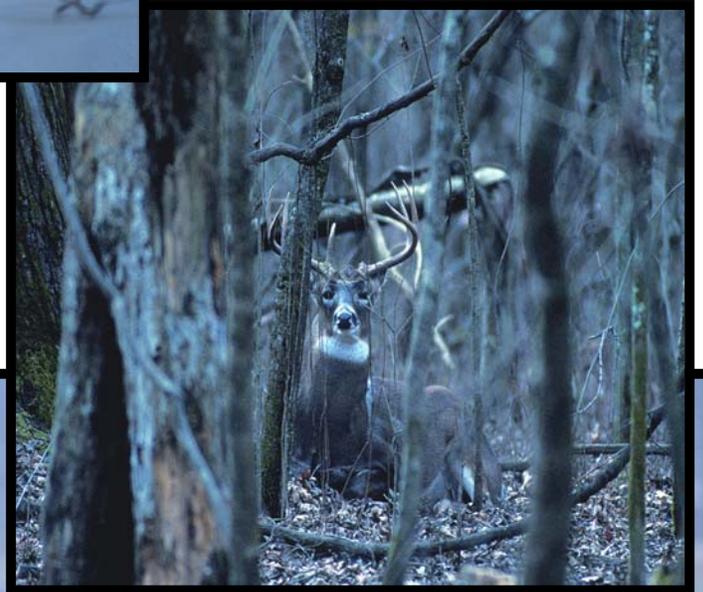


Mississippi

*Comprehensive
Annual
Financial
Report*



*For the Fiscal Year Ended
June 30, 2007*



MISSISSIPPI



Fiscal Year Ended June 30, 2007

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

J. K. Stringer, Jr.
Executive Director



This book has been printed on recycled materials.



HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR



February 29, 2008

To the Members of the Legislature and Citizens of Mississippi:

It is with much optimism for Mississippi's future that I present the Comprehensive Annual Financial Report for the year ending June 30, 2007. This report gives an overview of state government fiscal activity, and I am pleased to say Mississippi is on solid financial footing and moving in the right direction.

As you may recall, four years ago Mississippi's treasury was in the deepest financial hole in history, and together we dug out of a \$720 million budget hole without raising anybody's taxes. Today we are rebuilding our rainy day fund, which had been nearly depleted.

Improving our state's fiscal position aided our unforeseen Katrina recovery efforts. Although our state endured the worst natural disaster in American history, Mississippi's monetary standing remains solid. Our work here is not finished, but we are using this opportunity to rebuild bigger and better than ever.

My plan is to prioritize any new state debt issuance to projects related to job creation and economic development. We need to put away the state's credit card so we can reduce the debt burden on our children and grandchildren.

With a sound state budget, I support overhauling our tax code to reduce barriers to job creation and to set a firm and fair foundation for collecting revenues to pay for essential government services. Before any substantial tax reform can occur, a comprehensive study of the overall tax burden on Mississippi taxpayers is necessary, and post-Katrina state revenues must be stable.

As we continue to focus on our top priorities, I plan to continue providing increased, stable funding for all educational levels. This along with workforce training education sets the stage for more and better jobs. In fact, more people are working than ever before and Mississippians are earning more than ever. By creating jobs, we have more taxpayers and more taxable income. This healthy cycle will propel us into future economic growth.

It is an honor for Marsha and me to serve this great state. At this moment in history, our future looks brighter than we've ever known. With strong leadership and good policies, we can give our children and grandchildren a greater opportunity than my generation ever dreamed.

Sincerely,

A handwritten signature in black ink, appearing to read "Haley Barbour".

Haley Barbour



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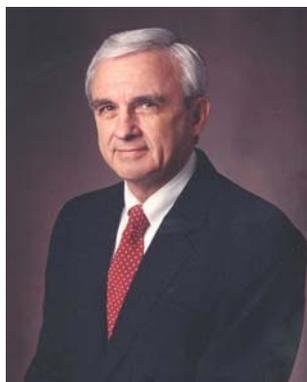
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**STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION**

J.K. STRINGER, JR.
EXECUTIVE DIRECTOR



February 29, 2008

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, 2007 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

Mississippi's economy has outpaced that of the nation as a whole in 2007, fueled by post-Katrina reconstruction activity and several major investment projects. Employment in the first three quarters of the year was up 1.8% over the same period in 2006, and key indicators, from state revenue collections to business confidence levels, also showed positive trends. Among the new private investment projects driving economic activity are a \$1.3 billion auto plant (Toyota), a \$400 million diesel engine plant (PACCAR), and the \$700 million Margaritaville Casino and Resort. SeverCorr's \$880 million steel mill also just began operations. In addition, Mississippi has been chosen as one of the sites for expansion of the Strategic Oil Reserve at an estimated cost of \$1 billion.

Mississippi is continuing its recovery from the effects of Hurricane Katrina which severely impacted the State's coastal counties in 2005. Gross state product in 2006 rose 2.5%; employment was up 1.1%; and personal income grew 5.8%. Massive inflows of federal and private funds continue to bolster reconstruction activity. Progress on the coast, however, has been uneven. Casinos have rebounded and some major corporations have gone on to plan expansions. However, the reconstruction of homes and small businesses has been making slower headway. Coastal counties account for about 15% of the State's employment and population.

State revenue collections increased dramatically in the wake of the hurricane. Total general fund collections in FY2006 rose 12.9%, and in FY2007 were up 10.5%, boosted by recovery-related expenditures. The growth rate of collections has slowed in recent months, although levels of economic activity remain high. In the first four months of FY2008, the State's General Fund tax collections rose 3.1% in comparison to the same period in FY2007. Collections from individual income taxes were up 5% and gaming fees were up 12.6%. The consumer and business confidence indexes for the state each registered a positive outlook at the start of 2007 and, while consumer confidence fell slightly this summer in response to national trends, business confidence remained stable.

Employment has increased steadily throughout 2007. Total payroll employment through September 2007 was up 1.8% compared to the same period in 2006, although the number of persons employed in coastal counties remained 4% below 2005 levels. The state unemployment rate, which hit 9.5% in September 2005 in the aftermath of the storm, was down to 6.1% this September.

About 20,900 more persons were employed in the first nine months of 2007 than during the same period in 2006. Employment gains in the service-providing sectors were broadly based. The number of persons employed in amusements & gambling rose 16%, as several casinos on the coast reopened; professional, scientific & technical services employment increased 5.3%; health care & social assistance increased 3.1%; accommodation & food services increased 3.9%; wholesale trade increased 3%; and public education increased 4.3%. Insurance carriers, utilities, and telecommunications, on the other hand, reduced their workforces.

The number of persons employed in the goods-producing sectors dropped slightly in the first three quarters of 2007 compared to the same period in 2006. While construction showed a 5.2% increase in employment and natural resources/mining a 1.1% increase, manufacturing employment fell 2%. Both durables and nondurables manufacturing employment dropped. Electrical equipment and fabricated metals saw modest gains, however, and, if shipbuilding is excluded, employment in the transportation equipment industry rose by 2,300 persons – a 16% increase.

Employment in amusements and gaming was back to 94% of pre-hurricane levels by the end of the summer, and revenues had overtaken pre-Katrina levels. Year-to-date through August, total gaming revenues including both the Coast and Mississippi River casinos were slightly above 2005, pre-Katrina numbers: Coast gaming revenues were \$900 million for the eight months, which were 101% of 2005 levels, while River gaming revenues at \$1.1 billion were 3% higher. These gains were achieved despite the negative impact of the slowing national economy in the third quarter.

The post-Katrina recovery has sparked an acceleration of economic growth in the state that is expected to continue over the next three to four years. Gross state product is expected to grow 3% in real terms in 2007, dipping to 2.3% in 2008 due to the slowdown in the national economy, but rising again to 2.6% in 2009. Employment, which grew 1.1% in 2006, will post at least a 1.5% gain in 2007, and the growth of employment will be close to 1% for another two years after that. The accompanying increase in wages, salaries and labor income will boost personal incomes. Overall, a growth rate of 5.6% in personal income is predicted for 2007, gradually slowing to 5% in 2008 and 4.6% in 2009. As the pace of rebuilding slows, there will be a return to the State's long-run growth path. Over the 2007-2012 period, the gross state product is forecast to average an annual growth rate of 2.6%, which is just below the predicted national average rate of 2.8%.

Eighty percent of wage and salary employment in Mississippi is in service-providing industries, with the remaining 20% in the goods-producing industries of manufacturing, construction and natural resources/mining. Despite the dominance of services, goods-producing industries, and manufacturing in particular, are crucial to the State's economy. In the U.S. as a whole, manufacturing provides 10% of total jobs, but in Mississippi the figure is 15%. Manufacturing also sustains many of the State's service jobs in transportation, business services, finance, and agriculture. Within manufacturing, the percentage of employees in furniture and in wood products is more than twice the corresponding percentage for the U.S. These industries, along with food products, account for 37% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 36% of manufacturing employment here. The largest employers in the service-providing sectors, each employing more than 100,000 persons, are: local government, retail trade, health care & social assistance, and accommodation & food services.

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 reaches \$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, the Account had the required \$40,000,000 balance. The entire 50 percent of unencumbered ending cash totaling \$191,020,000 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 Working Cash Stabilization Reserve 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.

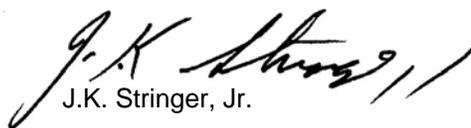
Awards and Acknowledgements

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, 2006. This was the twentieth 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.

Oliver E. Diaz, Jr.

Justices

George C. Carlson, Jr.

James E. Graves, Jr.

Michael K. Randolph

Jess H. Dickinson

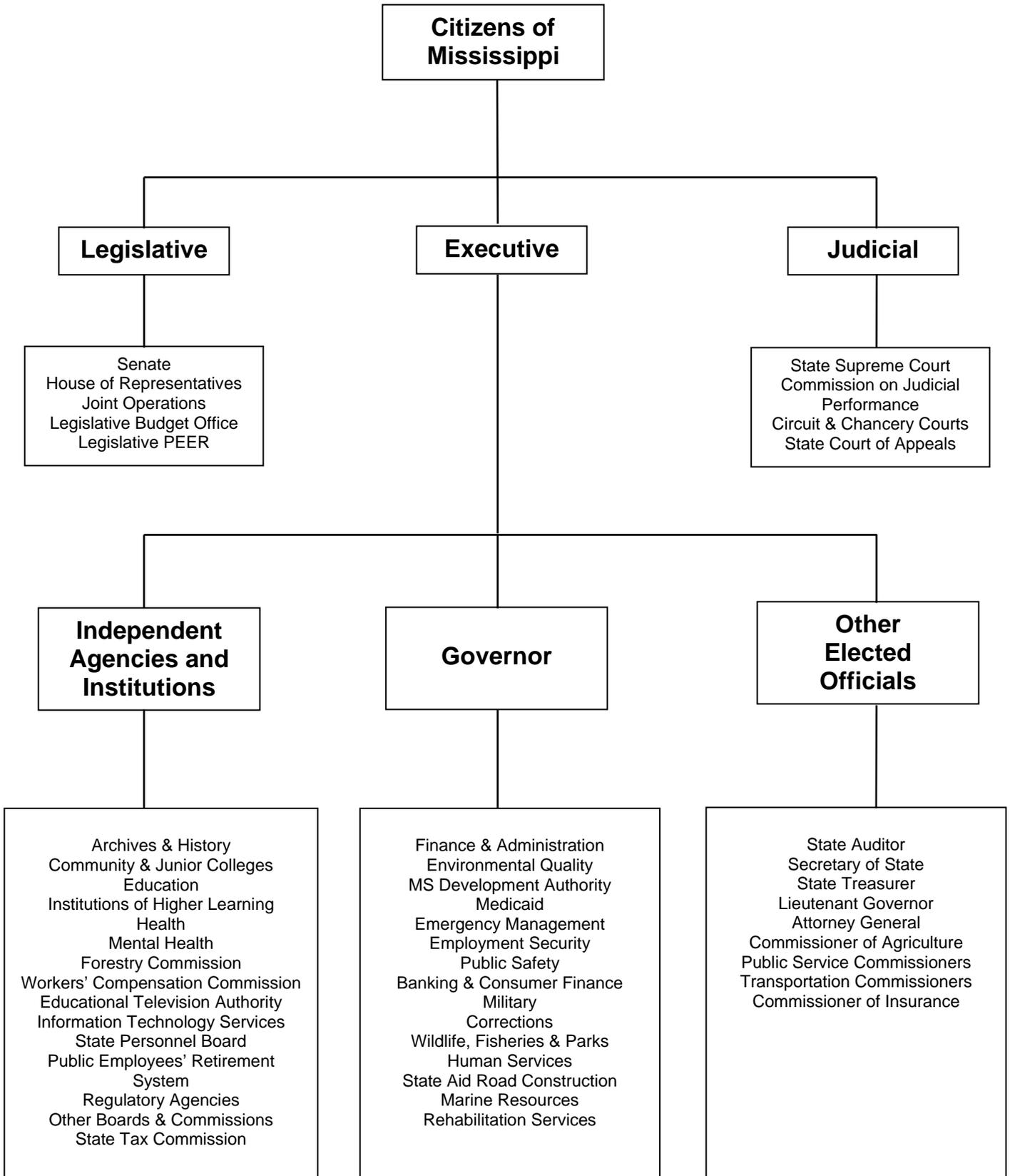
Ann H. Lamar

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, 2006

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



President

Executive Director

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE 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, 2007, 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 Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 9% and 27%, 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 97% and 91%, respectively, of the assets and revenues of the Business-type Activities;

● Component Units

- the Universities and the nonmajor component units.

■ Fund Financial Statements

● Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid and the Department of Corrections which represent 19% and 25%, respectively, of the assets and revenues of the General Fund;

- the Health Care Trust Fund which represents 98% and 100%, respectively, of the assets and revenues of the Health Care major governmental fund;
- Proprietary Funds
 - the Port Authority at Gulfport, 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 Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

all of which represent 97% and 70%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Mississippi Foundation, the Mississippi State University Foundation, Inc., the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Tort Liability Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation and the University Hospitals and Clinics, a division 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.

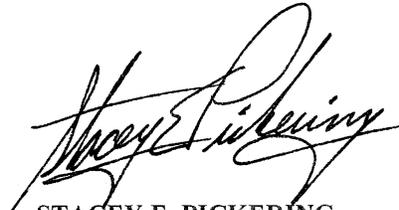
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2007, 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 February 29, 2008, 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, 2008. 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 has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



STACEY E. PICKERING
State Auditor



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

Jackson, Mississippi
February 29, 2008

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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, 2007. 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

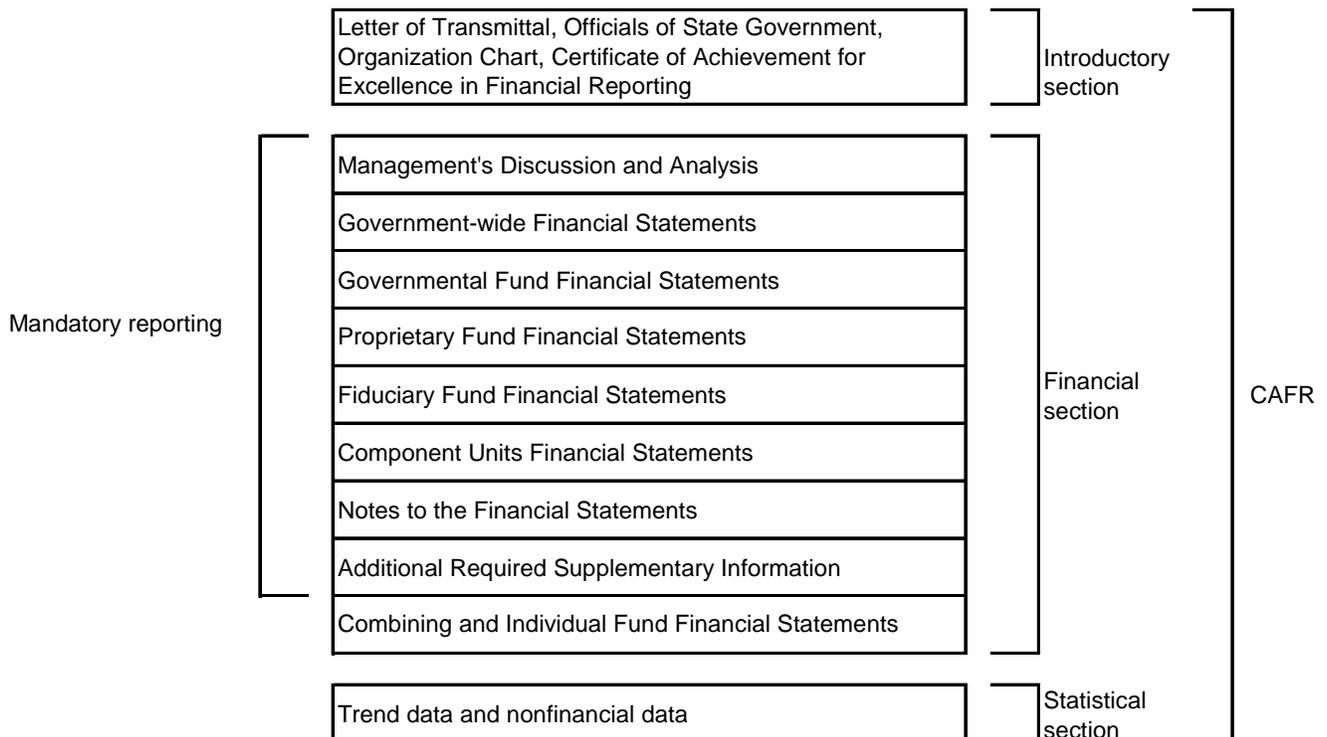
Government-wide - The assets of the State exceeded its liabilities at the close of the fiscal year by \$11,970,667,000 (reported as "net assets"). Of this amount, \$765,905,000 was reported as "unrestricted net assets", which may be used to meet the government's ongoing obligations to citizens and creditors. A rise in individual income tax collections coupled with a growth in federal homeowner assistance grants contributed to an increase of \$1,300,159,000 in net assets of governmental activities. Net assets of business-type activities increased by \$88,543,000. Revenues grew due to the receipt of insurance proceeds as Hurricane Katrina claims continue to be settled. Also, the improving employment environment boosted unemployment assessments and reduced unemployment claims.

Fund Level - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3,750,599,000, which is an increase of \$759,063,000 from the previous year. This includes a \$479,423,000 increase in the General Fund's fund balance that was derived from increased tax collections and federal assistance.

Long-term Debt - During fiscal year 2007, the State issued bonds and notes, net of premiums, discounts, and deferred amount on refunding of \$925,054,000, bringing its outstanding net long-term bonds and notes to \$3,926,224,000 and its total debt to \$4,055,649,000, an increase of \$472,027,000. These bonds and notes were issued primarily for economic development, for 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. 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 2007, the State's total net assets increased by \$1,388,702,000 or 13.1 percent from the previous year. In comparison, net assets in the prior year increased by \$940,337,000 or 9.8 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, 82.8 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 \$911,793,000 from the previous year. Governmental activities' increase of \$887,350,000 was driven by construction in progress additions related to roads, highways, bridges, and building projects. Most of the business-type activities' increase of \$24,443,000 was the result of the restoration of assets damaged by Hurricane Katrina at the Port Authority at Gulfport. Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 10.8 percent of total net assets. The remaining balance, unrestricted net assets of \$765,905,000, 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 5,815,603	\$ 4,973,510	\$ 1,329,685	\$ 1,233,503	\$ 7,145,288	\$ 6,207,013
Capital assets	10,725,291	9,831,199	172,135	151,789	10,897,426	9,982,988
Total Assets	<u>16,540,894</u>	<u>14,804,709</u>	<u>1,501,820</u>	<u>1,385,292</u>	<u>18,042,714</u>	<u>16,190,001</u>
Noncurrent liabilities	3,705,386	3,223,584	279,699	256,327	3,985,085	3,479,911
Other liabilities	2,065,281	2,111,057	21,681	17,068	2,086,962	2,128,125
Total Liabilities	<u>5,770,667</u>	<u>5,334,641</u>	<u>301,380</u>	<u>273,395</u>	<u>6,072,047</u>	<u>5,608,036</u>
Net assets:						
Invested in capital assets, net of related debt	9,770,760	8,883,410	136,836	112,393	9,907,596	8,995,803
Restricted	477,321	427,128	819,845	789,759	1,297,166	1,216,887
Unrestricted	522,146	159,530	243,759	209,745	765,905	369,275
Total Net Assets	<u>\$ 10,770,227</u>	<u>\$ 9,470,068</u>	<u>\$ 1,200,440</u>	<u>\$ 1,111,897</u>	<u>\$ 11,970,667</u>	<u>\$ 10,581,965</u>

Changes in Net Assets

Operating grants and contributions provided \$7,082,545,000 or 42.8 percent of the State's total revenues, while taxes and charges for services provided 37.3 percent and 12.6 percent, respectively. Health and social services made up \$5,311,270,000 or 35 percent of the State's expenses, with 26.1 percent spent for education (other than universities), and 12.7 percent for recreation and resource development. In the prior year, operating grants and contributions were 42.1 percent of the State's total revenues, while 39 percent resulted from taxes and 12.3 percent from charges for services. In addition, health and social services were 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. The percentage variations in revenues and expenses from fiscal year 2006 to fiscal year 2007 were directly related to federal assistance to aid homeowners' rebuilding efforts in the aftermath of Katrina.

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Changes in Net Assets (amounts expressed in thousands)

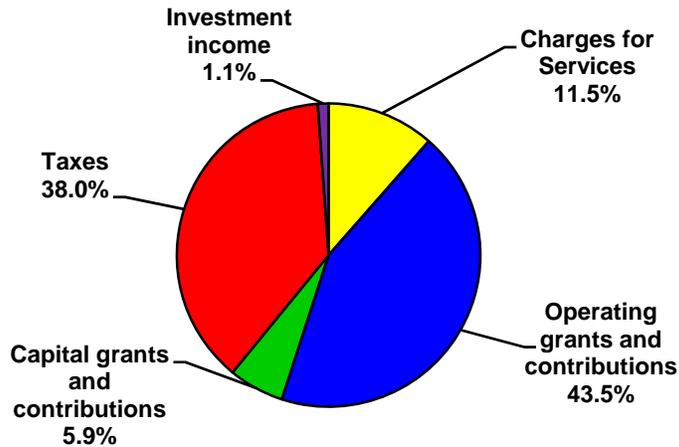
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 1,863,107	\$ 1,621,817	\$ 221,140	\$ 174,314	\$ 2,084,247	\$ 1,796,131
Operating grants and contributions	7,072,800	6,058,258	9,745	93,156	7,082,545	6,151,414
Capital grants and contributions	960,369	792,929	3,900	539	964,269	793,468
General revenues:						
Taxes	6,166,386	5,702,530			6,166,386	5,702,530
Gain on sale of assets		585		7		592
Investment income	184,500	122,553	70,240	55,974	254,740	178,527
Total Revenues	<u>16,247,162</u>	<u>14,298,672</u>	<u>305,025</u>	<u>323,990</u>	<u>16,552,187</u>	<u>14,622,662</u>
Expenses:						
General government	1,803,339	1,826,995			1,803,339	1,826,995
Education	3,961,573	3,668,314			3,961,573	3,668,314
Health and social services	5,311,270	5,180,153			5,311,270	5,180,153
Law, justice and public safety	1,152,359	1,384,238			1,152,359	1,384,238
Recreation and resource development	1,932,620	364,796			1,932,620	364,796
Regulation of business and professions	33,192	30,944			33,192	30,944
Transportation	581,446	728,716			581,446	728,716
Interest on long-term debt	167,233	150,556			167,233	150,556
Unemployment compensation			134,128	242,134	134,128	242,134
Port Authority at Gulfport			10,349	17,221	10,349	17,221
Prepaid affordable college tuition			38,391	29,983	38,391	29,983
Other business-type			37,585	49,737	37,585	49,737
Total Expenses	<u>14,943,032</u>	<u>13,334,712</u>	<u>220,453</u>	<u>339,075</u>	<u>15,163,485</u>	<u>13,673,787</u>
Excess (deficiency) before Extraordinary Item and Transfers	1,304,130	963,960	84,572	(15,085)	1,388,702	948,875
Extraordinary Item - Impairment gain (loss) from hurricane damage, net of insurance recovery						
		(9,871)		1,333		(8,538)
Transfers	(3,971)	(5,945)	3,971	5,945		
Change in Net Assets	1,300,159	948,144	88,543	(7,807)	1,388,702	940,337
Net Assets - Beginning	9,470,068	8,521,924	1,111,897	1,119,704	10,581,965	9,641,628
Net Assets - Ending	<u>\$ 10,770,227</u>	<u>\$ 9,470,068</u>	<u>\$ 1,200,440</u>	<u>\$ 1,111,897</u>	<u>\$ 11,970,667</u>	<u>\$ 10,581,965</u>



Governmental Activities

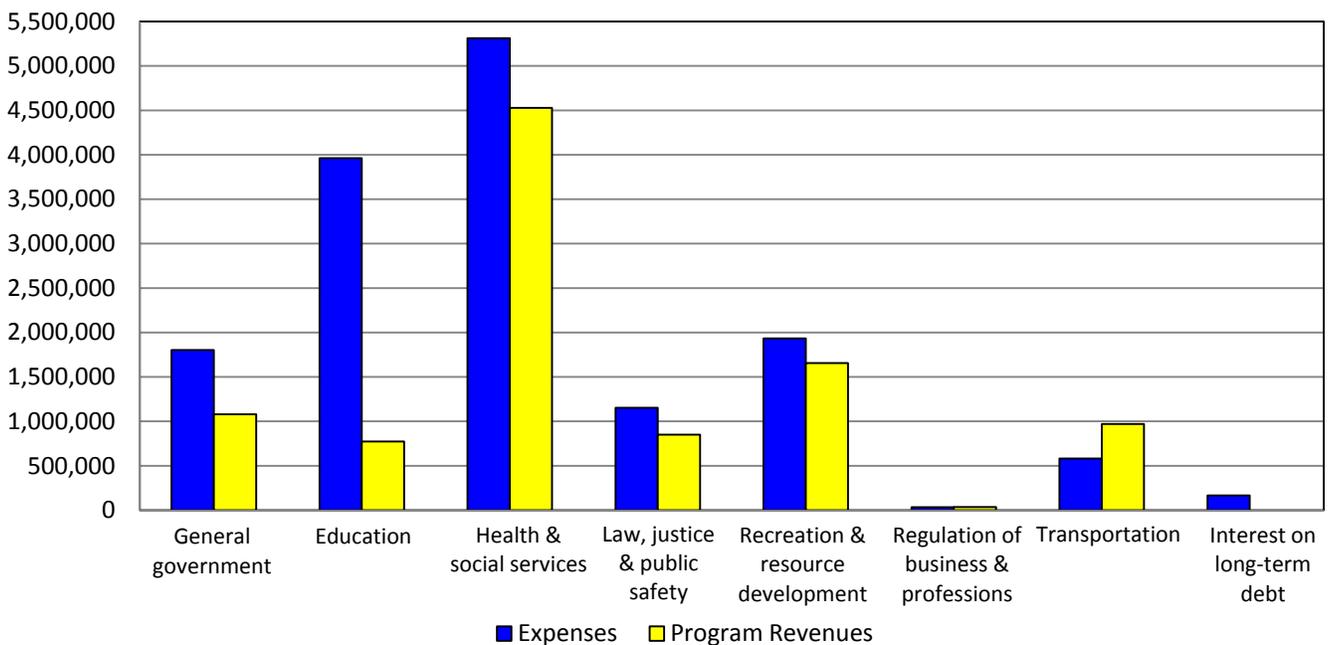
Governmental activities increased the State's net assets by \$1,300,159,000. Total tax revenues increased by \$463,856,000 which includes a \$297,279,000 growth in individual income taxes. This increase resulted from several factors, including an October 2006 extension which was granted for filing 2004 and 2005 individual income tax returns in Katrina affected counties, an increased number of returns filed as employment steadily improved in the State, and additional returns filed by contractors working to rebuild the Gulf Coast. Total expenses rose \$1,608,320,000 or 12.1 percent, with a \$1,567,824,000 increase in recreation and resource development. This was a result of post-Katrina federal assistance to homeowners to aid in their rebuilding efforts. Related program revenues for recreation and resource development experienced a notable increase which reflected the receipt of federal homeowner assistance grants. As funding for the Mississippi Adequate Education Program, which provides school district funding for programs to meet the required level of accreditation, continues to increase, education expenses mirror this trend by increasing \$293,259,000 or 8 percent. Expenses decreased by \$231,879,000 or 16.8 percent in law, justice and public safety as the result of the immediate response to Hurricane Katrina in 2006.

Governmental Activities - Revenues by Source



Governmental Activities – Expenses and Program Revenues

(amounts expressed in thousands)

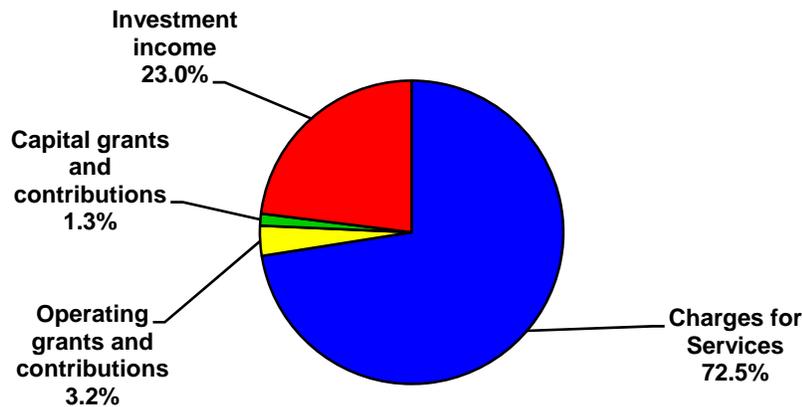




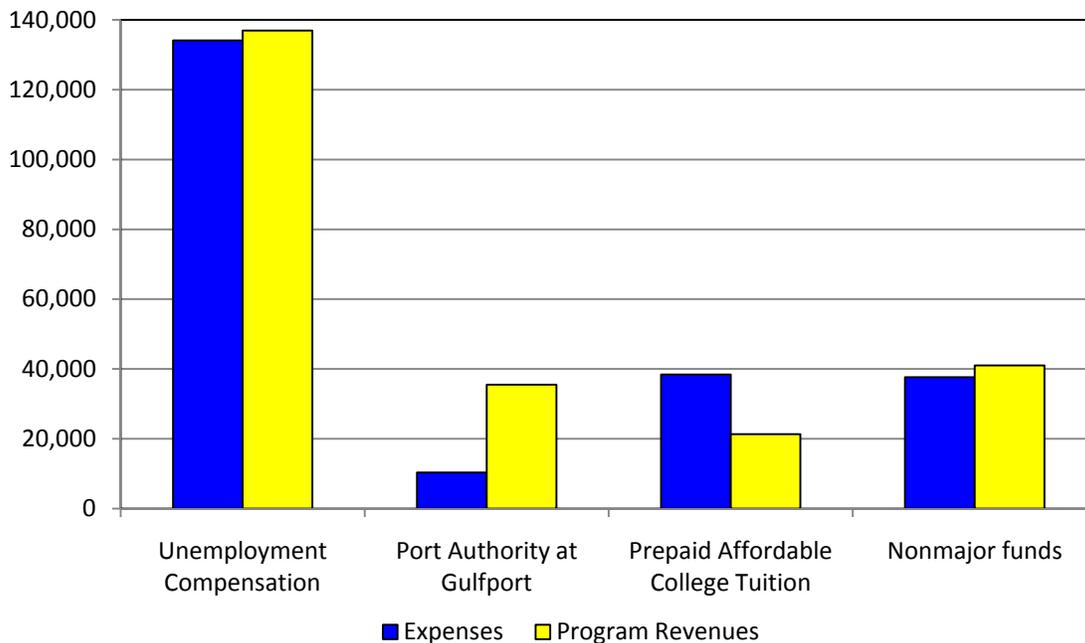
Business-type Activities

Business-type activities increased the State's net assets by \$88,543,000 as compared to a decrease of \$7,807,000 in the previous year. Net assets for Unemployment Compensation and the Port Authority at Gulfport increased by \$33,140,000 and \$31,057,000, respectively. A steady increase in employment over the past year directly impacted unemployment compensation expenses with a 44.6 percent reduction in unemployment benefit payments. In addition, the associated program revenue grew by 26.7 percent. Federal disaster unemployment assistance grants received in fiscal year 2006 led to a 95.1 percent decrease in operating grants and contributions in fiscal year 2007. Charges for services at the Port Authority at Gulfport increased primarily due to the receipt of \$21,246,000 in insurance settlements from Hurricane Katrina claims. Investment income for business-type activities grew 25.5 percent mainly as the result of the increase in fair market value of investments in the Prepaid Affordable College Tuition fund.

Business-type Activities - Revenues by Source



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 \$3,750,599,000 as of June 30, 2007, an increase of \$759,063,000 as compared to the prior year. Of this total amount, \$2,569,024,000 or 68.5 percent constituted unreserved fund balance. A portion of the unreserved balance, \$1,567,396,000, 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 \$2,435,659,000, which reflects an increase of \$479,423,000. Revenues increased 4.8 percent or \$597,505,000 and expenditures increased by 7.6 percent or \$905,948,000. Individual income tax provided the most significant increase in revenue at 22.4 percent or \$272,341,000. This increase resulted from an October 2006 extension which was granted for filing 2004 and 2005 individual income tax returns in Katrina affected counties, an increased number of returns filed as employment has steadily improved in the State, and additional returns filed by contractors working to rebuild the Gulf Coast. The health and social services function reported the largest increase in expenditures, up \$260,231,000 from the previous year. Expenditures for the Division of Medicaid, which is reported within the General Fund, rose by \$205,283,000. This change reflects increased rates and payments for medical services, as well as pass-through grants to providers for Katrina-related assistance and other various programs. Education expenditures grew by \$233,420,000, primarily related to a substantial increase in Adequate Education Program funding available for school districts. Other financing sources and uses reported an increase of \$256,684,000 or 155.5 percent which can be attributed to the issuance of bonds, notes, and refunding bonds during fiscal year 2007.

The Health Care Fund reported an increase in fund balance of \$52,310,000 from the previous fiscal year. Current year court assessments and settlements increased by \$44,451,000 primarily due to a Mississippi Supreme Court ruling that the Partnership for a Healthy Mississippi remit their annual settlement payments to the Health Care Fund.

The Capital Projects Fund reported an increase in expenditures of \$67,878,000 due to a rise in the number of projects awarded and the escalating cost of projects. Bonds and premiums issued to fund new projects rose by \$45,009,000. Investment income increased by \$3,752,000 or 50.7 percent. Transfers in decreased by \$61,158,000 indicating that state agencies did not subsidize as many projects this year. Overall, fund balance decreased by \$28,035,000.

Proprietary Funds

The Unemployment Compensation Fund finished fiscal year 2007 with an increase in net assets of \$33,140,000. As the employment situation continued to recover from the effects of Hurricane Katrina, claims and benefits payments decreased by \$108,006,000 or 44.6 percent. Unemployment insurance premiums grew by \$26,628,000 or 25.5 percent as employment has steadily increased in the current fiscal year. One time federal disaster unemployment assistance grants of \$85,000,000 which were received in fiscal year 2006 resulted in a decrease in current federal grant revenues of 99.7 percent.

The Port Authority at Gulfport Fund reported an increase in net assets of \$31,057,000. Operating revenues increased \$1,321,000 over the prior year but were not back to the pre-Katrina levels. The fund received \$21,246,000 from insurance as Katrina claims continued to be settled. After the surge in prior year contractual services expense related to hurricane damage cleanup and repair, the current year expense fell by \$6,161,000 or 57.1 percent.

The Prepaid Affordable College Tuition Fund reported an increase in net assets of \$12,775,000. This can be directly attributed to an \$18,008,000 growth in investment income over the prior year bolstered by a \$13,657,000 change in the fair market value of investments.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2007 General Fund revenues was 6.9 percent. This estimate was revised to a sine die estimate of 3.4 percent. Actual fiscal year 2007 General Fund revenue collections were 10.5 percent above the prior year, with component revenue growth of 4.1 percent in sales tax, 18.4 percent in individual income tax, and 17.6 percent in corporate income and franchise tax.

Actual fiscal year 2007 revenues were \$321,021,000 more than estimated amounts. The most significant positive variance of \$160,359,000 occurred in individual income tax collections. The net change from the original expenditure budget amounts as compared to the final budget was an increase of \$27,572,000, while actual expenditures totaled \$13,718,000 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, 2007, amounted to \$14,664,377,000, less accumulated depreciation of \$3,766,951,000, resulting in a net book value of \$10,897,426,000. This reflected a net increase for the current fiscal year of 9.1 percent for governmental activities and a 13.4 percent increase for business-type activities, compared to the prior fiscal year increase of 6 percent and decrease of 18.3 percent, respectively. Depreciation expense for fiscal year 2007 totaled \$375,678,000 for governmental and business-type activities.

Major capital asset events during fiscal year 2007 included the following:

Construction in progress additions for governmental activities included \$1,096,683,000 related to roads, highways and bridges; \$36,792,000 related to Military Department buildings; and \$67,983,000 related to Department of Finance and Administration building projects, such as the North Street/State Street Capitol Complex, the NASA Shared Services Center, the Mississippi Public Broadcasting 2001 Digital Conversion (Phase II), the Sillers Building Tenant Work and Parking Facility, and the New Court Facility Tenant Work.

Additions were made to governmental activities infrastructure in the amount of \$453,976,000 for completed roads, highways and bridges. Pavement rehabilitation projects were completed in Simpson, Hinds, Yazoo, and Lauderdale counties. Bridges were replaced in Lee County. In addition, Four Lane Highway Program projects were finished in Monroe, Coahoma, Yazoo, Wilkinson, Humphreys, Oktibbeha, Jefferson, Lawrence, and Marshall counties. Other projects were completed in Harrison County related to the gaming industry and in Hinds and Rankin counties related to Interstate 20.

Building additions reported in governmental activities were \$55,669,000. The purchase of three buildings by the Department of Finance and Administration accounted for \$11,000,000 of this increase. The major building projects completed which contributed to the increase include the following: Emergency Management Administration/Operations building (\$16,507,000), Library Commission headquarters (\$11,577,000), Department of Public Safety Communications/Vehicle Care facility (\$1,981,000), and Columbia Training School Security/Medical Intake facility (\$1,599,000).

Business-type activities experienced a net increase in construction in progress of 53.9 percent. This is attributed to the Port Authority at Gulfport's construction costs for rehabilitating berth facilities, terminal expansion, and capital restoration of hurricane damaged assets. Capital assets, net of accumulated depreciation, increased by \$20,346,000. The Port Authority at Gulfport reported a \$17,571,000 net increase in capital assets as a result of its aggressive construction program to rebuild and expand its facilities in a post-Katrina environment.

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	
	2007	2006	2007	2006	2007	2006
Land	\$ 194,558	\$ 182,389	\$ 12,612	\$ 12,679	\$ 207,170	\$ 195,068
Buildings	1,105,587	1,084,658	54,407	46,842	1,159,994	1,131,500
Land improvements	53,668	53,036	15,050	15,405	68,718	68,441
Machinery and equipment	161,317	156,932	4,244	4,813	165,561	161,745
Infrastructure	4,916,573	4,759,079	39,181	41,745	4,955,754	4,800,824
Construction in progress	4,293,588	3,595,105	46,641	30,305	4,340,229	3,625,410
Total	\$ 10,725,291	\$ 9,831,199	\$ 172,135	\$ 151,789	\$ 10,897,426	\$ 9,982,988



Debt Administration

Outstanding general obligation debt for the State as of June 30, 2007 was \$3,170,316,000, net of premiums, discounts, and deferred amount on refunding. General Obligation Refunding (\$1,347,876,000), Capital Improvements (\$634,436,000), and Major Economic Impact (\$431,533,000) bonds comprise 76.1 percent of this outstanding debt. During fiscal year 2007, the State issued \$524,530,000 in general obligation bonds which are reported in governmental activities. These bonds were issued for capital improvements, to refund current outstanding bonds, to pay debt service as authorized by the Gulf Opportunity Zone Act of 2005 and for grants to local governments. Within business-type activities, general obligation bonds decreased by \$2,932,000 as the Port Authority at Gulfport continued to extinguish its long-term debt. Notes of \$365,235,000 were issued during fiscal year 2007 for utility system restoration (\$189,860,000), for highway construction (\$145,000,000), for state aid bridge construction (\$19,550,000), and for building acquisitions (\$10,825,000).

Mississippi has a rating of "AA" from Standard & Poor's, a division of The McGraw Hill Companies, "AA" from Fitch IBCA Inc., and "Aa3" from Moody's Investors Service. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and its potential for future economic diversification.

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2007, the State had established a constitutional legal debt limit of \$10,930,262,000, 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds and notes	\$ 3,135,232	\$ 3,011,720	\$ 35,084	\$ 38,016	\$ 3,170,316	\$ 3,049,736
Limited obligation bonds	47,880	70,320			47,880	70,320
Notes payable	708,028	345,091			708,028	345,091
Total	\$ 3,891,140	\$ 3,427,131	\$ 35,084	\$ 38,016	\$ 3,926,224	\$ 3,465,147

Economic Factors and Next Year's Budget

The State's average unemployment rate decreased from the calendar year 2006 average of 6.8 percent to an average of 6.4 percent for the twelve months ending October 2007. The national rates were 4.6 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2008, the State economy is expected to continue moderate growth. The initial estimated overall fiscal year 2008 General Fund revenue growth rate was 2.8 percent, with component revenue growth projections of 5.9 percent in sales tax and 1.5 percent in individual income tax. The overall estimate was revised in October 2007 to 3 percent. The October component revenue growth projections were 3 percent in sales tax and 5.2 percent in individual income tax. At the end of November 2007, fiscal year 2008 General Fund collections exceeded the estimate at 3.3 percent, with actual component revenue growth of 0.1 percent, 4 percent, 12.5 percent, and 11.4 percent in sales tax, individual income tax, corporate income and franchise tax, and gaming fees, 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, 2007 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	\$ 2,588,475	\$ 16,070	\$ 2,604,545	\$ 10,843
Cash and cash equivalents	652,851	808,247	1,461,098	195,955
Investments	30,278	83,186	113,464	180,209
Receivables, net	614,704	75,198	689,902	245,815
Restricted assets:				
Cash and cash equivalents		2	2	
Interest receivable		2	2	
Due from other governments, net	574,247	7,293	581,540	401
Internal balances	16,458	(16,458)		
Due from component units	873	1	874	
Due from primary government				20,436
Inventories	43,712	695	44,407	22,207
Prepaid items	598	245	843	9,956
Loans and notes receivable, net	19,746	4,871	24,617	28,451
Deferred charges	1,304		1,304	
Other assets				47,239
Total Current Assets	4,543,246	979,352	5,522,598	761,512
Noncurrent assets:				
Investments	528,054	199,205	727,259	290,546
Receivables, net	76,960		76,960	
Due from other governments, net	488,512		488,512	
Loans and notes receivable, net	164,907	150,922	315,829	151,069
Internal loans	538	(538)		
Deferred charges	13,386		13,386	
Restricted assets:				
Equity in internal investment pool		744	744	
Cash and cash equivalents				127,115
Investments				809,933
Capital assets:				
Land and construction in progress	4,488,146	59,253	4,547,399	448,362
Other capital assets, net	6,237,145	112,882	6,350,027	1,828,737
Other assets				6,898
Total Noncurrent Assets	11,997,648	522,468	12,520,116	3,662,660
Total Assets	\$ 16,540,894	\$ 1,501,820	\$ 18,042,714	\$ 4,424,172

(Continued on Next Page)



Statement of Net Assets

June 30, 2007 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Warrants payable	\$ 139,239	\$ 628	\$ 139,867	\$ 17
Accounts payable and other liabilities	652,878	7,367	660,245	135,049
Contracts payable	153,304		153,304	
Retainage payable		1,262	1,262	
Income tax refunds payable	190,000		190,000	
Due to other governments	333,658	4,114	337,772	
Due to component units	20,418	18	20,436	
Due to primary government				874
Claims and benefits payable	129,201	2,638	131,839	
Deposits		1,538	1,538	1,425
Unearned revenues	88,542	991	89,533	40,220
Bonds and notes payable, net	351,192	3,020	354,212	23,386
Certificates of participation	140		140	
Lease obligations payable	6,709	105	6,814	8,143
Other liabilities				42,000
Total Current Liabilities	2,065,281	21,681	2,086,962	251,114
Noncurrent liabilities:				
Due to other governments		8,991	8,991	
Claims and benefits payable		237,937	237,937	
Deposits				2,048
Bonds and notes payable, net	3,589,948	32,064	3,622,012	554,031
Certificates of participation	2,190		2,190	
Lease obligations payable	11,859	109	11,968	19,562
Liabilities payable from restricted assets:				
Deposits		2	2	
Other liabilities	101,389	596	101,985	195,373
Total Noncurrent Liabilities	3,705,386	279,699	3,985,085	771,014
Total Liabilities	5,770,667	301,380	6,072,047	1,022,128
Net Assets				
Invested in capital assets, net of related debt	9,770,760	136,836	9,907,596	1,702,528
Restricted for:				
Capital projects	215,526		215,526	
Debt service	175,515		175,515	
Other purposes	35,942	747	36,689	656,551
Permanent trusts:				
Expendable	2,419		2,419	
Nonexpendable	47,919		47,919	476,468
Unemployment compensation benefits		819,098	819,098	
Unrestricted	522,146	243,759	765,905	566,497
Total Net Assets	\$ 10,770,227	\$ 1,200,440	\$ 11,970,667	\$ 3,402,044

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

MISSISSIPPI

Statement of Activities

For the Year Ended June 30, 2007 (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	\$ 1,803,339	\$ 1,059,532	\$ 17,873	\$ 2,775
Education	3,961,573	33,991	737,733	1,889
Health and social services	5,311,270	480,944	4,044,882	1,661
Law, justice and public safety	1,152,359	147,360	677,254	26,359
Recreation and resource development	1,932,620	69,915	1,586,501	224
Regulation of business and professions	33,192	36,173	373	42
Transportation	581,446	35,192	8,184	927,419
Interest on long-term debt	167,233			
Total Governmental Activities	14,943,032	1,863,107	7,072,800	960,369
Business-type activities:				
Unemployment compensation	134,128	132,514	4,404	
Port Authority at Gulfport	10,349	30,166	5,341	
Prepaid affordable college tuition	38,391	21,343		
Other business-type	37,585	37,117		3,900
Total Business-type Activities	220,453	221,140	9,745	3,900
Total Primary Government	\$ 15,163,485	\$ 2,084,247	\$ 7,082,545	\$ 964,269
Component units:				
Universities	\$ 2,353,078	\$ 962,446	\$ 665,004	\$ 42,994
Nonmajor	34,761	32,224	15,665	3,046
Total Component Units	\$ 2,387,839	\$ 994,670	\$ 680,669	\$ 46,040

General revenues:

Taxes:

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

Investment income

Other

Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions
and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (723,159)	\$	\$ (723,159)	
(3,187,960)		(3,187,960)	
(783,783)		(783,783)	
(301,386)		(301,386)	
(275,980)		(275,980)	
3,396		3,396	
389,349		389,349	
(167,233)		(167,233)	
(5,046,756)		(5,046,756)	
	2,790	2,790	
	25,158	25,158	
	(17,048)	(17,048)	
	3,432	3,432	
	14,332	14,332	
(5,046,756)	14,332	(5,032,424)	
			\$ (682,634)
			16,174
			(666,460)
3,161,005		3,161,005	
444,489		444,489	
1,501,334		1,501,334	
469,182		469,182	
192,861		192,861	
397,515		397,515	
184,500	70,240	254,740	135,651
			42,685
			772,224
			28,798
(3,971)	3,971		
6,346,915	74,211	6,421,126	979,358
1,300,159	88,543	1,388,702	312,898
9,470,068	1,111,897	10,581,965	3,089,146
\$ 10,770,227	\$ 1,200,440	\$ 11,970,667	\$ 3,402,044



Governmental Funds

Balance Sheet

June 30, 2007 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
Assets					
Equity in internal investment pool	\$ 1,980,518	\$ 33,364	\$ 113,506	\$ 411,306	\$ 2,538,694
Cash and cash equivalents	397,761	45,861	15,536	12,091	471,249
Investments	65,637	271,490	128,442	63,610	529,179
Receivables, net	681,108	27,398	371	8,655	717,532
Due from other governments, net	929,140			133,591	1,062,731
Due from other funds	30,761	440		55,811	87,012
Due from component units	739			8	747
Inventories	42,509			1,203	43,712
Prepaid items	374			224	598
Loans receivable, net	180,922			3,731	184,653
Loans to other funds	540	240,000	2,522	567	243,629
Total Assets	<u>\$ 4,310,009</u>	<u>\$ 618,553</u>	<u>\$ 260,377</u>	<u>\$ 690,797</u>	<u>\$ 5,879,736</u>
Liabilities and Fund Balances					
Liabilities:					
Warrants payable	\$ 97,481	\$ 42	\$ 297	\$ 40,480	\$ 138,300
Accounts payable and accruals	616,738	3,506		19,738	639,982
Contracts payable	120,706		32,598		153,304
Income tax refunds payable	190,000				190,000
Due to other governments	290,257			43,381	333,638
Due to other funds	24,785	205	18	35,443	60,451
Due to component units	19,834			581	20,415
Claims payable	3,196				3,196
Deferred revenues	167,136	26,823			193,959
Unearned revenues	35,603			51,409	87,012
Loans from other funds	258,614				258,614
Notes payable	50,000				50,000
Other liabilities				266	266
Total Liabilities	<u>1,874,350</u>	<u>30,576</u>	<u>32,913</u>	<u>191,298</u>	<u>2,129,137</u>
Fund balances:					
Reserved for:					
Ayers Endowment Trust	15,000				15,000
Distribution to local governments	54,419				54,419
Education and vocational training				40,856	40,856
Ellisville State School				2,025	2,025
Encumbrances	29,895	5,751		6,087	41,733
Gulf Opportunity Zone	79,500				79,500
Inventories	42,509			1,203	43,712
Loans to other funds	540	240,000	2,522	567	243,629
Long-term portion of due from other governments	480,072			8,056	488,128
Long-term portion of loans receivable	162,188			2,719	164,907
Prepaid items	374			224	598
Scholarships and books	25				25
Wildlife conservation				7,043	7,043
Unreserved - designated, reported in:					
General fund	988,752				988,752
Special revenue funds		342,226		11,476	353,702
Capital projects funds			224,942		224,942
Unreserved - undesignated, reported in:					
General fund	582,385				582,385
Special revenue funds				416,845	416,845
Permanent funds				2,398	2,398
Total Fund Balances	<u>2,435,659</u>	<u>587,977</u>	<u>227,464</u>	<u>499,499</u>	<u>3,750,599</u>
Total Liabilities and Fund Balances	<u>\$ 4,310,009</u>	<u>\$ 618,553</u>	<u>\$ 260,377</u>	<u>\$ 690,797</u>	<u>\$ 5,879,736</u>

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



Governmental Funds

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

June 30, 2007 (Expressed in Thousands)

Total fund balances for governmental funds \$ 3,750,599

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	\$ 194,558	
Buildings	1,463,642	
Land improvements	90,321	
Machinery and equipment	473,147	
Infrastructure	7,885,852	
Construction in progress	4,293,588	
Accumulated depreciation	<u>(3,680,471)</u>	10,720,637

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. 193,959

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	(3,106,601)	
Limited obligation bonds	(47,880)	
Capital lease obligations	(18,486)	
Accrued compensated absences	(106,564)	
Notes payable	(690,256)	
Certificates of participation	(2,330)	
Unamortized charges	86,946	
Unamortized discounts	167	
Unamortized premiums	(118,766)	
Claims payable	(234)	
Accrued interest payable	<u>(25,880)</u>	(4,029,884)

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. 134,916

Net assets of governmental activities \$ 10,770,227

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, 2007 (Expressed in Thousands)

	General	Health Care	Capital Projects	Nonmajor Funds	Totals
Revenues					
Taxes:					
Sales and use	\$ 3,136,554	\$	\$	\$	\$ 3,136,554
Gasoline and other motor fuel	437,076			8,800	445,876
Individual income	1,486,074				1,486,074
Corporate income and franchise	477,166				477,166
Insurance	192,861				192,861
Other	392,074			5,441	397,515
Licenses, fees and permits	402,366			97,421	499,787
Federal government	5,716,664			2,310,029	8,026,693
Investment income	108,385	46,387	11,148	7,969	173,889
Charges for sales and services	290,681			20,088	310,769
Rentals	15,981			2,544	18,525
Court assessments and settlements	14,211	144,920			159,131
Refund of prior year disaster payments				55,557	55,557
Other	262,944	1,230	5,809	39,538	309,521
Total Revenues	12,933,037	192,537	16,957	2,547,387	15,689,918
Expenditures					
Current:					
General government	1,344,192				1,344,192
Education	3,823,389		126,001	115	3,949,505
Health and social services	4,974,073	138,902		189,821	5,302,796
Law, justice and public safety	547,410			625,059	1,172,469
Recreation and resources development	336,317			1,589,938	1,926,255
Regulation of business and professions				33,364	33,364
Transportation	1,390,677				1,390,677
Debt service:					
Principal	275,621			1,917	277,538
Interest and other fiscal charges	183,652		480	214	184,346
Capital outlay			88,575		88,575
Total Expenditures	12,875,331	138,902	215,056	2,440,428	15,669,717
Excess of Revenues over (under) Expenditures	57,706	53,635	(198,099)	106,959	20,201
Other Financing Sources (Uses)					
Bonds and notes issued	566,346		143,054	5,000	714,400
Capital leases issued	5,497				5,497
Discounts on bonds issued	(250)				(250)
Insurance recovery	364			417	781
Payments on refunded bond anticipation notes	(33,000)				(33,000)
Payments to refunded bond escrow agent	(147,765)				(147,765)
Premiums on bonds, notes and refunding bonds issued	18,534		10,675		29,209
Refunding bonds issued	175,365				175,365
Transfers in	220,032	21	37,229	357,949	615,231
Transfers out	(383,406)	(1,346)	(20,894)	(214,960)	(620,606)
Net Other Financing Sources (Uses)	421,717	(1,325)	170,064	148,406	738,862
Net Change in Fund Balances	479,423	52,310	(28,035)	255,365	759,063
Fund Balances - Beginning	1,956,236	535,667	255,499	244,134	2,991,536
Fund Balances - Ending	\$ 2,435,659	\$ 587,977	\$ 227,464	\$ 499,499	\$ 3,750,599

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, 2007 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 759,063

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	\$ 1,276,765	
Depreciation expense	(368,260)	908,505

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. 91,526

Net change in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 28,759

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. (19,171)

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, notes and refunding bonds issued	(29,209)	
Bonds and notes issued	(714,400)	
Refunding bonds issued	(175,365)	
Capital leases issued	(5,497)	
Payments of debt principal	277,538	
Payments on refunded bond anticipation notes	33,000	
Payments to refunded bond escrow agent	147,765	
Discounts on notes issued	250	
Accrued interest payable	(4,297)	
Deferred issuance costs	6,346	(463,869)

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	5,629	
Change in claims payable	136	
Change in compensated absences	(11,692)	
Amortization of deferred charges and premiums	1,273	(4,654)

Change in net assets of governmental activities \$ 1,300,159

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

Proprietary Funds

Statement of Net Assets

June 30, 2007 (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	\$	\$	\$ 1,650
Cash and cash equivalents	776,731	7,462	15,345
Investments		75,321	7,865
Receivables, net:			
Accounts	5,004	666	
Assessments	59,247		
Insurance		5,000	
Interest and dividends		964	648
Restricted assets:			
Cash and cash equivalents		2	
Interest receivable		2	
Due from other governments	684	6,510	
Due from other funds	548		
Due from component units			
Inventories			
Prepaid items		23	
Loans and notes receivable			
Total Current Assets	842,214	95,950	25,508
Noncurrent assets:			
Investments			199,205
Loans and notes receivable			
Loans to other funds			
Restricted assets:			
Equity in internal investment pool		744	
Capital assets, net		112,172	
Total Noncurrent Assets		112,916	199,205
Total Assets	\$ 842,214	\$ 208,866	\$ 224,713

Enterprise Funds

Enterprise Funds		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 14,420	\$ 16,070	\$ 49,781	
8,709	808,247	181,602	
	83,186		
3,068	8,738	31	
	59,247		
	5,000		
601	2,213	902	
	2		
	2		
99	7,293	28	
1,300	1,848	7,068	
1	1	126	
695	695		
222	245		
4,871	4,871		
33,986	997,658	239,538	
	199,205	29,153	
150,922	150,922		
2	2	14,162	
	744		
59,963	172,135	4,654	
210,887	523,008	47,969	
\$ 244,873	\$ 1,520,666	\$ 287,507	

(Continued on Next Page)

Proprietary Funds

Statement of Net Assets

June 30, 2007 (Expressed in Thousands)

(Continued from Previous Page)

Liabilities	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Current liabilities:			
Warrants payable	\$	\$	\$ 233
Accounts payable and other liabilities	87	4,995	59
Retainage payable		1,262	
Due to other governments	4,032		
Due to other funds	16,318		1
Due to component units			
Claims and benefits payable	2,638		
Deposits			
Bonds and notes payable		3,020	
Unearned revenues	41	537	
Lease obligations payable			
Total Current Liabilities	23,116	9,814	293
Noncurrent liabilities:			
Due to other governments			
Loans from other funds			
Claims and benefits payable			237,937
Bonds and notes payable		32,064	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		2	
Other liabilities		143	14
Total Noncurrent Liabilities		32,209	237,951
Total Liabilities	23,116	42,023	238,244
Net Assets			
Invested in capital assets, net of related debt		77,088	
Restricted for other purposes		747	
Restricted for unemployment compensation benefits	819,098		
Unrestricted (deficit)		89,008	(13,531)
Total Net Assets	\$ 819,098	\$ 166,843	\$ (13,531)

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

Enterprise Funds

Enterprise Funds		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		Funds
\$ 395	\$ 628	\$ 939	
2,226	7,367	5,948	
	1,262		
82	4,114	20	
1,987	18,306	17,158	
18	18	3	
	2,638	125,771	
1,538	1,538		
	3,020	60	
413	991	1,530	
105	105	19	
6,764	39,987	151,448	
8,991	8,991		
540	540		
	237,937		
	32,064		
109	109	63	
	2		
439	596	1,080	
10,079	280,239	1,143	
16,843	320,226	152,591	
59,748	136,836	4,496	
	747		
	819,098		
168,282	243,759	130,420	
\$ 228,030	\$ 1,200,440	\$ 134,916	



Proprietary Funds

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

For the Year Ended June 30, 2007 (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	\$	\$	\$
Assessments	131,176	8,037	
Investment income			
Federal agencies	220		
Rentals			
Fees			558
Tuition receipts			20,785
Other	1,338		
Total Operating Revenues	132,734	8,037	21,343
Operating Expenses			
Cost of sales and services			
General and administrative		1,942	197
Contractual services		4,620	993
Commodities		268	41
Depreciation		2,994	
Claims and benefits	134,128		37,160
Other			
Total Operating Expenses	134,128	9,824	38,391
Operating Income (Loss)	(1,394)	(1,787)	(17,048)
Nonoperating Revenues			
Federal grant	4,184	5,341	
Revenue from counties		883	
Insurance recovery		21,246	
Gain on disposal of capital assets			
Investment income	35,520	4,260	29,823
Total Nonoperating Revenues	39,704	31,730	29,823
Nonoperating Expenses			
Loss on disposal of capital assets		4	
Interest		521	
Total Nonoperating Expenses		525	
Income before Capital Contributions and Transfers	38,310	29,418	12,775
Capital Contributions			
Transfers In		1,644	
Transfers Out	(5,170)	(5)	
Change in Net Assets	33,140	31,057	12,775
Total Net Assets - Beginning	785,958	135,786	(26,306)
Total Net Assets - Ending	\$ 819,098	\$ 166,843	\$ (13,531)

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

Enterprise Funds

Nonmajor Funds		Totals		Governmental Activities - Internal Service Funds
\$	26,058	\$	34,095	\$ 734,018
			131,176	
	7,874		7,874	
			220	
	1,391		1,391	
	21		579	
			20,785	
	1,773		3,111	26
	37,117		199,231	734,044
	12,276		12,276	
	10,925		13,064	14,210
	10,111		15,724	65,270
	2,070		2,379	855
	2,158		5,152	2,266
			171,288	572,322
	29		29	
	37,569		219,912	654,923
	(452)		(20,681)	79,121
			9,525	
			883	
			21,246	
	58		58	
	637		70,240	10,624
	695		101,952	10,624
	53		57	462
	21		542	10
	74		599	472
	169		80,672	89,273
	3,900		3,900	849
	8,823		10,467	1,513
	(1,321)		(6,496)	(109)
	11,571		88,543	91,526
	216,459		1,111,897	43,390
\$	228,030	\$	1,200,440	\$ 134,916

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Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2007 (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	\$ 220	\$	\$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		8,423	21,343
Cash receipts from assessments	119,394		
Cash payments to suppliers for goods and services		(1,534)	(1,057)
Cash payments to employees for services		(1,946)	(178)
Cash payments for claims and benefits	(126,921)		(10,314)
Other operating cash receipts			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(7,307)	4,943	9,794
Cash Flows from Noncapital Financing Activities			
Transfers in		1,644	
Transfers out	(5,170)	(7)	
Principal paid on notes			
Interest paid on notes			
Federal grants received	4,240	151	
Revenues from counties		883	
Net Cash Provided by (Used for) Noncapital Financing Activities	(930)	2,671	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(20,562)	
Proceeds from sales of capital assets			
Capital contributions			
Principal paid on bonds and capital assets contracts		(2,932)	
Interest paid on bonds and capital assets contracts		(554)	
Proceeds from insurance recovery		18,299	
Net Cash Used for Capital and Related Financing Activities		(5,749)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		89,012	72,445
Purchases of investments		(92,260)	(86,607)
Investment income	35,520	3,707	15,905
Net Cash Provided by Investing Activities	35,520	459	1,743
Net Increase (Decrease) in Cash and Cash Equivalents	27,283	2,324	11,537
Cash and Cash Equivalents - Beginning	749,448	5,884	5,458
Cash and Cash Equivalents - Ending	\$ 776,731	\$ 8,208	\$ 16,995

Enterprise Funds

Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$	\$	220 \$
		202,879
27,702	57,468	528,989
	119,394	
(24,427)	(27,018)	(64,883)
(10,902)	(13,026)	(14,037)
	(137,235)	(573,052)
1,551	1,551	25
23,046	23,046	
(30,192)	(30,192)	
(13,222)	(5,792)	79,921
8,860	10,504	17,521
(1,321)	(6,498)	(109)
		(117)
		(6)
	4,391	
	883	
7,539	9,280	17,289
(1,352)	(21,914)	(959)
126	126	
196	196	
(365)	(3,297)	(19)
(21)	(575)	(4)
	18,299	
(1,416)	(7,165)	(982)
	161,457	2,657
	(178,867)	(5,843)
623	55,755	9,839
623	38,345	6,653
(6,476)	34,668	102,881
29,605	790,395	128,502
\$ 23,129	\$ 825,063	\$ 231,383

(Continued on Next Page)

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Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2007 (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)	\$ (1,394)	\$ (1,787)	\$ (17,048)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		2,994	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	890	(101)	
Assessments receivable	(15,055)		
Interest receivable			
Due from other governments	877		
Due from other funds	(27)		
Due from component units	196		
Inventories			
Prepaid items		7	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			163
Accounts payable and other liabilities	8	3,348	(3)
Due to other governments	2,196		
Due to other funds	5,867	(5)	1
Due to component units			
Claims and benefits payable	(865)		26,681
Unearned revenues		487	
Total adjustments	(5,913)	6,730	26,842
Net Cash Provided by (Used for) Operating Activities	\$ (7,307)	\$ 4,943	\$ 9,794
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Gain (loss) on disposal of capital assets		(4)	
Change in market value of investments			13,657

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

Enterprise Funds

Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$ (452)	\$ (20,681)	\$ 79,121
2,158	5,152	2,266
(310)	479	(3)
	(15,055)	
(102)	(102)	
(19)	858	(5)
204	177	(667)
	196	(40)
50	50	
7	14	
(13,989)	(13,989)	
(961)	(798)	(669)
(78)	3,275	1,459
(11)	2,185	19
229	6,092	631
(2)	(2)	3
	25,816	(758)
54	541	(1,436)
(12,770)	14,889	800
\$ (13,222)	\$ (5,792)	\$ 79,921

3,704	3,704	849
5	1	(462)
	13,657	113



Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2007 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Agency Funds
Assets			
Equity in internal investment pool	\$ 648	\$ 101	\$ 9,936
Cash and cash equivalents	245,730	708	15,920
Investments, at fair value:			
Short-term securities	293,244	3,330	
Long-term debt securities	4,528,234	19,387	
Equity securities	16,694,327	45,946	
Real estate investments	859,353	4,228	
Asset allocation fund	45,252		
Fixed rate and variable	397,614		
Life insurance contracts	468	7,529	
Securities lending:			
Short-term securities	1,385,387		
Long-term debt securities	4,725,102		
Receivables, net:			
Employer contributions	45,994		
Employee contributions	33,832		
Investment proceeds	242,456		
Interest and dividends	97,922	14	
Other	2,317	90	368
Due from other funds	9		
Loans to other funds			1,361
Commodity inventory			436
Capital assets, net	16,747		
Total Assets	<u>29,614,636</u>	<u>81,333</u>	<u>\$ 28,021</u>
Liabilities			
Warrants payable	199	1	\$ 4,325
Accounts payable and accruals	523,204	75	1,645
Due to other governments			1,238
Due to other funds	22		
Amounts held in custody for others	1,138		20,813
Obligations under securities lending	6,118,988		
Total Liabilities	<u>6,643,551</u>	<u>76</u>	<u>\$ 28,021</u>
Net Assets			
Held in trust for pension benefits and trust beneficiaries	<u>\$ 22,971,085</u>	<u>\$ 81,257</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, 2007 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 634,645	\$
Plan participant	472,520	15,356
Total Contributions	1,107,165	15,356
Net Investment Income:		
Net change in fair value of investments	3,035,664	5,661
Interest and dividends	600,192	3,997
Securities lending:		
Income from securities lending	303,097	
Interest expense and trading costs from securities lending	(290,450)	
Managers' fees and trading costs	(36,668)	(445)
Net Investment Income	3,611,835	9,213
Other Additions:		
Administrative fees	594	175
Other	2,351	
Total Other Additions	2,945	175
Total Additions	4,721,945	24,744
Deductions		
Benefits	1,404,234	4,375
Refunds to terminated employees	72,617	
Administrative expenses	10,440	140
Depreciation	495	
Total Deductions	1,487,786	4,515
Change in Net Assets	3,234,159	20,229
Net Assets - Beginning	19,736,926	61,028
Net Assets - Ending	\$ 22,971,085	\$ 81,257

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



Component Units

Statement of Net Assets

June 30, 2007 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	\$ 9,116	\$ 1,727	\$ 10,843
Cash and cash equivalents	176,831	19,124	195,955
Investments	158,526	21,683	180,209
Receivables, net	242,728	3,087	245,815
Due from other governments		401	401
Due from primary government	20,344	92	20,436
Inventories	21,730	477	22,207
Prepaid items	9,697	259	9,956
Notes receivable, net	28,451		28,451
Other assets	47,235	4	47,239
Total Current Assets	714,658	46,854	761,512
Noncurrent assets:			
Investments	290,546		290,546
Notes receivable, net	151,069		151,069
Restricted assets:			
Cash and cash equivalents	127,115		127,115
Investments	803,062	6,871	809,933
Capital assets, net	2,176,803	100,296	2,277,099
Other assets	6,898		6,898
Total Noncurrent Assets	3,555,493	107,167	3,662,660
Total Assets	4,270,151	154,021	4,424,172
Liabilities			
Current liabilities:			
Warrants payable	17		17
Accounts payable and other liabilities	130,388	4,661	135,049
Due to primary government	827	47	874
Deposits		1,425	1,425
Unearned revenues	40,124	96	40,220
Bonds and notes payable	22,079	1,307	23,386
Lease obligations payable	8,015	128	8,143
Other liabilities	42,000		42,000
Total Current Liabilities	243,450	7,664	251,114
Noncurrent liabilities:			
Deposits	2,048		2,048
Bonds and notes payable	551,631	2,400	554,031
Lease obligations payable	19,497	65	19,562
Other liabilities	195,036	337	195,373
Total Noncurrent Liabilities	768,212	2,802	771,014
Total Liabilities	1,011,662	10,466	1,022,128
Net Assets			
Invested in capital assets, net of related debt	1,606,132	96,396	1,702,528
Restricted for:			
Other purposes	644,287	12,264	656,551
Permanent endowments:			
Nonexpendable	476,468		476,468
Unrestricted	531,602	34,895	566,497
Total Net Assets	\$ 3,258,489	\$ 143,555	\$ 3,402,044

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

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Component Units

Statement of Activities

For the Year Ended June 30, 2007 (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	\$ 2,353,078	\$ 962,446	\$ 665,004	\$ 42,994	\$ (682,634)	\$	\$ (682,634)
Nonmajor	34,761	32,224	15,665	3,046		16,174	16,174
Total	\$ 2,387,839	\$ 994,670	\$ 680,669	\$ 46,040	(682,634)	16,174	(666,460)
General revenues:							
					133,280	2,371	135,651
					41,553	1,132	42,685
					772,224		772,224
					28,798		28,798
					975,855	3,503	979,358
					293,221	19,677	312,898
					2,965,268	123,878	3,089,146
					\$ 3,258,489	\$ 143,555	\$ 3,402,044

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, 2007

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, 2007, and their report, dated November 19, 2007, 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 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 investment income.

The Port Authority at Gulfport Fund accounts for operations of a public port providing facilities for foreign and domestic trade. Funding is provided by gross receipts from port operations, proceeds from bond issues and investment income. Expenses include port operation, construction and the payment of maturing bond interest and principal.



The Prepaid Affordable College Tuition Fund accounts for operations of a prepaid college tuition program. Funding is provided by the purchasers' specified actuarially determined payments and investment income.

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.

In prior years, Debt Service Funds were used to account for transactions related to resources obtained and accumulated to pay interest and principal on general long-term debt. For the current year, all transactions previously reported in Debt Service Funds are now reported in the General Fund.

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Funds:

Enterprise Funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds account for the operations of state agencies that render services and provide goods to other state agencies or governmental units on a cost-reimbursement basis. These activities include personnel services, information technology and risk management. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

Fiduciary Funds:

Pension Trust Funds account for transactions, assets, liabilities and net assets available for plan benefits of the State's Public Employee Retirement Systems and the State's Deferred Compensation Plan.

Private-purpose Trust 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 recorded at fair value. Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within 90 days of the date acquired by the State.

In accordance with IHL policy, 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 corporate 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.

The State owns various collections, works of art and historical treasures that have not been capitalized because they are held for public exhibition, education or research, and are protected and preserved. The proceeds from sales of such items are used to acquire other items for the collections. These collections include paintings, photographs, various objects of art, historical and scientific artifacts, antique furniture, clothing, books, and relics.



- M. Claims and Benefits Payable** - A liability for an insurance claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

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

- 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 has early implemented GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statements No. 25 and No. 27 in the current fiscal year. The provisions of this standard have been incorporated into Note 16.



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	\$ 166,099		\$ 9,416		\$ 175,515
Energy programs				3,285	3,285
Future capital projects			215,526		215,526
Future loans	88,472			8,191	96,663
Health care		342,226			342,226
Port improvements	558				558
Road and highway construction	451,687				451,687
Special treasury accounts	223,329				223,329
Working cash stabilization reserve	58,607				58,607
Total	<u>\$ 988,752</u>	<u>\$ 342,226</u>	<u>\$ 224,942</u>	<u>\$ 11,476</u>	<u>\$ 1,567,396</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 \$1,297,166,000 of restricted net assets, of which \$86,212,000 is restricted by enabling legislation.
- C. Deficit Net Assets** - At June 30, 2007, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of \$13,531,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts.
- D. Restatements of Net Assets** - During fiscal year 2007, prior period adjustments of \$2,165,000 were made to decrease the beginning net assets of Universities, a major component unit. The restatement of beginning net assets is summarized as follows (amounts expressed in thousands):

	Component Units
Net Assets at June 30, 2006, as previously reported	\$ 3,091,311
Prior period adjustments	(2,165)
Net Assets at June 30, 2006, as restated	<u>\$ 3,089,146</u>



Note 3 - Interfund Transactions

At June 30, 2007, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To							Total
	General	Health Care	Nonmajor Governmental	Internal Service	Unemployment Compensation	Nonmajor Enterprise	Fiduciary	
Governmental:								
General	\$	\$ 440	\$ 17,712	\$ 6,515	\$	\$ 118	\$	\$ 24,785
Health Care		175	30					205
Capital Projects				18				18
Nonmajor Governmental	29,842		3,977	433		1,182	9	35,443
Internal Service	482		16,053	75	548			17,158
Proprietary:								
Unemployment Compensation			16,318					16,318
Prepaid Affordable College Tuition				1				1
Nonmajor Enterprise	262		1,721	4				1,987
Fiduciary				22				22
Total	\$ 30,761	\$ 440	\$ 55,811	\$ 7,068	\$ 548	\$ 1,300	\$ 9	\$ 95,937

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, 2007, interfund loans consisted of (amounts expressed in thousands):

Loans To	Loans From							Total
	General	Health Care	Capital Projects	Nonmajor Governmental	Internal Service	Nonmajor Enterprise	Fiduciary	
Governmental:								
General	\$	\$ 240,000	\$ 2,522	\$ 567	\$ 14,162	\$ 2	\$ 1,361	\$ 258,614
Proprietary:								
Nonmajor Enterprise	540							540
Total	\$ 540	\$ 240,000	\$ 2,522	\$ 567	\$ 14,162	\$ 2	\$ 1,361	\$ 259,154

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, 2007, the outstanding balance is \$540,000.



At June 30, 2007, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To							Total
	Primary Government				Component Units			
	General	Nonmajor Governmental	Internal Service	Nonmajor Enterprise	Universities	Nonmajor		
Primary Government:								
General	\$	\$	\$	\$	\$ 19,765	\$ 69	\$	19,834
Nonmajor Governmental					578	3		581
Internal Service						3		3
Nonmajor Enterprise						17		18
Component Units:								
Universities	727	8	91	1				827
Nonmajor	12		35					47
Total	\$ 739	\$ 8	\$ 126	\$ 1	\$ 20,344	\$ 92	\$	21,310

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, 2007, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To							Total
	General	Health Care	Capital Projects	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	
Governmental:								
General	\$	\$ 21	\$ 35,196	\$ 338,424	\$ 505	\$ 1,644	\$ 7,616	\$ 383,406
Health Care	1,138		208					1,346
Capital Projects	20,888						6	20,894
Nonmajor Governmental	197,823		1,786	13,142	1,008		1,201	214,960
Internal Service	109							109
Proprietary:								
Unemployment Compensation				5,170				5,170
Port Authority at Gulfport					5			5
Nonmajor Enterprise	74		39	1,208				1,321
Total	\$ 220,032	\$ 21	\$ 37,229	\$ 357,949	\$ 1,513	\$ 1,644	\$ 8,823	\$ 627,211

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

The State Legislature authorized transfers of \$298,661,000 from the General Fund to Emergency Management (a nonmajor governmental fund) to match federal funds related to Hurricane Katrina.

As a result of a change in federal law that no longer requires a match for certain Katrina-related grants, the federal government reimbursed the State for match payments. Emergency Management (a nonmajor governmental fund) transferred the \$86,215,000 reimbursement to the General Fund.

During fiscal year 2007, the State determined that a separate Debt Service fund was no longer required. The Debt Service fund (a nonmajor governmental fund) transferred \$47,207,000 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, 2007, \$33,930,000 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, 2007, \$575,000 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, 2007 is as follows (amounts expressed in thousands):

Investment Type	S & P Quality Ratings				
	AAA	AA	A	BBB	Not Rated
Asset and mortgage backed securities	\$ 1,680	\$	\$	\$	\$ 672,983
Corporate bonds	5,335	6,104	11,163	2,017	
Municipal bonds	201	320		199	
Mutual funds	738,663		45,155		
Repurchase agreements	5,000				179,386
U.S. Government agency obligations	419,106	2,471			80,496
Total	\$ 1,169,985	\$ 8,895	\$ 56,318	\$ 2,216	\$ 932,865

B. 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, 2007, is as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 1,467
Euro	40,627
Hong Kong dollar	1,675
Japanese yen	12,973
Malaysian ringgit	1,317
New Zealand dollar	780
Pound sterling	24,673
Singapore dollar	3,352
Swedish krona	1,180
Swiss franc	10,130
Taiwan dollar	522
Thailand baht	1,120
Total	\$ 99,816

C. 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, investments which totaled \$2,503,290,000 at June 30, 2007 are subject to custodial credit risk. These investments were held by the State or in the State's name by financial institutions, except for repurchase agreements of \$1,016,000 where the underlying securities were uninsured and held by the counterparty, not in the name of the State.



D. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2007, 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	\$ 965,808	\$ 124	\$ 954	\$ 1,523	\$ 963,207
Corporate bonds	24,619	4,687	11,773	3,021	5,138
Municipal bonds	720		199	443	78
Mutual funds	783,818	783,818			
Repurchase agreements	184,386		184,386		
U.S. Government agency obligations	509,345	161,188	192,647	141,247	14,263
U.S. Treasury obligations	32,046	5,478	26,568		
Zero coupon bonds	2,548		474	1,538	536
Total	\$ 2,503,290	\$ 955,295	\$ 417,001	\$ 147,772	\$ 983,222

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	8.06%
Federal Home Loan Mortgage Corporation	30.12%
Federal National Mortgage Association	18.57%

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, 2007, 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, 2007, the System had cash equivalents of \$243,326,000 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, stocks and convertible securities of established non-U.S. companies which are listed on primary national stock exchanges of foreign nations and foreign government securities. The System is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

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

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

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

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the System. Such investments shall at no time exceed 10 percent of total investments. The portfolio is divided between core commingled 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, 2007 is as follows (amounts expressed in thousands):

Investment Type	S & P Quality Ratings								
	AAA	AA	A	BBB	BAA	BB	B	D	P
Asset backed securities	\$ 1,268,360	\$ 1,301	\$ 11,898	\$ 1,345	\$ 7,995	\$	\$	9	\$
Collateralized mortgage obligations	1,194,999	24,305	2,969	6,907		4,587			
Commercial paper			1,055,213						
Corporate bonds	963,833	1,630,389	1,215,389	298,905	1,605	9,214	3,044	2,141	
Mortgage pass-throughs	785,072		1,471				33		
Municipals	27,458	5,893	4,266	6,014					
Repurchase agreements	203,272		300,000						49,721
U.S. Government agency obligations	404,129	17,811		2,144					
Yankee/Global bonds	10,470	6,039	22,734	4,038					
Total	\$ 4,857,593	\$ 1,685,738	\$ 2,613,940	\$ 319,353	\$ 9,600	\$ 13,801	\$ 3,077	\$ 2,150	\$ 49,721

B. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy limits non-U.S. investments to 16 percent of total investments. At June 30, 2007, the current position is 23 percent. The System's exposure to foreign currency risk at June 30, 2007, is as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 166,637
Brazilian real	67,851
Canadian dollar	34,728
Danish krone	15,867
Egyptian pound	30,569
Euro	1,744,441
Hong Kong dollar	85,242
Hungarian forint	13,063
Indian rupee	66,685
Indonesian rupiah	26,881
Japanese yen	749,044
Moroccan dirham	1
Mexican nuevo peso	5,980
New Israeli shekel	22,588
New Turkish lira	19,094
New Zealand dollar	9,106
Norwegian krone	10,674
Pound sterling	1,028,566
Russian ruble	6,020
Singapore dollar	51,089
South African rand	55,379
South Korean won	100,734
Swedish krona	112,379
Swiss franc	253,660
Taiwan dollar	50,232
Thailand baht	10,736
Total	\$ 4,737,246



C. 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 \$28,928,981,000 in investments at June 30, 2007. Of this amount, \$6,110,489,000 was cash exposed to custodial rate risk. These are collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty. This is consistent with the securities lending agreement in place with the custodian.

The fair value of the System's cash collateral securities as of June 30, 2007, consisted of (amounts expressed in thousands):

	Fair Value	
Commercial paper	\$	1,085,387
Repurchase agreements		300,000
Corporate bonds		3,199,662
Asset backed securities		1,148,729
Collateralized mortgage obligations		376,711
Total	\$	<u>6,110,489</u>

D. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2007, 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 \$	1,290,909	\$ 1,215,235	\$ 13,378	\$ 2,854	\$ 59,442
Collateralized mortgage obligations	1,233,767	408,297	24,139	32,277	769,054
Commercial paper	1,104,934	1,104,934			
Corporate bonds	4,124,518	1,665,889	1,907,130	290,041	261,458
Mortgage pass-throughs	828,140	74	1,744	5,855	820,467
Municipal bonds	43,632	670	1,569	8,809	32,584
Repurchase agreements	503,272	300,000			203,272
U.S. Government agency obligations	424,085	21,997	269,230	96,535	36,323
U.S. Treasury obligations	1,268,200	4,813	670,783	322,100	270,504
Yankee Global bonds	43,280	1,004	21,156	8,284	12,836
Total	<u>\$ 10,864,737</u>	<u>\$ 4,722,913</u>	<u>\$ 2,909,129</u>	<u>\$ 766,755</u>	<u>\$ 2,465,940</u>

During fiscal year 2007, 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 \$1,000,000 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 \$1,233,767,000 in CMOs at June 30, 2007. Of this amount, \$430,000,000 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 \$1,290,909,000 in ABS held at June 30, 2007, \$51,000,000 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, 2007, the System has invested in \$828,140,000 in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

E. Securities Lending Transactions - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2007, 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 loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 4.2 days at June 30, 2007. 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, 2007, was 710 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, 2007. 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, 2007, the aggregate fair value of securities lending holdings, including accrued interest was \$6,134,183,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$5,956,504,000. The value of the collateral pledged by borrowers at year end was \$6,118,988,000.



Note 5 - Receivables

At June 30, 2007, 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	\$ 242,604	\$	\$	\$ 7,397	\$ 31	\$ 22	\$ 250,054
Taxes:							
Sales	247,202						247,202
Income	154,238						154,238
Gasoline	40,234						40,234
Other	58,395						58,395
Interest and dividends	25,675	27,398	371	1,258	902	(26,823)	28,781
Other	258						258
Gross receivables	768,606	27,398	371	8,655	933	(26,801)	779,162
Allowance for uncollectibles	(87,498)						(87,498)
Receivables, net	\$ 681,108	\$ 27,398	\$ 371	\$ 8,655	\$ 933	\$ (26,801)	\$ 691,664
Amounts not scheduled for collection in subsequent year	\$ 76,694	\$ 26,823		\$ 266		\$ (26,823)	\$ 76,960

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	\$ 28,760	\$ 666	\$	\$ 3,105	\$ 32,531
Assessments	97,776				97,776
Insurance		5,000			5,000
Interest and dividends		966	648	601	2,215
Gross receivables	126,536	6,632	648	3,706	137,522
Allowance for uncollectibles	(62,285)			(37)	(62,322)
Receivables, net	\$ 64,251	\$ 6,632	\$ 648	\$ 3,669	\$ 75,200

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 1,847,146	\$ 2,907	\$ 1,850,053
Interest	3,629	180	3,809
Gross receivables	1,850,775	3,087	1,853,862
Allowance for uncollectibles	(1,608,047)		(1,608,047)
Receivables, net	\$ 242,728	\$ 3,087	\$ 245,815



Note 6 - Due From Other Governments

At June 30, 2007, due from other governments consisted of (amounts expressed in thousands):

	<u>Governmental Funds</u>			<u>Total Governmental Activities</u>
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Internal Service</u>	
Due from other governments	\$ 929,544	\$ 133,591	\$ 28	\$ 1,063,163
Allowance for uncollectibles	(404)			(404)
Due from other governments, net	<u>\$ 929,140</u>	<u>\$ 133,591</u>	<u>\$ 28</u>	<u>\$ 1,062,759</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 480,456</u>	<u>\$ 8,056</u>		<u>\$ 488,512</u>

Note 7 - Loans and Notes Receivable

At June 30, 2007, loans and notes receivables consisted of (amounts expressed in thousands):

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Funds</u>			<u>Universities</u>
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Activities</u>	
Loans and notes receivable	\$ 180,922	\$ 4,255	\$ 185,177	\$ 194,884
Allowance for uncollectibles		(524)	(524)	(15,364)
Loans and notes receivable, net	<u>\$ 180,922</u>	<u>\$ 3,731</u>	<u>\$ 184,653</u>	<u>\$ 179,520</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 162,188</u>	<u>\$ 2,719</u>	<u>\$ 164,907</u>	<u>\$ 151,069</u>



Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2007, was as follows (amounts expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 182,389	\$ 16,354	\$ 4,185	\$ 194,558
Construction in progress	3,595,105	1,211,017	512,534	4,293,588
Total capital assets not being depreciated	3,777,494	1,227,371	516,719	4,488,146
Capital assets being depreciated:				
Buildings	1,414,694	55,669	6,721	1,463,642
Land improvements	88,627	3,977	656	91,948
Machinery and equipment	469,390	56,877	33,357	492,910
Infrastructure	7,516,257	453,976	84,381	7,885,852
Total capital assets being depreciated	9,488,968	570,499	125,115	9,934,352
Less accumulated depreciation for:				
Buildings	330,036	30,000	1,981	358,055
Land improvements	35,591	2,818	129	38,280
Machinery and equipment	312,458	43,939	24,804	331,593
Infrastructure	2,757,178	293,784	81,683	2,969,279
Total accumulated depreciation	3,435,263	370,541	108,597	3,697,207
Total capital assets being depreciated, net	6,053,705	199,958	16,518	6,237,145
Governmental activities capital assets, net	\$ 9,831,199	\$ 1,427,329	\$ 533,237	\$ 10,725,291
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,679	\$	\$ 67	\$ 12,612
Construction in progress	30,305	23,426	7,090	46,641
Total capital assets not being depreciated	42,984	23,426	7,157	59,253
Capital assets being depreciated:				
Buildings	63,103	8,825		71,928
Land improvements	28,466	275		28,741
Machinery and equipment	14,412	188	222	14,378
Infrastructure	67,579			67,579
Total capital assets being depreciated	173,560	9,288	222	182,626
Less accumulated depreciation for:				
Buildings	16,261	1,260		17,521
Land improvements	13,061	630		13,691
Machinery and equipment	9,599	707	172	10,134
Infrastructure	25,834	2,564		28,398
Total accumulated depreciation	64,755	5,161	172	69,744
Total capital assets being depreciated, net	108,805	4,127	50	112,882
Business-type activities capital assets, net	\$ 151,789	\$ 27,553	\$ 7,207	\$ 172,135



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

Governmental activities:

General government	\$ 9,254
Education	4,628
Health and social services	14,948
Law, justice and public safety	20,730
Recreation and resources development	7,437
Regulation of business and profession	280
Transportation	310,983
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	2,266
Total depreciation expense - governmental activities	\$ 370,526

Business-type activities:

Port Authority at Gulfport	\$ 2,994
Other business-type	2,158
Total depreciation expense - business-type activities	\$ 5,152

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental activities:			
Department of Transportation	\$ 5,493,217	\$ 4,064,416	\$ 1,427,359
Military Department	78,932	39,604	39,328
Department of Finance and Administration	99,081	88,633	5,537
Educational Television	10,451	9,171	1,217
Department of Public Safety	15,736	4,996	651
East Mississippi State Hospital	12,324	12,229	68
Mississippi Development Authority	78,035	48,912	27,753
Information Technology Services	29,301	2,393	23,895
Other projects less than \$10 million	39,215	23,234	2,539
Total governmental activities	5,856,292	4,293,588	1,528,347
Business-type activities:			
Port Authority at Gulfport	78,440	43,328	35,112
Other projects less than \$10 million	3,680	3,313	367
Total business-type activities	82,120	46,641	35,479
Total construction in progress	\$ 5,938,412	\$ 4,340,229	\$ 1,563,826



Component Units

At June 30, 2007, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 52,302	\$ 14,985	\$ 67,287
Construction in progress	374,903	6,172	381,075
Total capital assets not being depreciated	427,205	21,157	448,362
Capital assets being depreciated:			
Buildings	1,856,144	67,158	1,923,302
Land improvements	187,879	55,055	242,934
Machinery and equipment	785,748	35,855	821,603
Total capital assets being depreciated	2,829,771	158,068	2,987,839
Less accumulated depreciation	1,080,173	78,929	1,159,102
Total capital assets being depreciated, net	1,749,598	79,139	1,828,737
Component units capital assets, net	\$ 2,176,803	\$ 100,296	\$ 2,277,099

Note 9 - Long-term General Obligation Bonds

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

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2007, 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, 2007, 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, 2007, the Port of Pascagoula's outstanding general obligation bonds are \$585,000.

Refunding and Defeased Bonds

During fiscal year 2007, the State issued \$101,010,000 of general obligation refunding bonds, which are reported in governmental activities, to currently refund or advance refund and defease a portion of four issues. The advance refunding was undertaken to reduce debt service payments over the next 13 years by \$7,646,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$7,400,000.

The net proceeds of the refunding issues were deposited in an irrevocable trust for the purpose of generating resources for future debt service payment of the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2007, \$924,510,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

In connection with the execution of a bond purchase option contract dated January 2004, the State issued \$41,355,000 of general obligation refunding bonds, which are reported in governmental activities, during fiscal year 2007 to currently refund certain maturities of one issue. The current refunding will reduce debt service payments over the next 10 years by \$1,404,000 and will produce an economic gain (the difference between the present value of debt service payments of the refunded and refunding bonds) of \$1,135,000.



During fiscal year 2007, the State issued \$33,000,000 of general obligation bonds, which are reported in governmental activities, to refund general obligation Capital Asset Program Term Extendible Note Shelf (CAPTENS) bond anticipation notes.

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 \$148,385,000 of currently outstanding variable rate debt.

Terms

2003A Swap Agreements - The State executed swap agreements in July 2006 and March 2007 with two different counterparties in connection with \$50,005,000 of \$130,680,000 outstanding 2003A variable rate bonds. The 2003A bonds have final maturities occurring from November 2007 through November 2028, while the final maturities on the related swaps range from November 2022 to November 2028. Under the 2003A swap agreements, the State pays the counterparties a fixed rate payment ranging from 5.248% to 5.708% and receives a variable rate payment based on one-month LIBOR.

2003B Swap Agreements - The State executed swap agreements in July 2006 and March 2007 with two different counterparties in connection with \$49,995,000 of \$130,670,000 outstanding 2003B variable rate bonds. The 2003B bonds have final maturities occurring from November 2007 through November 2028, while the final maturities on the related swaps range from November 2022 to November 2028. Under the 2003B swap agreements, the State pays the counterparties a fixed rate payment ranging from 5.248% to 5.708% and receives a variable rate payment based on one-month LIBOR.

2005 Swap Agreement - The \$48,385,000 of 2005 variable rate bonds and the related swap have final maturities occurring from September 2007 through September 2025. Under the 2005 swap, executed October 2004, the State pays the counterparty a fixed rate payment of 4.037% and receives a variable rate payment computed based on the BMA Municipal Swap Index.

2007 Swap Agreement - The 2007 bonds and the related swap will have final maturities occurring from September 2008 through September 2027. Under the 2007 swap agreement, executed May 2005, upon issuance of the 2007 bonds, the State will pay the counterparty a fixed rate payment of 3.98% and receive a variable rate payment based on the BMA Municipal Swap Index.

Fair Value - As of June 30, 2007, the aggregate fair value of the swaps was \$3,401,000 based on quoted market prices. The fair value was determined by a third party consultant based on the information in the Interest Rate Swap Confirmations supplied by the swap counterparties. Based on that information and the swap market conditions prevailing on June 30, 2007, 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 variable rate bonds are subject to the interest rate exchange agreements. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on all debt reported under governmental activities and business-type activities is presented at the end of this note. At June 30, 2007, future debt service requirements on the bonds subject to the swap agreements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2008	\$ 1,685	\$ 7,087	\$ 302	\$ 9,074
2009	1,760	7,022	297	9,079
2010	1,840	6,954	291	9,085
2011	1,920	6,882	286	9,088
2012	2,000	6,808	279	9,087
2013-2017	11,400	32,806	1,295	45,501
2018-2022	14,110	30,397	1,098	45,605
2023-2027	77,465	20,275	918	98,658
2028-2029	36,205	1,638	119	37,962
	<u>\$ 148,385</u>	<u>\$ 119,869</u>	<u>\$ 4,885</u>	<u>\$ 273,139</u>

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



Credit Risk - The swap agreements require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), also require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the contract of the authorized insurer and shall be deposited as directed by the State. Additionally, the swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The State has executed swap transactions with three counterparties. Each counterparty had a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories as of June 30, 2007.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the BMA Municipal Swap Index or the LIBOR and the variable rate bonds vary, which changes the synthetic rate on the bonds. As of June 30, 2007, the BMA rate was 3.73% and the interest rate on the 2005 variable rate bonds was 3.74%. The one-month LIBOR was 5.32% and the interest rate on the 2003A and 2003B variable rate bonds ranged from 5.3% to 5.36%. The relationship between these rates will vary over time and any variation will result in an adjustment to the intended synthetic interest rate.

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

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

MISSISSIPPI

At June 30, 2007, the primary government's outstanding general obligation bonds as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Archusa Water Park	\$ 120	5%	Aug. 2008	\$ 481
Community and Jr. College Telecommunications Network	1,600	5%	Aug. 2008	6,619
Port Improvement	4,840	5%	Aug. 2008	19,976
Tech Prep	10,360	5.5%	Aug. 2008	55,024
Gulf Tax Credit *	100,000	0%	Oct. 2008	100,000
Spillway Road	2,335	6.25%	Feb. 2011	4,950
Gaming Highway Improvement	113,585	5% - 5.5%	Oct. 2011	325,000
Ayers Settlement - Allstate Building	1,855	5% - 5.6%	June 2012	3,300
Single Family Residential Housing Fund	2,795	5% - 5.6%	June 2012	5,000
Deer Island Project	5,525	3% - 3.75%	Nov. 2012	8,800
Franklin County Lake and Recreation Complex Road Construction	1,010	4% - 5%	Sept. 2013	1,250
Economic Development Highway	28,655	3% - 7%	Nov. 2014	47,000
Land, Water, and Timber Resources	25,413	3% - 4.83%	Nov. 2014	38,000
Local Governments Rail Program	8,120	3% - 7.35%	Nov. 2014	13,000
Telecommunication Conference and Training Center	10,535	3% - 4.25%	Nov. 2015	17,500
Local Governments Water System Improvement	7,812	3% - 5.5%	Nov. 2016	10,743
Farish Street Historic District	3,550	3.5% - 5.5%	Aug. 2018	4,000
Major Energy Project Development	10,890	5.6% - 6.45%	Oct. 2018	30,000
Small Business Assistance	3,224	4.8% - 7.05%	Oct. 2018	8,000
Cultural Development	5,855	3% - 4.5%	Nov. 2019	6,500
Disaster Assistance	4,500	3% - 4.5%	Nov. 2019	5,000
Water Pollution Control	3,693	3% - 5%	Nov. 2019	3,883
Small Enterprise Development Finance	44,310	3% - 6.35%	May 2022	167,985
General Obligation Refunding Bonds	1,347,876	2.85% - 7.35%	Nov. 2022	1,640,435
ACE Fund	4,199	3% - 5.55%	Dec. 2025	4,450
Business Investment Act	60,853	3% - 7.2%	Dec. 2025	98,840
Capital Improvements **	634,436	3% - 6%	Dec. 2025	1,312,559
Existing Industry	3,405	5.13% - 5.55%	Dec. 2025	3,500
Farm Reform	6,821	3.5% - 7.13%	Dec. 2025	10,000
Job Protection	4,865	5.13% - 5.55%	Dec. 2025	5,000
Local Governments Capital Improvements	6,525	5% - 7.35%	Dec. 2025	18,000
Local System Bridge Replacement and Rehabilitation Fund	45,965	3.75% - 5.55%	Dec. 2025	50,000
Raspet Flight Research Laboratory	1,163	5.13% - 5.55%	Dec. 2025	1,200
Rural Fire Truck Acquisition	6,250	5.13% - 5.55%	Dec. 2025	6,450
Rural Impact Act	18,350	3.5% - 5.55%	Dec. 2025	20,000
Small Municipalities and Limited Population Counties	30,248	3.5% - 5.55%	Dec. 2025	40,000
State Shipyard Improvements	85,790	3% - 5.55%	Dec. 2025	100,000
Stennis Space Center	17,740	3% - 6.38%	Dec. 2025	42,450
Major Economic Impact **	431,533	3.75% - 7.35%	Nov. 2028	491,840
Total	<u>3,106,601</u>			<u>4,726,735</u>
Premiums/Discounts	98,975			
Deferred Amount on Refunding	(70,344)			
Total Governmental Activities	<u>3,135,232</u>			<u>4,726,735</u>
Business-type Activities:				
Port Improvement (Gulfport)	35,084	4% - 5.5%	Dec. 2019	52,362
Total General Obligation Bonds	<u>\$ 3,170,316</u>			<u>\$ 4,779,097</u>

* The stated interest rate is 0% with an imputed rate of 5.4%.



** Interest on \$84,130,000 and \$161,350,000 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 \$74,350,000 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 \$48,385,000 of outstanding 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. Additionally, interest rate swap agreements have been entered into in connection with \$100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2007, 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
2008	\$ 245,760	\$ 146,662	\$ 3,020	\$ 1,703
2009	350,622	134,230	3,178	1,549
2010	247,760	121,607	3,365	1,380
2011	243,240	109,259	2,795	1,216
2012	232,031	97,009	2,429	1,082
2013-2017	966,112	326,843	13,648	3,460
2018-2022	530,582	131,080	6,613	378
2023-2027	254,289	36,939	36	1
2028-2029	36,205	1,757		
Total	3,106,601	1,105,386	35,084	10,769
Premiums/Discounts	98,975			
Deferred Amount on Refunding	(70,344)			
Total Debt Service, Net	\$ 3,135,232	\$ 1,105,386	\$ 35,084	\$ 10,769

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.

At June 30, 2007, the outstanding limited obligation bonds presented in governmental activities were \$47,880,000. 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, 2007, future limited obligation debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2008	\$ 23,420	\$ 2,514
2009	24,460	1,284
	\$ 47,880	\$ 3,798



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, 2007, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	\$ 568,157	0% - 7%	Mar. 2037	\$ 748,682
Notes	5,553	0% - 8.2%	Nov. 2023	8,664
Nonmajor Component Units:				
Notes	3,707	3.137% - 4.22%	Jan. 2018	5,492
Total Component Units	<u>\$ 577,417</u>			<u>\$ 762,838</u>

At June 30, 2007, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units	
	Principal	Interest
2008	\$ 23,386	\$ 24,619
2009	22,593	23,941
2010	22,118	23,116
2011	22,283	22,165
2012	23,639	21,332
2013-2017	119,539	91,158
2018-2022	122,213	64,152
2023-2027	108,236	37,864
2028-2032	80,560	17,325
2033-2037	32,850	2,899
	<u>\$ 577,417</u>	<u>\$ 328,571</u>



Note 12 - Other Long-term Liabilities

- A. Compensated Absences** - The State's liability for compensated absences at June 30, 2007 was \$107,691,000 for governmental activities and \$622,000 for business-type activities. Internal service compensated absences of \$1,127,000 are included in governmental activities. The component units reported a liability of \$75,998,000 for compensated absences, of which \$75,274,000 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** - At June 30, 2007, the primary government's outstanding notes payable and certificates of participation as presented in governmental activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Notes Payable:				
Software licenses	\$ 732	3.24% - 4.16%	Apr. 2008	\$ 3,389
Utility restoration	189,860	5% - 5.45%	Jul. 2019	189,860
Energy efficiency	6,990	4.59% - 5.73%	Apr. 2020	10,120
Roads and bridges*	353,523	3.5% - 5%	Jan. 2027	358,550
Buildings**	139,211	2.6% - 5.33%	May 2028	155,170
Total	690,316			717,089
Premiums	19,624			
Deferred Amount on Refunding	(1,912)			
Total Notes Payable	\$ 708,028			\$ 717,089
Certificate of Participation:				
Buildings	\$ 2,330	5% - 5.4%	Oct. 2017	\$ 3,215

* Interest on \$29,523,000 of outstanding notes payable to accelerate construction of roads and bridges is variable rate and is reset weekly at the New York prime rate plus 2%, never to exceed 13%.

** Interest rate swap agreements have been entered into in connection with \$121,605,000 of outstanding variable rate notes for purchases of buildings where the State pays the counterparties fixed rate payments ranging from 2.83% to 3.275% and receives variable rate payments computed based on USD-LIBOR-BBA.

At June 30, 2007, 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
2008	\$ 140	\$ 119	\$ 28,623	\$ 32,667
2009	145	112	39,031	30,374
2010	155	105	40,785	28,593
2011	160	96	42,360	26,733
2012	170	88	44,151	24,778
2013-2017	990	293	233,766	92,219
2018-2022	570	15	154,160	42,581
2023-2027			106,680	12,287
2028			760	34
Total	2,330	828	690,316	290,266
Premiums			19,624	
Deferred Amount on Refunding			(1,912)	
Total Debt Service, Net	\$ 2,330	\$ 828	\$ 708,028	\$ 290,266

Notes payable include principal payments of \$60,000 and interest payments of \$1,000 for internal service funds.



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, 2007 was negative \$1,545,000, 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 to advance refund capital lease obligations for 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 2004, 2005A and 2005B swap agreements at June 30, 2007 were \$3,075,000, \$450,000 and \$306,000, respectively. The fair values were based upon mid-market quotations for the swap transactions on June 30, 2007. The fair value may vary throughout the life of the swap agreements due to swap market conditions.

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, 2007, 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
2008	\$ 9,965	\$ 4,161	\$ (672)	\$ 13,454
2009	10,075	3,791	(613)	13,253
2010	10,595	3,407	(551)	13,451
2011	10,790	3,012	(487)	13,315
2012	11,295	2,602	(421)	13,476
2013-2017	55,280	6,639	(1,093)	60,826
2018-2020	13,605	498	(108)	13,995
	<u>\$ 121,605</u>	<u>\$ 24,110</u>	<u>\$ (3,945)</u>	<u>\$ 141,770</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 – The swap agreements require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories. All of the swap agreements require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the counterparty transfer the agreement to an entity that meets the required rating. The State has executed swap transactions with two counterparties. The counterparties met the required rating as of June 30, 2007.

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, 2007, the USD-LIBOR-BBA rate was 5.32% and the interest rates on the 2004, 2005A and 2005B variable rate notes were 3.61%, 3.75% and 3.75%, 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.

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At June 30, 2007, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 24,000	\$ 337
Less accumulated depreciation	(8,846)	(135)
Total	\$ 15,154	\$ 202

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$66,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$34,547,000.

At June 30, 2007, 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
2008	\$ 7,389	\$ 111	\$ 7,500	\$ 9,216
2009	5,444	112	5,556	8,115
2010	3,792		3,792	5,847
2011	2,449		2,449	5,284
2012	892		892	1,813
2013-2015	179		179	38
Total Minimum Lease Payments	20,145	223	20,368	30,313
Less Interest	1,577	9	1,586	2,608
Present Value of Net Minimum Lease Payments	\$ 18,568	\$ 214	\$ 18,782	\$ 27,705

Internal service future minimum lease payments of \$91,000 less interest of \$9,000 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, 2007 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds (Note 9)	\$ 2,995,452	\$ 524,530	\$ 413,381	\$ 3,106,601	\$ 245,760
Premiums/Discounts (Note 9)	90,335	16,638	7,998	98,975	8,615
Deferred Amount on Refunding (Note 9)	(74,067)	6,133	2,410	(70,344)	(6,199)
Limited Obligation Bonds (Note 10)	70,320		22,440	47,880	23,420
Notes Payable (Note 12)	339,196	365,235	14,115	690,316	28,623
Premiums (Note 12)	8,004	12,321	701	19,624	1,170
Deferred Amount on Refunding (Note 12)	(2,109)	197		(1,912)	(197)
Total Bonds and Notes	3,427,131	925,054	461,045	3,891,140	301,192
Capital Lease Obligations (Note 12)	19,034	5,497	5,963	18,568	6,709
Accrued Compensated Absences (Note 12)	95,981	66,969	55,259	107,691	6,568
Certificates of Participation (Note 12)	2,460		130	2,330	140
	\$ 3,544,606	\$ 997,520	\$ 522,397	\$ 4,019,729	\$ 314,609
Business-type Activities:					
General Obligation Bonds (Note 9)	\$ 38,016	\$	\$ 2,932	\$ 35,084	\$ 3,020
Accrued Compensated Absences (Note 12)	680	167	225	622	24
Capital Lease Obligations (Note 12)	320		106	214	105
	\$ 39,016	\$ 167	\$ 3,263	\$ 35,920	\$ 3,149

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 \$101,000 and \$82,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,109,000 and \$1,127,000, respectively, of internal service funds. The beginning and ending balance of governmental activities notes payable includes \$177,000 and \$60,000, respectively, of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund and special revenue funds.

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, 2007, 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
Aviation Museum	250	250
Business Investment Act	307,000	43,723
Capital Improvements	1,042,154	498,575
Children's Museums	7,500	4,400
Community Heritage Preservation	25,750	8,500
Cultural Development Act	21,200	7,700
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	2,000
Farm Reform	143,000	38,000
Infinity Space, Science and Education Center	10,000	10,000
Jackson Zoo Improvements	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 System Bridge Replacement	100,000	50,000
Lynn Meadows Discovery Center	1,000	1,000
Major Economic Impact	1,136,700	469,710
Marine Resources Equipment and Facilities	30,000	25,000
Milk Producers Transportation Loan	3,500	3,500
Museum of Art	3,500	1,000
Parks Improvement	15,925	3,019
Port Improvement (Gulfport)	80,000	51,455
Railroad Lines and Bridges Improvements	5,000	5,000
Rural Fire Truck Acquisition	10,000	3,550
Small Enterprise Development Finance	140,000	95,690
Small Municipalities and Limited Population Counties	45,000	5,000
Southern Arts and Entertainment Center	4,000	4,000
Technology Alliance Program	4,000	4,000
Transportation - Highways	12,000	12,000
Water Pollution Control	13,093	3,900
	3,622,022	1,517,772
Limited Obligation Bonds:		
Pascagoula River Bridge	30,000	30,000
Revenue Bonds:		
Mississippi Fair Commission	4,000	1,525
Port of Gulfport Rail Line	20,000	20,000
	24,000	21,525
	\$ 3,676,022	\$ 1,569,297



Note 15 - Short-term Financing

A. General Obligation Notes - During fiscal year 2007, the State issued \$31,420,000 in short-term general obligation CAPTENS notes to provide financing for capital improvement projects, the local system bridge replacement and rehabilitation program, and an economic development project. The CAPTENS notes Series A had maturities varying from December 2006 to January 2007 and interest rates ranging from 3.47% to 3.63%. The taxable CAPTENS notes Series B had maturities varying from November 2006 to December 2006 and interest rates ranging from 5.29% to 5.42%. Additionally, the State issued \$50,000,000 in general obligation notes to provide short-term financial assistance for the Toyota project in Union and Pontotoc Counties, Mississippi. These notes mature in May 2008 and carry an interest rate of 5.48%. At June 30, 2007, the outstanding general obligation short-term notes were \$50,000,000. Changes in general obligation short-term notes activity recorded in the governmental activities during fiscal year 2007 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Notes, CAPTENS Series A	\$ 0	\$ 25,220	\$ 25,220	\$ 0
General Obligation Notes, CAPTENS Series B	0	6,200	6,200	0
General Obligation Notes, Series 2007A	0	50,000		50,000
	<u>\$ 0</u>	<u>\$ 81,420</u>	<u>\$ 31,420</u>	<u>\$ 50,000</u>

B. Notes - During fiscal year 2007, the State issued \$12,093,000 in notes which had varying maturities from March 2007 to May 2007 and interest rates ranging from 4.5% to 5.12% to provide short-term financing for the purchase of buildings. The State repaid \$85,000,000 in notes that had been issued to provide short-term financing for highway projects. At June 30, 2007, there were no outstanding short-term notes. Changes in short-term notes activity recorded in the governmental activities during fiscal year 2007 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Notes	\$ 85,000	\$ 12,093	\$ 97,093	\$ 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 are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of credited service are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service through 25 years, plus 2 1/2 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect an option for a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who entered the System prior to July 1, 2007, benefits vest upon completion of four years of membership service. For members who entered the System on or after July 1, 2007, benefits vest upon completion of eight years of membership service. PERS also provides certain death and disability benefits. 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, 2007, the total additional annual payments were \$255,939,000.

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, 2007, the total additional annual payments were \$5,292,000.

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, 2007, the total additional annual payments were \$4,265,000.

Supplemental Legislative Retirement Plan: Membership in SLRP is composed of all elected members of the State Legislature and the president of the Senate. This plan is designed to supplement the provisions of PERS. Those serving when the SLRP became effective on July 1, 1989, had 30 days to waive membership. Those elected after July 1, 1989, automatically become members.

The retirement allowance is 50 percent of an amount equal to the retirement allowance payable by PERS determined by credited service as an elected senator or representative in the State Legislature or as president of the Senate. Benefits vest upon completion of the requisite number of membership service years in PERS. SLRP also provides certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of 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, 2007, the total additional annual payments were \$104,000.

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, 2007. 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, 2006. 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	11.30%	30.30%	N/A	6.65%
Other employers	N/A	N/A	.73 – 8.73 mills	N/A
Plan members	7.25%	6.50%	7.00% - 10.00%	3.00% *
Annual pension cost	\$ 610,888	\$ 10,616	\$ 15,397	\$ 432
Employer contributions made	\$ 610,888	\$ 10,616 ***	\$ 15,628	\$ 432
Actuarial valuation date	June 30, 2007	June 30, 2007	Sept. 30, 2006	June 30, 2007
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	29.3 years	25.8 years	28.0 years	20.1 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 2008	11.85% **	30.30%	-	6.65%

* In addition to 7.25% required by PERS.

^ Actuarial value of assets was set to the market value on September 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 2005, the PERS' consulting actuary recommended an employer contribution rate of 12.5 percent of covered wages in order to comply with GASB Statements No. 25 and No. 27. The PERS Board of Trustees adopted a plan to phase-in the contribution rate increase in .55 percent increments until a sufficient funding level was reached to keep the unfunded accrued liability period less than 30 years. As a result, the employer contribution rate was increased to 11.3 percent effective July 1, 2006, and 11.85 percent effective July 1, 2007. Due to favorable investment performance coupled with prior year increases in employer contribution rates, the consulting actuary has, in the June 30, 2007 valuation report, recommended continuing the required contribution rate at 11.85 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:				
2005	\$ 492,434	\$ 6,335	\$ 13,884	\$ 417
2006	557,831	9,512**	13,950	411
2007	610,888	10,616**	15,628	432

* Information furnished for MRS is for the years ended September 30, 2004, 2005, and 2006, 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. For each year the contributions met or exceeded the required contributions.



F. Funded Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation dates (amounts expressed in thousands):

	PERS	MHSPRS	MRS	SLRP
Actuarial Valuation Date	June 30, 2007	June 30, 2007	Sept. 30, 2006	June 30, 2007
Actuarial Value of Assets	\$ 19,791,564	\$ 284,626	\$ 213,553	\$ 12,722
Actuarial Accrued Liability (AAL) Entry Age	\$ 26,862,636	\$ 371,233	\$ 383,355	\$ 15,054
Unfunded AAL	\$ 7,071,072	\$ 86,607	\$ 169,802	\$ 2,332
Percent Funded	73.7%	76.7%	55.7%	84.5%
Annual Covered Payroll	\$ 5,196,295	\$ 27,037	\$ 2,223	\$ 6,554
Unfunded AAL as a Percentage of Annual Covered Payroll	136.1%	320.3%	7,638.4%	35.6%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 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, 2007 are as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2008	\$ 18,410
2009	14,134
2010	10,197
2011	7,640
2012	4,175
2013 - 2017	10,351
2018 - 2022	1,307
2023 - 2027	311
2028 - 2032	304
2033 - 2037	301
Thereafter	384
Total Minimum Commitments	\$ 67,514

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2007 amounted to \$19,484,000.

B. Contracts

At June 30, 2007, the Department of Transportation had contracts outstanding of approximately \$760,771,000 with performance continuing during fiscal year 2008. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 73 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline and gaming taxes.

The State Aid Road Division had contracts of \$59,941,000 outstanding at June 30, 2007 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 50



percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of \$163,935,000 at June 30, 2007. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately \$39,328,000 at June 30, 2007. Approximately 97 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately \$36,165,000 at June 30, 2007. These contracts were primarily for construction costs related to terminal expansion, capital restoration of hurricane damaged assets, rehabilitating berth facilities, and other port improvements. These contracts will be paid from Port Authority at Gulfport's revenues and bonds.

Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2006 and 2007 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2006	\$ 120,517	\$ 558,653	\$ 550,290	\$ 128,880
2007	\$ 128,880	\$ 579,594	\$ 579,273	\$ 129,201

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 \$5,360,000. 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, 2007, outstanding MDA loan guarantees totaled \$350,000.

The State of Mississippi has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program on behalf of local governments. The program provides operational funding to help local governments, or other political subdivisions of the State, that have incurred a significant loss in revenue, due to a presidentially declared disaster, that has adversely affected their ability to provide essential governmental services. At June 30, 2007, outstanding Community Disaster loan guarantees totaled \$114,727,000.

- 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 \$2,815,000,000 at June 30, 2007. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 - Endowments

The State of Mississippi Board of Trustees of the Institutions of Higher Learning (IHL) has established an investment policy regarding endowment funds in accordance with Section 79-11-601 through 79-11-617, Miss. Code Ann. (1972), otherwise known as the Uniform Management of Institutional Funds Act (UMIFA). The UMIFA allows the board to appropriate for expenditure for the uses and purposes for which an endowment fund is established, the portion of the net appreciation, realized and unrealized, in the fair value of the assets over the historic dollar value of the fund(s) as is prudent under the facts and circumstances prevailing at the time of the action or decision. In so doing, the law states in part, "they shall consider long and short-term needs of the institution in carrying out its educational, religious, charitable or other eleemosynary purposes, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions."

In addition to an investment otherwise authorized by law or by applicable gift instrument, and without restriction to investments a fiduciary may make, the IHL Board, subject to any specific limitations as set forth in the applicable gift instrument or in the applicable law other than law relating to investments by a fiduciary, may invest the funds in any other pooled or common fund available for investment, including shares or interests in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts or similar organizations in which funds are commingled and investment determinations are made by persons other than the IHL Board.

The net appreciation of investments of donor-restricted endowments available for expenditure approximated \$36,560,000 at June 30, 2007, 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 \$249,997,000 from the Working Cash Stabilization Reserve Account and \$250,000,000 from budgetary special funds as of February 29, 2008. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State entered into two financing agreements on July 26, 2007 to finance additions to two correctional facilities. These agreements resulted in variable rate notes payable totaling \$79,000,000 payable beginning in year 2010 through year 2027. In connection with the issuance of the variable rate notes, the State executed interest rate swap agreements in which the State pays the counterparty a fixed rate payment of 3.8775 percent and receives a variable rate payment based on 67 percent of the USD-LIBOR-BBA.

The State entered into two financing agreements on October 18, 2007 to accelerate the construction of two highway projects. These agreements resulted in notes payable totaling \$83,000,000 payable beginning in year 2009 through year 2035 with interest rates ranging from 4 percent to 5 percent.

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

Variable Rate General Obligation Capital Improvements Bonds (Auction Rate Securities), Series 2007 totaling \$50,000,000 dated September 4, 2007. These bonds mature on September 1, 2027, subject to optional and mandatory sinking fund redemption, and accrue interest at an Auction Rate to be reset every seven days and were issued in connection with a forward interest rate swap agreement executed May 31, 2005 in which the State pays the counterparty a fixed rate payment of 3.98 percent and receives a variable rate payment based on the BMA Municipal Swap Index. These bonds provided funding for the Cultural Development Act, Water Pollution Control and Capital Improvements.

Tax-exempt General Obligation Bonds (Capital Improvements Issue), Series 2007B totaling \$299,020,000 dated December 1, 2007. These bonds provided funding for Community Heritage Preservation, Local System Bridge Replacement, Transportation - Highways, Capital Improvements and to refund the tax-exempt Capital Asset Program Term Extendible Note Shelf (CAPTENS) Notes. The bonds mature serially through year 2027 with interest rates ranging from 4 percent to 5 percent.

Taxable General Obligation Bonds, Series 2007C totaling \$69,300,000 dated December 1, 2007. These bonds provided funding for Major Economic Impact, Milk Producers Transportation Loan, State Shipyard Improvements, Small Municipalities and Limited Population Counties, Economic Development Highway, Business Investment Act, Capital Improvements and to refund the taxable CAPTENS Notes. The bonds mature serially through year 2017 with interest rates ranging from 4.5 percent to 5.17 percent.

Tax-exempt General Obligation Bonds, Small Enterprise Development Finance Act Issue, 2008-I Series A through D (Non-AMT) totaling \$11,100,000 dated January 1, 2008. These bonds provided loans to qualified private companies for the promotion of economic development in the state. The bonds mature serially beginning in year 2010 through year 2028 with interest rates ranging from 4.25 percent to 5.5 percent.

Tax-exempt General Obligation Bonds, Small Enterprise Development Finance Act Issue, 2008-II Series E (AMT) totaling \$1,700,000 dated January 1, 2008. These bonds provided a loan to a qualified private company for the promotion of economic development in the state. The bonds mature serially beginning in year 2009 through year 2023 with interest rates ranging from 4.5 percent to 5.5 percent.

Tax-exempt General Obligation CAPTENS Notes were issued to provide short-term financing as follows: \$11,225,000 dated July 10, 2007 for Capital Improvements and Rural Fire Truck Acquisition and \$2,300,000 dated September 12, 2007 for Capital Improvements. 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 December 1, 2007.

Taxable General Obligation CAPTENS Notes were issued to provide short-term financing as follows: \$15,050,000 dated September 20, 2007 for Economic Development Highway, Milk Producers Transportation Loan, Major Economic Impact and Capital Improvements and \$1,500,000 dated October 24, 2007 for Major Economic Impact. 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 December 1, 2007.

Taxable General Obligation Note (Major Economic Impact Act Issue), Series 2007B totaling \$68,300,000 dated October 30, 2007. The note will mature October 30, 2008 with interest payable at maturity at a rate of 5.11 percent. These notes provided funding for two Major Economic Impact projects.

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Required Supplementary Information

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

For the Year Ended June 30, 2007 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 1,924,000	\$ 1,924,000	\$ 1,930,538	\$ 6,538
Individual income tax	1,315,000	1,315,000	1,475,359	160,359
Corporate income and franchise taxes	375,800	375,800	484,714	108,914
Use and wholesale compensating taxes	235,000	235,000	218,399	(16,601)
Tobacco, beer and wine taxes	87,700	87,700	87,125	(575)
Insurance tax	155,500	155,500	158,842	3,342
Oil and gas severance taxes	61,800	61,800	59,809	(1,991)
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	55,600	55,600	57,335	1,735
Other taxes	22,200	22,200	22,539	339
Interest	10,000	10,000	34,405	24,405
Auto privilege, tag and title fees	15,900	15,900	17,388	1,488
Gaming fees	170,000	170,000	185,847	15,847
Highway Safety Patrol fees	21,000	21,000	22,499	1,499
Other fees and services	10,900	10,900	11,917	1,017
Miscellaneous	3,300	3,300	3,820	520
Court assessments and settlements			14,185	14,185
Special Fund revenues				
Total Revenues	4,463,700	4,463,700	4,784,721	321,021
Expenditures by Major Budgetary Function				
Legislative	24,223	24,223	23,231	(992)
Judiciary and justice	52,016	62,502	61,743	(759)
Executive and administrative	2,829	2,829	2,806	(23)
Fiscal affairs	67,162	67,662	67,650	(12)
Public education	2,004,920	2,003,419	1,993,337	(10,082)
Higher education	703,697	703,697	703,216	(481)
Public health	32,665	33,940	33,865	(75)
Hospitals and hospital schools	230,733	235,733	235,732	(1)
Agriculture, commerce and economic development	99,877	99,877	99,847	(30)
Conservation and recreation	52,422	52,364	52,360	(4)
Insurance and banking	11	11	11	
Corrections	227,155	227,155	227,130	(25)
Interdepartmental service				
Social welfare	204,542	211,442	211,428	(14)
Public protection and veterans assistance	83,053	84,773	84,702	(71)
Local assistance	83,300	84,050	82,920	(1,130)
Motor vehicle and other regulatory agencies	1,860	1,860	1,860	
Miscellaneous	1,158	1,158	1,139	(19)
Public works		2,500	2,500	
Debt service	212,708	212,708	212,708	
Total Expenditures	4,084,331	4,111,903	4,098,185	(13,718)
Excess of Revenues over (under) Expenditures	379,369	351,797	686,536	334,739
Other Financing Sources (Uses)				
Transfers in	15,500	15,500	4,740	(10,760)
Transfers out			(518,731)	(518,731)
Investments sold, net				
Other sources (uses) of cash			18,521	18,521
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	394,869	367,297	191,066	(176,231)
Budgetary Fund Balances - Beginning	35,882	35,882	35,882	
Budgetary Fund Balances (Deficits) - Ending	\$ 430,751	\$ 403,179	\$ 226,948	\$ (176,231)

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)
\$ 245,272	\$ 249,088	\$ 270,278	\$ 21,190	\$	\$	\$	\$
26,505	24,955	26,819	1,864				
		117	117				
		3	3				
				8,431,671	14,595,205	11,168,090	(3,427,115)
271,777	274,043	297,217	23,174	8,431,671	14,595,205	11,168,090	(3,427,115)
				66	1,166	960	(206)
				47,144	54,238	42,018	(12,220)
				12,593	27,687	23,170	(4,517)
				66,640	69,372	48,619	(20,753)
227,756	227,756	227,532	(224)	739,264	949,419	860,146	(89,273)
101,444	101,444	101,444		88,277	88,377	69,598	(18,779)
				273,803	338,436	258,131	(80,305)
				334,169	381,168	348,320	(32,848)
3,239	3,239	3,239		104,992	2,808,462	1,540,087	(1,268,375)
125	125	125		205,395	364,016	224,192	(139,824)
				66,069	66,559	36,843	(29,716)
				79,217	84,004	82,315	(1,689)
				40,882	58,147	35,139	(23,008)
				4,840,407	5,227,988	4,603,500	(624,488)
				253,739	2,253,239	1,050,444	(1,202,795)
				22,961	23,135	19,711	(3,424)
450	450	448	(2)	2,623	3,748	3,094	(654)
				1,066,711	1,609,325	1,493,635	(115,690)
				186,719	186,719	81,494	(105,225)
333,014	333,014	332,788	(226)	8,431,671	14,595,205	10,821,416	(3,773,789)
(61,237)	(58,971)	(35,571)	23,400			346,674	346,674
						286	286
						(3,667)	(3,667)
						9,920	9,920
						(18,364)	(18,364)
(61,237)	(58,971)	(35,571)	23,400			334,849	334,849
		41,326	41,326			656,490	656,490
\$ (61,237)	\$ (58,971)	\$ 5,755	\$ 64,726	\$ 0	\$ 0	\$ 991,339	\$ 991,339

Required Supplementary Information

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

For the Year Ended June 30, 2007

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, 2007 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	\$ 191,066	\$ (35,571)	\$ 334,849
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	30,729	35,571	(66,300)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			(266,023)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	157,105		45,318
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(455,696)		(1,818)
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	556,219		6,284
Net Change in GAAP Fund Balances	\$ 479,423	\$ 0	\$ 52,310



Required Supplementary Information

Schedule of Funding Progress

June 30, 2007 (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						
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
2007	19,791,564	26,862,636	7,071,072	73.7	5,196,295	136.1
Mississippi Highway Safety Patrol Retirement System						
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
2007	284,626	371,233	86,607	76.7	27,037	320.3
Municipal Retirement Systems *						
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
2006	213,553	383,355	169,802	55.7	2,223	7,638.4
Supplemental Legislative Retirement Plan						
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
2007	12,722	15,054	2,332	84.5	6,554	35.6

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2007, does not differ materially from the value as of September 30, 2006.

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 for PERS, MHSPRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). The actuarial value of assets for MRS are set equal to market value for the September 30, 2006 valuation. Smoothing will resume in future years with an additional constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value. 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 2007 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.

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, 2007 (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	\$ 20,347	\$ 302,430	\$ 52,010	\$ 36,326	\$ 411,113
Cash and cash equivalents	1,691	5,470	2,490	96	9,747
Investments	130	3,752	12,125		16,007
Receivables:					
Interest	10	3	746	14	773
Other	4,871	1,687	287	553	7,398
Due from other governments	4,433	74,723	54,210	225	133,591
Due from other funds	19,097	23,711	12,914	89	55,811
Due from component units		8			8
Inventories		946	257		1,203
Prepaid items			224		224
Loans receivable, net			3,731		3,731
Loans to other funds	36	99	71	361	567
Total Assets	\$ 50,615	\$ 412,829	\$ 139,065	\$ 37,664	\$ 640,173
Liabilities					
Warrants payable	\$ 1,663	\$ 5,653	\$ 32,497	\$ 663	\$ 40,476
Accounts payable and accruals	4,229	6,905	8,019	549	19,702
Due to other governments	2,078	37,022	4,258	23	43,381
Due to other funds	15,694	18,183	992	287	35,156
Due to component units	185	245	151		581
Unearned revenues	2,844	44,007	4,518	40	51,409
Other liabilities				266	266
Total Liabilities	26,693	112,015	50,435	1,828	190,971
Fund Balances					
Reserved for:					
Education and vocational training					
Ellisville State School	2,025				2,025
Encumbrances	219	1,977	3,646	245	6,087
Inventories		946	257		1,203
Loans to other funds	36	99	71	361	567
Long-term portion of due from other governments			8,056		8,056
Long-term portion of loans receivable			2,719		2,719
Prepaid items			224		224
Wildlife conservation					
Unreserved:					
Designated for energy programs			3,285		3,285
Designated for future loans			8,191		8,191
Undesignated	21,642	297,792	62,181	35,230	416,845
Total Fund Balances	23,922	300,814	88,630	35,836	449,202
Total Liabilities and Fund Balances	\$ 50,615	\$ 412,829	\$ 139,065	\$ 37,664	\$ 640,173

Debt Service	Permanent	Totals
\$	\$ 193	\$ 411,306
	2,344	12,091
	47,603	63,610
	484	1,257
		7,398
		133,591
		55,811
		8
		1,203
		224
		3,731
		567
<hr/>	<hr/>	<hr/>
\$ 0	\$ 50,624	\$ 690,797
<hr/>	<hr/>	<hr/>
\$	\$ 4	\$ 40,480
	36	19,738
		43,381
	287	35,443
		581
		51,409
		266
	327	191,298
<hr/>	<hr/>	<hr/>
	40,856	40,856
		2,025
		6,087
		1,203
		567
		8,056
		2,719
		224
	7,043	7,043
		3,285
		8,191
	2,398	419,243
	50,297	499,499
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\$ 0	\$ 50,624	\$ 690,797
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MISSISSIPPI

Nonmajor Governmental Funds

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

For the Year Ended June 30, 2007 (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		5,441			5,441	
Licenses, fees and permits		22,393	10,535	28,331	35,726	
Federal government		134,396	648,240	1,527,019	374	
Investment income		582	762	3,749	355	
Charges for sales and services		4,042	1,065	14,911	70	
Rentals				2,529	15	
Refund of prior year disaster payments			55,557		55,557	
Other		29,518	6,628	2,370	365	
Total Revenues		196,372	722,787	1,587,709	36,905	2,543,773
Expenditures						
Current:						
Education						
Health and social services		189,821			189,821	
Law, justice and public safety			625,059		625,059	
Recreation and resources development				1,589,931	1,589,931	
Regulation of business and professions					33,364	33,364
Debt service:						
Principal		407	1,510		1,917	
Interest and other fiscal charges		153	58	3	214	
Total Expenditures		190,381	626,627	1,589,934	33,364	2,440,306
Excess of Revenues over (under) Expenditures		5,991	96,160	(2,225)	3,541	103,467
Other Financing Sources (Uses)						
Bonds issued				5,000	5,000	
Insurance recovery				417	417	
Transfers in		33,488	310,138	14,323	357,949	
Transfers out		(36,408)	(120,592)	(9,300)	(453)	
Net Other Financing Sources (Uses)		(2,920)	189,546	10,440	(453)	196,613
Net Change in Fund Balances		3,071	285,706	8,215	3,088	300,080
Fund Balances - Beginning		20,851	15,108	80,415	32,748	149,122
Fund Balances - Ending	\$	23,922	\$ 300,814	\$ 88,630	\$ 35,836	\$ 449,202

<u>Debt Service</u>	<u>Permanent</u>	<u>Totals</u>
\$	\$	\$
		8,800
		5,441
	436	97,421
		2,310,029
	2,521	7,969
		20,088
		2,544
		55,557
	657	39,538
	3,614	2,547,387
	115	115
		189,821
		625,059
	7	1,589,938
		33,364
		1,917
		214
	122	2,440,428
	3,492	106,959
		5,000
		417
		357,949
(47,207)	(1,000)	(214,960)
(47,207)	(1,000)	148,406
(47,207)	2,492	255,365
47,207	47,805	244,134
\$	0 \$	\$
	50,297	499,499

MISSISSIPPI

Nonmajor Special Revenue Funds

Combining Balance Sheet Health and Social Services

June 30, 2007 (Expressed in Thousands)

	Department of Rehabilitation Services		Department of Employment Security	
	Rehabilitation Services	Disability Determination	Employment Services	
Assets				
Equity in internal investment pool	\$ 12,930	\$ 574	\$	2,884
Cash and cash equivalents	5			273
Investments	130			
Receivables:				
Interest	7			
Other	649	3		3,970
Due from other governments	5	285		4,143
Due from other funds	1,824	44		16,810
Loans to other funds		1		35
Total Assets	\$ 15,550	\$ 907	\$	28,115
Liabilities				
Warrants payable	\$ 210	\$ 440	\$	991
Accounts payable and accruals	1,354	350		2,077
Due to other governments		6		2,072
Due to other funds	1,700	1		13,837
Due to component units				185
Unearned revenues				2,844
Total Liabilities	3,264	797		22,006
Fund Balances				
Reserved for:				
Ellisville State School				
Encumbrances	33	45		141
Loans to other funds		1		35
Unreserved:				
Undesignated	12,253	64		5,933
Total Fund Balances	12,286	110		6,109
Total Liabilities and Fund Balances	\$ 15,550	\$ 907	\$	28,115

Department of Mental Health

Alcohol Abuse Program	Social Services	Totals
\$ 1,580	\$ 2,379	\$ 20,347
	1,413	1,691
		130
	3	10
	249	4,871
		4,433
419		19,097
		36
\$ 1,999	\$ 4,044	\$ 50,615
\$ 22	\$	\$ 1,663
395	53	4,229
		2,078
118	38	15,694
		185
		2,844
535	91	26,693
	2,025	2,025
		219
		36
1,464	1,928	21,642
1,464	3,953	23,922
\$ 1,999	\$ 4,044	\$ 50,615

MISSISSIPPI

Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Department of Rehabilitation Services		Department of Employment Security
	Rehabilitation Services	Disability Determination	Employment Services
Revenues			
Other taxes	\$	\$	\$
Licenses, fees and permits			22,159
Federal government	132	24,862	109,402
Investment income	398		72
Charges for sales and services	273	369	590
Other	2,443	7	27,054
Total Revenues	3,246	25,238	159,277
Expenditures			
Current:			
Health and social services	21,034	23,275	138,758
Debt service:			
Principal		407	
Interest		153	
Total Expenditures	21,034	23,835	138,758
Excess of Revenues over (under) Expenditures	(17,788)	1,403	20,519
Other Financing Sources (Uses)			
Transfers in	26,428		7,060
Transfers out	(329)	(8,845)	(26,159)
Net Other Financing Sources (Uses)	26,099	(8,845)	(19,099)
Net Change in Fund Balances	8,311	(7,442)	1,420
Fund Balances - Beginning	3,975	7,552	4,689
Fund Balances - Ending	\$ 12,286	\$ 110	\$ 6,109

Department of Mental Health

Alcohol Abuse Program	Social Services	Totals
\$ 5,441	\$ 234	\$ 5,441
		22,393
		134,396
	112	582
	2,810	4,042
6	8	29,518
5,447	3,164	196,372
4,055	2,699	189,821
		407
		153
4,055	2,699	190,381
1,392	465	5,991
		33,488
(1,021)	(54)	(36,408)
(1,021)	(54)	(2,920)
371	411	3,071
1,093	3,542	20,851
\$ 1,464	\$ 3,953	\$ 23,922

Nonmajor Special Revenue Funds

Combining Balance Sheet
Law, Justice and Public Safety
 June 30, 2007 (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	\$ 697	\$ 1,029	\$ 4	\$ 4,646
Cash and cash equivalents		125	2,265	
Investments				
Receivables:				
Interest				
Other		7	317	1,350
Due from other governments	80			20,613
Due from other funds	12		1,721	21,754
Due from component units				8
Inventories				
Loans to other funds		53		
Total Assets	<u>\$ 789</u>	<u>\$ 1,214</u>	<u>\$ 4,307</u>	<u>\$ 48,371</u>
Liabilities				
Warrants payable	\$ 26	\$ 70	\$	\$ 912
Accounts payable and accruals	48	81	300	945
Due to other governments			21	1,899
Due to other funds			244	1,270
Due to component units			3	235
Unearned revenues				42,129
Total Liabilities	<u>74</u>	<u>151</u>	<u>568</u>	<u>47,390</u>
Fund Balances				
Reserved for:				
Encumbrances	54	11	7	48
Inventories				
Loans to other funds		53		
Unreserved:				
Undesignated	661	999	3,732	933
Total Fund Balances	<u>715</u>	<u>1,063</u>	<u>3,739</u>	<u>981</u>
Total Liabilities and Fund Balances	<u>\$ 789</u>	<u>\$ 1,214</u>	<u>\$ 4,307</u>	<u>\$ 48,371</u>

Military Department

National Guard		Camp Shelby		Emergency		Other		Totals	
Facility and Training		Operations		Management					
\$	2,971	\$	1,637	\$	289,129	\$	2,317	\$	302,430
			167		3		2,910		5,470
					3,752				3,752
					3				3
	13								1,687
	4,053		1		49,976				74,723
	15				209				23,711
									8
	946								946
					28		18		99
\$	7,998	\$	1,805	\$	343,100	\$	5,245	\$	412,829
\$	1,816	\$	99	\$	2,725	\$	5	\$	5,653
	3,263		194		737		1,337		6,905
					35,102				37,022
					16,616		53		18,183
					7				245
	1,832		46						44,007
	6,911		339		55,187		1,395		112,015
	58		16		1,783				1,977
	946								946
					28		18		99
	83		1,450		286,102		3,832		297,792
	1,087		1,466		287,913		3,850		300,814
\$	7,998	\$	1,805	\$	343,100	\$	5,245	\$	412,829

MISSISSIPPI

Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2007 (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	\$		\$ 10,464	\$
Federal government	1,447			44,837
Investment income		1	47	438
Charges for sales and services				
Refund of prior year disaster payments				
Other	431		3,932	501
Total Revenues	1,878	10,465	3,979	45,776
Expenditures				
Current:				
Law, justice and public safety	1,776	9,596	1,679	29,647
Debt service:				
Principal		346	1,164	
Interest			58	
Total Expenditures	1,776	9,942	2,901	29,647
Excess of Revenues over (under) Expenditures	102	523	1,078	16,129
Other Financing Sources (Uses)				
Transfers in	12		1,208	452
Transfers out		(1,058)	(1,032)	(16,569)
Net Other Financing Sources (Uses)	12	(1,058)	176	(16,117)
Net Change in Fund Balances	114	(535)	1,254	12
Fund Balances - Beginning	601	1,598	2,485	969
Fund Balances - Ending	\$ 715	\$ 1,063	\$ 3,739	\$ 981

Military Department

National Guard Facility and Training		Camp Shelby Operations	Emergency Management	Other	Totals				
\$		\$	2	\$	69	\$	10,535		
	78,648	3,418	519,890				648,240		
		20	243	13			762		
	38	944	83				1,065		
			55,557				55,557		
	434	75	147	1,108			6,628		
	79,120	4,457	575,922	1,190			722,787		
	78,963	5,233	497,460	705			625,059		
							1,510		
							58		
	78,963	5,233	497,460	705			626,627		
	157	(776)	78,462	485			96,160		
	1,405	374	306,687				310,138		
		(159)	(100,789)	(985)			(120,592)		
	1,405	215	205,898	(985)			189,546		
	1,562	(561)	284,360	(500)			285,706		
	(475)	2,027	3,553	4,350			15,108		
\$	1,087	\$	1,466	\$	287,913	\$	3,850	\$	300,814



Nonmajor Special Revenue Funds

Combining Balance Sheet Recreation and Resources Development June 30, 2007 (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	\$ 370	\$ 7,011	\$ 8,301	\$ 279	\$			749
Cash and cash equivalents	693			115				
Investments	1,300							
Receivables:								
Interest		579	11					29
Other	276							
Due from other governments	4	53,830	20					
Due from other funds								
Inventories								
Prepaid items								
Loans receivable, net			3,731					
Loans to other funds								
Total Assets	<u>\$ 2,643</u>	<u>\$ 61,420</u>	<u>\$ 12,063</u>	<u>\$ 394</u>	<u>\$</u>			<u>778</u>
Liabilities								
Warrants payable	\$ 7	\$ 30,482	\$ 11	\$				\$
Accounts payable and accruals		6,502	31					
Due to other governments		4,252						
Due to other funds		910	23					
Due to component units								
Unearned revenues		3,027	170					
Total Liabilities	<u>7</u>	<u>45,173</u>	<u>235</u>					
Fund Balances								
Reserved for:								
Encumbrances	56		21					
Inventories								
Loans to other funds								
Long-term portion of due from other governments		8,056						
Long-term portion of loans receivable			2,719					
Prepaid items								
Unreserved:								
Designated for energy programs			3,285					
Designated for future loans		8,191						
Undesignated	2,580		5,803	394				778
Total Fund Balances	<u>2,636</u>	<u>16,247</u>	<u>11,828</u>	<u>394</u>				<u>778</u>
Total Liabilities and Fund Balances	<u>\$ 2,643</u>	<u>\$ 61,420</u>	<u>\$ 12,063</u>	<u>\$ 394</u>	<u>\$</u>			<u>778</u>

Department of Wildlife, Fisheries and Parks

Department of Wildlife, Fisheries and Parks				Department of Marine Resources	Totals
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other		
\$ 6,601	\$ 7,719	\$ 1,693	\$ 2,776	\$ 16,511	\$ 52,010
427	509	26	712	8	2,490
			5,975	4,850	12,125
9	10	2	85	21	746
10				1	287
				356	54,210
9,707			150	3,057	12,914
182	75				257
224					224
					3,731
1	57		13		71
\$ 17,161	\$ 8,370	\$ 1,721	\$ 9,711	\$ 24,804	\$ 139,065
\$ 1,134	\$ 335	\$	\$ 52	\$ 476	\$ 32,497
453	428			605	8,019
2	4				4,258
34	1			24	992
151					151
1,229	2	88	2		4,518
3,003	770	88	54	1,105	50,435
2,109	182	181		1,097	3,646
182	75				257
1	57		13		71
					8,056
					2,719
224					224
					3,285
					8,191
11,642	7,286	1,452	9,644	22,602	62,181
14,158	7,600	1,633	9,657	23,699	88,630
\$ 17,161	\$ 8,370	\$ 1,721	\$ 9,711	\$ 24,804	\$ 139,065

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Nonmajor Special Revenue Funds

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

For the Year Ended June 30, 2007 (Expressed in Thousands)

	<u>Department of Agriculture and Commerce</u>	<u>Mississippi Development Authority</u>			<u>State Treasurer</u>
	Rice and Soybean Promotion	Community Development	Energy Conservation	Other	Court Assessments and Settlements
Revenues					
Taxes:					
Gasoline and other motor fuel	\$	\$	\$	\$	\$
Licenses, fees and permits	1,748			10	
Federal government		1,511,938	379		
Investment income	84	741	458	15	38
Charges for sales and services	1,338		122	15	
Rentals					
Other		1,633			
Total Revenues	3,170	1,514,312	959	40	38
Expenditures					
Current:					
Recreation and resources development	2,996	1,506,430	881	157	
Debt service:					
Interest and other fiscal charges					
Total	2,996	1,506,430	881	157	
Excess of Revenues over (under) Expenditures	174	7,882	78	(117)	38
Other Financing Sources (Uses)					
Bonds issued					
Insurance recovery					
Transfers in				5	
Transfers out		(7,966)	(74)		
Net Other Financing Sources (Uses)		(7,966)	(74)	5	
Net Change in Fund Balances	174	(84)	4	(112)	38
Fund Balances - Beginning	2,462	16,331	11,824	506	740
Fund Balances - Ending	\$ 2,636	\$ 16,247	\$ 11,828	\$ 394	\$ 778

Department of Wildlife, Fisheries and Parks

Department of Wildlife, Fisheries and Parks				Department of Marine Resources	Totals
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other		
\$ 5,750	\$	\$	\$	\$ 3,050	\$ 8,800
15,856	8,969	281	625	842	28,331
9,529	1,597			3,576	1,527,019
470	314	98	522	1,009	3,749
770	74	72	687	11,833	14,911
195	6			2,328	2,529
512	40		1	184	2,370
33,082	11,000	451	1,835	22,822	1,587,709
32,197	15,070	350	4,737	27,113	1,589,931
				3	3
32,197	15,070	350	4,737	27,116	1,589,934
885	(4,070)	101	(2,902)	(4,294)	(2,225)
				5,000	5,000
22	24			371	417
4,338	7,625			2,355	14,323
(150)				(1,110)	(9,300)
4,210	7,649			6,616	10,440
5,095	3,579	101	(2,902)	2,322	8,215
9,063	4,021	1,532	12,559	21,377	80,415
\$ 14,158	\$ 7,600	\$ 1,633	\$ 9,657	\$ 23,699	\$ 88,630



Nonmajor Special Revenue Funds

Combining Balance Sheet Regulation of Business and Professions June 30, 2007 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
Assets			
Equity in internal investment pool	\$ 8,443	\$ 8,191	\$ 1,642
Cash and cash equivalents			
Receivables:			
Interest		11	
Other	6	380	6
Due from other governments	88		
Due from other funds	86	3	
Loans to other funds	280	48	27
Total Assets	<u>\$ 8,903</u>	<u>\$ 8,633</u>	<u>\$ 1,675</u>
Liabilities			
Warrants payable	\$ 128	\$ 99	\$ 130
Accounts payable and accruals	59	106	164
Due to other governments			
Due to other funds	8	2	62
Unearned revenues	40		
Other liabilities		266	
Total Liabilities	<u>235</u>	<u>473</u>	<u>356</u>
Fund Balances			
Reserved for:			
Encumbrances	9		95
Loans to other funds	280	48	27
Unreserved:			
Undesignated	8,379	8,112	1,197
Total Fund Balances	<u>8,668</u>	<u>8,160</u>	<u>1,319</u>
Total Liabilities and Fund Balances	<u>\$ 8,903</u>	<u>\$ 8,633</u>	<u>\$ 1,675</u>

Oil and Gas Board	Other Regulatory Agencies	Totals
\$ 3,771	\$ 14,279	\$ 36,326
	96	96
	3	14
152	9	553
83	54	225
		89
	6	361
<u>\$ 4,006</u>	<u>\$ 14,447</u>	<u>\$ 37,664</u>
\$ 66	\$ 240	\$ 663
13	207	549
	23	23
2	213	287
		40
		266
<u>81</u>	<u>683</u>	<u>1,828</u>
6	135	245
	6	361
<u>3,919</u>	<u>13,623</u>	<u>35,230</u>
<u>3,925</u>	<u>13,764</u>	<u>35,836</u>
<u>\$ 4,006</u>	<u>\$ 14,447</u>	<u>\$ 37,664</u>

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, 2007 (Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
Revenues			
Licenses, fees and permits	\$ 7,802	\$ 5,302	\$ 6,431
Federal government	164		
Investment income		251	
Charges for sales and services	7	29	
Rentals			
Other	137		
Total Revenues	8,110	5,582	6,431
Expenditures			
Current:			
Regulation of business and professions	6,899	5,012	6,025
Total Expenditures	6,899	5,012	6,025
Excess of Revenues over Expenditures	1,211	570	406
Other Financing Uses			
Transfers out		(450)	
Net Other Financing Uses		(450)	
Net Change in Fund Balances	1,211	120	406
Fund Balances - Beginning	7,457	8,040	913
Fund Balances - Ending	\$ 8,668	\$ 8,160	\$ 1,319

	Oil and Gas Board	Other Regulatory Agencies	Totals		
\$	2,573	\$	13,618	\$	35,726
	178		32		374
			104		355
			34		70
			15		15
			228		365
	2,751		14,031		36,905
	2,624		12,804		33,364
	2,624		12,804		33,364
	127		1,227		3,541
	(3)				(453)
	(3)				(453)
	124		1,227		3,088
	3,801		12,537		32,748
\$	3,925	\$	13,764	\$	35,836

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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.

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Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2007 (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	\$ 2,870	\$ 10,573	\$ 173	\$	\$
Cash and cash equivalents	58	177	33	1,095	5,541
Receivables, net:					
Accounts	117	62		277	2,021
Interest		601			
Due from other governments	2				
Due from other funds	63				959
Due from component units	1				
Inventories					193
Prepaid items				18	16
Loans and notes receivable		4,871			
Total Current Assets	3,111	16,284	206	1,390	8,730
Noncurrent assets:					
Loans and notes receivable		150,922			
Loans to other funds			2		
Capital assets, net	21,066	1,599	11,721	18,180	
Total Noncurrent Assets	21,066	152,521	11,723	18,180	
Total Assets	24,177	168,805	11,929	19,570	8,730
Liabilities					
Current liabilities:					
Warrants payable	67	283	17		
Accounts payable and other liabilities	97	3	13	1	1,448
Due to other governments					
Due to other funds	1	3		260	1
Due to component units					
Deposits		1,538			
Unearned revenues	144				269
Lease obligations payable					
Total Current Liabilities	309	1,827	30	261	1,718
Noncurrent liabilities:					
Due to other governments				8,991	
Loans from other funds				540	
Lease obligations payable					
Other liabilities	72	55	32	31	
Total Noncurrent Liabilities	72	55	32	9,562	
Total Liabilities	381	1,882	62	9,823	1,718
Net Assets					
Invested in capital assets, net of related debt	21,066	1,599	11,721	18,180	
Unrestricted (deficit)	2,730	165,324	146	(8,433)	7,012
Total Net Assets	\$ 23,796	\$ 166,923	\$ 11,867	\$ 9,747	\$ 7,012

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
\$ 3	\$ 52	\$ 246	\$	\$ 503	\$	14,420
	30		1,769	6		8,709
11		137	443			3,068
		97				601
		25		253		99
	34	20	311	137		1,300
			188			1
						695
						222
						4,871
14	116	525	2,711	899		33,986
						150,922
						2
	4,215	226	111	2,845		59,963
	4,215	226	111	2,845		210,887
14	4,331	751	2,822	3,744		244,873
	7	12		9		395
1	37	75	531	20		2,226
			82			82
		1	1,721			1,987
		1	17			18
						1,538
						413
				105		105
1	44	89	2,351	134		6,764
						8,991
						540
				109		109
5	41	29		174		439
5	41	29		283		10,079
6	85	118	2,351	417		16,843
	4,215	226	111	2,630		59,748
8	31	407	360	697		168,282
\$ 8	\$ 4,246	\$ 633	\$ 471	\$ 3,327	\$	228,030

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Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2007 (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	\$ 5,426		\$ 1,584	\$ 1,519	\$ 7,794
Investment income		7,874			
Rentals		51		609	
Fees		21			
Other	294	3	839		530
Total Operating Revenues	5,720	7,949	2,423	2,128	8,324
Operating Expenses					
Cost of sales and services	93				7,132
General and administrative	1,219	733	384	498	5,819
Contractual services	3,637	314	1,537	1,835	1,503
Commodities	356	54	403	60	42
Depreciation	495	35	435	826	
Other	11	12	1		
Total Operating Expenses	5,811	1,148	2,760	3,219	14,496
Operating Income (Loss)	(91)	6,801	(337)	(1,091)	(6,172)
Nonoperating Revenues					
Gain on disposal of capital assets				58	
Investment income		521	7	25	47
Total Nonoperating Revenues		521	7	83	47
Nonoperating Expenses					
Loss on disposal of capital assets	12		11		
Interest				21	
Total Nonoperating Expenses	12		11	21	
Income (Loss) before Capital Contributions and Transfers	(103)	7,322	(341)	(1,029)	(6,125)
Capital Contributions	3,704			196	
Transfers In	63				7,246
Transfers Out	(39)				
Change in Net Assets	3,625	7,322	(341)	(833)	1,121
Total Net Assets - Beginning	20,171	159,601	12,208	10,580	5,891
Total Net Assets - Ending	\$ 23,796	\$ 166,923	\$ 11,867	\$ 9,747	\$ 7,012

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					
\$	\$	141	\$	836	\$	7,567	\$	1,191	\$	26,058	
										7,874	
	32	360						339		1,391	
		9		10		88				21	
	32	510		836		7,577		1,618		1,773	
										37,117	
		68			4,203			780		12,276	
1	470	367		940		494				10,925	
21	354	228		523		159				10,111	
4	124	35		229		763				2,070	
	112	10		31		214				2,158	
	5									29	
	26	1,133		640		5,926		2,410		37,569	
	6	(623)		196		1,651		(792)		(452)	
										58	
				2		35				637	
				2		35				695	
										53	
				1				29		21	
				1				29		74	
	6	(623)		197		1,686		(821)		169	
		482				16		1,016		3,900	
				(74)		(1,208)				8,823	
	6	(141)		123		494		195		(1,321)	
	2	4,387		510		(23)		3,132		11,571	
										216,459	
\$	8	\$	4,246	\$	633	\$	471	\$	3,327	\$	228,030

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2007 (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	\$ 5,642	\$ 73	\$ 1,584	\$ 2,151	\$ 7,695
Cash payments to suppliers for goods and services	(4,022)	(795)	(1,949)	(1,906)	(8,297)
Cash payments to employees for services	(1,196)	(715)	(377)	(484)	(5,811)
Other operating cash receipts		84	839		530
Principal and interest received on program loans		23,046			
Issuance of program loans		(30,192)			
Net Cash Provided by (Used for) Operating Activities	424	(8,499)	97	(239)	(5,883)
Cash Flows from Noncapital Financing Activities					
Transfers in	63				7,246
Transfers out	(39)				
Net Cash Provided by (Used for) Noncapital Financing Activities	24				7,246
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(64)	(10)		(1,163)	
Proceeds from sale of capital assets	2			124	
Capital contributions				196	
Principal paid on bonds and capital assets contracts				(260)	
Interest paid on bonds and capital assets contracts				(21)	
Net Cash Used for Capital and Related Financing Activities	(62)	(10)		(1,124)	
Cash Flows from Investing Activities					
Investment income		507	7	25	47
Net Cash Provided by Investing Activities		507	7	25	47
Net Increase (Decrease) in Cash and Cash Equivalents	386	(8,002)	104	(1,338)	1,410
Cash and Cash Equivalents - Beginning	2,542	18,752	102	2,433	4,131
Cash and Cash Equivalents - Ending	\$ 2,928	\$ 10,750	\$ 206	\$ 1,095	\$ 5,541

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
\$ 33	\$ 510	\$ 708	\$ 7,776	\$ 1,530		\$ 27,702
(30)	(546)	(227)	(4,973)	(1,682)		(24,427)
(1)	(476)	(344)	(928)	(570)		(10,902)
			10	88		1,551
						23,046
						(30,192)
2	(512)	137	1,885	(634)		(13,222)
	482		16	1,053		8,860
		(74)	(1,208)			(1,321)
	482	(74)	(1,192)	1,053		7,539
	(10)	(52)	(38)	(15)		(1,352)
						126
						196
				(105)		(365)
						(21)
	(10)	(52)	(38)	(120)		(1,416)
		2	35			623
		2	35			623
2	(40)	13	690	299		(6,476)
1	122	233	1,079	210		29,605
\$ 3	\$ 82	\$ 246	\$ 1,769	\$ 509		\$ 23,129

(Continued on Next Page)

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2007 (Expressed in Thousands)

(Continued from Previous Page)

		Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	Department of Rehabilitation Services AbilityWorks
	Fair Commission				
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ (91)	\$ 6,801	\$ (337)	\$ (1,091)	\$ (6,172)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	495	35	435	826	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable, net	(82)			23	(373)
Interest receivable		(102)			
Due from other governments	(2)				
Due from other funds	(46)				275
Due from component units	(1)				
Inventories					(3)
Prepaid items					(15)
Loans and notes receivable		(13,989)			
Increase (decrease) in liabilities:					
Warrants payable	24	(933)	(8)		
Accounts payable and other liabilities	74	(313)	7	3	405
Due to other governments					
Due to other funds	(1)	2			
Due to component units					
Unearned revenues	54				
Total adjustments	515	(15,300)	434	852	289
Net Cash Provided by (Used for) Operating Activities	\$ 424	\$ (8,499)	\$ 97	\$ (239)	\$ (5,883)
Noncash Capital and Related Financing Activities					
Capital contributions	3,704				
Gain (loss) on disposal of capital assets	(12)		(11)	58	

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	\$ (623)	\$ 196	\$ 1,651	\$ (792)	(452)
	112	10	31	214	2,158
		(87)	209		(310)
		(17)			(102)
		(25)			(19)
		1			204
	(10)	(18)	(2)	83	0
			22		50
					7
					(13,989)
	2	3		(49)	(961)
(4)	7	74	(241)	(90)	(78)
		(1)	(10)		(11)
			228		229
		1	(3)		(2)
					54
(4)	111	(59)	234	158	(12,770)
\$ 2	\$ (512)	\$ 137	\$ 1,885	\$ (634)	(13,222)

3,704

(1)

(29)

5

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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, 2007 (Expressed in Thousands)

	Department of Finance and Administration			Totals
	Personnel Board	Information Technology Services	Risk Management	
Assets				
Current assets:				
Equity in internal investment pool	\$ 2,464	\$ 24,995	\$ 22,322	\$ 49,781
Cash and cash equivalents			181,602	181,602
Receivables:				
Accounts	5	17	9	31
Interest		21	881	902
Due from other governments	2	26		28
Due from other funds	160	3,303	3,605	7,068
Due from component units	1	89	36	126
Total Current Assets	2,632	28,451	208,455	239,538
Noncurrent assets:				
Investments			29,153	29,153
Loans to other funds	33	122	14,007	14,162
Capital assets, net	10	4,554	90	4,654
Total Noncurrent Assets	43	4,676	43,250	47,969
Total Assets	2,675	33,127	251,705	287,507
Liabilities				
Current liabilities:				
Warrants payable	140	512	287	939
Accounts payable and other liabilities	140	1,221	4,587	5,948
Due to other governments	20			20
Due to other funds	7	15,992	1,159	17,158
Due to component units			3	3
Claims and benefits payable			125,771	125,771
Notes payable		60		60
Unearned revenues			1,530	1,530
Lease obligations payable		19		19
Total Current Liabilities	307	17,804	133,337	151,448
Noncurrent liabilities:				
Lease obligations payable		63		63
Other liabilities	238	725	117	1,080
Total Noncurrent Liabilities	238	788	117	1,143
Total Liabilities	545	18,592	133,454	152,591
Net Assets				
Invested in capital assets, net of related debt	10	4,396	90	4,496
Unrestricted	2,120	10,139	118,161	130,420
Total Net Assets	\$ 2,130	\$ 14,535	\$ 118,251	\$ 134,916

MISSISSIPPI

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets For the Year Ended June 30, 2007 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			Totals
	Personnel Board	Information Technology Services	Risk Management	
Operating Revenues				
Charges for sales and services/premiums	\$ 5,785	\$ 30,656	\$ 697,577	\$ 734,018
Other		25	1	26
Total Operating Revenues	5,785	30,681	697,578	734,044
Operating Expenses				
General and administrative	3,167	9,548	1,495	14,210
Contractual services	1,684	18,671	44,915	65,270
Commodities	214	470	171	855
Depreciation	3	2,254	9	2,266
Claims and benefits			572,322	572,322
Total Operating Expenses	5,068	30,943	618,912	654,923
Operating Income (Loss)	717	(262)	78,666	79,121
Nonoperating Revenues				
Investment income		254	10,370	10,624
Total Nonoperating Revenues		254	10,370	10,624
Nonoperating Expenses				
Loss on disposal of assets		462		462
Interest		10		10
Total Nonoperating Expenses		472		472
Income (Loss) before Capital Contributions and Transfers	717	(480)	89,036	89,273
Capital Contributions		849		849
Transfers In		1,252	261	1,513
Transfers Out			(109)	(109)
Change in Net Assets	717	1,621	89,188	91,526
Total Net Assets - Beginning	1,413	12,914	29,063	43,390
Total Net Assets - Ending	\$ 2,130	\$ 14,535	\$ 118,251	\$ 134,916

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2007 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			Totals
	Personnel Board	Information Technology Services	Risk Management	
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	\$ 5,816	\$ 29,744	\$ 167,319	\$ 202,879
Cash receipts/premiums from customers	59	851	528,079	528,989
Cash payments to suppliers for goods and services	(1,789)	(19,220)	(43,874)	(64,883)
Cash payments to employees for services	(3,128)	(9,414)	(1,495)	(14,037)
Cash payments for claims and benefits			(573,052)	(573,052)
Other operating cash receipts		25		25
Net Cash Provided by Operating Activities	958	1,986	76,977	79,921
Cash Flows From Noncapital Financing Activities				
Transfers in		17,260	261	17,521
Transfers out			(109)	(109)
Principal paid on notes		(117)		(117)
Interest paid on notes		(6)		(6)
Net Cash Provided by Noncapital Financing Activities		17,137	152	17,289
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets		(959)		(959)
Principal paid on capital assets contracts		(19)		(19)
Interest paid on capital assets contracts		(4)		(4)
Net Cash Used for Capital and Related Financing Activities		(982)		(982)
Cash Flows from Investing Activities				
Proceeds from sales of investments			2,657	2,657
Purchases of investments			(5,843)	(5,843)
Investment income		232	9,607	9,839
Net Cash Provided by Investing Activities		232	6,421	6,653
Net Increase in Cash and Cash Equivalents	958	18,373	83,550	102,881
Cash and Cash Equivalents - Beginning	1,506	6,622	120,374	128,502
Cash and Cash Equivalents - Ending	\$ 2,464	\$ 24,995	\$ 203,924	\$ 231,383

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Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2007 (Expressed in Thousands)

(Continued from Previous Page)

			<u>Department of Finance and Administration</u>	
	Personnel Board	Information Technology Services	Risk Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 717	\$ (262)	\$ 78,666	\$ 79,121
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3	2,254	9	2,266
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable		5	(8)	(3)
Due from other governments	(2)	(6)	3	(5)
Due from other funds	93	(40)	(720)	(667)
Due from component units		(20)	(20)	(40)
Increase (decrease) in liabilities:				
Warrants payable	64	(137)	(596)	(669)
Accounts payable and other liabilities	56	193	1,210	1,459
Due to other governments	20	(1)		19
Due to other funds	7		624	631
Due to component units			3	3
Claims and benefits payable			(758)	(758)
Unearned revenues			(1,436)	(1,436)
Total adjustments	241	2,248	(1,689)	800
Net Cash Provided by Operating Activities	\$ 958	\$ 1,986	\$ 76,977	\$ 79,921

Noncash Capital and Related Financing and Investing Activities

Capital contributions		849		849
Loss on disposal of capital assets		462		462
Change in market value of investments			113	113

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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, 2007 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	\$ 648	\$	\$
Cash and cash equivalents	237,340	3,408	2,656
Investments, at fair value:			
Short-term securities	268,939	3,866	3,012
Long-term debt securities	4,389,529	63,086	49,165
Equity securities	15,714,411	225,845	176,010
Real estate investments	837,397	12,035	9,379
Asset allocation fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	1,349,849	19,480	15,182
Long-term debt securities	4,603,893	66,440	51,779
Receivables:			
Employer contributions	45,723		271
Employee contributions	29,335		16
Investment proceeds	236,262	3,395	2,646
Interest and dividends	95,243	1,369	1,067
Other	663	1,649	5
Due from other funds	9		
Capital assets, net	16,747		
Total Assets	27,825,988	400,573	311,188
Liabilities			
Warrants payable	199		
Accounts payable and accruals	509,591	7,381	5,700
Due to other funds	22		
Amounts held in custody for others	1,138		
Obligations under securities lending	5,962,022	86,040	67,054
Total Liabilities	6,472,972	93,421	72,754
Net Assets			
Held in trust for pension benefits	\$ 21,353,016	\$ 307,152	\$ 238,434

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$	\$	\$
153	2,173	648
		245,730
173	17,254	293,244
2,839	23,615	4,528,234
10,163	567,898	16,694,327
542		859,353
	45,252	45,252
	397,614	397,614
	468	468
876		1,385,387
2,990		4,725,102
		45,994
	4,481	33,832
153		242,456
62	181	97,922
		2,317
		9
		16,747
17,951	1,058,936	29,614,636
		199
331	201	523,204
		22
		1,138
3,872		6,118,988
4,203	201	6,643,551
\$	\$	\$
13,748	1,058,735	22,971,085



Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2007 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	\$ 610,888	\$ 8,275	\$ 15,050
Employee	392,268	1,778	203
Total Contributions	1,003,156	10,053	15,253
Net Investment Income:			
Net change in fair value of investments	2,844,068	41,044	31,987
Interest and dividends	581,899	8,398	6,545
Securities lending:			
Income from securities lending	295,322	4,262	3,322
Interest expense and trading costs from securities lending	(283,000)	(4,084)	(3,183)
Managers' fees and trading costs	(35,727)	(516)	(402)
Net Investment Income	3,402,562	49,104	38,269
Other Additions:			
Administrative fees	594		
Other	10	2,341	
Total Other Additions	604	2,341	
Total Additions	4,406,322	61,498	53,522
Deductions			
Retirement annuities	1,291,456	19,774	35,544
Refunds to terminated employees	72,572	44	1
Administrative expenses	9,846	165	420
Depreciation	495		
Total Deductions	1,374,369	19,983	35,965
Change in Net Assets	3,031,953	41,515	17,557
Net Assets - Beginning	18,321,063	265,637	220,877
Net Assets - Ending	\$ 21,353,016	\$ 307,152	\$ 238,434

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$ 432	\$	\$ 634,645
195	78,076	472,520
627	78,076	1,107,165
1,847	116,718	3,035,664
377	2,973	600,192
191		303,097
(183)		(290,450)
(23)		(36,668)
2,209	119,691	3,611,835
		594
		2,351
		2,945
2,836	197,767	4,721,945
699	56,761	1,404,234
		72,617
9		10,440
		495
708	56,761	1,487,786
2,128	141,006	3,234,159
11,620	917,729	19,736,926
\$ 13,748	\$ 1,058,735	\$ 22,971,085

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2007 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
Assets				
Equity in internal investment pool	\$ 4,698	\$ 5,238	\$	\$ 9,936
Cash and cash equivalents	209	8,861	6,850	15,920
Receivables, net:				
Other	333		35	368
Loans to other funds		1,361		1,361
Commodity inventory		436		436
Total Assets	\$ 5,240	\$ 15,896	\$ 6,885	\$ 28,021
Liabilities				
Warrants payable	\$ 4,003	\$ 322	\$	\$ 4,325
Accounts payable and accruals		298	1,347	1,645
Due to other governments	1,237	1		1,238
Amounts held in custody for others		15,275	5,538	20,813
Total Liabilities	\$ 5,240	\$ 15,896	\$ 6,885	\$ 28,021

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Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2007 (Expressed in Thousands)

Fund	Assets					Total Assets
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Loans to Other Funds	Commodity Inventory	
Local Government Distributive:						
Balance - Beginning	\$ 1,277	\$ 174	\$	\$	\$	\$ 1,451
Additions	46,345	285	333			46,963
Deductions	42,924	250				43,174
Balance - Ending	4,698	209	333			5,240
Program:						
Balance - Beginning	6,300	4,003	207	1,361	1,603	13,474
Additions	19,331	46,540			12,828	78,699
Deductions	20,393	41,682	207		13,995	76,277
Balance - Ending	5,238	8,861	0	1,361	436	15,896
Institutional:						
Balance - Beginning		6,730	55			6,785
Additions		26,057	57			26,114
Deductions		25,937	77			26,014
Balance - Ending		6,850	35			6,885
Total - All Agency Funds:						
Balance - Beginning	7,577	10,907	262	1,361	1,603	21,710
Additions	65,676	72,882	390		12,828	151,776
Deductions	63,317	67,869	284		13,995	145,465
Balance - Ending	\$ 9,936	\$ 15,920	\$ 368	\$ 1,361	\$ 436	\$ 28,021

Fund	Liabilities				Total Liabilities
	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	
Local Government Distributive:					
Balance - Beginning	\$ 219	\$	\$ 1,232	\$	\$ 1,451
Additions	35,859		11,055		46,914
Deductions	32,075		11,050		43,125
Balance - Ending	4,003		1,237		5,240
Program:					
Balance - Beginning	77	299	53	13,045	13,474
Additions	4,462	15,068	234	59,224	78,988
Deductions	4,217	15,069	286	56,994	76,566
Balance - Ending	322	298	1	15,275	15,896
Institutional:					
Balance - Beginning		1,594		5,191	6,785
Additions		567		25,649	26,216
Deductions		814		25,302	26,116
Balance - Ending		1,347		5,538	6,885
Total - All Agency Funds:					
Balance - Beginning	296	1,893	1,285	18,236	21,710
Additions	40,321	15,635	11,289	84,873	152,118
Deductions	36,292	15,883	11,336	82,296	145,807
Balance - Ending	\$ 4,325	\$ 1,645	\$ 1,238	\$ 20,813	\$ 28,021

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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.

Nonmajor Component Units Descriptions

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

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

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

Mississippi Prison Industries Corporation - The corporation 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, 2007 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	\$ 1,727	\$	\$
Cash and cash equivalents	681	2,572	394
Investments	10,756	2,255	719
Receivables, net	146	712	17
Due from other governments			
Due from primary government			
Inventories			
Prepaid items		241	
Other assets			
Total Current Assets	13,310	5,780	1,130
Noncurrent assets:			
Restricted assets:			
Investments		6,871	
Capital assets, net	11	39,256	9
Total Noncurrent Assets	11	46,127	9
Total Assets	13,321	51,907	1,139
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	43	924	
Due to primary government			
Deposits		1,191	
Bonds and notes payable		866	
Unearned revenues		71	
Lease obligations payable		128	
Total Current Liabilities	43	3,180	
Noncurrent liabilities:			
Bonds and notes payable		902	
Lease obligations payable		65	
Other liabilities	60		
Total Noncurrent Liabilities	60	967	
Total Liabilities	103	4,147	
Net Assets			
Invested in capital assets, net of related debt	11	37,295	9
Restricted for other purposes		7,000	
Unrestricted	13,207	3,465	1,130
Total Net Assets	\$ 13,218	\$ 47,760	\$ 1,139

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	
\$	\$	\$	\$	\$	\$	1,727
703	2,639	2,034	4,776	5,325	19,124	
1,985	3,798	2,170			21,683	
769	340	38	996	69	3,087	
	90	258		53	401	
88		2	1	1	92	
437	23			17	477	
18					259	
4					4	
4,004	6,890	4,502	5,773	5,465	46,854	
					6,871	
4,839	8,181	2,933	39,819	5,248	100,296	
4,839	8,181	2,933	39,819	5,248	107,167	
8,843	15,071	7,435	45,592	10,713	154,021	
					4,661	
457	1,915	27	1,295		47	
			20	27	1,425	
	36		234		1,307	
		25	405		96	
					128	
457	1,951	52	1,954	27	7,664	
	423		1,075		2,400	
	150	40	23	64	65	
	573	40	1,098	64	337	
					2,802	
457	2,524	92	3,052	91	10,466	
					96,396	
4,839	7,722	2,933	38,339	5,248	12,264	
	1,481	3,783			34,895	
3,547	3,344	627	4,201	5,374		
\$ 8,386	\$ 12,547	\$ 7,343	\$ 42,540	\$ 10,622	\$ 143,555	

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Nonmajor Component Units

Combining Statement of Activities

For the Year Ended June 30, 2007 (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	\$ 884	\$ 1,167	\$	\$	283
Mississippi Coast Coliseum Commission	5,269	5,307	12,785		12,823
Mississippi Development Bank	126	459			333
Mississippi Prison Industries Corporation	8,556	9,398	337		1,179
Pat Harrison Waterway District	6,032	3,217	2,540		(275)
Pearl River Basin Development District	1,397	130	3		(1,264)
Pearl River Valley Water Supply District	10,981	11,028		3,046	3,093
Tombigbee River Valley Water Management District	1,516	1,518			2
Total	\$ 34,761	\$ 32,224	\$ 15,665	\$ 3,046	\$ 16,174

General Revenues

Investment Income	Other	Change in Net Assets	Net Assets - Beginning	Net Assets - Ending
\$ 687	\$	\$ 970	\$ 12,248	\$ 13,218
710		13,533	34,227	47,760
39		372	767	1,139
46		1,225	7,161	8,386
269	275	269	12,278	12,547
231	857	(176)	7,519	7,343
148		3,241	39,299	42,540
241		243	10,379	10,622
\$ 2,371	\$ 1,132	\$ 19,677	\$ 123,878	\$ 143,555

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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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Net Assets by Component

Table 1

Last Six Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

	2007	2006	2005	2004
Governmental activities				
Invested in capital assets, net of related debt	\$ 9,770,760	\$ 8,883,410	\$ 8,306,585	\$ 7,915,868
Restricted	477,321	427,128	336,262	476,794
Unrestricted (deficit)	522,146	159,530	(120,923)	(122,396)
Total governmental activities net assets	<u>\$ 10,770,227</u>	<u>\$ 9,470,068</u>	<u>\$ 8,521,924</u>	<u>\$ 8,270,266</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 136,836	\$ 112,393	\$ 143,055	\$ 138,166
Restricted	819,845	789,759	807,059	750,915
Unrestricted	243,759	209,745	169,590	157,241
Total business-type activities net assets	<u>\$ 1,200,440</u>	<u>\$ 1,111,897</u>	<u>\$ 1,119,704</u>	<u>\$ 1,046,322</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 9,907,596	\$ 8,995,803	\$ 8,449,640	\$ 8,054,034
Restricted	1,297,166	1,216,887	1,143,321	1,227,709
Unrestricted	765,905	369,275	48,667	34,845
Total primary government net assets	<u>\$ 11,970,667</u>	<u>\$ 10,581,965</u>	<u>\$ 9,641,628</u>	<u>\$ 9,316,588</u>

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

<u>2003</u>	<u>2002</u>
\$ 7,173,292	\$ 6,727,606
636,014	601,879
568,556	747,945
<u>\$ 8,377,862</u>	<u>\$ 8,077,430</u>

\$ 133,594	\$ 120,320
739,605	787,669
132,382	123,491
<u>\$ 1,005,581</u>	<u>\$ 1,031,480</u>

\$ 7,306,886	\$ 6,847,926
1,375,619	1,389,548
700,938	871,436
<u>\$ 9,383,443</u>	<u>\$ 9,108,910</u>



Changes in Net Assets

Last Six Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)

	2007	2006	2005	2004
Expenses				
Governmental activities:				
General government	\$ 1,803,339	\$ 1,826,995	\$ 1,683,021	\$ 1,648,142
Education	3,961,573	3,668,314	3,344,598	3,292,951
Health and social services	5,311,270	5,180,153	5,074,151	4,776,214
Law, justice and public safety ¹	1,152,359	1,384,238	566,146	549,662
Recreation and resource development ²	1,932,620	364,796	423,983	461,243
Regulation of business and professions	33,192	30,944	30,355	34,269
Transportation	581,446	728,716	531,775	516,130
Interest on long-term debt	167,233	150,556	150,555	149,764
Total governmental activities expenses	14,943,032	13,334,712	11,804,584	11,428,375
Business-type activities:				
Unemployment compensation	134,128	242,134	138,825	198,147
Port Authority at Gulfport	10,349	17,221	14,957	13,879
Prepaid affordable college tuition	38,391	29,983	33,226	12,253
Other business-type	37,585	49,737	45,560	44,194
Total business-type activities expenses	220,453	339,075	232,568	268,473
Total primary government expenses	\$ 15,163,485	\$ 13,673,787	\$ 12,037,152	\$ 11,696,848
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,059,532	\$ 944,744	\$ 1,041,597	\$ 842,566
Education	33,991	29,784	24,857	20,925
Health and social services	480,944	446,315	465,923	420,116
Law, justice and public safety	147,360	81,807	76,864	68,089
Recreation and resources development	69,915	64,182	60,230	57,470
Regulation of business and professions	36,173	28,223	32,315	37,170
Transportation	35,192	26,762	29,477	38,299
Operating grants and contributions ³	7,072,800	6,058,258	4,636,824	4,553,738
Capital grants and contributions	960,369	792,929	415,530	389,686
Total governmental activities program revenues	9,896,276	8,473,004	6,783,617	6,428,059
Business-type activities:				
Charges for services:				
Unemployment compensation	132,514	104,548	158,695	149,726
Port Authority at Gulfport	30,166	7,609	21,892	21,578
Prepaid affordable college tuition	21,343	21,513	19,679	551
Other business-type	37,117	40,644	37,604	35,125
Operating grants and contributions ⁴	9,745	93,156	5,905	31,930
Capital grants and contributions	3,900	539	159	278
Total business-type activities program revenues	234,785	268,009	243,934	239,188
Total primary government program revenues	\$ 10,131,061	\$ 8,741,013	\$ 7,027,551	\$ 6,667,247
Net (Expense) Revenue				
Governmental activities	\$ (5,046,756)	\$ (4,861,708)	\$ (5,020,967)	\$ (5,000,316)
Business-type activities	14,332	(71,066)	11,366	(29,285)
Total primary government net expense	\$ (5,032,424)	\$ (4,932,774)	\$ (5,009,601)	\$ (5,029,601)

<u>2003</u>	<u>2002</u>
\$ 1,453,788	\$ 1,082,176
3,139,812	2,959,707
4,290,392	4,219,675
517,753	509,295
465,393	379,325
32,059	29,960
443,155	433,730
145,345	179,102
10,487,697	9,792,970
251,010	218,517
13,339	11,223
4,778	12,528
41,421	39,912
310,548	282,180
\$ 10,798,245	\$ 10,075,150

\$ 806,664	\$ 491,132
25,639	29,399
477,577	542,157
60,811	58,130
58,247	55,919
35,397	29,364
44,136	50,540
4,066,898	3,812,409
410,636	391,670
5,986,005	5,460,720
118,671	177,048
20,931	19,706
1,938	488
31,065	29,882
53,006	30,002
903	13,257
226,514	270,383
\$ 6,212,519	\$ 5,731,103

\$ (4,501,692)	\$ (4,332,250)
(84,034)	(11,797)
\$ (4,585,726)	\$ (4,344,047)

(Continued on Next Page)

Changes in Net Assets

Last Six Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)
(Continued from Previous Page)

	2007	2006	2005	2004
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Sales and use ⁵	\$ 3,161,005	\$ 3,075,657	\$ 2,626,792	\$ 2,459,718
Gasoline and other motor fuel	444,489	442,190	433,307	432,892
Individual income	1,501,334	1,204,055	1,243,192	1,039,488
Corporate income and franchise	469,182	425,091	365,140	320,057
Insurance	192,861	169,727	165,955	160,757
Other	397,515	385,810	362,526	352,800
Gain on sale of assets		585	2,964	534
Investment income	184,500	122,553	79,306	130,767
Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery		(9,871)		
Transfers	(3,971)	(5,945)	(6,557)	(4,293)
Total governmental activities	6,346,915	5,809,852	5,272,625	4,892,720
Business-type activities:				
Gain on sale of assets		7		
Investment income	70,240	55,974	55,459	65,733
Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery		1,333		
Transfers	3,971	5,945	6,557	4,293
Total business-type activities	74,211	63,259	62,016	70,026
Total primary government	\$ 6,421,126	\$ 5,873,111	\$ 5,334,641	\$ 4,962,746
Change in Net Assets				
Governmental activities	\$ 1,300,159	\$ 948,144	\$ 251,658	\$ (107,596)
Business-type activities	88,543	(7,807)	73,382	40,741
Total primary government	\$ 1,388,702	\$ 940,337	\$ 325,040	\$ (66,855)

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

² Recreation and resources development expenses rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

³ Operating grants and contributions increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

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

⁴ Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance for disaster unemployment payments.

⁵ Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

	<u>2003</u>		<u>2002</u>
\$	2,418,763	\$	2,378,956
	418,941		409,536
	1,084,999		989,877
	289,441		255,532
	149,458		131,763
	348,744		302,479
	296		420
	92,243		42,572
	(761)		(11,025)
	<u>4,802,124</u>		<u>4,500,110</u>
	57,374		45,890
	761		11,025
	<u>58,135</u>		<u>56,915</u>
\$	<u>4,860,259</u>	\$	<u>4,557,025</u>
\$	300,432	\$	167,860
	(25,899)		45,118
\$	<u>274,533</u>	\$	<u>212,978</u>



Fund Balances of Governmental Funds

Last Six Fiscal Years

Table 3

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2007	2006	2005	2004
General Fund				
Reserved	\$ 864,522	\$ 702,417	\$ 709,505	\$ 593,863
Unreserved	1,571,137	1,253,819	715,549	875,888
Total General Fund	<u>\$ 2,435,659</u>	<u>\$ 1,956,236</u>	<u>\$ 1,425,054</u>	<u>\$ 1,469,751</u>
All Other Governmental Funds				
Reserved	\$ 317,053	\$ 306,171	\$ 308,032	\$ 68,051
Unreserved, reported in:				
Special revenue funds	770,547	427,942	469,379	787,576
Capital project funds	224,942	250,799	191,010	321,678
Debt service funds		49,385	41,818	47,008
Permanent funds	2,398	1,003	2,104	3,210
Total All Other Governmental Funds	<u>\$ 1,314,940</u>	<u>\$ 1,035,300</u>	<u>\$ 1,012,343</u>	<u>\$ 1,227,523</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.

<u>2003</u>	<u>2002</u>
\$ 576,966	\$ 612,098
868,595	1,169,275
<u>\$ 1,445,561</u>	<u>\$ 1,781,373</u>

\$ 59,196	\$ 64,206
708,736	709,541
400,602	407,681
107,782	65,213
4,037	3,427
<u>\$ 1,280,353</u>	<u>\$ 1,250,068</u>



Changes in Fund Balances of Governmental Funds

Last Six Fiscal Years

Table 4

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2007	2006	2005	2004	2003	2002
Revenues						
Taxes						
Sales and use ¹	\$ 3,136,554	\$ 3,074,831	\$ 2,609,936	\$ 2,488,055	\$ 2,377,996	\$ 2,364,112
Gasoline and other motor fuel	445,876	443,150	432,023	433,091	418,049	407,935
Individual income	1,486,074	1,213,733	1,224,403	1,054,479	1,021,967	980,284
Corporate income and franchise	477,166	412,839	363,361	320,848	287,335	254,785
Insurance	192,861	169,727	165,955	160,757	149,458	131,763
Other	397,515	385,810	362,526	352,800	348,744	302,479
Licenses, fees and permits	499,787	448,482	444,257	428,412	412,367	402,878
Federal government ²	8,026,693	6,844,298	5,050,410	4,943,360	4,477,533	4,204,079
Investment income	173,889	118,888	76,874	130,333	86,974	37,353
Charges for sales and services	310,769	279,899	265,089	258,217	241,153	268,098
Rentals	18,525	13,004	19,564	16,651	16,320	15,154
Court assessments and settlements	159,131	113,135	209,541	109,796	172,099	239,509
Refund of prior year disaster payments	55,557					
Other	309,521	281,908	349,625	299,009	312,856	317,263
Total Revenues	15,689,918	13,799,704	11,573,564	10,995,808	10,322,851	9,925,692
Expenditures						
General government	1,344,192	1,379,847	1,227,277	1,219,944	1,191,877	1,133,606
Education	3,949,505	3,663,082	3,341,991	3,211,882	3,022,046	2,852,710
Health and social services	5,302,796	5,176,071	5,057,704	4,775,753	4,291,837	4,212,066
Law, justice and public safety ³	1,172,469	1,364,750	567,718	551,354	522,509	507,662
Recreation and resources development ⁴	1,926,255	351,801	410,624	482,235	484,955	381,064
Regulation of business and professions	33,364	30,981	30,574	34,163	32,096	30,175
Transportation	1,390,677	1,284,905	911,974	925,757	876,269	875,165
Debt service						
Principal	277,538	261,878	239,525	216,287	194,318	280,590
Interest and other fiscal charges	184,346	177,228	152,766	153,272	146,429	154,430
Defeasance of debt		2,138	1,386	1,689	3,959	
Capital outlay	88,575	69,604	85,443	77,839	114,941	103,940
Total Expenditures	15,669,717	13,762,285	12,026,982	11,650,175	10,881,236	10,531,408
Excess of revenues over (under) expenditures	\$ 20,201	\$ 37,419	\$ (453,418)	\$ (654,367)	\$ (558,385)	\$ (605,716)

(Continued on Next Page)

Changes in Fund Balances of Governmental Funds

Last Six Fiscal Years

Table 4

Modified Accrual Basis of Accounting (Expressed in Thousands)
(Continued from Previous Page)

	2007	2006	2005	2004	2003	2002
Other Financing Sources (Uses)						
Bonds and notes issued	\$ 714,400	\$ 486,780	\$ 188,494	\$ 625,015	\$ 239,000	\$ 415,466
Capital leases issued	5,497	11,324	3,975	4,834	6,046	5,070
Discounts on bonds and notes issued	(250)	(242)				
Insurance recovery	781	4,408				
Payments on refunded bond anticipation notes	(33,000)					
Payments to refunded bond and lease escrow agents	(147,765)	(50,462)	(6,882)	(180,678)	(536,921)	(381,313)
Premiums on bonds, notes, and refunding bonds and notes issued	29,209	15,442	874	7,865	59,728	41,558
Refunding bonds and notes issued	175,365	51,870	7,215	172,505	486,970	364,033
Transfers in	615,231	498,623	294,453	304,180	248,954	352,432
Transfers out	(620,606)	(501,943)	(294,588)	(307,994)	(250,919)	(355,539)
Net Other Financing Sources (Uses)	738,862	515,800	193,541	625,727	252,858	441,707
Extraordinary Item						
Insurance recovery from hurricane damage		920				
Net Change in Fund Balances	\$ 759,063	\$ 554,139	\$ (259,877)	\$ (28,640)	\$ (305,527)	\$ (164,009)
Debt Service as a Percentage of Noncapital Expenditures	3.2%	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 Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

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

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

³ Law, justice and public safety expenditures rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

⁴ Recreation and resources development expenditures rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.



Taxable Sales by Industry

Table 5

Last Ten Fiscal Years
(Expressed in Thousands)

	2006	2005	2004	2003
Automotive	\$ 6,659,353	\$ 6,146,219	\$ 6,153,868	\$ 5,993,019
Contracting	6,077,508	4,450,580	4,227,714	4,062,074
Food and Beverage	6,860,282	6,667,695	6,585,188	6,181,754
Furniture	1,011,007	759,240	740,400	724,376
General Merchandise	7,389,359	6,627,840	6,350,285	5,994,698
Lumber and Building Materials	3,944,938	2,675,275	2,384,863	2,016,383
Machinery, Equipment and Supplies	2,883,980	2,253,956	2,056,435	2,079,293
Miscellaneous Retail	3,562,267	3,317,464	3,480,913	3,700,174
Miscellaneous Services	2,582,114	1,944,014	1,881,371	1,695,247
Public Utilities	4,323,055	3,687,135	3,332,978	3,207,453
Recreation	119,248	110,930	116,464	108,309
Wholesale	721,747	758,074	744,355	718,041
Total taxable sales	\$ 46,134,858	\$ 39,398,422	\$ 38,054,834	\$ 36,480,821
Gross tax collections	\$ 2,807,350	\$ 2,421,537	\$ 2,338,086	\$ 2,208,570
Average effective rate	6.09%	6.15%	6.14%	6.05%

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2006.

Source: Mississippi State Tax Commission

Sales Tax Revenue Payers by Industry

Table 6

Fiscal Years 2006 and 1997

	2006			
	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Automotive	11,499	13.1 %	\$ 371,966	13.2 %
Contracting	9,232	10.6	235,498	8.5
Food and Beverage	15,927	18.2	480,220	17.1
Furniture	2,463	2.8	70,771	2.5
General Merchandise	5,537	6.3	517,879	18.4
Lumber and Building Materials	5,898	6.8	276,146	9.8
Machinery, Equipment and Supplies	6,292	7.2	161,110	5.7
Miscellaneous Retail	22,878	26.1	240,480	8.7
Miscellaneous Services	6,044	6.9	171,973	6.1
Public Utilities	1,173	1.3	222,437	7.9
Recreation	508	0.6	8,347	0.3
Wholesale	43	0.1	50,523	1.8
Total	87,494	100.0 %	\$ 2,807,350	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 2006.

Source: Mississippi State Tax Commission

	2002	2001	2000	1999	1998	1997
\$	6,102,300	\$ 5,847,392	\$ 6,170,349	\$ 5,983,176	\$ 5,447,407	\$ 5,041,939
	4,074,641	3,908,410	4,335,402	4,265,836	3,745,037	3,413,508
	6,329,716	6,359,213	6,304,232	6,159,492	5,857,463	5,729,412
	730,471	747,479	790,395	797,853	755,253	726,190
	5,809,645	5,494,382	5,194,255	4,884,481	4,541,655	4,245,359
	1,915,703	1,888,429	2,112,044	2,059,528	1,806,148	1,743,780
	2,124,054	2,206,481	2,321,233	2,348,386	2,225,443	1,990,512
	3,305,031	3,267,289	3,164,988	2,936,565	2,485,570	2,224,074
	1,687,695	1,694,971	1,722,853	1,699,602	1,564,658	1,464,252
	3,113,292	3,109,723	2,269,785	2,134,249	2,135,616	1,997,117
	107,782	105,941	116,327	113,617	105,925	101,583
	704,607	680,678	683,733	647,794	601,971	582,743
\$	36,004,937	\$ 35,310,388	\$ 35,185,596	\$ 34,030,579	\$ 31,272,146	\$ 29,260,469
\$	2,199,918	\$ 2,158,940	\$ 2,130,636	\$ 2,042,078	\$ 1,885,299	\$ 1,769,958
	6.11%	6.11%	6.06%	6.00%	6.03%	6.05%

1997			
Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
11,409	14.5 %	\$ 270,535	15.3 %
6,485	8.3	123,986	7.0
15,469	19.6	399,728	22.5
3,076	3.9	50,808	2.9
5,295	6.7	297,636	16.8
5,540	7.0	119,950	6.8
5,490	7.0	105,570	6.0
19,077	24.2	152,870	8.6
5,598	7.1	101,152	5.7
892	1.1	105,650	6.0
401	0.5	7,109	0.4
56	0.1	34,964	2.0
78,788	100.0 %	\$ 1,769,958	100.0 %



Ratios of Outstanding Debt by Type

Last Six Fiscal Years

Table 7

(Expressed in Thousands, except Per capita)

	2007	2006	2005	2004	2003	2002
Governmental Activities						
General Obligation						
Bonds and Notes ¹	\$ 3,135,232	\$ 3,011,720	\$ 2,879,945	\$ 2,965,083	\$ 2,536,637	\$ 2,459,826
Limited Obligation Bonds	47,880	70,320	91,845	112,515	132,390	151,535
Capital Lease Obligations	18,568	19,034	62,456	74,277	156,075	162,389
Notes Payable	708,028	345,091	162,340	92,877	9,406	6,891
Certificates of Participation	2,330	2,460	2,585	2,700	2,805	2,905
Total Governmental Activities	<u>3,912,038</u>	<u>3,448,625</u>	<u>3,199,171</u>	<u>3,247,452</u>	<u>2,837,313</u>	<u>2,783,546</u>
Business-type Activities						
General Obligation Bonds	35,084	38,016	40,705	43,207	47,407	52,417
Revenue Bonds			150	295	430	555
Capital Lease Obligations	214	320	449	613	193	283
Total Business-type Activities	<u>35,298</u>	<u>38,336</u>	<u>41,304</u>	<u>44,115</u>	<u>48,030</u>	<u>53,255</u>
Total Primary Government	<u>\$ 3,947,336</u>	<u>\$ 3,486,961</u>	<u>\$ 3,240,475</u>	<u>\$ 3,291,567</u>	<u>\$ 2,885,343</u>	<u>\$ 2,836,801</u>
Amount of Debt Per capita ²	\$ 1,356	\$ 1,198	\$ 1,114	\$ 1,139	\$ 1,002	\$ 992
Debt as a Percentage of Personal Income ³	5.1%	4.5%	4.5%	4.7%	4.3%	4.4%
Net General Obligation Bonded Debt⁴						
General Obligation						
Bonds and Notes ¹	\$ 3,135,232	\$ 3,011,720	\$ 2,879,945	\$ 2,965,083	\$ 2,536,637	\$ 2,459,826
Less: Debt Service	<u>175,515</u>	<u>105,347</u>	<u>97,312</u>	<u>107,149</u>	<u>176,556</u>	<u>129,771</u>
Net General Obligation Bonded Debt	<u>\$ 2,959,717</u>	<u>\$ 2,906,373</u>	<u>\$ 2,782,633</u>	<u>\$ 2,857,934</u>	<u>\$ 2,360,081</u>	<u>\$ 2,330,055</u>
Amount of Net General Obligation Bonded Debt Per capita ²	\$ 1,017	\$ 999	\$ 956	\$ 989	\$ 819	\$ 815
Net General Obligation Bonded Debt as a percentage of Taxable Sales ⁵	6.4%	6.3%	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
(Expressed in Thousands)

Table 8

	2007	2006	2005	2004	2003
Legal debt limit	\$ 10,930,262	\$ 10,056,571	\$ 8,740,586	\$ 8,429,055	\$ 8,142,318
Less: Net debt applicable to limit	2,959,717	2,906,373	2,771,968	2,846,985	2,339,941
Legal debt margin	<u>\$ 7,970,545</u>	<u>\$ 7,150,198</u>	<u>\$ 5,968,618</u>	<u>\$ 5,582,070</u>	<u>\$ 5,802,377</u>
Net debt applicable to the limit as a percentage of legal debt limit	27.1%	28.9%	31.7%	33.8%	28.7%

	2002	2001	2000	1999	1998
Legal debt limit	\$ 8,142,318	\$ 7,994,129	\$ 7,627,217	\$ 7,138,012	\$ 6,681,152
Less: Net debt applicable to limit	2,312,810	2,158,098	1,919,008	1,802,781	1,426,976
Legal debt margin	<u>\$ 5,829,508</u>	<u>\$ 5,836,031</u>	<u>\$ 5,708,209</u>	<u>\$ 5,335,231</u>	<u>\$ 5,254,176</u>
Net debt applicable to the limit as a percentage of legal debt limit	28.4%	27.0%	25.2%	25.3%	21.4%

Legal Debt Margin Calculation for Fiscal Year 2007:

Legal debt limit ¹	\$ 10,930,262
Amount of debt applicable to limit ²	\$ 3,135,232
Less: amounts available for debt service	<u>175,515</u>
Less: Net debt applicable to limit	<u>2,959,717</u>
Legal debt margin	<u><u>\$ 7,970,545</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
2006	\$ 7,286,841
2005	6,704,381
2004	5,827,057
2003	5,619,370

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

	2006	2005	2004	2003
Agriculture	14,857	15,771	16,089	15,966
Construction	60,829	55,635	52,614	54,228
Finance, insurance and real estate	46,575	46,444	45,997	46,042
Manufacturing	176,012	178,775	180,146	179,671
Mining	5,815	4,841	4,842	4,785
Public administration	52,961	53,585	53,983	53,231
Retail trade	142,672	139,126	139,062	138,848
Services	497,075	493,242	489,639	480,338
Transportation and public utilities	63,098	63,171	63,224	62,895
Wholesale trade	36,388	35,131	34,929	34,993

Source: Mississippi Department of Employment Security, Labor Market Information

Average Annual Wages by Sector

Last Ten Calendar Years

Table 10

	2006	2005	2004	2003
Agriculture	\$ 25,233	\$ 24,114	\$ 23,398	\$ 22,910
Construction	35,693	32,441	29,445	29,594
Finance, insurance and real estate	38,074	36,184	34,748	33,455
Manufacturing	35,768	34,519	33,204	31,950
Mining	55,894	50,776	46,320	44,827
Public administration	28,278	27,636	26,754	26,089
Retail trade	21,565	20,436	19,650	19,158
Services	28,132	26,834	25,889	24,984
Transportation and public utilities	38,234	37,492	35,972	34,590
Wholesale trade	44,994	42,164	40,135	37,870

Source: Mississippi Department of Employment Security, Labor Market Information

2002	2001	2000	1999	1998	1997
16,211	17,169	17,983	18,427	17,056	16,731
57,383	55,311	58,513	58,741	57,738	54,271
45,835	45,942	42,915	42,940	42,620	41,778
188,857	201,623	233,396	244,019	245,561	241,618
4,824	5,479	4,523	5,025	6,272	5,918
52,832	53,037	51,069	49,358	47,814	46,943
140,879	142,212	209,811	207,042	197,611	192,892
473,257	464,686	387,568	384,459	374,512	364,600
63,352	64,513	57,615	55,712	53,804	52,908
34,980	35,263	46,866	47,387	47,689	45,507

2002	2001	2000	1999	1998	1997
\$ 21,748	\$ 21,193	\$ 19,239	\$ 18,859	\$ 18,064	\$ 17,318
29,682	28,312	27,705	26,937	26,508	24,369
32,562	31,215	32,252	30,460	30,005	28,030
30,346	29,376	28,496	27,630	26,712	25,584
43,682	41,754	38,404	40,171	36,794	34,674
25,055	24,393	23,829	23,043	22,463	21,703
18,471	18,003	14,736	14,500	14,003	13,333
24,104	23,476	24,508	23,489	22,870	21,980
33,897	33,488	34,910	33,210	32,721	32,041
36,614	35,567	33,399	32,532	31,466	29,636

Demographic and Economic Statistics

Last Ten Calendar Years

Table 11

Year	Population	Unemployment Rate		Personal Income	Per capita Personal Income
		Mississippi	U.S.		
2006	2,910,000	6.8 %	4.6 %	\$ 77,206,000	\$ 26,531
2005	2,910,000	7.8	5.1	72,809,000	25,020
2004	2,890,000	6.4	5.5	69,454,000	24,033
2003	2,880,000	6.4	6.0	66,340,000	23,035
2002	2,860,000	6.7	5.8	63,979,000	22,370
2001	2,860,000	5.6	4.7	62,739,000	21,937
2000	2,850,000	5.6	4.0	59,838,000	20,996
1999	2,830,000	5.1	4.2	56,719,000	20,042
1998	2,810,000	5.4	4.5	54,820,000	19,509
1997	2,780,000	5.7	4.9	51,514,000	18,530

Sources:

Mississippi Econometric Model

Mississippi Department of Employment Security

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

Principal Employers

Table 12

Most Current Calendar Year and Nine Years Prior
(Ranked by Number of Employees)

Employer	Rank	2006		1997		
		Percentage of All Employees	Average Number of Employees	Rank	Percentage of All Employees	Average Number of Employees
State of Mississippi	1	2.7 %	32,600	1	2.6 %	30,600
Federal Government	2	2.1	26,200	2	2.2	26,100
Wal-Mart Stores ¹	3	2.1	26,000			
Northrop Grumman	4	1.0	11,800			
University of Mississippi Medical Center ¹	5	0.6	7,500			
Harrah's Entertainment	6	0.6	6,800	4	0.5	5,700
North Mississippi Medical Center ¹	7	0.5	6,500			
Nissan North America	8	0.4	5,300			
Tyson Foods	9	0.3	4,000	5	0.4	4,700
Howard Industries	10	0.3	3,800			
Litton Industries ²				3	1.2	13,900
B. C. Rogers				6	0.4	4,200
Sanderson Farms				7	0.3	3,800
International Paper				8	0.3	3,600
Georgia-Pacific				9	0.3	3,400
Sara Lee				10	0.3	3,400
Total Principal Employers		10.6 %	130,500		8.5 %	99,400
Total Employed Labor Force		100.0 %	1,218,700		100.0 %	1,189,800

¹ Information is not available for historical comparison.

² Litton Industries was acquired by Northrop Grumman in 2001.

Sources:

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

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Public School Enrollment

Last Ten Academic Years

Table 13

	2006/2007	2005/2006	2004/2005	2003/2004
Kindergarten	42,277	42,824	42,158	40,536
Grades 1-3	117,424	114,830	114,453	114,719
Grades 4-6	112,101	113,468	116,383	117,899
Grades 7-9	120,271	120,852	120,186	118,632
Grades 10-12	93,287	91,663	89,641	88,384
Special Education	8,775	10,401	11,769	12,387
Total Enrollment	494,135	494,038	494,590	492,557

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 14

	2006/2007	2005/2006	2004/2005	2003/2004
Coahoma Community College	2,201	2,428	2,506	2,392
Copiah-Lincoln Community College	3,933	3,792	3,681	3,796
East Central Community College	3,096	3,268	3,540	3,540
East Mississippi Community College	4,938	4,569	4,523	4,103
Hinds Community College	13,487	13,004	13,803	15,202
Holmes Community College	5,164	5,220	4,991	4,945
Itawamba Community College	7,363	7,089	6,567	6,778
Jones County Junior College	5,785	6,219	6,344	6,231
Meridian Community College	3,946	3,813	4,089	3,944
Mississippi Delta Community College	3,815	3,995	3,862	4,128
Mississippi Gulf Coast Community College	9,045	8,934	10,894	10,551
Northeast Mississippi Community College	5,264	5,266	5,854	4,996
Northwest Mississippi Community College	7,457	6,953	6,663	6,523
Pearl River Community College	4,411	4,256	4,585	3,898
Southwest Mississippi Community College	1,986	2,121	2,303	2,280
Total Enrollment	81,891	80,927	84,205	83,307

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

University Enrollment

Last Ten Academic Years

Table 15

	2006/2007	2005/2006	2004/2005	2003/2004
Alcorn State University	3,583	3,544	3,443	3,309
Delta State University	4,217	4,119	3,990	3,902
Jackson State University	8,256	8,416	8,351	7,815
Mississippi State University	16,206	16,101	15,934	16,173
Mississippi University for Women	2,428	2,285	2,231	2,048
Mississippi Valley State University	3,162	3,165	3,621	3,506
University of Mississippi	17,312	16,928	16,500	15,577
University of Southern Mississippi	14,777	15,030	15,253	15,050
Total Enrollment	69,941	69,588	69,323	67,380

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

2002/2003	2001/2002	2000/2001	1999/2000	1998/1999	1997/1998
38,811	38,736	39,055	39,455	41,057	40,667
116,431	119,157	121,810	124,176	124,759	123,254
118,463	119,022	118,450	116,155	113,584	112,996
116,799	114,533	114,885	115,585	116,913	120,205
88,437	88,644	89,796	90,947	91,783	92,183
12,682	12,106	12,562	13,044	14,283	15,487
491,623	492,198	496,558	499,362	502,379	504,792

2002/2003	2001/2002	2000/2001	1999/2000	1998/1999	1997/1998
2,481	2,150	1,418	1,317	1,336	1,458
3,370	3,160	3,272	3,086	2,967	3,047
3,414	3,347	3,312	2,605	2,518	2,463
4,043	3,303	3,121	2,848	3,033	2,725
11,152	11,389	10,976	10,943	10,361	10,635
3,851	3,482	3,328	3,089	2,466	2,854
5,667	4,563	4,075	3,946	3,965	3,820
5,841	5,625	5,572	5,016	5,465	5,133
3,815	3,743	3,183	3,077	3,132	3,271
3,960	3,750	3,419	5,242	4,208	3,597
9,934	8,877	9,140	10,054	10,124	9,965
4,667	4,463	4,353	4,792	4,366	4,416
6,371	5,760	5,127	5,074	5,083	5,247
3,661	3,156	3,245	3,291	3,264	2,967
2,277	2,159	2,083	2,066	2,022	1,997
74,504	68,927	65,624	66,446	64,310	63,595

2002/2003	2001/2002	2000/2001	1999/2000	1998/1999	1997/1998
3,150	3,096	2,936	2,871	2,860	2,847
3,963	3,875	3,916	4,086	4,048	4,085
7,783	7,098	6,832	6,354	6,292	6,333
16,610	16,878	16,561	16,076	15,718	15,645
2,105	2,328	2,815	2,953	3,314	3,309
3,501	3,081	2,687	2,509	2,445	2,253
14,961	14,429	13,928	13,527	13,305	13,178
15,266	15,232	14,509	14,350	14,533	14,593
67,339	66,017	64,184	62,726	62,515	62,243

Capital Asset Statistics by Function

Last Eight Fiscal Years

Table 16

	2007	2006	2005	2004
General Government				
Department of Finance and Administration				
Buildings	46	42	26	25
Vehicles	41	37	35	35
Tax Commission				
Vehicles	47	45	45	45
Education				
Department of Education				
Vehicles	44	46	42	42
Law, Justice and Public Safety				
Department of Corrections				
Buildings	633	633	642	642
Vehicles	707	683	674	702
Department of Public Safety				
Stations	9	9	9	9
Vehicles	943	907	805	834
Recreation and Resource Development				
Department of Wildlife, Fisheries and Parks				
State Parks	26	24	28	28
Acres of State Parks	23,904	23,908	23,800	23,800
Buildings	812	831	844	841
Vehicles	614	627	681	723
Forestry Commission				
Acres of State Forests	133,118	133,118	133,118	133,118
Buildings	418	422	429	424
Vehicles	508	483	531	578
Transportation				
Department of Transportation				
Miles of state highway	10,974	10,950	10,927	10,926
Vehicles	2,595	2,604	2,604	2,642
Health & Social Sciences				
Department of Mental Health				
Buildings	541	535	525	520
Vehicles	798	755	742	712

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

2003	2002	2001	2000
22	22	21	20
32	32	31	33
46	44	42	42
41	43	41	43
641	634	625	532
649	598	699	664
9	9	9	9
808	805	804	791
28	28	28	29
23,714	23,714	23,714	23,756
852	814	830	804
730	712	687	682
133,118	133,118	133,118	133,118
428	431	429	426
539	546	484	493
10,689	10,678	10,665	10,649
2,646	2,395	2,402	2,467
512	481	477	360
700	650	630	599

State Government Employees by Function

Last Ten Fiscal Years

Table 17

	2007	2006	2005	2004	2003	2002
General Government						
Department of Finance and Administration	363	338	330	327	323	328
Tax Commission	713	697	708	738	734	734
Treasury	37	38	37	38	39	38
All Other	1,402	1,380	1,413	1,446	1,427	1,438
Education						
Department of Education	773	737	766	804	797	775
All Other	195	191	195	202	209	212
Health and Social Services						
Department of Human Services	2,991	2,925	2,987	3,179	3,362	3,394
Division of Medicaid	917	942	877	580	572	547
Department of Mental Health	8,930	8,685	9,043	8,695	8,617	8,523
Department of Rehabilitation Services	949	882	871	893	877	874
All Other	3,393	3,336	3,467	3,495	3,510	3,318
Law, Justice and Public Safety						
Department of Corrections	3,071	3,072	3,051	3,336	3,656	3,675
Department of Public Safety	1,274	1,199	1,183	1,202	1,004	1,012
All Other	1,883	1,746	1,749	1,741	1,933	1,907
Recreation and Resource Development						
Department of Environmental Quality	433	426	447	472	471	471
Department of Wildlife, Fisheries and Parks	788	777	826	926	844	867
Forestry Commission	513	479	548	587	592	630
Mississippi Development Authority	282	261	271	312	311	299
All Other	408	395	412	420	421	429
Regulation of Business and Professions						
Public Service Commission	95	92	94	101	156	148
Oil and Gas Board	32	31	28	30	28	30
All Other	242	244	239	243	238	234
Transportation						
Department of Transportation	3,267	3,271	3,384	3,316	3,300	3,265
Total	32,951	32,144	32,926	33,083	33,421	33,148

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

2001	2000	1999	1998
334	349	333	327
762	778	761	768
38	34	30	30
1,433	1,438	1,263	1,010
791	804	777	607
214	220	221	188
3,541	3,746	3,609	3,590
554	482	395	320
8,420	8,213	7,739	7,446
849	768	801	816
3,288	3,231	3,249	3,342
3,745	3,644	3,523	3,650
1,065	1,023	989	966
1,858	1,811	1,740	1,509
471	76	450	434
896	1,030	1,041	1,036
625	697	680	673
303	307	322	321
429	436	371	363
142	136	136	128
32	29	31	30
230	228	216	202
3,329	3,286	3,304	3,259
33,349	32,766	31,981	31,015

Operating Indicators by Function

Table 18

Last Ten Fiscal Years

	2006	2005	2004	2003
General Government				
Tax returns processed	4,750,000	4,700,000	4,650,000	4,600,000
On-going construction projects	708	707	756	863
Tort claims processed	726	1,354	2,529	2,312
Unclaimed property claims paid	6,670	5,360	41,652	13,683
Corporate filings processed	30,441	27,184	29,293	33,779
UCC filings processed	28,317	261,215	231,688	228,930
16th section leases	12,360	12,367	12,311	13,800
Education				
Average cost per public school student	\$7,996	\$7,208	\$6,794	\$6,402
Public high school graduates	23,691	23,415	23,427	23,703
Public school teachers, K-12	32,129	32,027	31,611	29,071
Health and Social Services				
Average monthly households receiving food stamps	172,814	153,943	149,817	137,793
Food establishments inspected	28,953	27,832	33,505	28,939
Child support collections from non-custodial parents	\$ 230,206,702	\$218,293,613	\$206,596,005	\$195,621,754
Medicaid recipients receiving medical services	583,523	673,571	730,000	720,304
Law, Justice and Public Safety				
Average inmate population in prisons	9,669	9,891	10,833	10,639
Supervised offenders in communities	21,736	23,781	22,053	22,342
Driver licenses issued	755,000	667,800	753,809	663,893
Recreation and Resource Development				
Estimated attendance at fairground events	1,058,250	1,056,450	1,057,569	912,749
Estimated attendance at the Dixie Livestock Show	110,081	128,459	127,463	130,000
Tourist registered at welcome centers	2,551,894	2,862,349	2,937,560	2,870,001
Land reforested (acres)	54,886	91,035	57,980	116,681
Hunting and fishing licenses sold	525,000	525,000	533,533	520,000
Overnight accommodations at state parks	682,525	672,525	765,564	719,637
Regulation of Business and Professions				
Utility complaints investigated	6,749	6,520	6,547	6,172
Well inspections by Oil and Gas Board	20,879	18,000	19,763	18,920
Transportation				
Overlays (miles)	340	421	594	556
Replacement of deficit bridges	11	29	73	126

Note: The most current fiscal year available is fiscal year 2006.

Sources:

Mississippi Legislative Budget Office, Agency Budget Submissions

Mississippi Joint Legislative Budget Committee, Proposed Budget

Mississippi Department of Education, Superintendent's Annual Report to the Legislature

2002	2001	2000	1999	1998	1997
4,550,000	4,550,000	4,500,000	2,575,000	2,541,950	2,502,611
830	862	748	637	631	747
1,337	1,524	1,545	1,443	1,517	1,412
8,490	4,399	2,166	5,218	7,679	2,777
34,658	17,220	14,974	12,979	17,323	20,894
119,509	127,234	110,638	96,207	102,655	82,406
14,171	14,967	12,528	12,579	12,463	12,463
\$5,908	\$5,717	\$4,905	\$5,120	\$4,777	\$4,491
23,398	23,740	24,194	24,148	24,477	23,388
29,166	31,017	30,782	29,939	29,574	29,245
123,780	113,178	109,192	119,809	135,946	164,098
19,990	28,886	28,416	27,431	30,979	33,298
\$191,423,389	\$178,496,714	\$174,659,489	\$141,000,000	\$125,024,234	\$114,886,715
650,452	587,341	512,956	486,660	525,000	509,303
10,293	10,043	8,916	8,754	8,938	8,848
17,394	16,677	14,280	14,280	14,024	11,758
659,846	659,846	659,846	579,510	560,154	550,109
912,749	575,000	1,875,000	1,875,000	1,875,000	1,840,000
130,000	125,000	121,000	125,000	125,000	133,000
3,133,953	2,994,723	3,105,714	2,903,934	2,996,687	3,043,444
62,214	129,447	176,802	140,000	175,000	109,227
520,000	573,115	520,000	559,824	520,000	568,980
719,637	650,896	650,896	652,732	632,934	623,730
2,569	4,334	2,355	3,904	1,998	3,842
15,962	25,374	16,964	16,334	16,121	15,723
620	257	337	476	348	555
128	170	125	99	157	163

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Cover:

Photos are the courtesy of the Mississippi Department of Wildlife, Fisheries, and Parks.

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