881,371	1,695,247	1,687,695
Public Utilities	3,687,135	3,332,978	3,207,453	3,113,292
Recreation	110,930	116,464	108,309	107,782
Wholesale	758,074	744,355	718,041	704,607
Total taxable sales	\$ 39,398,422	\$ 38,054,834	\$ 36,480,821	\$ 36,004,937
Gross tax collections	\$ 2,421,537	\$ 2,338,086	\$ 2,208,570	\$ 2,199,918
Average effective rate	6.15%	6.14%	6.05%	6.11%

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2005.

Source: Mississippi State Tax Commission

Sales Tax Revenue Payers by Industry

Table 6

Fiscal Years 2005 and 1996

	2005			
	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Automotive	11,407	13.5 %	\$ 338,188	14.0 %
Contracting	8,113	9.6	162,870	6.7
Food and Beverage	15,515	18.4	464,743	19.2
Furniture	2,679	3.2	53,710	2.2
General Merchandise	5,386	6.4	464,513	19.2
Lumber and Building Materials	5,354	6.4	184,937	7.6
Machinery, Equipment and Supplies	6,047	7.2	125,267	5.2
Miscellaneous Retail	22,352	26.5	228,370	9.4
Miscellaneous Services	5,859	6.9	135,960	5.6
Public Utilities	1,131	1.3	209,731	8.7
Recreation	454	0.5	7,764	0.3
Wholesale	44	0.1	45,484	1.9
Total	84,341	100.0 %	\$ 2,421,537	100.0 %

Notes: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current fiscal year available is fiscal year 2005.

Source: Mississippi State Tax Commission

2001	2000	1999	1998	1997	1996
\$ 5,847,392	\$ 6,170,349	\$ 5,983,176	\$ 5,447,407	\$ 5,041,939	\$ 4,477,906
3,908,410	4,335,402	4,265,836	3,745,037	3,413,508	3,222,056
6,359,213	6,304,232	6,159,492	5,857,463	5,729,412	5,428,903
747,479	790,395	797,853	755,253	726,190	721,055
5,494,382	5,194,255	4,884,481	4,541,655	4,245,359	4,065,057
1,888,429	2,112,044	2,059,528	1,806,148	1,743,780	1,628,570
2,206,481	2,321,233	2,348,386	2,225,443	1,990,512	1,794,661
3,267,289	3,164,988	2,936,565	2,485,570	2,224,074	2,106,613
1,694,971	1,722,853	1,699,602	1,564,658	1,464,252	1,345,620
3,109,723	2,269,785	2,134,249	2,135,616	1,997,117	2,025,137
105,941	116,327	113,617	105,925	101,583	96,039
680,678	683,733	647,794	601,971	582,743	585,762
\$ 35,310,388	\$ 35,185,596	\$ 34,030,579	\$ 31,272,146	\$ 29,260,469	\$ 27,497,379
\$ 2,158,940	\$ 2,130,636	\$ 2,042,078	\$ 1,885,299	\$ 1,769,958	\$ 1,678,755
6.11%	6.06%	6.00%	6.03%	6.05%	6.11%

1996			
Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
11,646	14.9 %	\$ 254,304	15.1 %
6,388	8.2	116,973	7.0
15,642	19.9	378,748	22.6
3,133	4.0	50,447	3.0
5,233	6.7	284,981	17.0
5,508	7.0	111,776	6.7
5,360	6.8	94,697	5.6
18,560	23.7	144,150	8.6
5,572	7.1	92,565	5.5
866	1.1	108,264	6.4
416	0.5	6,721	0.4
96	0.1	35,129	2.1
78,420	100.0 %	\$ 1,678,755	100.0 %

Ratios of Outstanding Debt by Type

Table 7

Last Five Fiscal Years

(Expressed in Thousands, except Per capita)

	2006	2005	2004	2003	2002
Governmental Activities					
General Obligation Bonds & Notes ¹	\$ 3,011,720	\$ 2,879,945	\$ 2,965,083	\$ 2,536,637	\$ 2,459,826
Limited Obligation Bonds	70,320	91,845	112,515	132,390	151,535
Capital Lease Obligations	19,034	62,456	74,277	156,075	162,389
Notes Payable	345,091	162,340	92,877	9,406	6,891
Certificates of Participation	2,460	2,585	2,700	2,805	2,905
Total Governmental Activities	3,448,625	3,199,171	3,247,452	2,837,313	2,783,546
Business-type Activities					
General Obligation Bonds	38,016	40,705	43,207	47,407	52,417
Revenue Bonds		150	295	430	555
Capital Lease Obligations	320	449	613	193	283
Total Business-type Activities	38,336	41,304	44,115	48,030	53,255
Total Primary Government	\$ 3,486,961	\$ 3,240,475	\$ 3,291,567	\$ 2,885,343	\$ 2,836,801
Amount of Debt Per capita ²	\$ 1,194	\$ 1,110	\$ 1,135	\$ 1,002	\$ 988
Debt as a Percentage of Personal Income ³	4.7%	4.4%	4.6%	4.3%	4.4%
Net General Obligation Bonded Debt⁴					
General Obligation Bonds and Notes ¹	\$ 3,011,720	\$ 2,879,945	\$ 2,965,083	\$ 2,536,637	\$ 2,459,826
Less: Debt Service Funds	105,347	97,312	107,149	176,556	129,771
Net General Obligation Bonded Debt	\$ 2,906,373	\$ 2,782,633	\$ 2,857,934	\$ 2,360,081	\$ 2,330,055
Amount of Net General Obligation Bonded Debt Per capita ²	\$ 995	\$ 953	\$ 985	\$ 819	\$ 812
Net General Obligation Bonded Debt as a Percentage of Taxable Sales ⁵	7.4%	7.1%	7.5%	6.5%	6.5%

Notes:

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

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

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

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

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



Legal Debt Margin

Last Ten Fiscal Years

Table 8

(Expressed in Thousands)

	2006	2005	2004	2003	2002
Legal debt limit	\$ 10,056,571	\$ 8,740,586	\$ 8,429,055	\$ 8,142,318	\$ 8,142,318
Less: Net debt applicable to limit	2,906,373	2,771,968	2,846,985	2,339,941	2,312,810
Legal debt margin	<u>\$ 7,150,198</u>	<u>\$ 5,968,618</u>	<u>\$ 5,582,070</u>	<u>\$ 5,802,377</u>	<u>\$ 5,829,508</u>
Net debt applicable to the limit as a percentage of legal debt limit	28.9%	31.7%	33.8%	28.7%	28.4%

	2001	2000	1999	1998	1997
Legal debt limit	\$ 7,994,129	\$ 7,627,217	\$ 7,138,012	\$ 6,681,152	\$ 6,537,125
Less: Net debt applicable to limit	2,158,098	1,919,008	1,802,781	1,426,976	1,216,070
Legal debt margin	<u>\$ 5,836,031</u>	<u>\$ 5,708,209</u>	<u>\$ 5,335,231</u>	<u>\$ 5,254,176</u>	<u>\$ 5,321,055</u>
Net debt applicable to the limit as a percentage of legal debt limit	27.0%	25.2%	25.3%	21.4%	18.6%

Legal Debt Margin Calculation for Fiscal Year 2006:

Legal debt limit ¹	\$ 10,056,571
Amount of debt applicable to limit ²	\$ 3,011,720
Less: amounts available for debt service	<u>105,347</u>
Less: Net debt applicable to limit	<u>2,906,373</u>
Legal debt margin	<u><u>\$ 7,150,198</u></u>

Notes:

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

Fiscal Year	Applicable Revenues
2005	\$ 6,704,381
2004	5,827,057
2003	5,619,370
2002	5,405,988

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



Average Annual Employment by Sector

Last Ten Calendar Years

Table 9

	2005	2004	2003	2002
Agriculture	15,771	16,089	15,966	16,211
Construction	55,635	52,614	54,228	57,383
Finance, insurance and real estate	46,444	45,997	46,042	45,835
Manufacturing	178,775	180,146	179,671	188,857
Mining	4,841	4,842	4,785	4,824
Public administration	53,585	53,983	53,231	52,832
Retail trade	139,126	139,062	138,848	140,879
Services	493,242	489,639	480,338	473,257
Transportation and public utilities	63,171	63,224	62,895	63,352
Wholesale trade	35,131	34,929	34,993	34,980

Source: Mississippi Department of Employment Security, Labor Market Information

Average Annual Wages by Sector

Last Ten Calendar Years

Table 10

	2005	2004	2003	2002
Agriculture	\$ 24,114	\$ 23,398	\$ 22,910	\$ 21,748
Construction	32,441	29,445	29,594	29,682
Finance, insurance and real estate	36,184	34,748	33,455	32,562
Manufacturing	34,519	33,204	31,950	30,346
Mining	50,776	46,320	44,827	43,682
Public administration	27,636	26,754	26,089	25,055
Retail trade	20,436	19,650	19,158	18,471
Services	26,834	25,889	24,984	24,104
Transportation and public utilities	37,492	35,972	34,590	33,897
Wholesale trade	42,164	40,135	37,870	36,614

Source: Mississippi Department of Employment Security, Labor Market Information

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

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

Demographic and Economic Statistics

Last Ten Calendar Years

Table 11

Year	Population	Unemployment Rate		Personal Income	Per capita Personal Income
		Mississippi	U.S.		
2005	2,920,000	7.8 %	5.1 %	\$ 73,955,000	\$ 25,327
2004	2,900,000	6.2	5.5	71,123,000	24,497
2003	2,880,000	6.4	6.0	66,664,000	23,118
2002	2,870,000	6.7	5.8	63,923,000	22,284
2001	2,860,000	5.6	4.7	62,739,000	21,947
2000	2,850,000	5.6	4.0	59,838,000	21,002
1999	2,830,000	5.1	4.2	56,719,000	20,037
1998	2,810,000	5.4	4.5	54,820,000	19,526
1997	2,780,000	5.7	4.9	51,514,000	18,527
1996	2,750,000	6.1	5.4	48,645,000	17,677

Sources:

Mississippi Econometric Model

Mississippi Department of Employment Security

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

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Public School Enrollment

Last Ten Academic Years

Table 12

	2005/2006	2004/2005	2003/2004	2002/2003
Kindergarten	42,824	42,158	40,536	38,811
Grades 1-3	114,830	114,453	114,719	116,431
Grades 4-6	113,468	116,383	117,899	118,463
Grades 7-9	120,852	120,186	118,632	116,799
Grades 10-12	91,663	89,641	88,384	88,437
Special Education	10,401	11,769	12,387	12,682
Total Enrollment	494,038	494,590	492,557	491,623

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 13

	2005/2006	2004/2005	2003/2004	2002/2003
Coahoma Community College	2,428	2,506	2,392	2,481
Copiah-Lincoln Community College	3,792	3,681	3,796	3,370
East Central Community College	3,268	3,540	3,540	3,414
East Mississippi Community College	4,569	4,523	4,103	4,043
Hinds Community College	13,004	13,803	15,202	11,152
Holmes Community College	5,220	4,991	4,945	3,851
Itawamba Community College	7,089	6,567	6,778	5,667
Jones County Junior College	6,219	6,344	6,231	5,841
Meridian Community College	3,813	4,089	3,944	3,815
Mississippi Delta Community College	3,995	3,862	4,128	3,960
Mississippi Gulf Coast Community College	8,934	10,894	10,551	9,934
Northeast Mississippi Community College	5,266	5,854	4,996	4,667
Northwest Mississippi Community College	6,953	6,663	6,523	6,371
Pearl River Community College	4,256	4,585	3,898	3,661
Southwest Mississippi Community College	2,121	2,303	2,280	2,277
Total Enrollment	80,927	84,205	83,307	74,504

Source: Mississippi State Board for Community and Junior Colleges, Full-time Equivalent Student Enrollment

University Enrollment

Last Ten Academic Years

Table 14

	2005/2006	2004/2005	2003/2004	2002/2003
Alcorn State University	3,544	3,443	3,309	3,150
Delta State University	4,119	3,990	3,902	3,963
Jackson State University	8,416	8,351	7,815	7,783
Mississippi State University	16,101	15,934	16,173	16,610
Mississippi University for Women	2,285	2,231	2,048	2,105
Mississippi Valley State University	3,165	3,621	3,506	3,501
University of Mississippi	16,928	16,500	15,577	14,961
University of Southern Mississippi	15,030	15,253	15,050	15,266
Total Enrollment	69,588	69,323	67,380	67,339

Source: Institutions of Higher Learning, Office of Research and Planning, Full-time Equivalent Student Enrollment

2001/2002	2000/2001	1999/2000	1998/1999	1997/1998	1996/1997
38,736	39,055	39,455	41,057	40,667	40,511
119,157	121,810	124,176	124,759	123,254	120,952
119,022	118,450	116,155	113,584	112,996	113,212
114,533	114,885	115,585	116,913	120,205	122,732
88,644	89,796	90,947	91,783	92,183	90,311
12,106	12,562	13,044	14,283	15,487	16,249
492,198	496,558	499,362	502,379	504,792	503,967

2001/2002	2000/2001	1999/2000	1998/1999	1997/1998	1996/1997
2,150	1,418	1,317	1,336	1,458	1,457
3,160	3,272	3,086	2,967	3,047	2,984
3,347	3,312	2,605	2,518	2,463	2,358
3,303	3,121	2,848	3,033	2,725	3,426
11,389	10,976	10,943	10,361	10,635	10,745
3,482	3,328	3,089	2,466	2,854	2,968
4,563	4,075	3,946	3,965	3,820	4,302
5,625	5,572	5,016	5,465	5,133	5,128
3,743	3,183	3,077	3,132	3,271	3,213
3,750	3,419	5,242	4,208	3,597	3,576
8,877	9,140	10,054	10,124	9,965	10,203
4,463	4,353	4,792	4,366	4,416	4,044
5,760	5,127	5,074	5,083	5,247	5,276
3,156	3,245	3,291	3,264	2,967	3,049
2,159	2,083	2,066	2,022	1,997	1,900
68,927	65,624	66,446	64,310	63,595	64,629

2001/2002	2000/2001	1999/2000	1998/1999	1997/1998	1996/1997
3,096	2,936	2,871	2,860	2,847	3,073
3,875	3,916	4,086	4,048	4,085	4,015
7,098	6,832	6,354	6,292	6,333	6,218
16,878	16,561	16,076	15,718	15,645	14,859
2,328	2,815	2,953	3,314	3,309	3,277
3,081	2,687	2,509	2,445	2,253	2,199
14,429	13,928	13,527	13,305	13,178	12,799
15,232	14,509	14,350	14,533	14,593	14,117
66,017	64,184	62,726	62,515	62,243	60,557

Principal Employers

Table 15

Current Fiscal Year

(Ranked by Number of Employees)

	Rank	2006	
		Percentage of All Employees	Average Number of Employees
State of Mississippi	1	2.6 %	32,100
Wal-Mart Associates, Inc.	2	2.1	25,400
Northrop Grumman	3	1.1	14,000
Bellsouth Telecommunications	4	1.1	14,000
Harrah's Casino	5	0.7	9,100
Mississippi Band of Choctaw Indians	6	0.6	7,800
University of Mississippi Medical Center	7	0.6	7,200
Sanderson Farms	8	0.6	7,100
North Mississippi Medical Center	9	0.5	6,000
U.S. Government	10	0.4	5,500
Total Principal Employers		10.3 %	128,200
Total Employed Labor Force		100.0 %	1,237,300

Note: Information is not available for historical comparison as required by GASB Statement 44.

Sources:

Mississippi Development Authority
 Statewide Payroll and Human Resource System
 Mississippi Department of Employment Security



Capital Asset Statistics by Function

Last Seven Fiscal Years

Table 16

	2006	2005	2004	2003	2002	2001	2000
General Government							
Department of Finance and Administration							
Buildings	42	26	25	22	22	21	20
Vehicles	37	35	35	32	32	31	33
Tax Commission							
Vehicles	45	45	45	46	44	42	42
Education							
Department of Education							
Vehicles	46	42	42	41	43	41	43
Law, Justice and Public Safety							
Department of Corrections							
Buildings	633	642	642	641	634	625	532
Vehicles	683	674	702	649	598	699	664
Department of Public Safety							
Stations	9	9	9	9	9	9	9
Vehicles	907	805	834	808	805	804	791
Recreation and Resource Development							
Department of Wildlife, Fisheries and Parks							
State Parks	24	28	28	28	28	28	29
Acres of State Parks	23,908	23,800	23,800	23,714	23,714	23,714	23,756
Buildings	831	844	841	852	814	830	804
Vehicles	627	681	723	730	712	687	682
Forestry Commission							
Acres of State Forests	133,118	133,118	133,118	133,118	133,118	133,118	133,118
Buildings	422	429	424	428	431	429	426
Vehicles	483	531	578	539	546	484	493
Transportation							
Department of Transportation							
Miles of state highway	10,950	10,927	10,926	10,689	10,678	10,665	10,649
Buildings	389	392	402	394	376	388	342
Vehicles	2,604	2,604	2,642	2,646	2,395	2,402	2,467
Health & Social Sciences							
Department of Mental Health							
Buildings	535	525	520	512	481	477	360
Vehicles	755	742	712	700	650	630	599

Note: Capital asset statistics by function are only available beginning in fiscal year 2000.

Sources:

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

State Government Employees by Function

Last Ten Fiscal Years

Table 17

	2006	2005	2004	2003	2002	2001
General Government						
Department of Finance and Administration	338	330	327	323	328	334
Tax Commission	697	708	738	734	734	762
Treasury	38	37	38	39	38	38
All Other	1,380	1,413	1,446	1,427	1,438	1,433
Education						
Department of Education	737	766	804	797	775	791
All Other	191	195	202	209	212	214
Health and Social Services						
Department of Human Services	2,925	2,987	3,179	3,362	3,394	3,541
Division of Medicaid	942	877	580	572	547	554
Department of Mental Health	8,685	9,043	8,695	8,617	8,523	8,420
Department of Rehabilitation Services	882	871	893	877	874	849
All Other	3,336	3,467	3,495	3,510	3,318	3,288
Law, Justice and Public Safety						
Department of Corrections	3,072	3,051	3,336	3,656	3,675	3,745
Department of Public Safety	1,199	1,183	1,202	1,004	1,012	1,065
All Other	1,746	1,749	1,741	1,933	1,907	1,858
Recreation and Resource Development						
Department of Environmental Quality	426	447	472	471	471	471
Department of Wildlife, Fisheries and Parks	777	826	926	844	867	896
Forestry Commission	479	548	587	592	630	625
Mississippi Development Authority	261	271	312	311	299	303
All Other	395	412	420	421	429	429
Regulation of Business and Professions						
Public Service Commission	92	94	101	156	148	142
Oil and Gas Board	31	28	30	28	30	32
All Other	244	239	243	238	234	230
Transportation						
Department of Transportation	3,271	3,384	3,316	3,300	3,265	3,329
Total	32,144	32,926	33,083	33,421	33,148	33,349

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

2000	1999	1998	1997
349	333	327	317
778	761	768	766
34	30	30	24
1,438	1,263	1,010	967
804	777	607	579
220	221	188	191
3,746	3,609	3,590	3,642
482	395	320	295
8,213	7,739	7,446	7,046
768	801	816	810
3,231	3,249	3,342	3,483
3,644	3,523	3,650	3,750
1,023	989	966	981
1,811	1,740	1,509	1,170
76	450	434	425
1,030	1,041	1,036	1,007
697	680	673	672
307	322	321	324
436	371	363	346
136	136	128	135
29	31	30	32
228	216	202	207
3,286	3,304	3,259	3,292
32,766	31,981	31,015	30,461

Operating Indicators by Function

Last Ten Fiscal Years

Table 18

	2005	2004	2003	2002
General Government				
Tax returns processed	4,700,000	4,650,000	4,600,000	4,550,000
On-going construction projects	707	756	863	830
Tort claims processed	1,354	2,529	2,312	1,337
Unclaimed property claims paid	5,360	41,652	13,683	8,490
Corporate filings processed	27,184	29,293	33,779	34,658
UCC filings processed	261,215	231,688	228,930	119,509
16th section leases	12,367	12,311	13,800	14,171
Education				
Average cost per public school student	\$7,208	\$6,794	\$6,402	\$5,908
Public high school graduates	23,415	23,427	23,703	23,398
Public school teachers, K-12	32,027	31,611	29,071	29,166
Health and Social Services				
Average monthly households receiving food stamps	153,943	149,817	137,793	123,780
Food establishments inspected	27,832	33,505	28,939	19,990
Child support collections from non-custodial parents	\$218,293,613	\$206,596,005	\$195,621,754	\$191,423,389
Medicaid recipients receiving medical services	673,571	730,000	720,304	650,452
Law, Justice and Public Safety				
Average inmate population in prisons	9,891	10,833	10,639	10,293
Supervised offenders in communities	23,781	22,053	22,342	17,394
Driver licenses issued	667,800	753,809	663,893	659,846
Recreation and Resource Development				
Estimated attendance at fairground events	1,056,450	1,057,569	912,749	912,749
Estimated attendance at the Dixie Livestock Show	128,459	127,463	130,000	130,000
Tourist registered at welcome centers	2,862,349	2,937,560	2,870,001	3,133,953
Land reforested (acres)	91,035	57,980	116,681	62,214
Hunting and fishing licenses sold	525,000	533,533	520,000	520,000
Overnight accommodations at state parks	672,525	765,564	719,637	719,637
Regulation of Business and Professions				
Utility complaints investigated	6,520	6,547	6,172	2,569
Well inspections by Oil and Gas Board	18,000	19,763	18,920	15,962
Transportation				
Overlays (miles)	421	594	556	620
Replacement of deficit bridges	29	73	126	128

Note: The most current fiscal year available is fiscal year 2005.

Sources:

Mississippi Joint Legislative Budget Committee, Proposed Budget
Mississippi Department of Education Annual Report

2001	2000	1999	1998	1997	1996
4,550,000	4,500,000	2,575,000	2,541,950	2,502,611	2,441,435
862	748	637	631	747	724
1,524	1,545	1,443	1,517	1,412	1,271
4,399	2,166	5,218	7,679	2,777	1,013
17,220	14,974	12,979	17,323	20,894	17,795
127,234	110,638	96,207	102,655	82,406	102,604
14,967	12,528	12,579	12,463	12,463	12,286
\$5,717	\$4,905	\$5,120	\$4,777	\$4,491	\$4,402
23,740	24,194	24,148	24,477	23,388	23,032
31,017	30,782	29,939	29,574	29,245	29,202
113,178	109,192	119,809	135,946	164,098	180,427
28,886	28,416	27,431	30,979	33,298	35,136
\$178,496,714	\$174,659,489	\$141,000,000	\$125,024,234	\$114,886,715	\$98,833,387
587,341	512,956	486,660	525,000	509,303	510,226
10,043	8,916	8,754	8,938	8,848	8,984
16,677	14,280	14,280	14,024	11,758	10,926
659,846	659,846	579,510	560,154	550,109	560,590
575,000	1,875,000	1,875,000	1,875,000	1,840,000	1,830,000
125,000	121,000	125,000	125,000	133,000	135,000
2,994,723	3,105,714	2,903,934	2,996,687	3,043,444	2,972,961
129,447	176,802	140,000	175,000	109,227	126,000
573,115	520,000	559,824	520,000	568,980	486,151
650,896	650,896	652,732	632,934	623,730	614,610
4,334	2,355	3,904	1,998	3,842	4,759
25,374	16,964	16,334	16,121	15,723	19,025
257	337	476	348	555	507
170	125	99	157	163	157

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Cover:

Photo is courtesy of the Mississippi Development Authority.

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