

A vibrant watercolor illustration of the Mississippi State Capitol building. The building features a large, multi-colored dome with green, blue, and yellow segments. The facade is painted in various colors including red, orange, yellow, and blue. There are several windows with shutters and a balcony on the right side. The word "waters" is written in a stylized font on the lower left part of the building. The sky is a mix of blue and white, suggesting a cloudy day.

# *Mississippi*

*Comprehensive Annual Financial Report*

*For the Fiscal Year Ended June 30, 2010*



# *Mississippi*



Fiscal Year Ended June 30, 2010

**Department of Finance and Administration**

Post Office Box 267  
Jackson, MS 39205

**Kevin J. Upchurch**  
Executive Director



This book has been printed on recycled materials.



HALEY BARBOUR  
GOVERNOR

## STATE OF MISSISSIPPI OFFICE OF THE GOVERNOR

---



January 25, 2011

To the Members of the Legislature and Citizens of Mississippi:

As Governor of the State of Mississippi, I present the Comprehensive Annual Financial Report for the year ending June 30, 2010. This report gives an overview of state government fiscal activity and reflects the difficult recessionary period our state and nation have entered.

During my time as Governor, we have successfully balanced the state's budget despite the fact that we had a \$720 million budget hole when I took office. Through some difficult decisions about how to spend taxpayer dollars more efficiently, we erased that deficit. We accomplished this even when faced with the worst natural disaster in American history, Hurricane Katrina. The storm could have devastated our economy, but we didn't let that happen. Our people, resilient and determined, immediately went about rebuilding their homes and reopening their businesses.

Now, the nation is slowly emerging from this Great Recession, and Mississippi is committed to leading the recovery. State revenues are showing signs of recovery, though it clearly will be a long, slow road back to financial success. Through prudent, conservative management of tax dollars, we will provide essential services for our citizens while protecting our reputation for responsible fiscal management.

As this report shows, this is not business as usual. We must continue working to move Mississippi forward through smart policies that create jobs and foster economic growth. Despite the current economic conditions, I'm optimistic about our future because I know that 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 dark ink, appearing to read "Haley Barbour".

Haley Barbour

# Mississippi

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# *Mississippi*

## Introduction



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

KEVIN J. UPCHURCH  
EXECUTIVE DIRECTOR



January 25, 2011

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, 2010 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 Office of the State Auditor has performed an 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, 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 the 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 turned the corner and the recovery is taking hold. Payroll employment has been rising slowly, retail sales improving, and General Fund tax collections in the first half of FY 2011 have been above year-ago levels.

In 2009, the drop in output and employment was close to the U.S. average, with payroll employment down 4.4% and real gross state product falling an estimated 1.9%. In 2010, real gross state product grew at a rate of approximately 1.8%, while personal income climbed about 2.8%, based on data available at the end of the year. Employment, however, was an estimated 1.1% lower than in 2009. These trends are in line with the rest of the Southeast. Nationally, gross domestic product rose an estimated 2.9% in 2010, personal income was up about 3.0% and payroll employment was 0.5% lower.

Revenue transfers to the General Fund in FY 2010 were down 5.8% in comparison to FY2009, necessitating cuts to the FY 2010 State Budget. To prevent the need for cuts in FY 2011, the legislature incorporated funding reductions making the General Fund budget lower than that of the previous fiscal year. So far, FY 2011 revenues have been on track: in the first six months of the new fiscal year, transfers to the General Fund were 1.7% above year-ago levels and 1.3% above estimate.

Funds received under the American Reinvestment and Recovery Act (ARRA) reduced the size of cuts required in the state budget because of revenue shortfalls. ARRA formula funding totaled over \$2 billion, and non-formula stimulus grants also added to total stimulus funds in the State. Slow revenue growth, the coming end of ARRA funds, and the increasing demands on the State will mean continued fiscal austerity and the reduced funding of several programs in FY 2012.

Several major investment projects and post-Katrina reconstruction are boosting economic activity in Mississippi. Among on-going projects are a \$570 million port upgrade at Gulfport, a \$1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), expansions at both Severstal and Chevron, and a \$950 million reconstruction and renovation of Keesler Air Force Base. A new \$1.3 billion auto plant (Toyota) is scheduled to begin production in 2011. Recently-announced projects include a \$300 million investment by Schulz Extruded Products for the production of seamless steel pipes and a \$500 million investment by KiOR in the production of fuel oil from biomass.

Employment in the State has been increasing gradually. There were 18,700 more persons employed in November than in January of 2010. Despite these gains, employment for the year-to-date through November 2010 was 1.1% lower than during the same period in 2009. Drops in employment were greatest in construction (9%) and manufacturing (4%). Leisure and hospitality employment was down 2%, as was employment in transportation and utilities. Most sectors showed improvement over the course of the year, however, including construction, leisure and hospitality, business and professional services, health and education, and transportation and utilities. Sectors with lower levels of employment in November than in January included manufacturing, finance and government.

Business and professional services employed 6,000 more persons in November 2010 than in November 2009, for an annual growth rate of 7%, making it the sector with the greatest percentage increase in employment, apart from mining. Much of this gain was due to an increase of 17% in administrative support jobs, an increase which more than offset the decrease of 6% in the number of professional/scientific/technical jobs. Health care and social services employment was up 2% compared to November of 2009; and mining was up 9%. Jobs in food services increased by 5%. Government employment, however, was down 2%. Overall, payroll employment in November was 0.3% above year-ago levels.

Mississippi's housing market remains depressed, although there are signs of improvement: the value of residential building permits issued has stabilized and the rate of foreclosures dropped for the first time in two years in the second quarter (Q2) of 2010. Sales of existing homes rose in the spring, up 22% between Q2 of 2009 and Q2 of 2010, but subsequently fell with the



expiration of the homebuyers' tax credit. The median price of existing homes in the spring of 2010 was just 6% below the spring 2007 value, compared with an average drop of 21% in the U.S. as a whole. Housing starts, however, were down by an estimated 20% in 2010 in comparison to 2009, while nationally they rose slightly.

The State's delinquency rate on mortgage payments has been high historically, but the State's foreclosure rate remains well below the national average. In the third quarter of 2010, the State ranked 32nd in the nation in foreclosures with a rate of 3.0%, compared to the national average of 4.4%.

Retail sales trended upward over the course of 2010, although they stumbled in July and August. Traffic at both coastal and Mississippi River casinos appears to be improving. In 2009, gross gaming revenues were \$2.5 billion, down 9% from 2008. In 2010, gross revenues through November were 3.3% below those for the same period in 2009; casinos posted revenue gains relative to 2009 figures in the third quarter.

Coastal counties, which account for about 15% of the State's employment and population, continue to recover from the effects of Hurricane Katrina and from the oil spill. The nationwide recession has slowed recovery efforts: employment on the coast rose briefly above pre-Katrina levels in 2008, but dropped back when the recession hit. In November 2010, manufacturing jobs on the coast, which include seafood processing jobs hurt by the oil spill, were 4.4% below year-ago levels. Leisure and hospitality employment in the Gulfport-Biloxi area, which was down 3.1% during the spill in July, was back to year-ago levels in November.

The growth rate of gross state product, estimated at 1.8% in 2010, is forecast to rise to 2.1% in 2011 and 2.8% in 2012. Employment, down about 1.1% in 2010, will increase in 2011. Job gains of about 0.6% are forecast for 2011 and a strong 1.7% increase in employment is expected in 2012.

Personal income will follow a similar path. After dropping 0.6% in 2009, personal income increased an estimated 2.8% in 2010, and is forecast to rise 3.1% in 2011 and 3.8% in 2012. As consumer confidence grows and investment spending increases, the pace of activity in the economy will pick up. The State is expected to be back on its long-run growth path by 2015, although, as in the rest of the nation, this path may include higher unemployment rates than those prevailing pre-recession.

The State's recovery may lag that of the nation as a whole to some extent. The slower population and labor force growth in the State has for some time translated into a slower growth of employment and output. In addition, the government sector is larger here than nationally, and the business and professional services sector smaller. Government cutbacks, accordingly, will have a greater negative impact on the State's economy than is the case nationally, while the lift provided by business and professional services in coming months will be less. The impetus expected from an upturn in manufacturing, a sector which is proportionately larger in the state, will only offset these negatives to an extent.

Eighty-two percent of wage and salary employment in Mississippi is in service-providing industries, with the remaining 18% 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 9% of total jobs, but in Mississippi the figure is 14%.

Manufacturing also sustains many of the State's service jobs in transportation, business services, finance and agriculture. Within manufacturing, which employs 136,500 workers, 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 19% 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 35% 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 and social assistance, and accommodation and food services.

### **Long-term Financial Planning**

The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% 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% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% 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 2010, the Account had the required \$40,000,000 balance. Therefore, 50% of unencumbered ending cash totaling \$26,523,000 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% of the sine die estimate, the Department of Finance and Administration is required to balance the General Fund budget. One action that may be taken is to reduce allotted expenditure authority to general fund agencies by the amount necessary so that expenditures do not exceed the actual General Fund receipts for the fiscal year. In addition, the Account balance, in excess of \$40,000,000, may be permanently transferred to the General Fund to cover such deficits up to a maximum of \$50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5% maximum is again attained.

State revenue estimates persistently outpaced actual collections. The first five months of FY 2011 the revenues have out-paced the estimates for three of the first five months with the year-to-date balance also in excess of the estimate. Revenue projections for the next two years show signs of very slow recovery. The state executive budget recommendation for FY 2012 continues to address revenues estimated at a level below FY 2011 appropriations. The recommendation includes additional reductions in operational costs through various entity consolidations, shared service scenarios, and various cost cutting measures.

The state executive budget also addresses the need to be prepared for additional fiscal contingencies. As a result approximately \$185 million dollars of available funds is being preserved for use in FY 2013 and beyond.

### **Major Initiatives**

Despite tough economic times for the State, the focus remains on education and workforce training. Mississippi sees both of these areas as paramount to the future success of the State. While budgets have required cuts, education continues to make up over 60% of the budgetary general funds. Health care and public safety continue to be of great importance to the citizens of our State. Projects for a new \$30 million health lab and a new \$40 million state-of-the-art crime lab continue to move forward and upon completion will improve these vital services.

Mississippi also recognizes the importance to its financial future to maintain and update its major financial computer systems. Major projects for both the tax/revenue system for the Department of Revenue and the State's accounting and human resources systems are underway and will be in progress over a period of three to five years that once complete will help ensure system stability, accountability, and will enhance the capability of revenue collections due the State.

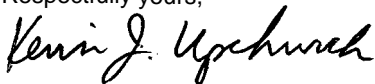
### **Awards and Acknowledgements**

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, 2009. This was the twenty-third 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,

A handwritten signature in black ink, reading "Kevin J. Upchurch". The signature is written in a cursive, flowing style.

Kevin J. Upchurch

# Mississippi

## Officials of State Government

### Executive Branch

**Governor**

Haley Barbour

**Lieutenant Governor**

Phil Bryant

**Secretary of State**

Delbert Hosemann

**State Auditor**

Stacey Pickering

**State Treasurer**

Tate Reeves

**Attorney General**

Jim Hood

**Commissioner of Agriculture  
and Commerce**

Lester Spell, Jr.

**Commissioner of Insurance**

Mike Chaney

**Transportation Commissioners**

Dick Hall

Wayne Brown

Bill Minor

**Public Service Commissioners**

Brandon Presley

Lynn Posey

Leonard Bentz

**State Fiscal Officer**

Kevin J. Upchurch

### 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**

Billy Hewes

**Secretary of Senate**

Tressa Guynes

**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**

William L. Waller, Jr.

**Presiding Justices**

George C. Carlson, Jr.

James E. Graves, Jr.

**Justices**

Jess H. Dickinson

Michael K. Randolph

Ann H. Lamar

James W. Kitchens

David A. Chandler

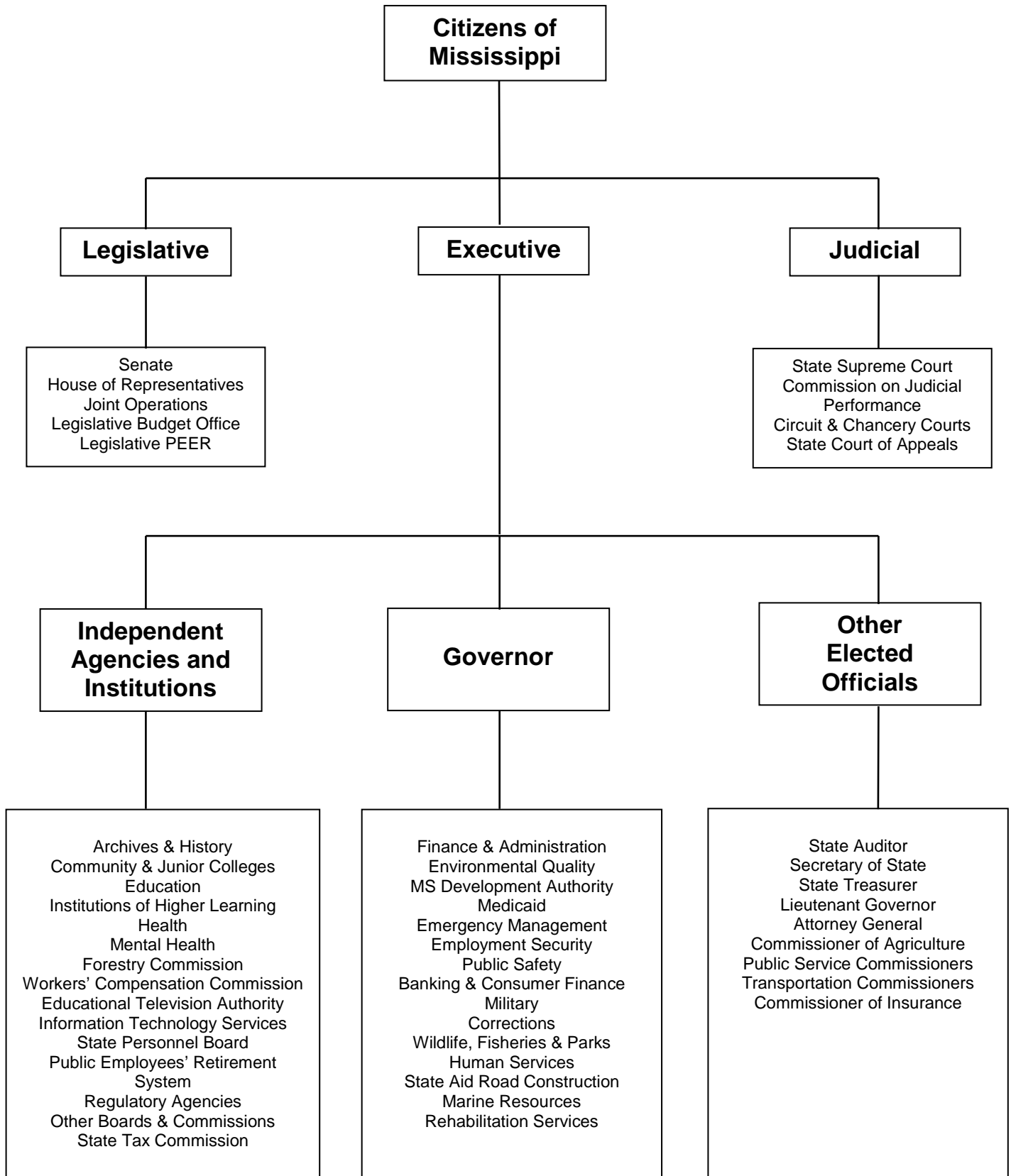
Randy G. Pierce

**Clerk of the Supreme Court**

Kathy Gillis

# Mississippi

## 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, 2009

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  
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, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of:

■ Government-wide Financial Statements

● Governmental Activities

- 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, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 6% and 30%, respectively, of the assets and revenues of the Governmental Activities;

● Business-type Activities

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and AbilityWorks, Inc. within the Department of Rehabilitation Services which, in the aggregate, represent 58% and 12%, 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, the Department of Corrections and the Department of Wildlife, Fisheries and Parks which represent 21% and 32%, respectively, of the assets and revenues of the General Fund;

- Proprietary Funds
    - the Port Authority at Gulfport and the Mississippi Prepaid Affordable College Tuition Program which are considered major enterprise funds;
  - Aggregate Remaining Funds
    - selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks;
    - the State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;
    - 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 94% and 66%, 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 those agencies, funds, and component units, 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. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, 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, assessing the accounting principles used and the 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, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



As discussed in Note 1.s., the State adopted the provisions of Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* as of July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2011 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. 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, the Schedule of Funding Progress for Pension Trust Funds and corresponding notes and the Schedule of Funding Progress – Other Postemployment Benefits 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 accompanying 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 accompanying 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.



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

Jackson, Mississippi  
January 25, 2011



## 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, 2010. 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 \$12,640,089,000 (reported as "net assets"). Of this amount, a negative \$65,164,000 was reported as "unrestricted net assets", which means that it would be necessary to convert restricted assets to unrestricted assets if the government's ongoing obligations to citizens and creditors were immediately due and payable. Net assets of governmental activities increased by \$527,695,000 while net assets of business-type activities fell by \$158,392,000.

**Fund Level** - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3,717,815,000, which is an increase of \$278,144,000 from the previous year. An increase in federal match rates, as well as drawing the federal share of increased health and social services expenditures are the primary reasons for the positive change in fund balances.

**Long-term Debt** - During fiscal year 2010, the State issued \$1,012,825,000 of bonds and notes, net of premiums, discounts and deferred amount on refunding, bringing the total outstanding net long-term bonds and notes to \$4,594,834,000. These bonds and notes were issued primarily for capital improvements, for a statewide wireless communication system, and for roads and bridges.

### Overview of the Financial Statements

This discussion and analysis serves as an introduction to the State's basic financial statements, which include government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains required supplementary information and other supplementary information.

#### Government-wide Financial Statements

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

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

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

The government-wide financial statements 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.

# Mississippi

**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, which is presented separately as a major fund. The capital projects fund, permanent funds, and 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 nine 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 pension trust funds and for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following the RSI.

# Mississippi

## Government-wide Financial Analysis

### Net Assets

For the year ended June 30, 2010, the State's combined net assets (governmental and business-type activities) totaled \$12,640,089,000 reflecting an increase of \$369,303,000 from the previous fiscal year. Business-type activities report positive balances in all three net asset categories, while governmental activities and the State as a whole continue to reflect a negative balance in unrestricted net assets.

The largest share of net assets, 91.9 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 \$441,321,000 from the previous year. Additions to construction in progress and infrastructure for roads, highways, bridges, and building projects provided the majority of the governmental activities' increase of \$428,391,000. Most of the business-type activities' increase of \$12,930,000 was the result of additions to construction in progress for the continued restoration of the Port Authority at Gulfport after Hurricane Katrina. Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 8.6 percent of total net assets. The remaining negative balance represents unrestricted net assets of \$65,164,000 as of the close of the year. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of \$202,455,000 in business-type activities may be used to meet 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<br>Activities |               | Business-type<br>Activities |              | Total         |               |
|--|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
|  | 2010                       | 2009 *        | 2010                        | 2009         | 2010          | 2009 *        |
| Current and other assets                           | \$ 5,692,267               | \$ 5,538,514  | \$ 976,753                  | \$ 1,116,237 | \$ 6,669,020  | \$ 6,654,751  |
| Capital assets                                     | 12,575,641                 | 12,067,402    | 243,208                     | 225,453      | 12,818,849    | 12,292,855    |
| Total Assets                                       | 18,267,908                 | 17,605,916    | 1,219,961                   | 1,341,690    | 19,487,869    | 18,947,606    |
| Deferred outflows                                  | 58,072                     | 45,760        |                             |              | 58,072        | 45,760        |
| Noncurrent liabilities                             | 4,427,301                  | 3,992,647     | 330,080                     | 308,452      | 4,757,381     | 4,301,099     |
| Other liabilities                                  | 2,102,362                  | 2,390,407     | 46,109                      | 31,074       | 2,148,471     | 2,421,481     |
| Total Liabilities                                  | 6,529,663                  | 6,383,054     | 376,189                     | 339,526      | 6,905,852     | 6,722,580     |
| Net assets:  |                            |               |                             |              |               |               |
| Invested in capital assets,<br>net of related debt | 11,408,744                 | 10,980,353    | 208,101                     | 195,171      | 11,616,845    | 11,175,524    |
| Restricted   | 655,192                    | 625,174       | 433,216                     | 614,988      | 1,088,408     | 1,240,162     |
| Unrestricted                                       | (267,619)                  | (336,905)     | 202,455                     | 192,005      | (65,164)      | (144,900)     |
| Total Net Assets                                   | \$ 11,796,317              | \$ 11,268,622 | \$ 843,772                  | \$ 1,002,164 | \$ 12,640,089 | \$ 12,270,786 |

\* As restated in Note 2 to the financial statements.

# Mississippi

## Changes in Net Assets

Operating grants and contributions provided \$8,177,252,000 or 48.1 percent of the State's total revenues. The increase from the prior year of \$1,189,178,000 was the result of increased health and social services payments and benefits, as well as an increase in federal match rates from the American Recovery and Reinvestment Act (ARRA). The health and social services function comprises the largest share of the State's expenses at 40.5 percent, having experienced an increase of \$607,618,000 from the prior year. Both Human Services and Medicaid expenses grew as a result of increased costs and participants in their respective programs. Taxes provided \$5,803,265,000 or 34.1 percent, of the State's total revenues. This is a 3.3 percent decline from the prior year, reflecting the slowdown in the economy which impacted unemployment and consumer spending. Taxes along with operating grants and contributions comprise 82.2 percent of the State's total revenues. The State experienced a 58.4 percent increase in unemployment compensation expenses as unemployment continued to rise and benefits were extended.

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

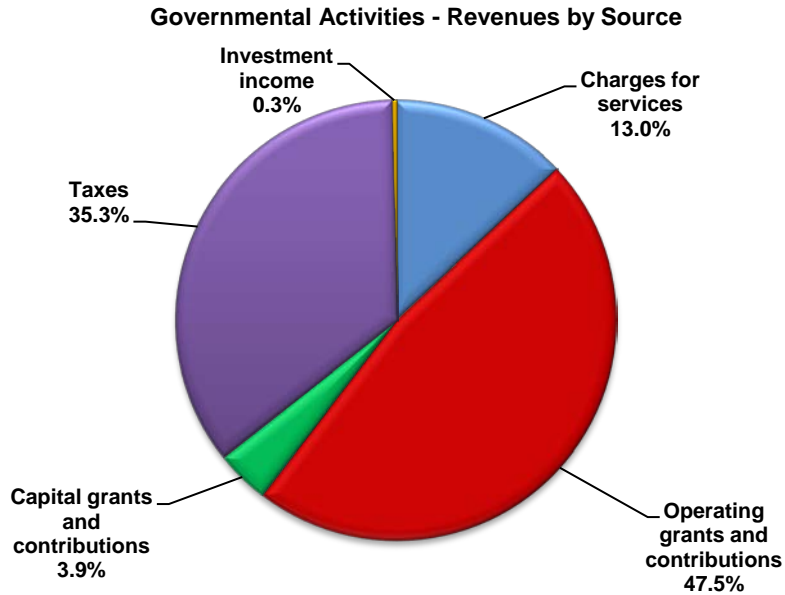
|   | Governmental<br>Activities |               | Business-type<br>Activities |              | Total         |               |
|---|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
|   | 2010                       | 2009 *        | 2010                        | 2009         | 2010          | 2009 *        |
| Revenues:                                 |                            |               |                             |              |               |               |
| Program Revenues:                         |                            |               |                             |              |               |               |
| Charges for services                      | \$ 2,130,293               | \$ 2,023,686  | \$ 158,178                  | \$ 165,072   | \$ 2,288,471  | \$ 2,188,758  |
| Operating grants<br>and contributions     | 7,795,111                  | 6,847,036     | 382,141                     | 141,038      | 8,177,252     | 6,988,074     |
| Capital grants<br>and contributions       | 643,843                    | 556,571       | 24                          | 954          | 643,867       | 557,525       |
| General Revenues:                         |                            |               |                             |              |               |               |
| Taxes                                     | 5,803,265                  | 5,857,538     |                             |              | 5,803,265     | 5,857,538     |
| Investment income                         | 54,935                     | 83,119        | 44,548                      | 2,843        | 99,483        | 85,962        |
| Total Revenues                            | 16,427,447                 | 15,367,950    | 584,891                     | 309,907      | 17,012,338    | 15,677,857    |
| Expenses:                                 |                            |               |                             |              |               |               |
| General government                        | 2,011,806                  | 2,052,954     |                             |              | 2,011,806     | 2,052,954     |
| Education                                 | 4,082,117                  | 4,093,018     |                             |              | 4,082,117     | 4,093,018     |
| Health and social services                | 6,747,426                  | 6,139,808     |                             |              | 6,747,426     | 6,139,808     |
| Law, justice and public safety            | 1,095,181                  | 1,052,434     |                             |              | 1,095,181     | 1,052,434     |
| Recreation and resource<br>development    | 1,058,604                  | 1,127,670     |                             |              | 1,058,604     | 1,127,670     |
| Regulation of business and<br>professions | 38,188                     | 37,215        |                             |              | 38,188        | 37,215        |
| Transportation                            | 689,802                    | 683,663       |                             |              | 689,802       | 683,663       |
| Interest on long-term debt                | 146,732                    | 209,516       |                             |              | 146,732       | 209,516       |
| Unemployment compensation                 |                            |               | 669,679                     | 422,764      | 669,679       | 422,764       |
| Port Authority at Gulfport                |                            |               | 23,243                      | 15,239       | 23,243        | 15,239        |
| Prepaid affordable college tuition        |                            |               | 42,183                      | 20,316       | 42,183        | 20,316        |
| Other business-type                       |                            |               | 38,074                      | 40,392       | 38,074        | 40,392        |
| Total Expenses                            | 15,869,856                 | 15,396,278    | 773,179                     | 498,711      | 16,643,035    | 15,894,989    |
| Excess (deficiency)<br>before Transfers   | 557,591                    | (28,328)      | (188,288)                   | (188,804)    | 369,303       | (217,132)     |
| Transfers                                 | (29,896)                   | (42,639)      | 29,896                      | 42,639       |               |               |
| Change in Net Assets                      | 527,695                    | (70,967)      | (158,392)                   | (146,165)    | 369,303       | (217,132)     |
| Net Assets - Beginning, as restated       | 11,268,622                 | 11,339,589    | 1,002,164                   | 1,148,329    | 12,270,786    | 12,487,918    |
| Net Assets - Ending                       | \$ 11,796,317              | \$ 11,268,622 | \$ 843,772                  | \$ 1,002,164 | \$ 12,640,089 | \$ 12,270,786 |

\* As restated in Note 2 to the financial statements.

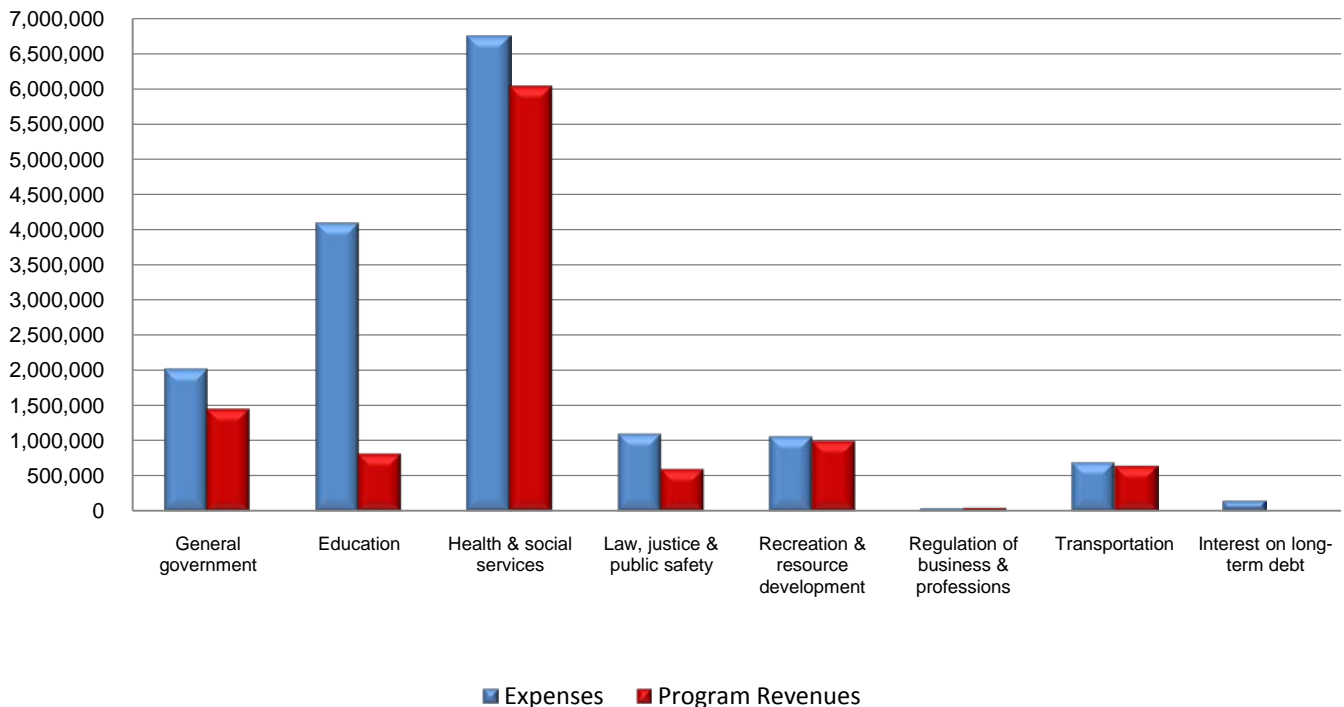
# Mississippi

## Governmental Activities

Governmental activities increased the State's net assets by \$527,695,000 in contrast to a \$70,967,000 decrease in the prior year. Operating grants and contributions increased by \$948,075,000 mainly due to higher federal match rates for ARRA funds and increased health and social services expenses. Health and social services expenses grew by \$607,618,000 over the prior year with Human Services expenses increasing by \$327,687,000 related to the rise in the Supplemental Nutrition Assistance Program benefits. Medicaid expenses were \$152,655,000 more than the prior year due to rising health care costs and an increase in beneficiaries. Tax revenues were down by \$54,273,000 as the State continues to feel the effects of slowed consumer spending and unemployment.



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



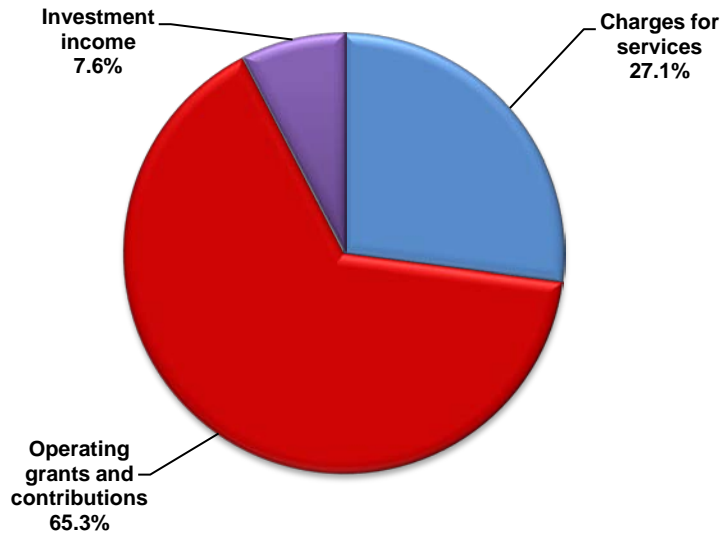


# Mississippi

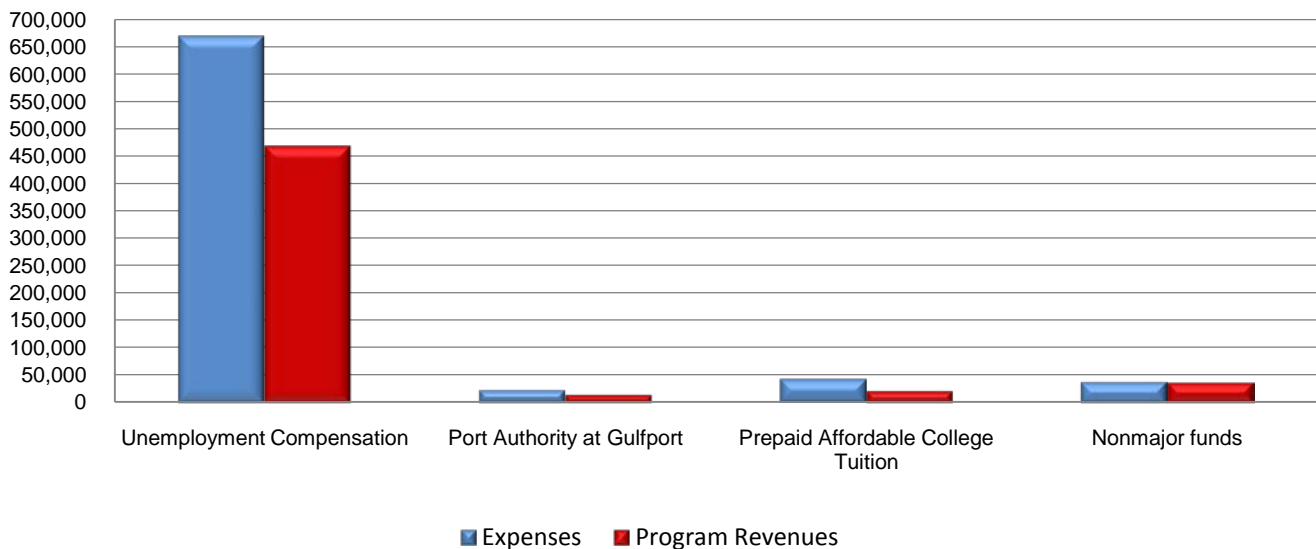
## Business-type Activities

Business-type activities decreased the State's net assets by \$158,392,000 in the current year as well as \$146,165,000 in the prior year. The Unemployment Compensation fund posted a \$181,972,000 decline in net assets as unemployment rose and benefits were extended for the unemployed. In contrast, the net assets of the Port Authority at Gulfport fund increased by \$17,479,000. This increase is significantly less than the \$40,309,000 increase in the prior year primarily due to a decline in transfers of federal monies from other state agencies. The Prepaid Affordable College Tuition fund experienced an increase in net assets of \$2,062,000 as investment income rose, reflecting an improving market.

**Business-type Activities - Revenues by Source**



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



# *Mississippi*

## **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 \$3,717,815,000 as of June 30, 2010, an increase of \$278,144,000 over the prior year. Of this total amount, \$2,821,741,000 or 75.9 percent constituted unreserved fund balance. A portion of the unreserved balance, \$2,296,963,000, 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 increased \$519,195,000 from the prior year to an ending fund balance of \$2,708,794,000, despite a \$264,014,000 drop in sales and use tax and individual income tax revenues. Sales tax revenues declined as consumer spending slowed on lumber, building materials, and related construction services, as well as automotive purchases. The decrease in individual income tax revenues is a result of the weakened economy and the rise in unemployment. A temporary increase in ARRA federal match rates continued to provide more revenue. This combined with the federal share of rising health and social services costs resulted in additional federal funds of \$1,040,409,000. Within health and social services, Medicaid experienced an increase in medical service claims payments as the number of recipients grew and health care costs continued to climb. In addition, Human Services saw an increase in benefits provided and participation in the Supplemental Nutrition Assistance Program.

### **Proprietary Funds**

The Unemployment Compensation Fund continued a downward trend as net assets decreased by \$181,972,000 as compared to a prior year decrease of \$162,734,000. The State benefited from the additional funding from two continuing ARRA programs: Emergency Unemployment Compensation and Federal Additional Compensation which account for the payment of unemployment compensation benefits to unemployed State citizens. Correlations between benefits paid under these programs and federal revenue received remain high as the expense rose to \$669,349,000 from prior year expense of \$422,764,000 and the revenue received grew by \$238,180,000. The escalation of benefit costs was the result of increases in the number of claims and the duration of claims.

The Port Authority at Gulfport Fund reported an increase in net assets of \$17,479,000, less than half of the \$40,309,000 increase reported in the prior year. The Port continued restoration of the facilities affected by Hurricane Katrina. Transfers from other state agencies of federal monies intended for this purpose were \$25,286,000 as compared to \$36,870,000 received in the prior year. Revenues from Insurance Recovery were down \$2,786,000 from the prior year. The Port continues to work to resolve Hurricane Katrina litigation and Hurricane Katrina Project Worksheet issues.

The Prepaid Affordable College Tuition Fund posted an increase in net assets of \$2,062,000, in contrast to the \$31,472,000 decrease of the prior year. Investment income improved by posting a \$52,976,000 increase over the prior year as the condition of the market strengthened.

## **General Fund Budgetary Highlights**

The original estimated growth rate for fiscal year 2010 General Fund revenues was 1.3 percent. This estimate was revised to a sine die estimate of 2.7 percent. Actual fiscal year 2010 General Fund revenue collections were 4.9 percent below the prior year. Each of these revenue components declined: 7.3 percent in sales tax, 9.1 percent in individual income tax, and 4.6 percent in corporate income and franchise tax.

Actual fiscal year 2010 revenues were \$390,384,000 below estimated amounts. The largest revenue variances were a negative \$195,511,000 in individual income tax collections and a negative \$142,923,000 in sales tax collections. The final expenditure budget was \$427,616,000 under the original budget. Actual expenditures were under the final budget by \$1,456,000.

# Mississippi

## Capital Assets and Debt Administration

### Capital Assets

The State's investment in capital assets for governmental and business-type activities as of June 30, 2010 amounted to \$17,446,112,000, less accumulated depreciation of \$4,627,263,000, resulting in a net book value of \$12,818,849,000. This reflected a net increase for the current fiscal year of 4.2 percent and 7.9 percent for governmental activities and business-type activities, respectively, while the prior fiscal year yielded net increases of 4.0 percent and 16.1 percent. Depreciation expense for fiscal year 2010 totaled \$418,953,000 for governmental and business-type activities.

Major capital asset events during fiscal year 2010 included the following:

Total construction in progress additions for governmental activities were \$744,419,000. This amount included \$631,169,000 related to roads, highways, and bridges; \$52,173,000 related to Department of Finance and Administration building projects such as the Department of Health Laboratory, the Department of Public Safety District 8 Complex, and the Information Technology Services Data Center; \$30,960,000 related to Military Department buildings; and \$22,607,000 for the Mississippi Wireless Interoperable Network.

Infrastructure additions for roads, highways, and bridges reported in governmental activities totaled \$466,103,000. Pavement rehabilitation projects were completed in Jackson, Lauderdale, Madison, and Warren counties. Four Lane Highway Program projects were finished in Claiborne, Greene, Jefferson, Lawrence, Lowndes, and Wayne counties. In addition, urban street projects were completed in Forrest, Grenada, and Hinds counties; and a National Highway System project was completed in Stone County.

Within governmental activities, land additions totaled \$174,575,000, of which \$157,751,000 was for right-of-way acquisitions. Machinery and equipment additions amounted to \$79,441,000, with \$30,062,000 for equipment related to the Mississippi Wireless Interoperable Network. Building additions of \$67,024,000 included \$20,670,000 for the New Court Facility tenant work.

Capital assets, net of accumulated depreciation, for business-type activities increased by \$17,755,000. The Port Authority at Gulfport reported a net increase in capital assets of \$23,091,000. This amount consisted primarily of construction costs as the Port continued its facility restoration following Hurricane Katrina. Completed projects of \$34,457,000 were moved from construction in progress to infrastructure during the year. Additions to construction in progress for the Port Authority at Gulfport totaled \$28,183,000 for the sixty acre fill project, yard development, and rehabilitation of berth facilities.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 17 covers 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<br>Activities |                      | Business-type<br>Activities |                   | Total                |                      |
|--------------------------|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
|                          | 2010                       | 2009 *               | 2010                        | 2009              | 2010                 | 2009 *               |
| Land                     | \$ 1,167,729               | \$ 994,077           | \$ 42,514                   | \$ 42,514         | \$ 1,210,243         | \$ 1,036,591         |
| Software                 | 3,110                      | 3,650                |                             |                   | 3,110                | 3,650                |
| Buildings                | 1,232,063                  | 1,197,907            | 61,718                      | 66,660            | 1,293,781            | 1,264,567            |
| Land improvements        | 99,387                     | 96,545               | 19,641                      | 20,207            | 119,028              | 116,752              |
| Machinery and equipment  | 254,167                    | 288,085              | 11,991                      | 12,983            | 266,158              | 301,068              |
| Infrastructure           | 5,430,283                  | 5,279,735            | 66,941                      | 35,798            | 5,497,224            | 5,315,533            |
| Construction in progress | 4,388,902                  | 4,207,403            | 40,403                      | 47,291            | 4,429,305            | 4,254,694            |
| Total                    | <u>\$ 12,575,641</u>       | <u>\$ 12,067,402</u> | <u>\$ 243,208</u>           | <u>\$ 225,453</u> | <u>\$ 12,818,849</u> | <u>\$ 12,292,855</u> |

\* As restated in Note 8 to the financial statements

# Mississippi

## Debt Administration

Outstanding general obligation debt for the State as of June 30, 2010 was \$3,550,482,000, net of premiums, discounts and deferred amount on refunding. General Obligation Refunding bonds (\$1,541,080,000), Capital Improvements bonds and notes (\$914,578,000), and Major Economic Impact bonds and notes (\$409,905,000) comprise 80.7 percent of this outstanding debt. During fiscal year 2010, the State issued \$723,417,000 in general obligation bonds and notes which are reported in governmental activities. These bonds and notes were issued for capital improvements, for a statewide wireless communication system, and for roads and bridges. Within business-type activities, general obligation bonds decreased by \$2,755,000 as the Port Authority at Gulfport continues to extinguish its long-term debt.

Mississippi has a rating of "AA" from Standard and Poor's, a division of The McGraw Hill Companies, "AA+" from Fitch IBCA Inc., and "Aa2" 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, 2010, the State had established a constitutional legal debt limit of \$12,451,109,000, 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 13 to the financial statements.

### Outstanding Long-term Debt Bonds and Notes (amounts expressed in thousands)

|                                       | Governmental<br>Activities |                     | Business-type<br>Activities |                  | Total               |                     |
|---------------------------------------|----------------------------|---------------------|-----------------------------|------------------|---------------------|---------------------|
|                                       | 2010                       | 2009                | 2010                        | 2009             | 2010                | 2009                |
| General obligation<br>bonds and notes | \$ 3,524,006               | \$ 3,456,607        | \$ 26,476                   | \$ 29,231        | \$ 3,550,482        | \$ 3,485,838        |
| Notes payable                         | 1,044,352                  | 852,011             |                             |                  | 1,044,352           | 852,011             |
| Total                                 | <u>\$ 4,568,358</u>        | <u>\$ 4,308,618</u> | <u>\$ 26,476</u>            | <u>\$ 29,231</u> | <u>\$ 4,594,834</u> | <u>\$ 4,337,849</u> |

## Economic Factors and Next Year's Budget

The State's average unemployment rate increased from the calendar year 2009 average of 9.6 percent to an average of 10.7 percent for the twelve months ending November 2010. The national rates were 9.3 percent and 9.7 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2011, the State economy is expected to experience slow but steady growth. The initial estimated overall fiscal year 2011 General Fund revenue growth rate was a negative 0.3 percent, with component revenue growth projections of negative 2.4 percent in corporate income and franchise tax and 1.0 percent in individual income tax. The overall estimate was revised in November 2010 to 0.7 percent. The November component revenue projections were 4.0 percent in corporate income and franchise tax and 1.5 percent in individual income tax. At the end of December, General Fund collections had risen above the estimate by 1.3 percent. Actual component revenue had increased by 1.4 percent in sales tax and 7.0 percent in corporate income and franchise tax, while use tax decreased by 7.9 percent.

## 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.

# *Mississippi*

## Basic Financial Statements



# Mississippi

## Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

|                                    | Primary Government         |                             |              | Component<br>Units |
|------------------------------------|----------------------------|-----------------------------|--------------|--------------------|
|                                    | Governmental<br>Activities | Business-type<br>Activities | Total        |                    |
| <b>Assets</b>                      |                            |                             |              |                    |
| Current assets:                    |                            |                             |              |                    |
| Equity in internal investment pool | \$ 2,844,270               | \$ 17,707                   | \$ 2,861,977 | \$ 19,439          |
| Cash and cash equivalents          | 540,546                    | 462,643                     | 1,003,189    | 298,263            |
| Investments                        | 26,439                     | 49,575                      | 76,014       | 233,966            |
| Receivables, net                   | 576,434                    | 40,598                      | 617,032      | 228,086            |
| Restricted assets:                 |                            |                             |              |                    |
| Cash and cash equivalents          |                            | 202                         | 202          |                    |
| Due from other governments, net    | 533,200                    | 11,332                      | 544,532      | 220                |
| Internal balances                  | (16,615)                   | 16,615                      |              |                    |
| Due from component units           | 317                        | 100                         | 417          |                    |
| Due from primary government        |                            |                             |              | 31,311             |
| Inventories                        | 37,019                     | 473                         | 37,492       | 22,921             |
| Prepaid items                      | 1,163                      | 165                         | 1,328        | 15,366             |
| Loans and notes receivable, net    | 20,026                     | 5,649                       | 25,675       | 28,143             |
| Deferred charges                   | 1,657                      | 17                          | 1,674        |                    |
| Other assets                       |                            |                             |              | 1,453              |
| Total Current Assets               | 4,564,456                  | 605,076                     | 5,169,532    | 879,168            |
| Noncurrent assets:                 |                            |                             |              |                    |
| Investments                        | 267,759                    | 198,067                     | 465,826      | 338,868            |
| Receivables, net                   | 159,099                    |                             | 159,099      |                    |
| Due from other governments, net    | 505,024                    |                             | 505,024      |                    |
| Loans and notes receivable, net    | 175,242                    | 172,934                     | 348,176      | 143,398            |
| Deferred charges                   | 20,687                     | 123                         | 20,810       |                    |
| Restricted assets:                 |                            |                             |              |                    |
| Cash and cash equivalents          |                            | 450                         | 450          | 301,658            |
| Investments                        |                            |                             |              | 672,583            |
| Capital assets:                    |                            |                             |              |                    |
| Land and construction in progress  | 5,556,631                  | 82,917                      | 5,639,548    | 461,796            |
| Other capital assets, net          | 7,019,010                  | 160,291                     | 7,179,301    | 2,439,072          |
| Other assets                       |                            | 103                         | 103          | 26,291             |
| Total Noncurrent Assets            | 13,703,452                 | 614,885                     | 14,318,337   | 4,383,666          |
| Total Assets                       | 18,267,908                 | 1,219,961                   | 19,487,869   | 5,262,834          |
| <b>Deferred Outflows</b>           |                            |                             |              |                    |
| Interest rate swaps                | 58,072                     |                             | 58,072       |                    |
| Total Deferred Outflows            | \$ 58,072                  | \$ 0                        | \$ 58,072    | \$ 0               |

(Continued on Next Page)

# Mississippi

## Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

(Continued from Previous Page)

|   | Primary Government         |                             |               | Component<br>Units |
|---|----------------------------|-----------------------------|---------------|--------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total         |                    |
| <b>Liabilities</b>                              |                            |                             |               |                    |
| Current liabilities:                            |                            |                             |               |                    |
| Warrants payable                                | \$ 124,901                 | \$ 936                      | \$ 125,837    | \$                 |
| Accounts payable and other liabilities          | 588,303                    | 11,018                      | 599,321       | 177,537            |
| Contracts payable                               | 90,926                     |                             | 90,926        |                    |
| Retainage payable                               |                            | 1,958                       | 1,958         |                    |
| Income tax refunds payable                      | 223,000                    |                             | 223,000       |                    |
| Due to other governments                        | 344,198                    | 6,322                       | 350,520       |                    |
| Due to component units                          | 31,281                     | 30                          | 31,311        |                    |
| Due to primary government                       |                            |                             |               | 417                |
| Claims and benefits payable                     | 173,311                    | 6,186                       | 179,497       |                    |
| Deposits  |                            | 1,730                       | 1,730         | 248                |
| Unearned revenues                               | 97,182                     | 14,656                      | 111,838       | 62,529             |
| Pollution remediation obligation                | 6,546                      |                             | 6,546         |                    |
| Bonds and notes payable, net                    | 416,546                    | 3,050                       | 419,596       | 21,451             |
| Lease obligations payable                       | 6,168                      | 223                         | 6,391         | 8,111              |
| Other liabilities                               |                            |                             |               | 64,129             |
| Total Current Liabilities                       | 2,102,362                  | 46,109                      | 2,148,471     | 334,422            |
| Noncurrent liabilities:                         |                            |                             |               |                    |
| Due to other governments                        |                            | 9,005                       | 9,005         |                    |
| Claims and benefits payable                     |                            | 296,381                     | 296,381       |                    |
| Derivative instruments                          | 58,072                     |                             | 58,072        |                    |
| Other postemployment benefits payable           | 48,335                     |                             | 48,335        |                    |
| Pollution remediation obligation                | 34,055                     |                             | 34,055        |                    |
| Bonds and notes payable, net                    | 4,161,812                  | 23,426                      | 4,185,238     | 754,484            |
| Lease obligations payable                       | 7,044                      | 618                         | 7,662         | 8,276              |
| Liabilities payable from restricted assets:     |                            |                             |               |                    |
| Deposits  |                            | 2                           | 2             |                    |
| Other liabilities                               | 117,983                    | 648                         | 118,631       | 231,775            |
| Total Noncurrent Liabilities                    | 4,427,301                  | 330,080                     | 4,757,381     | 994,535            |
| Total Liabilities                               | 6,529,663                  | 376,189                     | 6,905,852     | 1,328,957          |
| <b>Net Assets</b>                               |                            |                             |               |                    |
| Invested in capital assets, net of related debt | 11,408,744                 | 208,101                     | 11,616,845    | 2,198,114          |
| Restricted for:                                 |                            |                             |               |                    |
| Capital projects                                | 320,862                    |                             | 320,862       |                    |
| Debt service                                    | 248,686                    |                             | 248,686       |                    |
| Other purposes                                  | 28,183                     | 650                         | 28,833        | 444,508            |
| Permanent trusts:                               |                            |                             |               |                    |
| Expendable                                      | 6,622                      |                             | 6,622         |                    |
| Nonexpendable                                   | 50,839                     |                             | 50,839        | 538,606            |
| Unemployment compensation benefits              |                            | 432,566                     | 432,566       |                    |
| Unrestricted                                    | (267,619)                  | 202,455                     | (65,164)      | 752,649            |
| Total Net Assets                                | \$ 11,796,317              | \$ 843,772                  | \$ 12,640,089 | \$ 3,933,877       |

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

# Mississippi

## Statement of Activities

For the Year Ended June 30, 2010 (Expressed in Thousands)

| Functions/Programs                     | Expenses      | Program Revenues           |  |  |
|--|---------------|----------------------------|--|--|
|  |               | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary government:</b>             |               |                            |  |  |
| Governmental activities:               |               |                            |  |  |
| General government                     | \$ 2,011,806  | \$ 1,214,243               | \$ 235,506                               | \$ 1,967                               |
| Education                              | 4,082,117     | 51,848                     | 762,149                                  | 78                                     |
| Health and social services             | 6,747,426     | 569,685                    | 5,456,632                                | 765                                    |
| Law, justice and public safety         | 1,095,181     | 99,098                     | 474,333                                  | 23,735                                 |
| Recreation and resource development    | 1,058,604     | 145,988                    | 850,143                                  | 706                                    |
| Regulation of business and professions | 38,188        | 41,644                     | 736                                      |  |
| Transportation                         | 689,802       | 7,787                      | 15,612                                   | 616,592                                |
| Interest on long-term debt             | 146,732       |                            |  |  |
| Total Governmental Activities          | 15,869,856    | 2,130,293                  | 7,795,111                                | 643,843                                |
| Business-type activities:              |               |                            |  |  |
| Unemployment compensation              | 669,679       | 84,916                     | 382,141                                  |  |
| Port Authority at Gulfport             | 23,243        | 14,652                     |  |  |
| Prepaid affordable college tuition     | 42,183        | 21,799                     |  |  |
| Other business-type                    | 38,074        | 36,811                     |  | 24                                     |
| Total Business-type Activities         | 773,179       | 158,178                    | 382,141                                  | 24                                     |
| Total Primary Government               | \$ 16,643,035 | \$ 2,288,471               | \$ 8,177,252                             | \$ 643,867                             |
| <b>Component units:</b>                |               |                            |  |  |
| Universities                           | \$ 2,747,615  | \$ 1,315,514               | \$ 555,541                               | \$ 56,380                              |
| Nonmajor                               | 35,113        | 28,655                     | 25,493                                   | 1,686                                  |
| Total Component Units                  | \$ 2,782,728  | \$ 1,344,169               | \$ 581,034                               | \$ 58,066                              |

### 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**

| <b>Primary Government</b>          |                                     |               | <b>Component<br/>Units</b> |
|------------------------------------|-------------------------------------|---------------|----------------------------|
| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>  |                            |
| \$ (560,090)                       | \$                                  | \$ (560,090)  |                            |
| (3,268,042)                        |                                     | (3,268,042)   |                            |
| (720,344)                          |                                     | (720,344)     |                            |
| (498,015)                          |                                     | (498,015)     |                            |
| (61,767)                           |                                     | (61,767)      |                            |
| 4,192                              |                                     | 4,192         |                            |
| (49,811)                           |                                     | (49,811)      |                            |
| (146,732)                          |                                     | (146,732)     |                            |
| (5,300,609)                        |                                     | (5,300,609)   |                            |
|                                    | (202,622)                           | (202,622)     |                            |
|                                    | (8,591)                             | (8,591)       |                            |
|                                    | (20,384)                            | (20,384)      |                            |
|                                    | (1,239)                             | (1,239)       |                            |
|                                    | (232,836)                           | (232,836)     |                            |
| (5,300,609)                        | (232,836)                           | (5,533,445)   |                            |
|                                    |                                     | \$ (820,180)  |                            |
|                                    |                                     | 20,721        |                            |
|                                    |                                     | (799,459)     |                            |
| 2,885,064                          |                                     | 2,885,064     |                            |
| 406,279                            |                                     | 406,279       |                            |
| 1,385,623                          |                                     | 1,385,623     |                            |
| 416,978                            |                                     | 416,978       |                            |
| 197,970                            |                                     | 197,970       |                            |
| 511,351                            |                                     | 511,351       |                            |
| 54,935                             | 44,548                              | 99,483        | 92,719                     |
|                                    |                                     |               | 175,494                    |
|                                    |                                     |               | 761,080                    |
|                                    |                                     |               | 18,617                     |
| (29,896)                           | 29,896                              |               |                            |
| 5,828,304                          | 74,444                              | 5,902,748     | 1,047,910                  |
| 527,695                            | (158,392)                           | 369,303       | 248,451                    |
| 11,268,622                         | 1,002,164                           | 12,270,786    | 3,685,426                  |
| \$ 11,796,317                      | \$ 843,772                          | \$ 12,640,089 | \$ 3,933,877               |

# Mississippi

## Governmental Funds

### Balance Sheet

June 30, 2010 (Expressed in Thousands)

|   | General      | Nonmajor<br>Funds | Totals       |
|---|--------------|-------------------|--------------|
| <b>Assets</b>                                   |              |                   |              |
| Equity in internal investment pool              | \$ 1,816,890 | \$ 752,273        | \$ 2,569,163 |
| Cash and cash equivalents                       | 467,063      | 55,992            | 523,055      |
| Investments                                     | 24,407       | 244,661           | 269,068      |
| Receivables, net                                | 714,772      | 20,391            | 735,163      |
| Due from other governments, net                 | 893,303      | 144,741           | 1,038,044    |
| Due from other funds                            | 67,391       | 20,281            | 87,672       |
| Due from component units                        | 222          |                   | 222          |
| Inventories                                     | 35,040       | 1,979             | 37,019       |
| Prepaid items                                   | 1,000        | 163               | 1,163        |
| Loans receivable, net                           | 193,781      | 1,487             | 195,268      |
| Total Assets                                    | \$ 4,213,869 | \$ 1,241,968      | \$ 5,455,837 |
| <b>Liabilities and Fund Balances</b>            |              |                   |              |
| <b>Liabilities:</b>                             |              |                   |              |
| Warrants payable                                | \$ 108,122   | \$ 15,268         | \$ 123,390   |
| Accounts payable and accruals                   | 486,836      | 42,136            | 528,972      |
| Contracts payable                               | 75,032       | 15,894            | 90,926       |
| Income tax refunds payable                      | 223,000      |                   | 223,000      |
| Due to other governments                        | 296,055      | 48,133            | 344,188      |
| Due to other funds                              | 20,089       | 87,047            | 107,136      |
| Due to component units                          | 30,258       | 1,016             | 31,274       |
| Claims payable                                  | 6,078        |                   | 6,078        |
| Deferred revenues                               | 177,877      |                   | 177,877      |
| Unearned revenues                               | 71,728       | 23,224            | 94,952       |
| Notes payable                                   | 10,000       |                   | 10,000       |
| Other liabilities                               |              | 229               | 229          |
| Total Liabilities                               | 1,505,075    | 232,947           | 1,738,022    |
| <b>Fund balances:</b>                           |              |                   |              |
| Reserved for:                                   |              |                   |              |
| Ayers Endowment Trust                           | 15,000       |                   | 15,000       |
| Distribution to local governments               | 42,259       |                   | 42,259       |
| Education and vocational training               |              | 42,580            | 42,580       |
| Ellisville State School                         |              | 2,025             | 2,025        |
| Encumbrances                                    | 45,409       | 22,089            | 67,498       |
| Inventories                                     | 35,040       | 1,979             | 37,019       |
| Long-term portion of due from other governments | 500,142      | 4,882             | 505,024      |
| Long-term portion of loans receivable           | 174,416      | 826               | 175,242      |
| Prepaid items                                   | 1,000        | 163               | 1,163        |
| Scholarships and books                          | 25           |                   | 25           |
| Wildlife conservation                           |              | 8,239             | 8,239        |
| Unreserved - designated, reported in:           |              |                   |              |
| General fund                                    | 1,611,422    |                   | 1,611,422    |
| Special revenue funds                           |              | 362,461           | 362,461      |
| Capital project funds                           |              | 323,080           | 323,080      |
| Unreserved - undesignated, reported in:         |              |                   |              |
| General fund                                    | 284,081      |                   | 284,081      |
| Special revenue funds                           |              | 234,096           | 234,096      |
| Permanent funds                                 |              | 6,601             | 6,601        |
| Total Fund Balances                             | 2,708,794    | 1,009,021         | 3,717,815    |
| Total Liabilities and Fund Balances             | \$ 4,213,869 | \$ 1,241,968      | \$ 5,455,837 |

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



# Mississippi

## Governmental Funds

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

June 30, 2010 (Expressed in Thousands)

Total fund balances for governmental funds \$ 3,717,815

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 (excluding amounts for internal  
service funds' capital assets that are reported in the internal service funds'  
net reconciling item below):

|                          |             |            |
|--------------------------|-------------|------------|
| Software                 | \$ 5,953    |            |
| Land                     | 1,167,729   |            |
| Buildings                | 1,675,360   |            |
| Land improvements        | 170,047     |            |
| Machinery and equipment  | 633,982     |            |
| Infrastructure           | 9,052,247   |            |
| Construction in progress | 4,388,902   |            |
| Accumulated depreciation | (4,524,687) | 12,569,533 |

Derivative instruments reported as deferred outflows in governmental activities  
are not financial resources and therefore are not reported in the funds. 58,072

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. 177,877

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

|                                       |             |             |
|---------------------------------------|-------------|-------------|
| General obligation bonds and notes    | (3,469,356) |             |
| Capital lease obligations             | (13,212)    |             |
| Accrued compensated absences          | (123,111)   |             |
| Pollution remediation obligation      | (40,601)    |             |
| Notes payable                         | (1,029,981) |             |
| Unamortized charges                   | 80,497      |             |
| Unamortized premiums                  | (127,174)   |             |
| Claims payable                        | (2,659)     |             |
| Other postemployment benefits payable | (48,335)    |             |
| Accrued interest payable              | (45,564)    |             |
| Derivative instruments                | (58,072)    | (4,877,568) |

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. 150,588

Net assets of governmental activities \$ 11,796,317

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

# Mississippi

## Governmental Funds

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

For the Year Ended June 30, 2010 (Expressed in Thousands)

|   | General      | Nonmajor<br>Funds | Totals       |
|---|--------------|-------------------|--------------|
| <b>Revenues</b>                                     |              |                   |              |
| Taxes:  |              |                   |              |
| Sales and use                                       | \$ 2,848,169 | \$                | \$ 2,848,169 |
| Gasoline and other motor fuel                       | 398,037      | 8,800             | 406,837      |
| Individual income                                   | 1,337,000    |                   | 1,337,000    |
| Corporate income and franchise                      | 413,930      |                   | 413,930      |
| Insurance   | 197,970      |                   | 197,970      |
| Other   | 505,368      | 5,983             | 511,351      |
| Licenses, fees and permits                          | 434,358      | 70,956            | 505,314      |
| Federal government                                  | 7,042,444    | 1,392,513         | 8,434,957    |
| Investment income                                   | 53,907       | 42,689            | 96,596       |
| Charges for sales and services                      | 287,209      | 24,027            | 311,236      |
| Rentals   | 18,395       | 9,449             | 27,844       |
| Court assessments and settlements                   | 75,614       | 112,723           | 188,337      |
| Other   | 401,461      | 120,175           | 521,636      |
| Total Revenues                                      | 14,013,862   | 1,787,315         | 15,801,177   |
| <b>Expenditures</b>                                 |              |                   |              |
| Current:  |              |                   |              |
| General government                                  | 1,377,855    |                   | 1,377,855    |
| Education   | 3,996,423    | 79,862            | 4,076,285    |
| Health and social services                          | 6,396,201    | 315,265           | 6,711,466    |
| Law, justice and public safety                      | 575,590      | 477,427           | 1,053,017    |
| Recreation and resources development                | 471,551      | 584,235           | 1,055,786    |
| Regulation of business and professions              |              | 37,847            | 37,847       |
| Transportation                                      | 1,180,908    |                   | 1,180,908    |
| Debt service:                                       |              |                   |              |
| Principal   | 321,050      | 775               | 321,825      |
| Interest and other fiscal charges                   | 162,265      | 942               | 163,207      |
| Defeasance of debt                                  | 2,505        |                   | 2,505        |
| Capital outlay                                      |              | 98,825            | 98,825       |
| Total Expenditures                                  | 14,484,348   | 1,595,178         | 16,079,526   |
| Excess of Revenues over (under) Expenditures        | (470,486)    | 192,137           | (278,349)    |
| <b>Other Financing Sources (Uses)</b>               |              |                   |              |
| Bonds and notes issued                              | 457,670      | 124,302           | 581,972      |
| Capital leases issued                               | 2,987        |                   | 2,987        |
| Insurance recovery                                  | 43           | 1,779             | 1,822        |
| Payments on refunded bond anticipation notes        | (241,100)    |                   | (241,100)    |
| Payments on refunded bonds                          | (141,892)    |                   | (141,892)    |
| Payments to refunded note escrow agent              | (41,998)     |                   | (41,998)     |
| Premiums on bonds, notes and refunding bonds issued | 10,204       | 358               | 10,562       |
| Refunding bonds and notes issued                    | 413,965      |                   | 413,965      |
| Transfers in  | 642,245      | 114,347           | 756,592      |
| Transfers out                                       | (112,443)    | (673,974)         | (786,417)    |
| Net Other Financing Sources (Uses)                  | 989,681      | (433,188)         | 556,493      |
| Net Change in Fund Balances                         | 519,195      | (241,051)         | 278,144      |
| Fund Balances - Beginning                           | 2,189,599    | 1,250,072         | 3,439,671    |
| Fund Balances - Ending                              | \$ 2,708,794 | \$ 1,009,021      | \$ 3,717,815 |

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

# Mississippi

## 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, 2010 (Expressed in Thousands)

**Net change in fund balances - total governmental funds** \$ 278,144

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       | \$ 975,061 |         |
| Depreciation expense | (409,627)  | 565,434 |

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net loss of the internal service funds is reported with governmental activities. (33,799)

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. (63,481)

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 | (10,562)  |           |
| Bonds and notes issued                              | (581,972) |           |
| Refunding bonds and notes issued                    | (413,965) |           |
| Capital leases issued                               | (2,987)   |           |
| Payments of debt principal                          | 321,825   |           |
| Payments on refunded bond anticipation notes        | 241,100   |           |
| Payments on refunded bonds                          | 141,892   |           |
| Payments to refunded note escrow agent              | 41,998    |           |
| Defeasance of debt                                  | 2,505     |           |
| Accrued interest payable                            | 2,143     |           |
| Deferred bond and note issuance costs               | 8,757     | (249,266) |

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

|   |          |        |
|---|----------|--------|
| Donations of equipment                          | 2,030    |        |
| Transfers of equipment                          | 3,268    |        |
| Change in claims payable                        | (211)    |        |
| Change in compensated absences                  | 659      |        |
| Change in deferred revenues                     | 37,837   |        |
| Change in other postemployment benefits payable | (21,123) |        |
| Change in pollution remediation obligation      | 4,146    |        |
| Amortization of deferred charges and premiums   | 4,057    | 30,663 |

**Change in net assets of governmental activities** \$ 527,695

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

# Mississippi

## Proprietary Funds

### Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

|                                    | Business-type Activities -              |                               |                                       |
|------------------------------------|---|-------------------------------|---------------------------------------|
|                                    | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport | State<br>Treasurer                    |
|                                    | Unemployment<br>Compensation            |                               | Prepaid Affordable<br>College Tuition |
| <b>Assets</b>                      |   |                               |                                       |
| Current assets:                    |   |                               |                                       |
| Equity in internal investment pool | \$                                      | \$ 749                        | \$ 434                                |
| Cash and cash equivalents          | 416,091                                 | 21,462                        | 17,030                                |
| Investments                        |   | 49,575                        |                                       |
| Receivables, net:                  |   |                               |                                       |
| Accounts                           | 7,967                                   | 744                           | 2,909                                 |
| Assessments                        | 23,910                                  |                               |                                       |
| Interest and dividends             |   | 160                           | 703                                   |
| Restricted assets:                 |   |                               |                                       |
| Cash and cash equivalents          |   | 202                           |                                       |
| Due from other governments         | 11,282                                  | 17                            |                                       |
| Due from other funds               | 704                                     | 13,353                        |                                       |
| Due from component units           | 86                                      |                               |                                       |
| Inventories                        |   |                               |                                       |
| Prepaid items                      |   | 123                           |                                       |
| Loans and notes receivable         |   |                               |                                       |
| Deferred charges                   |   | 17                            |                                       |
| Total Current Assets               | 460,040                                 | 86,402                        | 21,076                                |
| Noncurrent assets:                 |   |                               |                                       |
| Investments                        |   | 4,072                         | 193,995                               |
| Loans and notes receivable         |   |                               |                                       |
| Deferred charges                   |   | 123                           |                                       |
| Restricted assets:                 |   |                               |                                       |
| Cash and cash equivalents          |   | 450                           |                                       |
| Capital assets:                    |   |                               |                                       |
| Land and construction in progress  |   | 77,667                        |                                       |
| Other capital assets, net          |   | 112,481                       |                                       |
| Other assets                       |   | 103                           |                                       |
| Total Noncurrent Assets            |   | 194,896                       | 193,995                               |
| Total Assets                       | \$ 460,040                              | \$ 281,298                    | \$ 215,071                            |

**Enterprise Funds**

|          |         |         |           | Governmental |         |
|----------|---------|---------|-----------|--------------|---------|
|          |         |         |           | Activities - |         |
|          |         |         |           | Internal     |         |
|          |         |         |           | Service      |         |
| Nonmajor |         | Totals  |           | Funds        |         |
| Funds    |         |         |           |              |         |
| \$       | 16,524  | \$      | 17,707    | \$           | 275,107 |
|          | 8,060   |         | 462,643   |              | 17,491  |
|          |         |         | 49,575    |              | 1,711   |
|          | 3,545   |         | 15,165    |              | 20      |
|          |         |         | 23,910    |              |         |
|          | 660     |         | 1,523     |              | 326     |
|          |         |         | 202       |              |         |
|          | 33      |         | 11,332    |              | 180     |
|          | 4,154   |         | 18,211    |              | 4,404   |
|          | 14      |         | 100       |              | 95      |
|          | 473     |         | 473       |              |         |
|          | 42      |         | 165       |              |         |
|          | 5,649   |         | 5,649     |              |         |
|          |         |         | 17        |              |         |
| 39,154   |         | 606,672 |           | 299,334      |         |
|          |         | 198,067 |           | 23,419       |         |
| 172,934  |         | 172,934 |           |              |         |
|          |         | 123     |           |              |         |
|          |         | 450     |           |              |         |
| 5,250    |         | 82,917  |           |              |         |
| 47,810   |         | 160,291 |           | 6,108        |         |
|          |         | 103     |           |              |         |
| 225,994  |         | 614,885 |           | 29,527       |         |
| \$       | 265,148 | \$      | 1,221,557 | \$           | 328,861 |



# Mississippi

## Proprietary Funds

### Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

(Continued from Previous Page)

|   | Business-type Activities -              |                               |                                       |
|---|---|-------------------------------|---------------------------------------|
|   | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport | State<br>Treasurer                    |
|   | Unemployment<br>Compensation            |                               | Prepaid Affordable<br>College Tuition |
| <b>Liabilities</b>                                |   |                               |                                       |
| Current liabilities:                              |   |                               |                                       |
| Warrants payable                                  | \$                                      | \$                            | \$ 154                                |
| Accounts payable and other liabilities            | 303                                     | 4,306                         | 3,268                                 |
| Retainage payable                                 |   | 1,958                         |                                       |
| Due to other governments                          | 6,316                                   |                               | 6                                     |
| Due to other funds                                | 528                                     |                               |                                       |
| Due to component units                            |   |                               |                                       |
| Claims and benefits payable                       | 6,186                                   |                               |                                       |
| Deposits  |   |                               |                                       |
| Bonds payable                                     |   | 3,050                         |                                       |
| Unearned revenues                                 | 14,141                                  | 141                           |                                       |
| Lease obligations payable                         |   |                               |                                       |
| Total Current Liabilities                         | 27,474                                  | 9,455                         | 3,428                                 |
| Noncurrent liabilities:                           |   |                               |                                       |
| Due to other governments                          |   |                               |                                       |
| Claims and benefits payable                       |   |                               | 296,381                               |
| Bonds payable                                     |   | 23,426                        |                                       |
| Lease obligations payable                         |   |                               |                                       |
| Liabilities payable from restricted assets:       |   |                               |                                       |
| Deposits  |   | 2                             |                                       |
| Other liabilities                                 |   | 177                           | 15                                    |
| Total Noncurrent Liabilities                      |   | 23,605                        | 296,396                               |
| Total Liabilities                                 | 27,474                                  | 33,060                        | 299,824                               |
| <b>Net Assets</b>                                 |   |                               |                                       |
| Invested in capital assets, net of related debt   |   | 163,672                       |                                       |
| Restricted for other purposes                     |   | 650                           |                                       |
| Restricted for unemployment compensation benefits | 432,566                                 |                               |                                       |
| Unrestricted                                      |   | 83,916                        | (84,753)                              |
| Total Net Assets                                  | \$ 432,566                              | \$ 248,238                    | \$ (84,753)                           |

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

**Enterprise Funds**

|                           |         |               |         | <b>Governmental<br/>Activities -<br/>Internal<br/>Service<br/>Funds</b> |         |
|---------------------------|---------|---------------|---------|---|---------|
| <b>Nonmajor<br/>Funds</b> |         | <b>Totals</b> |         |   |         |
| \$                        | 782     | \$            | 936     | \$  | 1,511   |
|                           | 3,141   |               | 11,018  |   | 7,219   |
|                           |         |               | 1,958   |   |         |
|                           |         |               | 6,322   |   | 10      |
|                           | 1,068   |               | 1,596   |   | 1,531   |
|                           | 30      |               | 30      |   | 7       |
|                           |         |               | 6,186   |   | 164,574 |
|                           | 1,730   |               | 1,730   |   |         |
|                           |         |               | 3,050   |   |         |
|                           | 374     |               | 14,656  |   | 2,230   |
|                           | 223     |               | 223     |   |         |
|                           | 7,348   |               | 47,705  |   | 177,082 |
|                           |         |               |         |   |         |
|                           | 9,005   |               | 9,005   |   |         |
|                           |         |               | 296,381 |   |         |
|                           |         |               | 23,426  |   |         |
|                           | 618     |               | 618     |   |         |
|                           |         |               | 2       |   |         |
|                           | 456     |               | 648     |   | 1,191   |
|                           | 10,079  |               | 330,080 |   | 1,191   |
|                           | 17,427  |               | 377,785 |   | 178,273 |
|                           |         |               |         |   |         |
|                           | 44,429  |               | 208,101 |   | 6,013   |
|                           |         |               | 650     |   |         |
|                           |         |               | 432,566 |   |         |
|                           | 203,292 |               | 202,455 |   | 144,575 |
| \$                        | 247,721 | \$            | 843,772 | \$  | 150,588 |

# Mississippi

## Proprietary Funds

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

For the Year Ended June 30, 2010 (Expressed in Thousands)

|   | Business-type Activities -              |                               |                                       |
|---|---|-------------------------------|---------------------------------------|
|   | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport | State<br>Treasurer                    |
|   | Unemployment<br>Compensation            |                               | Prepaid Affordable<br>College Tuition |
| <b>Operating Revenues</b>                                   |   |                               |                                       |
| Charges for sales and services/premiums                     | \$                                      | \$ 13,645                     | \$                                    |
| Assessments   | 84,916                                  |                               |                                       |
| Investment income   |   |                               |                                       |
| Federal agencies  | 375,019                                 |                               |                                       |
| Rentals   |   |                               |                                       |
| Fees  |   |                               | 698                                   |
| Tuition receipts  |   |                               | 21,101                                |
| Other   |   |                               |                                       |
| Total Operating Revenues                                    | 459,935                                 | 13,645                        | 21,799                                |
| <b>Operating Expenses</b>                                   |   |                               |                                       |
| Cost of sales and services                                  |   |                               |                                       |
| General and administrative                                  |   | 2,317                         | 250                                   |
| Contractual services  |   | 14,235                        | 1,153                                 |
| Commodities   |   | 301                           | 31                                    |
| Depreciation  |   | 5,278                         |                                       |
| Claims and benefits   | 669,349                                 |                               | 40,749                                |
| Other   | 330                                     |                               |                                       |
| Total Operating Expenses                                    | 669,679                                 | 22,131                        | 42,183                                |
| Operating Loss  | (209,744)                               | (8,486)                       | (20,384)                              |
| <b>Nonoperating Revenues</b>                                |   |                               |                                       |
| Federal grant   | 7,122                                   |                               |                                       |
| Revenue from counties                                       |   | 946                           |                                       |
| Insurance recovery  |   | 61                            |                                       |
| Gain on disposal of capital assets                          |   |                               |                                       |
| Investment income   | 20,939                                  | 784                           | 22,446                                |
| Total Nonoperating Revenues                                 | 28,061                                  | 1,791                         | 22,446                                |
| <b>Nonoperating Expenses</b>                                |   |                               |                                       |
| Loss on disposal of capital assets                          |   |                               |                                       |
| Interest  |   | 1,112                         |                                       |
| Total Nonoperating Expenses                                 |   | 1,112                         |                                       |
| Income (Loss) before Capital Contributions<br>and Transfers | (181,683)                               | (7,807)                       | 2,062                                 |
| Capital Contributions                                       |   |                               |                                       |
| Transfers In  |   | 25,286                        |                                       |
| Transfers Out   | (289)                                   |                               |                                       |
| Change in Net Assets  | (181,972)                               | 17,479                        | 2,062                                 |
| Total Net Assets - Beginning                                | 614,538                                 | 230,759                       | (86,815)                              |
| Total Net Assets - Ending                                   | \$ 432,566                              | \$ 248,238                    | \$ (84,753)                           |

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

# Enterprise Funds

|                   |         |        |           | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |          |
|-------------------|---------|--------|-----------|--|----------|
| Nonmajor<br>Funds |         | Totals |           |  |          |
| \$                | 24,438  | \$     | 38,083    | \$   | 799,860  |
|                   |         |        | 84,916    |  |          |
|                   | 8,670   |        | 8,670     |  |          |
|                   |         |        | 375,019   |  |          |
|                   | 2,301   |        | 2,301     |  |          |
|                   | 60      |        | 758       |  |          |
|                   |         |        | 21,101    |  |          |
|                   | 1,342   |        | 1,342     |  | 120      |
|                   | 36,811  |        | 532,190   |  | 799,980  |
|                   | 14,251  |        | 14,251    |  |          |
|                   | 11,175  |        | 13,742    |  | 15,366   |
|                   | 9,047   |        | 24,435    |  | 80,724   |
|                   | 1,302   |        | 1,634     |  | 645      |
|                   | 2,085   |        | 7,363     |  | 1,963    |
|                   |         |        | 710,098   |  | 742,106  |
|                   | 40      |        | 370       |  |          |
|                   | 37,900  |        | 771,893   |  | 840,804  |
|                   | (1,089) |        | (239,703) |  | (40,824) |
|                   |         |        | 7,122     |  |          |
|                   |         |        | 946       |  |          |
|                   |         |        | 61        |  |          |
|                   | 4       |        | 4         |  |          |
|                   | 379     |        | 44,548    |  | 8,421    |
|                   | 383     |        | 52,681    |  | 8,421    |
|                   | 3,431   |        | 3,431     |  | 22       |
|                   | 15      |        | 1,127     |  | 2        |
|                   | 3,446   |        | 4,558     |  | 24       |
|                   | (4,152) |        | (191,580) |  | (32,427) |
|                   | 24      |        | 24        |  | 1,967    |
|                   | 10,075  |        | 35,361    |  | 1,032    |
|                   | (1,908) |        | (2,197)   |  | (4,371)  |
|                   | 4,039   |        | (158,392) |  | (33,799) |
|                   | 243,682 |        | 1,002,164 |  | 184,387  |
| \$                | 247,721 | \$     | 843,772   | \$   | 150,588  |

# Mississippi

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2010 (Expressed in Thousands)

|  | Business-type Activities -              |                               |                                       |
|--|---|-------------------------------|---------------------------------------|
|  | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport | State<br>Treasurer                    |
|  | Unemployment<br>Compensation            |                               | Prepaid Affordable<br>College Tuition |
| <b>Cash Flows from Operating Activities</b>                        |   |                               |                                       |
| Cash receipts from federal agencies                                | \$ 371,863                              | \$                            | \$                                    |
| Cash receipts/premiums from interfund services provided            |   |                               |                                       |
| Cash receipts/premiums from customers                              |   | 13,646                        | 21,804                                |
| Cash receipts from assessments                                     | 90,184                                  |                               |                                       |
| Cash payments to suppliers for goods and services                  |   | (15,702)                      | (1,161)                               |
| Cash payments to employees for services                            |   | (2,280)                       | (234)                                 |
| Cash payments for claims and benefits                              | (669,171)                               |                               | (15,170)                              |
| Other operating cash receipts                                      |   |                               |                                       |
| Other operating cash payments                                      | (330)                                   |                               |                                       |
| Principal and interest received on program loans                   |   |                               |                                       |
| Issuance of program loans  |   |                               |                                       |
| Net Cash Provided by (Used for) Operating Activities               | (207,454)                               | (4,336)                       | 5,239                                 |
| <b>Cash Flows from Noncapital Financing Activities</b>             |   |                               |                                       |
| Transfers in   |   | 58,410                        |                                       |
| Transfers out  | (289)                                   | 1                             |                                       |
| Federal grants received  | 7,560                                   | 180                           |                                       |
| Revenues from counties   |   | 946                           |                                       |
| Proceeds from other governments                                    |   |                               |                                       |
| Principal paid to other governments                                |   |                               |                                       |
| Interest paid to other governments                                 |   |                               |                                       |
| Net Cash Provided by (Used for) Noncapital<br>Financing Activities | 7,271                                   | 59,537                        |                                       |
| <b>Cash Flows from Capital and Related Financing Activities</b>    |   |                               |                                       |
| Acquisition and construction of capital assets                     |   | (28,369)                      |                                       |
| Proceeds from sales of capital assets                              |   |                               |                                       |
| Principal paid on bonds and capital assets contracts               |   | (3,341)                       |                                       |
| Interest paid on bonds and capital assets contracts                |   | (1,033)                       |                                       |
| Proceeds from insurance recovery                                   |   | 61                            |                                       |
| Net Cash Used for Capital and Related Financing Activities         |   | (32,682)                      |                                       |
| <b>Cash Flows From Investing Activities</b>                        |   |                               |                                       |
| Proceeds from sales of investments                                 |   | 47,100                        | 97,737                                |
| Purchases of investments   |   | (58,655)                      | (104,823)                             |
| Investment income  | 20,939                                  | 754                           | 4,791                                 |
| Net Cash Provided by (Used for) Investing Activities               | 20,939                                  | (10,801)                      | (2,295)                               |
| Net Change in Cash and Cash Equivalents                            | (179,244)                               | 11,718                        | 2,944                                 |
| Cash and Cash Equivalents - Beginning                              | 595,335                                 | 11,145                        | 14,520                                |
| Cash and Cash Equivalents - Ending                                 | \$ 416,091                              | \$ 22,863                     | \$ 17,464                             |

# Enterprise Funds

|                   |           | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |           |
|-------------------|-----------|--|-----------|
| Nonmajor<br>Funds | Totals    |  |           |
| \$                | \$        | 371,863  | \$        |
|                   |           |  | 225,395   |
| 24,712            | 60,162    |  | 574,688   |
|                   | 90,184    |  |           |
| (24,836)          | (41,699)  |  | (82,138)  |
| (11,086)          | (13,600)  |  | (14,913)  |
|                   | (684,341) |  | (725,243) |
| 1,195             | 1,195     |  | 116       |
|                   | (330)     |  |           |
| 25,698            | 25,698    |  |           |
| (21,698)          | (21,698)  |  |           |
| (6,015)           | (212,566) |  | (22,095)  |
|                   |           |  |           |
| 9,719             | 68,129    |  | 982       |
| (1,637)           | (1,925)   |  | (4,371)   |
|                   | 7,740     |  |           |
|                   | 946       |  |           |
| 779               | 779       |  |           |
| (1,531)           | (1,531)   |  |           |
| (1)               | (1)       |  |           |
| 7,329             | 74,137    |  | (3,389)   |
|                   |           |  |           |
| (184)             | (28,553)  |  | (957)     |
| 7                 | 7         |  |           |
| (210)             | (3,551)   |  | (43)      |
| (14)              | (1,047)   |  | (1)       |
|                   | 61        |  |           |
| (401)             | (33,083)  |  | (1,001)   |
|                   |           |  |           |
|                   | 144,837   |  | 8,052     |
|                   | (163,478) |  | (4,716)   |
| 377               | 26,861    |  | 8,275     |
| 377               | 8,220     |  | 11,611    |
| 1,290             | (163,292) |  | (14,874)  |
| 23,294            | 644,294   |  | 307,472   |
| \$                | \$        | 481,002  | \$        |
| 24,584            |           |  | 292,598   |

(Continued on Next Page)

# Mississippi

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2010 (Expressed in Thousands)

(Continued from Previous Page)

|   | Business-type Activities -              |                                       |                    |
|---|---|---------------------------------------|--------------------|
|   | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport         | State<br>Treasurer |
|   | Unemployment<br>Compensation            | Prepaid Affordable<br>College Tuition |                    |
| <b>Reconciliation of Operating Loss to Net Cash<br/>Provided by (Used for) Operating Activities</b> |   |                                       |                    |
| Operating loss  | \$ (209,744)                            | \$ (8,486)                            | \$ (20,384)        |
| Adjustments to reconcile operating loss to net<br>cash provided by (used for) operating activities: |   |                                       |                    |
| Depreciation  |   | 5,278                                 |                    |
| Change in assets and liabilities:   |   |                                       |                    |
| (Increase) decrease in assets:  |   |                                       |                    |
| Accounts receivable, net  | (2,740)                                 | (13)                                  | 1                  |
| Assessments receivable, net   | (3,256)                                 |                                       |                    |
| Interest receivable   |   |                                       |                    |
| Due from other governments  | (5,586)                                 | 16                                    |                    |
| Due from other funds  | 41                                      |                                       |                    |
| Due from component units  | 139                                     |                                       | 4                  |
| Inventories   |   |                                       |                    |
| Prepaid items   |   | (68)                                  |                    |
| Loans and notes receivable  |   |                                       |                    |
| Increase (decrease) in liabilities:   |   |                                       |                    |
| Warrants payable  |   |                                       | (27)               |
| Accounts payable and other liabilities  | 60                                      | (1,062)                               | 42                 |
| Due to other governments  | (1,239)                                 |                                       | 6                  |
| Due to other funds  | 229                                     |                                       |                    |
| Due to component units  |   |                                       |                    |
| Claims and benefits payable   | 1,127                                   |                                       | 25,597             |
| Unearned revenues   | 13,515                                  | (1)                                   |                    |
| Total adjustments   | 2,290                                   | 4,150                                 | 25,623             |
| Net Cash Provided by (Used for) Operating Activities  | \$ (207,454)                            | \$ (4,336)                            | \$ 5,239           |
| <b>Noncash Capital and Related Financing<br/>and Investing Activities</b>                           |   |                                       |                    |
| Capital contributions   |   |                                       |                    |
| Loss on disposal of capital assets  |   |                                       |                    |
| Change in market value of investments   |   | 122                                   | 23,512             |

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



**Enterprise Funds**

|                           |               | <b>Governmental<br/>Activities -<br/>Internal<br/>Service<br/>Funds</b> |          |
|---------------------------|---------------|---|----------|
| <b>Nonmajor<br/>Funds</b> | <b>Totals</b> |   |          |
| \$ (1,089)                | \$ (239,703)  | \$  | (40,824) |
| 2,085                     | 7,363         |   | 1,963    |
| (36)                      | (2,788)       |   | 2        |
|                           | (3,256)       |   |          |
| 4                         | 4             |   |          |
| 8                         | (5,562)       |   | (3)      |
| (1,802)                   | (1,761)       |   | (57)     |
| (4)                       | 139           |   | 70       |
| (99)                      | (99)          |   |          |
| 2                         | (66)          |   |          |
| (5,074)                   | (5,074)       |   |          |
| (224)                     | (251)         |   | (38)     |
| 192                       | (768)         |   | (793)    |
| (5)                       | (1,238)       |   | 10       |
| 6                         | 235           |   | 445      |
| 20                        | 20            |   | 5        |
|                           | 26,724        |   | 16,905   |
| 1                         | 13,515        |   | 220      |
| (4,926)                   | 27,137        |   | 18,729   |
| \$ (6,015)                | \$ (212,566)  | \$  | (22,095) |

|       |        |       |
|-------|--------|-------|
| 24    | 24     | 1,967 |
| 3,427 | 3,427  | 22    |
|       | 23,634 | (177) |

# Mississippi

## Fiduciary Funds

### Statement of Fiduciary Net Assets

June 30, 2010 (Expressed in Thousands)

|  | Pension<br>Trust<br>Funds | Private-purpose<br>Trust<br>Fund | Agency<br>Funds |
|--|---------------------------|----------------------------------|-----------------|
| <b>Assets</b>  |                           |                                  |                 |
| Equity in internal investment pool                         | \$ 489                    | \$ 55                            | \$ 12,262       |
| Cash and cash equivalents                                  | 313,739                   | 484                              | 34,907          |
| Investments, at fair value:                                |                           |                                  |                 |
| Short-term securities                                      | 24,816                    | 6,046                            |                 |
| Debt securities  | 4,354,015                 | 27,329                           |                 |
| Equity securities  | 12,046,082                | 44,780                           |                 |
| Private equity   | 92,287                    |                                  |                 |
| Absolute return strategy                                   | 14,870                    |                                  |                 |
| Real estate investments                                    | 767,184                   | 4,204                            |                 |
| Asset allocation fund                                      | 44,884                    |                                  |                 |
| Fixed rate and variable                                    | 509,152                   |                                  |                 |
| Life insurance contracts                                   | 365                       | 17,124                           |                 |
| Securities lending:  |                           |                                  |                 |
| Short-term securities                                      | 2,403,196                 |                                  |                 |
| Debt securities  | 1,674,596                 |                                  |                 |
| Receivables, net:  |                           |                                  |                 |
| Employer contributions                                     | 53,055                    |                                  |                 |
| Employee contributions                                     | 34,587                    |                                  |                 |
| Investment proceeds  | 180,686                   |                                  |                 |
| Interest and dividends                                     | 67,597                    | 56                               |                 |
| Other  | 1,786                     | 39                               | 409             |
| Commodity inventory  |                           |                                  | 466             |
| Capital assets:  |                           |                                  |                 |
| Land   | 508                       |                                  |                 |
| Other capital assets, net                                  | 14,879                    |                                  |                 |
| Total Assets   | 22,598,773                | 100,117                          | \$ 48,044       |
| <b>Liabilities</b>   |                           |                                  |                 |
| Warrants payable   | 255                       | 2                                | \$ 6,584        |
| Accounts payable and accruals                              | 240,468                   | 136                              | 20,170          |
| Due to other governments                                   |                           |                                  | 1,154           |
| Due to other funds   | 24                        |                                  |                 |
| Amounts held in custody for others                         | 1,138                     |                                  | 20,136          |
| Obligations under securities lending                       | 4,082,776                 |                                  |                 |
| Total Liabilities  | 4,324,661                 | 138                              | \$ 48,044       |
| <b>Net Assets</b>  |                           |                                  |                 |
| Held in trust for pension benefits and trust beneficiaries | \$ 18,274,112             | \$ 99,979                        |                 |

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

# Mississippi

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2010 (Expressed in Thousands)

|  | Pension<br>Trust<br>Funds | Private-purpose<br>Trust<br>Fund |
|--|---------------------------|----------------------------------|
| <b>Additions</b>   |                           |                                  |
| Contributions:   |                           |                                  |
| Employer   | \$ 762,886                | \$                               |
| Plan participant   | 527,904                   | 35,313                           |
| Total Contributions  | 1,290,790                 | 35,313                           |
| Net Investment Income:                                     |                           |                                  |
| Net change in fair value of investments                    | 1,792,688                 | 7,559                            |
| Interest and dividends                                     | 490,676                   | 2,107                            |
| Securities lending:  |                           |                                  |
| Income from securities lending                             | 41,223                    |                                  |
| Interest expense and trading costs from securities lending | (1,342)                   |                                  |
| Managers' fees and trading costs                           | (33,904)                  | (562)                            |
| Net Investment Income                                      | 2,289,341                 | 9,104                            |
| Other Additions:   |                           |                                  |
| Administrative fees  | 610                       | 85                               |
| Other  | 3,985                     |                                  |
| Total Other Additions                                      | 4,595                     | 85                               |
| Total Additions  | 3,584,726                 | 44,502                           |
| <b>Deductions</b>  |                           |                                  |
| Benefits   | 1,697,234                 | 25,109                           |
| Refunds to terminated employees                            | 73,668                    |                                  |
| Administrative expenses                                    | 12,349                    | 141                              |
| Depreciation   | 446                       |                                  |
| Total Deductions   | 1,783,697                 | 25,250                           |
| Change in Net Assets                                       | 1,801,029                 | 19,252                           |
| Net Assets - Beginning                                     | 16,473,083                | 80,727                           |
| Net Assets - Ending  | \$ 18,274,112             | \$ 99,979                        |

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

# Mississippi

## Component Units

### Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

|   | Universities | Nonmajor   | Totals       |
|---|--------------|------------|--------------|
| <b>Assets</b>                                   |              |            |              |
| Current assets:                                 |              |            |              |
| Equity in internal investment pool              | \$ 17,523    | \$ 1,916   | \$ 19,439    |
| Cash and cash equivalents                       | 278,857      | 19,406     | 298,263      |
| Investments                                     | 203,752      | 30,214     | 233,966      |
| Receivables, net                                | 225,784      | 2,302      | 228,086      |
| Due from other governments                      |              | 220        | 220          |
| Due from primary government                     | 31,167       | 144        | 31,311       |
| Inventories                                     | 22,500       | 421        | 22,921       |
| Prepaid items                                   | 15,162       | 204        | 15,366       |
| Notes receivable, net                           | 28,143       |            | 28,143       |
| Other assets                                    | 1,438        | 15         | 1,453        |
| Total Current Assets                            | 824,326      | 54,842     | 879,168      |
| Noncurrent assets:                              |              |            |              |
| Investments                                     | 338,868      |            | 338,868      |
| Notes receivable, net                           | 143,398      |            | 143,398      |
| Restricted assets:                              |              |            |              |
| Cash and cash equivalents                       | 301,658      |            | 301,658      |
| Investments                                     | 665,447      | 7,136      | 672,583      |
| Capital assets:                                 |              |            |              |
| Land and construction in progress               | 446,005      | 15,791     | 461,796      |
| Other capital assets, net                       | 2,266,338    | 172,734    | 2,439,072    |
| Other assets                                    | 26,291       |            | 26,291       |
| Total Noncurrent Assets                         | 4,188,005    | 195,661    | 4,383,666    |
| Total Assets                                    | 5,012,331    | 250,503    | 5,262,834    |
| <b>Liabilities</b>                              |              |            |              |
| Current liabilities:                            |              |            |              |
| Accounts payable and other liabilities          | 173,584      | 3,953      | 177,537      |
| Due to primary government                       | 397          | 20         | 417          |
| Deposits  |              | 248        | 248          |
| Unearned revenues                               | 61,867       | 662        | 62,529       |
| Bonds and notes payable                         | 21,412       | 39         | 21,451       |
| Lease obligations payable                       | 8,111        |            | 8,111        |
| Other liabilities                               | 64,129       |            | 64,129       |
| Total Current Liabilities                       | 329,500      | 4,922      | 334,422      |
| Noncurrent liabilities:                         |              |            |              |
| Bonds and notes payable                         | 754,174      | 310        | 754,484      |
| Lease obligations payable                       | 8,276        |            | 8,276        |
| Other liabilities                               | 231,316      | 459        | 231,775      |
| Total Noncurrent Liabilities                    | 993,766      | 769        | 994,535      |
| Total Liabilities                               | 1,323,266    | 5,691      | 1,328,957    |
| <b>Net Assets</b>                               |              |            |              |
| Invested in capital assets, net of related debt | 2,009,937    | 188,177    | 2,198,114    |
| Restricted for:                                 |              |            |              |
| Other purposes                                  | 431,675      | 12,833     | 444,508      |
| Permanent endowments:                           |              |            |              |
| Nonexpendable                                   | 538,606      |            | 538,606      |
| Unrestricted                                    | 708,847      | 43,802     | 752,649      |
| Total Net Assets                                | \$ 3,689,065 | \$ 244,812 | \$ 3,933,877 |

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

# Mississippi

## Component Units

### Statement of Activities

For the Year Ended June 30, 2010 (Expressed in Thousands)

| Functions/<br>Programs                   | Expenses            | Program Revenues           |  |  | Net (Expense) Revenue<br>and Changes in Net Assets |                   |                     |
|--|---------------------|----------------------------|--|--|--|-------------------|---------------------|
|  |                     | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Universities                                       | Nonmajor          | Total               |
| Universities                             | \$ 2,747,615        | \$ 1,315,514               | \$ 555,541                               | \$ 56,380                              | \$ (820,180)                                       | \$                | \$ (820,180)        |
| Nonmajor                                 | 35,113              | 28,655                     | 25,493                                   | 1,686                                  |  | 20,721            | 20,721              |
| Total                                    | <u>\$ 2,782,728</u> | <u>\$ 1,344,169</u>        | <u>\$ 581,034</u>                        | <u>\$ 58,066</u>                       | <u>(820,180)</u>                                   | <u>20,721</u>     | <u>(799,459)</u>    |
| General revenues:                        |                     |                            |  |  |  |                   |                     |
| Investment income                        |                     |                            |  |  | 91,419   | 1,300             | 92,719              |
| Other                                    |                     |                            |  |  | 171,880  | 3,614             | 175,494             |
| Payment from State of Mississippi        |                     |                            |  |  | 761,080  |                   | 761,080             |
| Contributions to permanent endowments    |                     |                            |  |  | 18,617   |                   | 18,617              |
| Total General Revenues and Contributions |                     |                            |  |  | 1,042,996  | 4,914             | 1,047,910           |
| Change in Net Assets                     |                     |                            |  |  | 222,816  | 25,635            | 248,451             |
| Net Assets - Beginning                   |                     |                            |  |  | 3,466,249  | 219,177           | 3,685,426           |
| Net Assets - Ending                      |                     |                            |  |  | <u>\$ 3,689,065</u>                                | <u>\$ 244,812</u> | <u>\$ 3,933,877</u> |

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, 2010

### 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, 2010, and their report, dated November 29, 2010, 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

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.

# Mississippi

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 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.

# Mississippi

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.

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.

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 Fund accounts for operations of a college savings program under Section 529 of the Internal Revenue Code. Funding is provided by participants' contributions and investment earnings.

Agency Funds account for funds distributed to the various counties and municipalities of the state; 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; and for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

- 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, all highly liquid investments with an original maturity date of three months or less are included as cash and cash equivalents for the Universities, a major component unit.

- F. Investments** - Investments, including any land or other real estate held as investments by endowments, 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. Changes in the fair value of investment derivative instruments, including derivative instruments that are determined to be ineffective as hedges, are reported as investment income in the government-wide Statement of Activities.

Investments of the pension trust funds are reported 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.

# Mississippi

- 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, software - \$1,000,000, 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 5 to 15 years for software, 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** - In the government-wide and proprietary fund financial statements, 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.

# Mississippi

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

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

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

- O. Deferred and Unearned Revenues** - In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental fund financial statements as well as deferred revenues, which are recognized when revenues are unavailable.

- P. Net Assets/Fund Balance** - The difference between fund assets and liabilities is "Net Assets" on government-wide, proprietary, and fiduciary funds financial statements and "Fund Balance" on governmental funds financial statements.

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

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

- Q. Federal Grants** - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

- R. Bond and Note Premiums/Discounts** - Bond and note proceeds, premiums and discounts are reported as an other financing source or use in the governmental fund financial statements. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide and proprietary fund financial statements, bond and note premiums and discounts, as well as issuance costs and refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds and notes using the straight-line method. Bonds and notes payable are reported net of the applicable unamortized bond and note premium, discount or refunding charge while bond and note issuance costs are reported as deferred charges.

- S. Changes in Accounting Standards** - The State implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* in the current fiscal year. The provisions of these standards have been incorporated into the financial statements and the notes.

# Mississippi

## 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  |                   |                     |
|--|---------------------|-------------------|---------------------|
|  | General             | Nonmajor Funds    | Totals              |
| <b>Fund balances, unreserved - designated:</b> |                     |                   |                     |
| Debt service                                   | \$ 245,955          | \$ 2,731          | \$ 248,686          |
| Disaster recovery                              |                     | 100,570           | 100,570             |
| Energy programs                                |                     | 6,048             | 6,048               |
| Future capital projects                        | 513                 | 320,349           | 320,862             |
| Future loans                                   | 116,085             | 12,614            | 128,699             |
| Health care                                    |                     | 243,229           | 243,229             |
| Road and highway construction                  | 454,861             |                   | 454,861             |
| Special treasury accounts                      | 563,274             |                   | 563,274             |
| Working cash stabilization reserve             | 230,734             |                   | 230,734             |
| Total  | <u>\$ 1,611,422</u> | <u>\$ 685,541</u> | <u>\$ 2,296,963</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 \$1,088,408,000 of restricted net assets, of which \$85,572,000 is restricted by enabling legislation.
- C. Deficit Net Assets** - At June 30, 2010, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of \$84,753,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts.
- D. Restatements of Net Assets** - During fiscal year 2010, the State implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The provisions of this standard require the measurement of intangible assets as of the beginning of the reporting period. By recording these capital assets, the net assets within governmental activities were increased.

During fiscal year 2010, the State implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The provisions of this standard require the measurement of the fair value of derivative instruments as of the beginning of the reporting period. This fair value presentation was reported as deferred outflows and derivative instruments resulting in no change to net assets within governmental activities.

During fiscal year 2010, prior period adjustments of \$59,845,000 were made to increase the beginning net assets of Governmental Activities as a result of a change in the calculation of the net OPEB obligation.

Within governmental activities, the Health Care fund was reclassified from a major governmental fund to a nonmajor governmental fund for \$457,968,000.

The restatement of beginning net assets is summarized as follows (amounts expressed in thousands):

|   | Governmental Activities |
|---|-------------------------|
| Net Assets at June 30, 2009, as previously reported | \$ 11,195,204           |
| Implementation of GASB Statement No. 51             | 13,573                  |
| Prior period adjustments                            | 59,845                  |
| Net Assets at June 30, 2009, as restated            | <u>\$ 11,268,622</u>    |

# Mississippi

## Note 3 - Interfund Transactions

At June 30, 2010, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

| Due From                  | Due To    |                       |                  |                           |                            |                     |       |            |
|---------------------------|-----------|-----------------------|------------------|---------------------------|----------------------------|---------------------|-------|------------|
|                           | General   | Nonmajor Governmental | Internal Service | Unemployment Compensation | Port Authority at Gulfport | Nonmajor Enterprise | Total |            |
| Governmental:             |           |                       |                  |                           |                            |                     |       |            |
| General                   | \$        | \$                    | 15,786           | \$ 3,796                  | \$                         | \$                  | 507   | \$ 20,089  |
| Nonmajor Governmental     | 66,115    | 3,389                 | 556              |                           | 13,353                     | 3,634               |       | 87,047     |
| Internal Service          | 731       | 54                    | 29               | 704                       |                            | 13                  |       | 1,531      |
| Proprietary:              |           |                       |                  |                           |                            |                     |       |            |
| Unemployment Compensation | 528       |                       |                  |                           |                            |                     |       | 528        |
| Nonmajor Enterprise       | 12        | 1,052                 | 4                |                           |                            |                     |       | 1,068      |
| Fiduciary                 | 5         |                       | 19               |                           |                            |                     |       | 24         |
| Total                     | \$ 67,391 | \$ 20,281             | \$ 4,404         | \$ 704                    | \$ 13,353                  | \$ 4,154            | \$    | \$ 110,287 |

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, 2010, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

| Due From              | Due To             |                  |                           |                     |                 |          |           |
|-----------------------|--------------------|------------------|---------------------------|---------------------|-----------------|----------|-----------|
|                       | Primary Government |                  |                           |                     | Component Units |          |           |
|                       | General            | Internal Service | Unemployment Compensation | Nonmajor Enterprise | Universities    | Nonmajor | Total     |
| Primary Government:   |                    |                  |                           |                     |                 |          |           |
| General               | \$                 | \$               | \$                        | \$                  | \$              | 30,121   | \$        |
| Nonmajor Governmental |                    |                  |                           |                     |                 | 1,016    |           |
| Internal Service      |                    |                  |                           |                     |                 |          | 7         |
| Nonmajor Enterprise   |                    |                  |                           |                     |                 | 30       |           |
| Component Units:      |                    |                  |                           |                     |                 |          |           |
| Universities          | 219                | 78               | 86                        | 14                  |                 |          | 397       |
| Nonmajor              | 3                  | 17               |                           |                     |                 |          | 20        |
| Total                 | \$ 222             | \$ 95            | \$ 86                     | \$ 14               | \$ 31,167       | \$ 144   | \$ 31,728 |

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.

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At June 30, 2010, interfund transfers consisted of (amounts expressed in thousands):

| Transfer From             | Transfer To |                       |                  |                            |                     |       | Total |        |        |        |         |  |         |
|---------------------------|-------------|-----------------------|------------------|----------------------------|---------------------|-------|-------|--------|--------|--------|---------|--|---------|
|                           | General     | Nonmajor Governmental | Internal Service | Port Authority at Gulfport | Nonmajor Enterprise |       |       |        |        |        |         |  |         |
| Governmental:             |             |                       |                  |                            |                     |       |       |        |        |        |         |  |         |
| General                   | \$          | \$                    | 101,704          | \$                         | 1,017               | \$    | 1,579 | \$     | 8,143  | \$     | 112,443 |  |         |
| Nonmajor Governmental     |             | 637,187               |                  |                            | 11,155              |       | 15    |        | 23,707 |        | 1,910   |  | 673,974 |
| Internal Service          |             | 4,357                 |                  |                            | 14                  |       |       |        |        |        |         |  | 4,371   |
| Proprietary:              |             |                       |                  |                            |                     |       |       |        |        |        |         |  |         |
| Unemployment Compensation |             |                       |                  |                            | 289                 |       |       |        |        |        |         |  | 289     |
| Nonmajor Enterprise       |             | 701                   |                  |                            | 1,185               |       |       |        |        | 22     |         |  | 1,908   |
| Total                     | \$          | 642,245               | \$               | 114,347                    | \$                  | 1,032 | \$    | 25,286 | \$     | 10,075 | \$      |  | 792,985 |

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 \$20,000,000 from Emergency Management (a nonmajor governmental fund) to the General Fund to defray the costs of windstorm reinsurance.

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 2010, the legislative provision for repayment was repealed. The interfund loan was reclassified as a permanent transfer to the General Fund from nonmajor governmental funds.

## 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



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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, 2010, \$30,390,000 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, 2010, \$680,000 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);

Direct U.S. Treasury obligations fully guaranteed by the U.S. Government;

U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by U.S. Government, U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise, not to exceed 50 percent of total investments with maturities of 30 days or longer. During the year, these investments exceeded the limit imposed by the statute. On September 7, 2008, Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) were placed into conservatorship by the U.S. government, lending an additional level of security to these investments. The Agency bonds purchased over and above the statutory limitation were purchased in lieu of Treasury bonds that were offered at substantially lower yields. As Congress debates possible reforms to FHLMC and FNMA, the risk position of the portfolio will continue to be monitored to ensure that funds are invested in a manner consistent with the risk limitations intended by the statute. Whatever identity FHLMC and FNMA assume post-conservatorship will be evaluated in light of the statute and the appropriate limitations to the asset allocation will be imposed; 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.

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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.

# Mississippi

## 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 Moody's or Standard and Poor's credit ratings for the primary government's investments as of June 30, 2010 are as follows (amounts expressed in thousands):

| Investment Type                     | Quality Ratings |           |           |          |        |        |       | Not Rated  |
|-------------------------------------|-----------------|-----------|-----------|----------|--------|--------|-------|------------|
|                                     | Aaa/AAA         | Aa/AA     | A/A       | Baa/BBB  | Ba/BB  | B/B    | C/C   |            |
| Asset backed securities             | \$ 2,550        | \$        | \$        | \$ 282   | \$     | \$     | \$    | \$         |
| Collateralized mortgage obligations | 1,301           |           | 412       | 385      |        |        |       | 635,275    |
| Corporate bonds                     | 5,408           | 4,082     | 16,741    | 6,512    | 365    | 506    | 74    | 126        |
| Mortgage pass-throughs              |                 |           |           |          |        |        |       | 157,616    |
| Mutual funds                        | 66,432          |           |           |          |        |        |       | 33,375     |
| State and local obligations         | 688             | 6,373     | 2,870     | 292      |        |        |       | 119        |
| U.S. Government agency obligations  | 922,550         | 710       |           |          |        |        |       | 1,803      |
| Total                               | \$ 998,929      | \$ 11,165 | \$ 20,023 | \$ 7,471 | \$ 365 | \$ 506 | \$ 74 | \$ 828,314 |

- B. 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, 2010, 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 backed securities             | \$ 2,832     | \$                               | \$ 968     | \$ 1,864   | \$           |
| Collateralized mortgage obligations | 992,384      | 93                               | 6,270      | 55,172     | 930,849      |
| Corporate bonds                     | 34,564       | 5,314                            | 19,083     | 4,479      | 5,688        |
| Mortgage pass-throughs              | 161,453      | 62                               | 8,837      | 36,058     | 116,496      |
| Mutual funds                        | 99,806       | 72,477                           |            | 27,329     |              |
| Other pass-through securities       | 287,448      |                                  | 1,624      | 141,419    | 144,405      |
| State and local obligations         | 10,342       | 1,237                            | 5,186      | 1,858      | 2,061        |
| U.S. Government agency obligations  | 929,568      | 81,894                           | 804,100    | 38,984     | 4,590        |
| U.S. Treasury obligations           | 29,067       | 5,328                            | 20,217     | 3,522      |              |
| Zero coupon bonds                   | 2,839        |                                  | 1,396      | 1,105      | 338          |
| Total                               | \$ 2,550,303 | \$ 166,405                       | \$ 867,681 | \$ 311,790 | \$ 1,204,427 |

Collateralized mortgage obligations (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.

Asset backed securities (ABS) are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes.

Mortgage pass-through securities are issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are backed by mortgage loans in which the borrowers have the option of prepaying.

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- C. 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, 2010, is as follows (amounts expressed in thousands):

| Currency          | Cash and<br>Equivalents | Equities  | Total Fair<br>Value |
|-------------------|-------------------------|-----------|---------------------|
| Australian dollar | \$                      | \$ 2,969  | \$ 2,969            |
| Brazilian real    |                         | 1,322     | 1,322               |
| Canadian dollar   |                         | 1,164     | 1,164               |
| Danish krone      |                         | 536       | 536                 |
| Euro              | 65                      | 18,408    | 18,473              |
| Hong Kong dollar  |                         | 4,073     | 4,073               |
| Japanese yen      |                         | 13,028    | 13,028              |
| Malaysian ringgit |                         | 938       | 938                 |
| Norwegian krone   |                         | 645       | 645                 |
| Pound sterling    |                         | 16,449    | 16,449              |
| Singapore dollar  |                         | 1,550     | 1,550               |
| South Korean won  |                         | 457       | 457                 |
| Swedish krona     |                         | 277       | 277                 |
| Swiss franc       |                         | 7,516     | 7,516               |
| Taiwan dollar     |                         | 780       | 780                 |
| Thailand baht     | (3)                     |           | (3)                 |
| Total             | \$ 62                   | \$ 70,112 | \$ 70,174           |

- D. 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 (amounts expressed in thousands):

|  |            |        |
|--|------------|--------|
| Federal Home Loan Mortgage Corporation | \$ 693,325 | 20.44% |
| Federal National Mortgage Association  | \$ 805,120 | 23.74% |

Within the primary government, the General Fund and nonmajor governmental funds have significantly greater concentration in the following investments (amounts expressed in thousands):

**General Fund**

|                        |          |        |
|------------------------|----------|--------|
| Federal Home Loan Bank | \$ 4,379 | 20.33% |
|------------------------|----------|--------|

**Nonmajor governmental funds**

|                        |          |       |
|------------------------|----------|-------|
| Federal Home Loan Bank | \$ 4,878 | 6.42% |
|------------------------|----------|-------|

- E. Investment Derivative Instruments** – As a means to mitigate the State's exposure to fluctuating interest rates, the State entered into a forward interest rate swap agreement in December 2005 in connection with the expected September 2009 issuance of variable rate notes totaling \$58,000,000. Due to the low market interest rates, the State determined in the current year that issuing the 2009A and 2009B notes with a fixed interest rate rather than a variable interest rate was more economical. Therefore, the State made the decision to terminate the forward interest rate swap agreement making it an ineffective hedging derivative instrument. The termination resulted in an investment loss of \$8,815,000 in the Statement of Activities.

## 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, 2010, the System had no deposits in foreign demand deposit accounts.

# Mississippi

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.

## 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 and value added 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.

# Mississippi

## 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 A1/P1. 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 Moody's or Standard and Poor's credit ratings for the System's investments as of June 30, 2010 are as follows (amounts expressed in thousands):

| Investment Type                     | Quality Ratings |            |              |            |            |            |
|-------------------------------------|-----------------|------------|--------------|------------|------------|------------|
|                                     | Aaa/AAA         | Aa/AA      | A/A          | Baa/BBB    | Ba/BB      | B/B        |
| Asset backed securities             | \$ 447,416      | \$ 20,132  | \$ 6,542     | \$ 1,792   | \$ 16,823  |            |
| Collateralized mortgage obligations | 253,592         | 14,276     | 68,396       | 18,170     | 10,037     | 5,678      |
| Commercial paper                    |                 |            | 1,989,707    |            |            |            |
| Corporate bonds                     | 303,650         | 765,081    | 678,819      | 447,612    | 145,529    | 72,026     |
| Mortgage pass-throughs              | 425,041         |            |              |            |            |            |
| Repurchase agreements               | 360,542         |            |              |            |            |            |
| Sovereign agencies debt             | 1,024           | 285        | 2,966        | 6,856      | 5,033      |            |
| Sovereign governments debt          | 12,296          | 6,379      | 19,865       | 132,756    | 76,624     | 34,338     |
| State and local obligations         | 1,978           | 23,201     | 26,935       | 4,370      |            |            |
| U.S. Government agency obligations  | 251,323         |            | 2,812        |            |            |            |
| Yankee/Global bonds                 | 26,137          | 6,556      | 8,191        | 1,832      |            |            |
| Total                               | \$ 2,082,999    | \$ 835,910 | \$ 2,804,233 | \$ 613,388 | \$ 254,046 | \$ 112,042 |

| Investment Type                     | Quality Ratings |           |          |           |          |           |
|-------------------------------------|-----------------|-----------|----------|-----------|----------|-----------|
|                                     | Caa/CCC         | Ca/CC     | C/C      | P         | WR       | Not Rated |
| Asset backed securities             | \$ 28,110       | \$        | 16       | \$        | 1,212    | \$        |
| Collateralized mortgage obligations | 25,584          | 12,859    | 1,170    |           |          |           |
| Commercial Paper                    |                 |           |          | 52,948    |          |           |
| Corporate bonds                     | 3,763           |           |          |           | 4        | 5,403     |
| Sovereign governments debt          |                 |           |          |           |          | 4,662     |
| State and local obligations         |                 |           |          |           |          | 4,093     |
| Total                               | \$ 57,457       | \$ 12,859 | \$ 1,186 | \$ 52,948 | \$ 1,216 | \$ 14,158 |

- B. Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have \$21,931,447,000 in investments at June 30, 2010. Of this amount, \$4,077,792,000 was exposed to custodial credit risk. These are cash 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.

# Mississippi

The fair value of the System's cash collateral securities as of June 30, 2010, consisted of (amounts expressed in thousands):

| Investment Type          | Fair Value          |
|--------------------------|---------------------|
| Commercial paper         | \$ 2,042,654        |
| Repurchase agreements    | 360,542             |
| Corporate bonds          | 1,149,638           |
| Asset backed securities  | 424,993             |
| U.S. Government agencies | 99,965              |
| Total                    | <u>\$ 4,077,792</u> |

**C. 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 17.8 percent of total investments. At June 30, 2010, the current position is 21.5 percent. In fiscal year 2010, the System expanded its fixed income allocation into emerging market debt securities, which invest primarily in sovereign government and agency debt securities. The System also expanded its non-U.S. allocation in the area of REITs. The System's exposure to foreign currency risk at June 30, 2010, is as follows (amounts expressed in thousands):

| Currency           | Cash and<br>Equivalents | Equities and<br>REITs | Debt<br>Securities | Total Fair<br>Value |
|--------------------|-------------------------|-----------------------|--------------------|---------------------|
| Australian dollar  | \$ 30                   | \$ 154,324            | \$                 | \$ 154,354          |
| Brazilian real     | (5,467)                 | 132,369               | 4,762              | 131,664             |
| Canadian dollar    | 74                      | 83,857                | 9,125              | 93,056              |
| Danish krone       | 788                     | 26,962                |                    | 27,750              |
| Egyptian pound     | 2                       | 27,850                |                    | 27,852              |
| Euro               | (9,984)                 | 860,274               | 5,324              | 855,614             |
| Hong Kong dollar   | 248                     | 80,792                |                    | 81,040              |
| Hungarian forint   | 30                      | 5,702                 |                    | 5,732               |
| Indian rupee       | 8                       | 27,940                |                    | 27,948              |
| Indonesian rupiah  | 20                      | 28,076                |                    | 28,096              |
| Japanese yen       | 4,184                   | 511,239               |                    | 515,423             |
| Malaysian ringgit  | 140                     | 5,649                 |                    | 5,789               |
| Mexican peso       |                         | 13,904                | 24,661             | 38,565              |
| New Israeli shekel | 30                      | 15,353                |                    | 15,383              |
| New Taiwan dollar  | 310                     | 44,409                |                    | 44,719              |
| New Turkish lira   | 100                     | 56,714                |                    | 56,814              |
| New Zealand dollar | 140                     | 1,388                 | 12,326             | 13,854              |
| Norwegian krone    | 191                     | 30,847                |                    | 31,038              |
| Pakistani rupee    |                         | 8,249                 |                    | 8,249               |
| Pound sterling     | 4,679                   | 529,089               |                    | 533,768             |
| Singapore dollar   | 80                      | 43,298                |                    | 43,378              |
| South African rand | 393                     | 89,527                |                    | 89,920              |
| South Korean won   | 103                     | 105,654               |                    | 105,757             |
| Swedish krona      | 183                     | 43,210                |                    | 43,393              |
| Swiss franc        | 2,321                   | 182,648               |                    | 184,969             |
| Thailand baht      | 20                      | 14,152                |                    | 14,172              |
| Total              | <u>\$ (1,377)</u>       | <u>\$ 3,123,476</u>   | <u>\$ 56,198</u>   | <u>\$ 3,178,297</u> |

# Mississippi

**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, 2010, 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 backed securities             | \$ 522,044   | \$ 439,268                       | \$ 24,835    | \$ 17,473    | \$ 40,468    |
| Collateralized mortgage obligations | 434,212      | 17,840                           |              | 19,620       | 396,752      |
| Commercial paper                    | 2,042,654    | 2,042,654                        |              |              |              |
| Corporate bonds                     | 2,421,888    | 302,746                          | 1,366,131    | 428,717      | 324,294      |
| Mortgage pass-throughs              | 476,254      | 70                               | 1,078        | 31,796       | 443,310      |
| Repurchase agreements               | 361,342      | 361,342                          |              |              |              |
| Sovereign agencies debt             | 16,164       |                                  | 3,990        | 12,174       |              |
| Sovereign governments debt          | 286,919      |                                  | 48,276       | 130,118      | 108,525      |
| State and local obligations         | 60,576       |                                  | 4,638        | 522          | 55,416       |
| U.S. Government agency obligations  | 254,575      | 18,378                           | 207,245      | 17,979       | 10,973       |
| U.S. Treasury obligations           | 1,464,818    | 20,629                           | 786,495      | 399,121      | 258,573      |
| Yankee/Global bonds                 | 42,716       | 1,052                            | 20,940       | 12,677       | 8,047        |
| Total                               | \$ 8,384,162 | \$ 3,203,979                     | \$ 2,463,628 | \$ 1,070,197 | \$ 1,646,358 |

During fiscal year 2010, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) 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 principal-only (PO) strips, are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at \$6,000 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 \$434,212,000 in CMOs at June 30, 2010. Of this amount, \$140,000,000 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 \$522,044,000 in ABS held at June 30, 2010, \$68,000,000 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, 2010, the System has invested in \$476,254,000 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.



# Mississippi

- E. Investment Derivatives** – The System's derivatives policy limits foreign currency forwards to no more than 100 percent of the aggregate value of the portfolio securities denominated in the hedged currency. The counterparties of the foreign currency forwards have short term credit ratings of A or better as rated by the nationally recognized statistical rating organizations. The System's general policy requires that the counterparty has a long term credit rating of A or better and a short term credit rating of A1/P1 at a minimum. More specifically, the System's policy requires that all over-the-counter derivatives be rated AA or better by the nationally recognized statistical rating organizations. The counterparties of the to-be-announced securities are rated A or better by the nationally recognized statistical rating organizations. The foreign currency forwards are presented in the foreign currency risk table, and the to-be-announced securities are disclosed in the interest rate risk table by years to maturity. The investment derivative instruments outstanding as of June 30, 2010 are as follows (amounts expressed in thousands):

| Investment Type            | Notional Amount | Changes in Fair Value |          | Fair Value at June 30, 2010 |          |
|----------------------------|-----------------|-----------------------|----------|-----------------------------|----------|
|                            |                 | Classification        | Amount   | Classification              | Amount   |
| Foreign currency forwards  | \$ 12,022,868   | Investment Income     | \$ (297) | Investment                  | \$ (297) |
| To-be-announced securities | 17,655          | Investment Income     | 91       | Debt Securities             | 18,950   |

- F. 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, 2010, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent on U.S. securities and international securities denominated in the same currency of the loaned security. For international securities that are denominated in a currency other than the currency of the loaned security, 105 percent collateral is required at the initiation of the loan. In the event the collateral fair value on U.S. securities 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. In the event the collateral fair value falls below 102 percent for international same-currency transactions or 105 percent for cross-currency transactions, the borrower is required to provide additional collateral. 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 2 days at June 30, 2010. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, U.S. Government agencies, and asset backed securities. The weighted average effective duration of all collateral investments at June 30, 2010, was 34 days with a weighted average maturity of 34 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, 2010. 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, 2010, the aggregate fair value of securities lending holdings, including accrued interest was \$4,078,938,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$3,930,194,000. The value of the collateral pledged by borrowers at year end was \$4,082,776,000.

# Mississippi

## Note 5 - Receivables

At June 30, 2010, receivables consisted of (amounts expressed in thousands):

|                              | <b>Governmental Funds</b> |                       |                         |                            | <b>Total Governmental Activities</b> |           |
|------------------------------|---------------------------|-----------------------|-------------------------|----------------------------|--------------------------------------|-----------|
|                              | <b>General</b>            | <b>Nonmajor Funds</b> | <b>Internal Service</b> | <b>Receivables Reclass</b> |                                      |           |
| Accounts                     | \$ 179,346                | \$ 28,254             | \$ 20                   | \$ 24                      | \$                                   | 207,644   |
| Taxes:                       |                           |                       |                         |                            |                                      |           |
| Sales                        | 373,124                   |                       |                         |                            |                                      | 373,124   |
| Income                       | 280,142                   |                       |                         |                            |                                      | 280,142   |
| Gasoline                     | 45,755                    |                       |                         |                            |                                      | 45,755    |
| Other                        | 66,853                    |                       |                         |                            |                                      | 66,853    |
| Interest and dividends       | 9,824                     | 2,223                 | 326                     |                            |                                      | 12,373    |
| Other                        | 257                       |                       |                         |                            |                                      | 257       |
| Gross receivables            | 955,301                   | 30,477                | 346                     | 24                         |                                      | 986,148   |
| Allowance for uncollectibles | (240,529)                 | (10,086)              |                         |                            |                                      | (250,615) |
| Receivables, net             | \$ 714,772                | \$ 20,391             | \$ 346                  | \$ 24                      | \$                                   | 735,533   |

Amounts not  
scheduled for collection  
in subsequent year

|            |        |  |            |
|------------|--------|--|------------|
| \$ 158,672 | \$ 427 |  | \$ 159,099 |
|------------|--------|--|------------|

|                              | <b>Business-type Activities</b>  |                                   |   |                       |    | <b>Total</b> |
|------------------------------|----------------------------------|-----------------------------------|---|-----------------------|----|--------------|
|                              | <b>Unemployment Compensation</b> | <b>Port Authority at Gulfport</b> | <b>Prepaid Affordable College Tuition</b> | <b>Nonmajor Funds</b> |    |              |
| Accounts                     | \$ 54,699                        | \$ 744                            | \$ 2,909                                  | \$ 3,636              | \$ | 61,988       |
| Assessments                  | 33,432                           |                                   |   |                       |    | 33,432       |
| Interest and dividends       |                                  | 160                               | 703                                       | 660                   |    | 1,523        |
| Gross receivables            | 88,131                           | 904                               | 3,612                                     | 4,296                 |    | 96,943       |
| Allowance for uncollectibles | (56,254)                         |                                   |   | (91)                  |    | (56,345)     |
| Receivables, net             | \$ 31,877                        | \$ 904                            | \$ 3,612                                  | \$ 4,205              | \$ | 40,598       |

|                              | <b>Component Units</b> |                 |              |
|------------------------------|------------------------|-----------------|--------------|
|                              | <b>Universities</b>    | <b>Nonmajor</b> | <b>Total</b> |
| Accounts                     | \$ 1,708,369           | \$ 2,168        | \$ 1,710,537 |
| Interest                     | 2,680                  | 134             | 2,814        |
| Gross receivables            | 1,711,049              | 2,302           | 1,713,351    |
| Allowance for uncollectibles | (1,485,265)            |                 | (1,485,265)  |
| Receivables, net             | \$ 225,784             | \$ 2,302        | \$ 228,086   |

# Mississippi

## Note 6 - Due From Other Governments

At June 30, 2010, due from other governments consisted of (amounts expressed in thousands):

|  | <b>Governmental Funds</b> |                           |                             | <b>Total</b>                       |
|--|---------------------------|---------------------------|-----------------------------|------------------------------------|
|  | <b>General</b>            | <b>Nonmajor<br/>Funds</b> | <b>Internal<br/>Service</b> | <b>Governmental<br/>Activities</b> |
| Due from other governments                                 | \$ 894,111                | \$ 144,741                | \$ 180                      | \$ 1,039,032                       |
| Allowance for uncollectibles                               | (808)                     |                           |                             | (808)                              |
| Due from other governments, net                            | \$ 893,303                | \$ 144,741                | \$ 180                      | \$ 1,038,224                       |
| Amounts not scheduled for<br>collection in subsequent year | \$ 500,142                | \$ 4,882                  |                             | \$ 505,024                         |

## Note 7 - Loans and Notes Receivable

At June 30, 2010, loans and notes receivables consisted of (amounts expressed in thousands):

|  | <b>Primary Government</b> |                           |  | <b>Component Units</b> |
|--|---------------------------|---------------------------|--|------------------------|
|  | <b>Governmental Funds</b> |                           |  |                        |
|  | <b>General</b>            | <b>Nonmajor<br/>Funds</b> | <b>Total<br/>Governmental<br/>Activities</b> | <b>Universities</b>    |
| Loans and notes receivable                                 | \$ 193,781                | \$ 2,009                  | \$ 195,790                                   | \$ 195,346             |
| Allowance for uncollectibles                               |                           | (522)                     | (522)  | (23,805)               |
| Loans and notes receivable, net                            | \$ 193,781                | \$ 1,487                  | \$ 195,268                                   | \$ 171,541             |
| Amounts not scheduled for<br>collection in subsequent year | \$ 174,416                | \$ 826                    | \$ 175,242                                   | \$ 143,398             |

# Mississippi

## Note 8 - Capital Assets

### Primary Government

Capital asset activity for the year ended June 30, 2010, was as follows (amounts expressed in thousands):

| <b>Governmental Activities:</b>             | <b>Beginning<br/>Balance<br/>as restated</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|---|--|------------------|------------------|---------------------------|
| Capital assets not being depreciated:       |  |                  |                  |                           |
| Land  | \$ 994,077                                   | \$ 174,575       | \$ 923           | \$ 1,167,729              |
| Construction in progress                    | 4,207,403                                    | 744,419          | 562,920          | 4,388,902                 |
| Total capital assets not being depreciated  | 5,201,480                                    | 918,994          | 563,843          | 5,556,631                 |
| Capital assets being depreciated:           |  |                  |                  |                           |
| Software                                    | 5,941  | 12               |                  | 5,953                     |
| Buildings                                   | 1,610,901                                    | 67,024           | 2,565            | 1,675,360                 |
| Land improvements                           | 162,445                                      | 7,731            | 129              | 170,047                   |
| Machinery and equipment                     | 667,396                                      | 79,441           | 92,117           | 654,720                   |
| Infrastructure                              | 8,672,579                                    | 466,498          | 85,203           | 9,053,874                 |
| Total capital assets being depreciated      | 11,119,262                                   | 620,706          | 180,014          | 11,559,954                |
| Less accumulated depreciation for:          |  |                  |                  |                           |
| Software                                    | 2,291  | 552              |                  | 2,843                     |
| Buildings                                   | 412,994                                      | 31,210           | 907              | 443,297                   |
| Land improvements                           | 65,900                                       | 4,770            | 10               | 70,660                    |
| Machinery and equipment                     | 379,311                                      | 59,352           | 38,110           | 400,553                   |
| Infrastructure                              | 3,392,844                                    | 315,848          | 85,101           | 3,623,591                 |
| Total accumulated depreciation              | 4,253,340                                    | 411,732          | 124,128          | 4,540,944                 |
| Total capital assets being depreciated, net | 6,865,922                                    | 208,974          | 55,886           | 7,019,010                 |
| Governmental activities capital assets, net | \$ 12,067,402                                | \$ 1,127,968     | \$ 619,729       | \$ 12,575,641             |

| <b>Business-type Activities:</b>             | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:        |                              |                  |                  |                           |
| Land   | \$ 42,514                    | \$               | \$               | \$ 42,514                 |
| Construction in progress                     | 47,291                       | 28,183           | 35,071           | 40,403                    |
| Total capital assets not being depreciated   | 89,805                       | 28,183           | 35,071           | 82,917                    |
| Capital assets being depreciated:            |                              |                  |                  |                           |
| Buildings                                    | 87,499                       |                  | 3,410            | 84,089                    |
| Land improvements                            | 36,274                       | 496              |                  | 36,770                    |
| Machinery and equipment                      | 21,854                       | 487              | 421              | 21,920                    |
| Infrastructure                               | 69,374                       | 34,457           |                  | 103,831                   |
| Total capital assets being depreciated       | 215,001                      | 35,440           | 3,831            | 246,610                   |
| Less accumulated depreciation for:           |                              |                  |                  |                           |
| Buildings                                    | 20,839                       | 1,674            | 142              | 22,371                    |
| Land improvements                            | 16,067                       | 1,062            |                  | 17,129                    |
| Machinery and equipment                      | 8,871                        | 1,246            | 188              | 9,929                     |
| Infrastructure                               | 33,576                       | 3,314            |                  | 36,890                    |
| Total accumulated depreciation               | 79,353                       | 7,296            | 330              | 86,319                    |
| Total capital assets being depreciated, net  | 135,648                      | 28,144           | 3,501            | 160,291                   |
| Business-type activities capital assets, net | \$ 225,453                   | \$ 56,327        | \$ 38,572        | \$ 243,208                |

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

## Governmental Activities:

|   |    |                |
|---|----|----------------|
| General government  | \$ | 11,958         |
| Education   |    | 4,474          |
| Health and social services  |    | 16,213         |
| Law, justice and public safety  |    | 36,400         |
| Recreation and resources development  |    | 9,528          |
| Regulation of business and profession   |    | 248            |
| Transportation  |    | 330,806        |
| Depreciation on capital assets held by the government's<br>internal service funds is charged to the various<br>functions based on their usage of the assets |    | 1,963          |
| Total depreciation expense - governmental activities  | \$ | <u>411,590</u> |

## Business-type Activities:

|   |    |              |
|---|----|--------------|
| Port Authority at Gulfport                            | \$ | 5,278        |
| Other business-type                                   |    | 2,085        |
| Total depreciation expense - business-type activities | \$ | <u>7,363</u> |

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

|   | Project<br>Authorization | Expended<br>To Date | Outstanding<br>Commitment |
|---|--------------------------|---------------------|---------------------------|
| <b>Governmental Activities:</b>             |                          |                     |                           |
| Department of Transportation                | \$ 5,250,367             | \$ 4,054,101        | \$ 1,190,699              |
| Information Technology Services             | 30,189                   | 27,823              | 1,225                     |
| Wireless Communication Commission           | 79,310                   | 18,535              | 60,776                    |
| Mississippi Development Authority           | 78,017                   | 72,358              | 4,915                     |
| Department of Finance and Administration    | 73,886                   | 60,606              | 8,088                     |
| Military Department                         | 67,252                   | 53,830              | 13,422                    |
| Department of Employment Security           | 35,000                   | 12,823              | 22,177                    |
| Department of Public Safety                 | 31,832                   | 25,195              | 2,617                     |
| Department of Health                        | 29,649                   | 21,359              | 6,770                     |
| Department of Wildlife, Fisheries and Parks | 19,976                   | 11,875              | 7,621                     |
| East MS State Hospital                      | 15,513                   | 497                 | 44                        |
| Other projects less than \$10 million       | 54,961                   | 29,900              | 13,916                    |
| Total governmental activities               | <u>5,765,952</u>         | <u>4,388,902</u>    | <u>1,332,270</u>          |
| <b>Business-type Activities:</b>            |                          |                     |                           |
| Port Authority at Gulfport                  | 52,386                   | 40,403              | 11,983                    |
| Total construction in progress              | <u>\$ 5,818,338</u>      | <u>\$ 4,429,305</u> | <u>\$ 1,344,253</u>       |

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## Component Units

At June 30, 2010, capital assets consisted of (expressed in thousands):

|   | Universities | Nonmajor   | Total        |
|---|--------------|------------|--------------|
| Capital assets not being depreciated:       |              |            |              |
| Land  | \$ 65,519    | \$ 15,776  | \$ 81,295    |
| Construction in progress                    | 380,486      | 15         | 380,501      |
| Total capital assets not being depreciated  | 446,005      | 15,791     | 461,796      |
| Capital assets being depreciated:           |              |            |              |
| Buildings                                   | 2,427,478    | 163,118    | 2,590,596    |
| Land improvements                           | 252,349      | 60,429     | 312,778      |
| Machinery and equipment                     | 903,178      | 43,787     | 946,965      |
| Total capital assets being depreciated      | 3,583,005    | 267,334    | 3,850,339    |
| Less accumulated depreciation               | 1,316,667    | 94,600     | 1,411,267    |
| Total capital assets being depreciated, net | 2,266,338    | 172,734    | 2,439,072    |
| Component units capital assets, net         | \$ 2,712,343 | \$ 188,525 | \$ 2,900,868 |

## Note 9 - Long-term General Obligation Bonds and Notes

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

General obligation bonds 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 capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to currently refund or 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, 2010, relating to a portion of capital improvement and major economic impact projects pay interest at variable 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, 2010, 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, 2010, the Port of Pascagoula's outstanding general obligation bonds are \$105,000.

### Bond Anticipation Notes

During fiscal year 2010, the State issued \$105,027,000 of general obligation notes in anticipation of the issuance of bonds. These notes were redeemed from the proceeds of Taxable General Obligation Bonds, Series 2010D and 2010F dated November 10, 2010. The Series 2010D Bonds mature annually through 2023 with interest rates ranging from .651% to 4.351%. The Series 2010F Bonds mature annually beginning in year 2023 through 2034 with interest rates ranging from 4.351% to 5.245%. The bond anticipation notes meet long-term financing criteria and were, in fact, redeemed subsequent to year end with proceeds of long-term bonds. Therefore, the notes are reported as long-term debt rather than as a fund liability.

### Refunding and Defeased Bonds

During fiscal year 2010, the State issued \$134,190,000 of general obligation refunding bonds to currently refund all or a portion of two issues reported in governmental activities. The current refundings were undertaken to refinance variable rate debt into fixed rate debt resulting in an indeterminable economic gain or loss.

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During fiscal year 2010, the State issued \$241,100,000 of general obligation bonds, which are reported in governmental activities, to refund general obligation bond anticipation notes.

In prior years, the State defeased certain outstanding general obligation bonds of the primary government by depositing the net proceeds of refunding bonds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on 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, 2010, \$328,350,000 of outstanding general obligation bonds (including prior years' refunding) are considered defeased.

## Demand Bonds

Variable rate demand bonds (VRDBs) are long-term bonds with rates of interest that re-set weekly and can fluctuate based on market or market index changes. VRDBs offer bondholders a "put" or tender feature and are supported by standby liquidity facilities provided by commercial banks. These Standby Bond Purchase Agreements (SBPAs) require the applicable bank to purchase any bonds that are tendered or not successfully remarketed in accordance with the indentures.

The bondholders may tender these bonds on specified dates at a price equal to principal plus accrued interest on seven days notice and delivery to the applicable remarketing agent. The State's remarketing agents are authorized to use their best efforts to sell the repurchased bonds at face value by adjusting the interest rate on a weekly basis. The designated remarketing agent will determine the interest rate borne by each series of bonds not to exceed 11%, which is the maximum allowed under state law. The State pays the remarketing agents a fee for this service. In the event that the VRDBs cannot be remarketed, they will be purchased by the respective liquidity provider as specified by and subject to certain conditions set forth in the SBPA.

Outstanding General Obligation VRDBs included in long-term debt at June 30, 2010 and selected SBPA terms are:

| Series                      | Outstanding Amount | Liquidity Provider | Scheduled Termination Date | Commitment Fee | Remarketing Agent |
|-----------------------------|--------------------|--------------------|----------------------------|----------------|-------------------|
| Capital Improvements 2005   | \$ 43,100,000      | Bank of America    | 10/19/2011                 | 0.67%          | Morgan Stanley    |
| Capital Improvements 2007   | 46,675,000         | Bank of America    | 7/5/2011                   | 0.67           | Bank of America   |
| Major Economic Impact 2003A | 119,370,000        | Bank of America    | 11/25/2011                 | 0.67           | Citigroup         |
| Major Economic Impact 2003B | 49,995,000         | Bank of America    | 11/18/2011                 | 0.67           | Morgan Stanley    |
| Major Economic Impact 2003C | 64,050,000         | Bank of America    | 7/5/2011                   | 0.67           | Bank of America   |

If a tender advance occurs under the Capital Improvements 2005 SBPA, interest accrues at the bank's base rate (the prime lending rate minus 1%) for the first 60 days, the bank's prime lending rate for the period from 61 to 89 days after the purchase date, and the bank's prime lending rate plus 1% beginning 90 days after the purchase date. If the tender advance is in default, interest accrues at the bank's prime rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within 90 days of the purchase date, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's prime rate plus 1%. If the take-out agreement is exercised because the entire issue of \$43,100,000 of demand bonds cannot be resold, the State will be required to pay monthly installments of \$937,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Capital Improvements 2007 SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of \$46,675,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$6,192,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003A SBPA, interest accrues at the bank's base rate (one month LIBOR) plus .35%. If the underlying rating on the bonds is decreased by Moody's Investor Service to a rating of "A", the interest rate will increase and become the bank's base rate plus .45%. If the rating from Moody's Investor Service falls below "A", the rate becomes equal to the default rate. If the tender advance is in default, interest accrues at the bank's base rate plus 2%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of \$119,370,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$15,837,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003B SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America

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under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of \$49,995,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$6,633,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003C SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of \$64,050,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$8,497,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

## Derivative Instruments

The State entered into interest rate swap agreements in connection with \$189,775,000 of outstanding variable rate debt in order to hedge changes in cash flows. At June 30, 2010, the State had the following pay-fixed interest rate swap derivative instruments reported in governmental activities:

| Associated Bonds | Notional Amount | Effective Date | Final Maturity Date | Terms                                | Counterparty Credit Rating |
|------------------|-----------------|----------------|---------------------|--------------------------------------|----------------------------|
| 2003A            | \$ 25,005,000   | July 2006      | Nov. 2028           | Pay 5.708%; receive one-month LIBOR  | A+/Aa3/A+                  |
| 2003A            | 25,000,000      | Mar. 2007      | Nov. 2026           | Pay 5.248%; receive one-month LIBOR  | A+/A1/A+                   |
| 2003B            | 24,995,000      | July 2006      | Nov. 2028           | Pay 5.708%; receive one-month LIBOR  | A+/Aa3/A+                  |
| 2003B            | 25,000,000      | Mar. 2007      | Nov. 2026           | Pay 5.248%; receive one-month LIBOR  | A+/A1/A+                   |
| 2005             | 43,100,000      | Oct. 2004      | Sept. 2025          | Pay 4.037%; receive SIFMA swap index | A/A2/A                     |
| 2007             | 46,675,000      | May 2005       | Sept. 2027          | Pay 3.980%; receive SIFMA swap index | A/A2/A                     |

**Fair Value** - The fair values for the swap transactions were determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The fair values were provided by a third party consultant based on 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, 2010, the third party consultant calculated the estimated market value. The fair values may vary throughout the terms of the swap agreements as a result of fluctuations in the applicable market interest rates. The fair value balances at June 30, 2010 and the changes in fair value of derivative instruments reported in governmental activities are:

| Associated Bonds | Notional Amount | Changes in Fair Value |                | Fair Value at June 30, 2010 |                |
|------------------|-----------------|-----------------------|----------------|-----------------------------|----------------|
|                  |                 | Classification        | Amount         | Classification              | Amount         |
| 2003A            | \$ 25,005,000   | Deferred Outflow      | \$ (2,064,000) | Derivative Instrument       | \$ (7,540,000) |
| 2003A            | 25,000,000      | Deferred Outflow      | (1,990,000)    | Derivative Instrument       | (5,645,000)    |
| 2003B            | 24,995,000      | Deferred Outflow      | (2,064,000)    | Derivative Instrument       | (7,537,000)    |
| 2003B            | 25,000,000      | Deferred Outflow      | (1,990,000)    | Derivative Instrument       | (5,645,000)    |
| 2005             | 43,100,000      | Deferred Outflow      | (1,705,000)    | Derivative Instrument       | (4,844,000)    |
| 2007             | 46,675,000      | Deferred Outflow      | (1,986,000)    | Derivative Instrument       | (5,125,000)    |



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**Hedged Debt and Derivative Instrument Payments** - The interest and net swap payments shown assume that interest rates at year end will remain unchanged for the term of the bonds and the hedges. As interest rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on long-term general obligation debt reported for the primary government is presented at the end of this note. At June 30, 2010, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

| Year Ending June 30 | Principal         | Interest        | Net Swap Payment  | Total             |
|---------------------|-------------------|-----------------|-------------------|-------------------|
| 2011                | \$ 3,695          | \$ 530          | \$ 8,335          | \$ 12,560         |
| 2012                | 3,850             | 522             | 8,194             | 12,566            |
| 2013                | 4,015             | 513             | 8,046             | 12,574            |
| 2014                | 4,180             | 504             | 7,893             | 12,577            |
| 2015                | 4,375             | 494             | 7,732             | 12,601            |
| 2016 - 2020         | 24,855            | 2,311           | 36,001            | 63,167            |
| 2021 - 2025         | 61,600            | 1,877           | 29,015            | 92,492            |
| 2026 - 2030         | 83,205            | 472             | 7,466             | 91,143            |
|                     | <u>\$ 189,775</u> | <u>\$ 7,223</u> | <u>\$ 112,682</u> | <u>\$ 309,680</u> |

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

**Credit Risk** - The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparties have credit ratings by at least one nationally recognized statistical rating agency that are within the two highest investment grade categories, and credit ratings by all other nationally recognized statistical rating agencies that are within the three highest grade categories, otherwise the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. Section 31-18-11, Mississippi Code Ann. (1972), also requires that should the credit 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 swap agreements and shall be deposited as directed by the State. Additionally, Section 31-18-11, Mississippi Code Ann. (1972), requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The State is not exposed to credit risk at June 30, 2010, as all swap agreements are in a liability position.

**Basis Risk** - The swap agreements expose the State to basis risk because the applicable interest rates under the swap agreements are based on LIBOR and the SIFMA swap index, which may differ from the interest rates set by the remarketing agents for the State's variable rate bonds. As of June 30, 2010, the weighted average variable interest rate paid on the bonds was .283%, while the SIFMA swap index was .31% and LIBOR was .34844%.

**Termination Risk** - The swap agreements 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 swap agreements may be terminated if either the State's or the 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 are terminated, the State would no longer have a synthetic fixed rate with respect to the previously hedged bonds and would be exposed to these bonds' variable interest rates. Also, if at the time of termination the swap agreements have a negative fair value, the State would incur a loss and would be required to pay the swap agreements' fair value to the counterparty. If the swap agreements have a positive fair value at the time of termination, the State would realize a gain and would receive the swap agreements' fair value from the counterparty.

**Market-Access Risk and Rollover Risk** - The swap agreements are for the same maturity terms as the hedged variable rate bonds. Therefore, the State is not exposed to market access risk or rollover risk that would be present if the swap agreements' maturity terms ended prior to the maturities of the hedged bonds.

**Foreign Currency Risk** - The swap agreements and the hedged bonds do not have terms denominated in a foreign currency. Therefore, the State is not exposed to foreign currency risk on the swap agreements.

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At June 30, 2010, the primary government's outstanding general obligation bonds and notes as presented in governmental activities and business-type activities are (amounts expressed in thousands):

| Purpose   | Outstanding Amount | Interest Rates | Final Maturity Date | Original Amount  |
|---|--------------------|----------------|---------------------|------------------|
| <b>Governmental Activities:</b>                               |                    |                |                     |                  |
| Bonds   |                    |                |                     |                  |
| Small Business Assistance                                     | \$ 386             | 7.13%          | Sept. 2010          | \$ 3,000         |
| Spillway Road   | 640                | 6.25%          | Feb. 2011           | 4,950            |
| Gaming Highway Improvement                                    | 45,335             | 5%             | Oct. 2011           | 200,000          |
| Telecommunication Conference and Training Center              | 475                | 5.1% - 5.22%   | Nov. 2011           | 2,000            |
| Ayers Settlement - Allstate Building                          | 805                | 5.4% - 5.6%    | June 2012           | 3,300            |
| Single Family Residential Housing                             | 1,215              | 5.4% - 5.6%    | June 2012           | 5,000            |
| Deer Island Project   | 2,885              | 5.25%          | Nov. 2012           | 8,800            |
| Franklin County Lake and Recreation Complex Road Construction | 635                | 4.5% - 5%      | Sept. 2013          | 1,250            |
| Land, Water, and Timber Resources                             | 14,065             | 3% - 5.25%     | Nov. 2014           | 38,000           |
| Local Governments Rail Program                                | 4,110              | 3% - 5.6%      | Nov. 2014           | 13,000           |
| Milk Producers  | 2,940              | 4.62% - 5%     | Dec. 2017           | 3,500            |
| Farish Street Historic District                               | 2,810              | 4.25% - 5%     | Aug. 2018           | 4,000            |
| Disaster Assistance   | 440                | 3% - 4%        | Nov. 2019           | 5,000            |
| Railroad Lines and Bridges Improvement                        | 1,435              | 5% - 5.25%     | Oct. 2023           | 1,500            |
| Technology Alliance   | 955                | 4.25% - 5%     | Oct. 2023           | 1,000            |
| Business Investment   | 36,323             | 4% - 7.13%     | Dec. 2025           | 77,870           |
| Job Protection  | 5,355              | 4.25% - 5%     | Dec. 2025           | 6,000            |
| Local Governments Capital Improvements                        | 14,415             | 4.25% - 5.25%  | Dec. 2025           | 15,500           |
| Raspert Flight Research Laboratory                            | 1,040              | 4.25% - 5.75%  | Dec. 2025           | 1,200            |
| State Shipyard Improvements                                   | 113,915            | 3% - 5.75%     | Dec. 2025           | 156,000          |
| Stennis Space Center  | 13,223             | 3.75% - 6.25%  | Dec. 2025           | 34,750           |
| Transportation  | 3,745              | 4.62% - 5%     | Dec. 2027           | 4,000            |
| Small Enterprise Development Finance                          | 43,315             | 3.25% - 6.5%   | July 2028           | 117,675          |
| Local Governments Water System Improvement                    | 9,094              | 3% - 7.13%     | Oct. 2028           | 14,743           |
| Local System Bridge Replacement and Rehabilitation            | 72,458             | 4.25% - 5.25%  | Oct. 2028           | 85,000           |
| ACE Fund  | 26,196             | 3% - 5.67%     | Oct. 2029           | 27,450           |
| Economic Development Highway                                  | 50,945             | 3% - 6.25%     | Oct. 2029           | 80,000           |
| Existing Industry   | 13,075             | 4.25% - 5.67%  | Oct. 2029           | 13,500           |
| Rural Impact  | 16,015             | .55% - 5.75%   | Oct. 2029           | 21,000           |
| Statewide Wireless Communication System                       | 44,535             | 4.25% - 5.67%  | Oct. 2029           | 45,000           |
| General Obligation Refunding Bonds                            | 1,514,604          | 2.13% - 7.35%  | Oct. 2032           | 2,040,545        |
| Major Economic Impact *                                       | 379,805            | .22% - 7%      | Oct. 2032           | 532,500          |
| Capital Improvements *  | 874,326            | 3% - 5.67%     | Oct. 2034           | 1,493,282        |
| Farm Reform   | 7,151              | 4.25% - 5.67%  | Oct. 2034           | 13,000           |
| Rural Fire Truck Acquisition                                  | 12,858             | 4.25% - 5.75%  | Oct. 2034           | 13,900           |
| Small Municipalities and Limited Population Counties          | 32,805             | .55% - 5.75%   | Oct. 2034           | 53,000           |
| Total Bonds   | <u>3,364,329</u>   |                |                     | <u>5,140,215</u> |

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| Purpose  | Outstanding Amount | Interest Rates | Final Maturity Date | Original Amount |
|--|--------------------|----------------|---------------------|-----------------|
| Notes  |                    |                |                     |                 |
| Capital Improvements                                 | \$ 40,252          | 1.25%          | Nov. 2010           | \$ 40,252       |
| Existing Industry                                    | 3,500              | .54%           | Nov. 2010           | 3,500           |
| Farish Street Historic District                      | 2,000              | .54%           | Nov. 2010           | 2,000           |
| Job Protection                                       | 6,000              | .54%           | Nov. 2010           | 6,000           |
| Railroad Lines and Bridges Improvement               | 2,500              | .54%           | Nov. 2010           | 2,500           |
| Rural Impact   | 1,875              | .54%           | Nov. 2010           | 1,875           |
| Technology Alliance                                  | 1,000              | .54%           | Nov. 2010           | 1,000           |
| Business Investment                                  | 9,000              | .54% - 1.89%   | Dec. 2010           | 9,000           |
| Major Economic Impact                                | 30,100             | .74% - 1.89%   | Dec. 2010           | 30,100          |
| Local System Bridge Replacement and Rehabilitation** | 8,800              | 1.81%          | Apr. 2014           | 8,800           |
| Total Notes  | 105,027            |                |                     | 105,027         |
| Premiums   | 109,172            |                |                     |                 |
| Deferred Amount on Refunding                         | (54,522)           |                |                     |                 |
| Total Governmental Activities                        | 3,524,006          |                |                     | 5,245,242       |
| <b>Business-type Activities:</b>                     |                    |                |                     |                 |
| General Obligation Refunding Bonds                   | 26,476             | 2.13% - 5.9%   | Nov. 2022           | 37,602          |
| Total General Obligation Bonds and Notes             | \$ 3,550,482       |                |                     | \$ 5,282,844    |

\* Interest on \$133,415,000 of outstanding general obligation bonds for Major Economic Impact is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with \$89,775,000 of outstanding variable rate general obligation bonds for Capital Improvements where the State pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA 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.

\*\*Interest on \$8,800,000 of outstanding general obligation notes for Local System Bridge Replacement and Rehabilitation is variable rate and paid at the weekly SIFMA swap index plus 150 basis points.

At June 30, 2010, 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 |
| 2011                         | \$ 363,607              | \$ 160,058   | \$ 3,050                 | \$ 984   |
| 2012                         | 257,351                 | 146,256      | 2,634                    | 898      |
| 2013                         | 234,158                 | 134,295      | 2,582                    | 817      |
| 2014                         | 251,188                 | 122,678      | 2,707                    | 727      |
| 2015                         | 235,437                 | 110,954      | 2,833                    | 622      |
| 2016 - 2020                  | 946,145                 | 401,887      | 12,490                   | 1,230    |
| 2021 - 2025                  | 594,000                 | 227,391      | 180                      | 13       |
| 2026 - 2030                  | 382,795                 | 100,755      |                          |          |
| 2031 - 2035                  | 204,675                 | 30,827       |                          |          |
| Total                        | 3,469,356               | 1,435,101    | 26,476                   | 5,291    |
| Premiums                     | 109,172                 |              |                          |          |
| Deferred Amount on Refunding | (54,522)                |              |                          |          |
| Total Debt Service, Net      | \$ 3,524,006            | \$ 1,435,101 | \$ 26,476                | \$ 5,291 |

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## Note 10 - Bonds Authorized But Unissued

At June 30, 2010, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

| Purpose  | Authorized          | Authorized<br>But<br>Unissued |
|--|---------------------|-------------------------------|
| <b>General Obligation Bonds:</b>                       |                     |                               |
| ACE Fund   | \$ 37,450           | \$ 10,000                     |
| Business Investment Act                                | 323,100             | 47,223                        |
| Capital Improvements                                   | 825,343             | 297,014                       |
| City of Jackson Water and Sewer Loan                   | 6,000               | 6,000                         |
| Deer Island Project                                    | 10,000              | 1,200                         |
| Economic Development Highway                           | 314,500             | 160,600                       |
| Energy Infrastructure Revolving Loan                   | 20,000              | 20,000                        |
| Existing Industry Productivity                         | 55,000              | 23,000                        |
| Farish Street Historic District                        | 6,500               | 500                           |
| Farm Reform  | 128,000             | 20,000                        |
| Industry Incentive Financing                           | 100,000             | 100,000                       |
| Infinity Space, Science and Education Center           | 12,500              | 12,500                        |
| Local Governments and Rural Water Systems Improvements | 31,143              | 1,400                         |
| Local Governments Capital Improvements                 | 128,000             | 12,500                        |
| Local System Bridge Replacement                        | 155,000             | 70,000                        |
| Major Economic Impact                                  | 1,259,800           | 310,410                       |
| North Central Mississippi Regional Railroad            | 15,000              | 15,000                        |
| Old Capitol Green                                      | 20,000              | 20,000                        |
| Railroad Lines and Bridges Improvements                | 5,000               | 1,000                         |
| Railroad Revitalization and Stimulus                   | 3,000               | 3,000                         |
| Rural Fire Truck Acquisition                           | 15,900              | 2,000                         |
| Rural Impact   | 24,875              | 2,000                         |
| Small Business and Existing Forestry Industry          | 30,000              | 30,000                        |
| Small Enterprise Development Finance                   | 140,000             | 97,260                        |
| Small Municipalities and Limited Population Counties   | 54,000              | 1,000                         |
| State Aid Road   | 20,000              | 20,000                        |
| State Highway Bridge Rehabilitation                    | 100,000             | 100,000                       |
| State Port Improvement (Gulfport)                      | 80,000              | 80,000                        |
| State Tax Commission ITS Modernization                 | 17,000              | 17,000                        |
| Statewide Tourism                                      | 7,325               | 7,325                         |
| Statewide Wireless Communication System                | 57,000              | 2,000                         |
| Technology Alliance                                    | 4,000               | 2,000                         |
| Transportation - Access Roads                          | 18,000              | 18,000                        |
| Vision 21 Highway Projects                             | 50,000              | 50,000                        |
|  | <u>\$ 4,073,436</u> | <u>\$ 1,559,932</u>           |

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## 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, 2010, outstanding revenue bonds and notes are (amounts expressed in thousands):

| Purpose                   | Outstanding Amount | Interest Rates | Final Maturity Date | Original Amount   |
|---------------------------|--------------------|----------------|---------------------|-------------------|
| <b>Component Units</b>    |                    |                |                     |                   |
| Universities:             |                    |                |                     |                   |
| Bonds                     | \$ 753,065         | 1% - 6.84%     | Sept. 2039          | \$ 887,132        |
| Notes                     | 22,521             | 0% - 6.29%     | Sept. 2039          | 25,654            |
| Nonmajor Component Units: |                    |                |                     |                   |
| Notes                     | 349                | 3.137%         | Jan. 2018           | 1,292             |
| Total Component Units     | <u>\$ 775,935</u>  |                |                     | <u>\$ 914,078</u> |

At June 30, 2010, future revenue bond and note debt service requirements are (amounts expressed in thousands):

| Year Ending June 30 | Component Units   |                   |
|---------------------|-------------------|-------------------|
|                     | Principal         | Interest          |
| 2011                | \$ 21,451         | \$ 36,572         |
| 2012                | 22,226            | 36,127            |
| 2013                | 24,070            | 34,796            |
| 2014                | 27,213            | 33,737            |
| 2015                | 28,280            | 32,592            |
| 2016 - 2020         | 148,223           | 143,816           |
| 2021 - 2025         | 152,250           | 109,289           |
| 2026 - 2030         | 153,051           | 72,718            |
| 2031 - 2035         | 158,553           | 32,815            |
| 2036 - 2040         | 40,618            | 4,092             |
|                     | <u>\$ 775,935</u> | <u>\$ 536,554</u> |

## Note 12 - Other Long-term Liabilities

- A. Compensated Absences** - The State's liability for compensated absences at June 30, 2010 is \$124,386,000 for governmental activities and \$676,000 for business-type activities. Internal service compensated absences of \$1,275,000 are included in governmental activities. The component units' liability for compensated absences is \$97,116,000, of which \$96,349,000 is 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. Pollution Remediation Obligation** - As of June 30, 2010, four Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

At June 30, 2010, the primary government's pollution remediation obligation is \$40,601,000. This estimate is based on professional judgment, experience, historical cost data, and the use of the expected cash flow technique. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time. Estimated costs will vary due to changes in technology, fluctuation in prices, changes in potential responsible parties, and changes in regulations.

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**C. Notes Payable** - At June 30, 2010, the primary government's outstanding notes payable as presented in governmental activities are (amounts expressed in thousands):

| Purpose                      | Outstanding Amount  | Interest Rates | Final Maturity Date | Original Amount     |
|------------------------------|---------------------|----------------|---------------------|---------------------|
| Utility restoration          | \$ 166,410          | 5% - 5.45%     | Jul. 2019           | \$ 189,860          |
| Energy efficiency            | 13,179              | 4.15% - 5.73%  | Apr. 2023           | 17,255              |
| Buildings*                   | 219,759             | 3.36% - 5.33%  | May 2028            | 223,825             |
| Roads and bridges**          | 630,633             | 2% - 6.59%     | Jul. 2040           | 675,395             |
| Total                        | 1,029,981           |                |                     | 1,106,335           |
| Premiums                     | 18,002              |                |                     |                     |
| Deferred Amount on Refunding | (3,631)             |                |                     |                     |
| Total Notes Payable, Net     | <u>\$ 1,044,352</u> |                |                     | <u>\$ 1,106,335</u> |

\* Interest rate swap agreements have been entered into in connection with \$166,250,000 of outstanding variable rate notes for purchases of buildings where the State pays the counterparties fixed rate payments ranging from 3.36% to 3.49%, and receives variable rate payments computed based on USD-LIBOR-BBA multiplied by 67%.

\*\* Interest on \$19,158,000 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%.

**Refunding and Defeased Notes-** During fiscal year 2010, the State issued \$38,675,000 of refunding notes to advance refund and defease all of two notes reported in governmental activities. The advance refunding was undertaken to give debt service payment relief by providing a cash flow savings of \$23,409,000 over the next five years. The advance refunding resulted in an increase in debt service payments of \$10,819,000 over the next 12 years and an economic loss (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$4,821,000.

The net proceeds of the refunding issues were deposited in an irrevocable trust to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased notes and the related trust account are not included on the financial statements. At June 30, 2010, \$37,935,000 of outstanding notes (including prior years' refundings) are considered defeased.

At June 30, 2010, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

| Year Ending June 30          | Principal           | Interest          |
|------------------------------|---------------------|-------------------|
| 2011                         | \$ 36,369           | \$ 42,160         |
| 2012                         | 43,796              | 48,015            |
| 2013                         | 46,071              | 46,107            |
| 2014                         | 48,072              | 44,066            |
| 2015                         | 46,638              | 41,858            |
| 2016 - 2020                  | 272,627             | 173,355           |
| 2021 - 2025                  | 201,833             | 117,541           |
| 2026 - 2030                  | 160,455             | 73,126            |
| 2031 - 2035                  | 109,120             | 39,969            |
| 2036 - 2040                  | 53,010              | 12,625            |
| 2041                         | 11,990              | 385               |
| Total                        | 1,029,981           | 639,207           |
| Premiums                     | 18,002              |                   |
| Deferred Amount on Refunding | (3,631)             |                   |
| Total Debt Service, Net      | <u>\$ 1,044,352</u> | <u>\$ 639,207</u> |

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## Derivative Instruments

The State entered into interest rate swap agreements in connection with \$166,250,000 of outstanding variable rate notes in order to hedge changes in cash flows. At June 30, 2010, the State had the following pay fixed interest rate swap derivative instruments reported in governmental activities:

| Associated Notes | Notional Amount | Effective Date | Final Maturity Date | Terms                                      | Counterparty Credit Rating |
|------------------|-----------------|----------------|---------------------|--|----------------------------|
| 2008A            | \$ 96,390,000   | Apr. 2008      | Aug. 2027           | Pay 3.361%; receive 67% of one-month LIBOR | A+/Aa3/A+                  |
| 2008B            | 69,860,000      | Apr. 2008      | Aug. 2027           | Pay 3.490%; receive 67% of one-month LIBOR | A+/Aa3/A+                  |

**Fair Value** - The fair values for the swap transactions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement on the swaps. The fair values were provided by a third party consultant based on 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, 2010, the third party consultant calculated the estimated market value. The fair values may vary throughout the terms of the swap agreements as a result of fluctuations in the applicable market interest rates. The fair value balances at June 30, 2010 and the changes in fair value of derivative instruments, reported in governmental activities are:

| Associated Notes | Notional Amount | Changes in Fair Value |                | Fair Value at June 30, 2010 |                 |
|------------------|-----------------|-----------------------|----------------|-----------------------------|-----------------|
|                  |                 | Classification        | Amount         | Classification              | Amount          |
| 2008A            | \$ 96,390,000   | Deferred Outflow      | \$ (4,276,000) | Derivative Instrument       | \$ (12,057,000) |
| 2008B            | 69,860,000      | Deferred Outflow      | (3,111,000)    | Derivative Instrument       | (9,679,000)     |

In December 2005, the State entered into a forward interest rate swap agreement in connection with \$58,000,000 of variable rate notes to be issued in September 2009. The swap agreement was considered effective at June 30, 2009, and the fair value of negative \$6,874,000 was treated as a deferred outflow of resources. The variable rate notes were not issued and the swap agreement was terminated in August 2009, meaning it no longer met the criteria for an effective cash flow hedge. The fair value at June 30, 2009, and the decrease in fair value of the swap in fiscal year 2010 of \$1,941,000 are reported as an investment loss of \$8,815,000 within the governmental activities' investment revenue classification.

**Hedged Debt and Derivative Instrument Payments** - The interest and net swap payments shown assume that interest rates at year end will remain unchanged for the term of the notes and hedges. As interest rates vary, interest payments on the variable rate notes and the net swap payments will change. The future minimum debt service on long-term notes payable reported for the primary government is presented at the beginning of this note. At June 30, 2010, future debt service requirements on the hedged variable rate notes and net payments on the associated hedging derivative instruments are (amounts expressed in thousands):

| Year Ending June 30 | Principal  | Interest | Net Swap Payment | Total      |
|---------------------|------------|----------|------------------|------------|
| 2011                | \$ 1,735   | \$ 407   | \$ 5,239         | \$ 7,381   |
| 2012                | 1,800      | 403      | 5,182            | 7,385      |
| 2013                | 2,280      | 397      | 5,111            | 7,788      |
| 2014                | 2,375      | 392      | 5,036            | 7,803      |
| 2015                | 2,450      | 386      | 4,958            | 7,794      |
| 2016 - 2020         | 41,795     | 1,663    | 21,400           | 64,858     |
| 2021 - 2025         | 57,815     | 1,000    | 12,878           | 71,693     |
| 2026 - 2028         | 56,000     | 191      | 2,469            | 58,660     |
|                     | \$ 166,250 | \$ 4,839 | \$ 62,273        | \$ 233,362 |

**Interest Rate Risk** - Although the interest rates on the notes are synthetically fixed under the swap agreements, interest payments on the variable rate notes and the net payments under the swap agreements will vary as interest rates change.

**Credit Risk** - The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparty have credit ratings by at least one nationally recognized statistical rating agency that are within the two highest investment grade categories, and credit ratings by all other nationally recognized statistical rating agencies that are within the three highest grade categories, otherwise 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 credit rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations

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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 swap agreements 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's swap agreements are both with the same counterparty, which had a credit rating from at least one nationally recognized statistical rating agency that was within the two highest investment grade categories. The State is not exposed to credit risk at June 30, 2010, as both swap agreements are in a liability position.

**Basis Risk** - The swap agreements expose the State to basis risk because the applicable interest rates under the swap agreements are based on LIBOR, which may differ from the interest rates set by the remarketing agents for the State's variable rate notes. As of June 30, 2010, the weighted average variable interest rates paid on the notes and received under the swap agreements were .247% and .233%, respectively.

**Termination Risk** - The swap agreements 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 swap agreements may be terminated if either the State's or the counterparty's credit rating falls below certain levels. The State or the counterparty 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 State would no longer have a synthetic fixed rate with respect to the previously hedged notes and would be exposed to these notes' variable interest rates. Also, if at the time of termination the swap agreements have a negative fair value, the State would incur a loss and would be required to pay the swap agreements' fair value to the counterparty. If the swap agreements have a positive fair value at the time of termination, the State would realize a gain and would receive the swap agreements' fair value from the counterparty.

**Market-Access Risk and Rollover Risk** - The swap agreements are for the same maturity terms as the hedged variable rate notes. Therefore, the State is not exposed to market access risk or rollover risk that would be present if the swap agreements' maturity terms ended prior to the maturities of the hedged notes.

**Foreign Currency Risk** - The swap agreements and the hedged notes do not have terms denominated in a foreign currency. Therefore, the State is not exposed to foreign currency risk on the swap agreements.

- D. Capital Lease Commitments** - The State leases property with varying terms and options. Most leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, if renewal is reasonably assured, leases requiring appropriation by the State Legislature are considered non-cancellable leases for financial reporting purposes.

At June 30, 2010, assets recorded under capital leases are as follows (amounts expressed in thousands):

|                          | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------|----------------------------|-----------------------------|
| Land                     | \$                         | \$ 700                      |
| Machinery and Equipment  | 30,232                     | 1,214                       |
| Accumulated Depreciation | (11,904)                   | (199)                       |
| Total                    | \$ 18,328                  | \$ 1,715                    |

The discretely presented component units recorded capital assets acquired through capital leases of \$25,278,000.

At June 30, 2010, future minimum commitments under capital leases are (amounts expressed in thousands):

| Year Ending June 30                     | Governmental<br>Activities | Business-type<br>Activities | Total Primary<br>Government | Component<br>Units |
|---|----------------------------|-----------------------------|-----------------------------|--------------------|
| 2011                                    | \$ 6,762                   | \$ 270                      | \$ 7,032                    | \$ 8,770           |
| 2012                                    | 4,787                      | 269                         | 5,056                       | 5,448              |
| 2013                                    | 1,460                      | 269                         | 1,729                       | 1,702              |
| 2014                                    | 970                        | 135                         | 1,105                       | 411                |
| 2015                                    | 291                        |                             | 291                         | 732                |
| 2016 - 2020                             |                            |                             | 0                           | 707                |
| Total Minimum Lease Payments            | 14,270                     | 943                         | 15,213                      | 17,770             |
| Less Interest                           | 1,058                      | 102                         | 1,160                       | 1,383              |
| Present Value of Minimum Lease Payments | \$ 13,212                  | \$ 841                      | \$ 14,053                   | \$ 16,387          |



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## Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2010 are summarized below (amounts expressed in thousands):

|   | Beginning<br>Balance<br>as restated | Additions           | Reductions        | Ending<br>Balance   | Due Within<br>One Year |
|---|-------------------------------------|---------------------|-------------------|---------------------|------------------------|
| <b>Governmental Activities:</b>             |                                     |                     |                   |                     |                        |
| General Obligation Bonds and Notes (Note 9) | \$ 3,405,434                        | \$ 723,417          | \$ 659,495        | \$ 3,469,356        | \$ 363,607             |
| Premiums/Discounts (Note 9)                 | 110,951                             | 8,912               | 10,691            | 109,172             | 11,230                 |
| Deferred Amount on Refunding (Note 9)       | (59,778)                            | 5,996               | 740               | (54,522)            | (5,633)                |
| Notes Payable (Note 12)                     | 834,083                             | 272,520             | 76,622            | 1,029,981           | 36,369                 |
| Premiums (Note 12)                          | 19,073                              | 1,650               | 2,721             | 18,002              | 1,621                  |
| Deferred Amount on Refunding (Note 12)      | (1,145)                             | 330                 | 2,816             | (3,631)             | (648)                  |
| Total Bonds and Notes                       | 4,308,618                           | 1,012,825           | 753,085           | 4,568,358           | 406,546                |
| Derivative Instruments (Notes 9 and 12)     | 45,760                              | 19,186              | 6,874             | 58,072              |                        |
| Capital Lease Obligations (Note 12)         | 17,231                              | 2,987               | 7,006             | 13,212              | 6,168                  |
| Accrued Compensated Absences (Note 12)      | 125,028                             | 61,800              | 62,442            | 124,386             | 6,632                  |
| Pollution Remediation Obligation (Note 12)  | 44,747                              | 11,018              | 15,164            | 40,601              | 6,546                  |
| Certificates of Participation (Note 12)     | 2,045                               |                     | 2,045             | 0                   |                        |
|   | <u>\$ 4,543,429</u>                 | <u>\$ 1,107,816</u> | <u>\$ 846,616</u> | <u>\$ 4,804,629</u> | <u>\$ 425,892</u>      |
| <b>Business-type Activities:</b>            |                                     |                     |                   |                     |                        |
| General Obligation Bonds (Note 9)           | \$ 29,231                           | \$                  | \$ 2,755          | \$ 26,476           | \$ 3,050               |
| Accrued Compensated Absences (Note 12)      | 624                                 | 230                 | 178               | 676                 | 28                     |
| Capital Lease Obligations (Note 12)         | 1,636                               |                     | 795               | 841                 | 223                    |
|   | <u>\$ 31,491</u>                    | <u>\$ 230</u>       | <u>\$ 3,728</u>   | <u>\$ 27,993</u>    | <u>\$ 3,301</u>        |

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The beginning balance of governmental activities capital lease obligations includes \$43,000 of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,258,000 and \$1,275,000, 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.

Within the governmental activities, the reduction of \$659,495,000 in general obligation bonds and notes includes \$385,365,000 in refundings and defeasements. The reduction of \$76,622,000 in notes payable includes \$37,935,000 in refundings.

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.

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## Note 14 - Short-term Financing

- A. **Notes** - During fiscal year 2010, the State issued \$10,000,000 in notes to provide short-term financing for highway projects. These notes have a final maturity date of December 2010 and carry an interest rate of .65%. At June 30, 2010, the entire balance was outstanding. Changes in short-term note activity recorded in governmental activities during fiscal year 2010 are as follows (amounts expressed in thousands):

|       | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance |
|-------|----------------------|-----------|------------|-------------------|
| Notes | \$ 0                 | \$ 10,000 | \$ 0       | \$ 10,000         |

- B. **Credit Agreements** - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to \$150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2010 are as follows (amounts expressed in thousands):

|                         | Beginning<br>Balance | Additions  | Reductions | Ending<br>Balance |
|-------------------------|----------------------|------------|------------|-------------------|
| Medicaid Line of Credit | \$ 15,000            | \$ 183,000 | \$ 198,000 | \$ 0              |

## Note 15 - 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 1952, 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 their accumulated 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 (30 years of creditable service for employees who become members of PERS on or after July 1, 2011) 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 retirement 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

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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. 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 up to the year in which the retired member reaches age 55, plus 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2010, the total additional annual payments were \$338,628,000.

**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 their accumulated 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. 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 up to the year in which the retired member reaches age 60, plus 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2010, the total additional annual payments were \$6,294,000.

**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 66.67 percent of average monthly compensation, except as may otherwise be provided through local and private legislation. 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, 2010, the total additional annual payments were \$5,048,000.

**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 their accumulated 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.

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Retirees and beneficiaries of SLRP may receive additional amounts calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2010, the total additional annual payments were \$161,000.

## 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, 2010. 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, 2009. 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   | 12.00%                    | 30.30%                    | N/A                       | 6.65%                     |
| Other employers   | N/A                       | N/A                       | .51 - 9.01 mills          | N/A                       |
| Plan members  | 7.25%                     | 7.25%                     | 7.00% - 10.00%            | 3.00% *                   |
| Annual pension cost   | \$ 731,544                | \$ 12,598                 | \$ 14,765                 | \$ 446                    |
| Employer contributions made   | \$ 731,544                | \$ 12,598 **              | \$ 16,891                 | \$ 446                    |
| Actuarial valuation date  | June 30, 2010             | June 30, 2010             | Sept. 30, 2009            | June 30, 2010             |
| Actuarial cost method   | Entry age                 | Entry age                 | Entry age                 | Entry age                 |
| Amortization method   | Level<br>percent open     | Level<br>percent open     | Level<br>dollar closed    | Level<br>percent open     |
| Remaining amortization period                                       | 30.0 years                | 30.0 years                | 25.0 years                | 29.7 years                |
| Asset valuation method  | 5-year<br>smoothed market | 5-year<br>smoothed market | 5-year<br>smoothed market | 5-year<br>smoothed market |
| Actuarial assumptions:  |                           |                           |                           |                           |
| Investment rate of return   | 8.00%                     | 8.00%                     | 8.00%                     | 8.00%                     |
| Wage inflation rate   | 4.25%                     | 4.25%                     | 4.25%                     | 4.25%                     |
| Projected salary increases  | 4.50% - 15.00%            | 5.00% - 10.52%            | 4.50% - 6.00%             | 4.50%                     |
| Increases in benefits after retirement                              | 3.00% ~                   | 3.00% @                   | 2.00% - 3.75% #           | 3.00% ~                   |
| Proposed annual employer contribution<br>rates for fiscal year 2012 | 12.93% ***                | 35.21%                    | -                         | 7.40%                     |

\* In addition to 7.25% required by PERS.

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

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

# Varies depending on municipality.

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

\*\*\* In the June 30, 2009 valuation report, the PERS' consulting actuary recommended an employer contribution rate of 13.56% of covered wages in order to comply with GASB Statements No. 25 and No. 27. The PERS Board of Trustees adopted the contribution rate in order to provide a sufficient funding level with an unfunded accrued liability period no more than 30 years. However, due to an increase in employee contribution rate, from 7.25% to 9.00% passed by the Mississippi legislature effective July 1, 2010, the PERS Board of Trustees delayed implementing the employer contribution rate increase until receiving the results of the June 30, 2010 valuation report. In the June 30, 2010 valuation report, the consulting actuary recommended a 12.93% employer contribution rate beginning July 1, 2011.

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## E. Three-Year Trend Information

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

|                       | PERS       | MHSPRS*   | MRS**     | SLRP   |
|-----------------------|------------|-----------|-----------|--------|
| <b>Contributions:</b> |            |           |           |        |
| 2008                  | \$ 683,189 | \$ 12,409 | \$ 14,979 | \$ 449 |
| 2009                  | 713,569    | 12,274    | 16,132    | 458    |
| 2010                  | 731,544    | 12,598    | 16,891    | 446    |

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

\*\* Information furnished for MRS is for the years ended September 30, 2007, 2008, and 2009 respectively.

The annual pension cost is equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met or exceeded the required contributions, except for MRS where the percent contributed was 97.1%, 106.0%, and 114.4% of the required contributions for the years ended September 30, 2007, 2008, and 2009, respectively. The State makes no contributions to the MRS; therefore, any NPO would belong to the respective municipal entity. For the years ended September 30, 2007, 2008, and 2009, the MRS net pension obligation or net pension asset was not significant.

## 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, 2010 | June 30, 2010 | Sept. 30, 2009 | June 30, 2010 |
| Actuarial Value of Assets                              | \$ 20,143,426 | \$ 281,088    | \$ 191,179     | \$ 13,241     |
| Actuarial Accrued Liability (AAL) Entry Age            | \$ 31,399,988 | \$ 411,277    | \$ 381,036     | \$ 17,081     |
| Unfunded AAL   | \$ 11,256,562 | \$ 130,189    | \$ 189,857     | \$ 3,840      |
| Percent Funded   | 64.2%         | 68.3%         | 50.2%          | 77.5%         |
| Annual Covered Payroll                                 | \$ 5,763,556  | \$ 26,353     | \$ 1,608       | \$ 6,605      |
| Unfunded AAL as a Percentage of Annual Covered Payroll | 195.3%        | 494.0%        | 11,807.0%      | 58.1%         |

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.

# Mississippi

## Note 16 - Other Postemployment Benefits

### Plan Description

The State and School Employees' Health Insurance Management Board (the Board) administers the State's self-insured medical plan and life insurance program established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit healthcare plan. Effective July 1, 2007, the State implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The State does not issue a publicly available financial report for the Plan.

### Funding Policy

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. The Plan is financed on a pay-as-you-go basis. The Board has the sole authority for setting health insurance premiums for the State and School Employees' Life and Health Insurance Plan.

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his State retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2010, retiree premiums range from \$186 to \$1,472 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

### Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2010. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

### Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$55,991,000 is 1.25 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2010 (amounts expressed in thousands):

|  |                  |
|--|------------------|
| Annual required contribution                         | \$ 55,991        |
| Interest on prior year net OPEB obligation           | 1,225            |
| Adjustment to annual required contribution           | (939)            |
| Annual OPEB cost                                     | 56,277           |
| Contributions made                                   | (35,154)         |
| Increase in net OPEB obligation                      | 21,123           |
| Net OPEB obligation – Beginning of year, as restated | 27,212           |
| Net OPEB obligation – End of year                    | <u>\$ 48,335</u> |

# Mississippi

The following table provides the State's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years as restated (amounts expressed in thousands):

|      | <b>Annual OPEB<br/>Cost</b> | <b>Percentage of Annual<br/>OPEB Cost Contributed</b> | <b>Net OPEB Obligation</b> |
|------|-----------------------------|---|----------------------------|
| 2008 | \$ 43,627                   | 55.6%   | \$ 19,382                  |
| 2009 | 43,205                      | 81.9  | 27,212                     |
| 2010 | 56,277                      | 62.5  | 48,335                     |

## Funded Status and Funding Progress

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

|  |               |
|--|---------------|
| Actuarial Valuation Date                           | June 30, 2010 |
| Actuarial Value of Assets                          | \$ 0          |
| Actuarial Accrued Liability (AAL) Entry Age Normal | \$ 727,711    |
| Unfunded AAL (UAAL)                                | \$ 727,711    |
| Funded Ratio                                       | 0.0%          |
| Annual Covered Payroll                             | \$ 4,470,558  |
| UAAL as a Percentage of Annual Covered Payroll     | 16.3%         |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present 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.

## Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

|                               |                            |
|-------------------------------|----------------------------|
| Actuarial valuation date      | June 30, 2010              |
| Actuarial cost method         | Entry age normal           |
| Amortization method           | Level percent of pay, open |
| Remaining amortization period | 30 years                   |
| Asset valuation method        | Market value of assets     |
| Actuarial assumptions:        |                            |
| Investment rate of return*    | 4.5%                       |
| Projected salary increases**  | 4.5% - 15.0%               |
| Healthcare cost trend rate*   | 10.5%                      |
| Ultimate trend rate           | 5.0%                       |
| Year of ultimate trend rate   | 2017                       |
| * Includes price inflation at | 3.5%                       |
| ** Includes wage inflation at | 4.25%                      |

# Mississippi

## 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, 2010 are as follows (amounts expressed in thousands):

| Year Ending June 30       | Amount           |
|---------------------------|------------------|
| 2011                      | \$ 19,822        |
| 2012                      | 14,950           |
| 2013                      | 11,170           |
| 2014                      | 8,967            |
| 2015                      | 6,856            |
| 2016 - 2020               | 15,045           |
| 2021 - 2025               | 842              |
| 2026 - 2030               | 583              |
| 2031 - 2035               | 403              |
| 2036 - 2040               | 297              |
| Thereafter                | 188              |
| Total Minimum Commitments | <u>\$ 79,123</u> |

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2010 amounted to \$20,204,000.

### B. Contracts

At June 30, 2010, the Department of Transportation had contracts outstanding of approximately \$862,284,000 with performance continuing during fiscal year 2011. Of this amount \$47,897,000 is related to local public agencies, such as planning and development districts, counties and municipalities. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 70 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 taxes.

The State Aid Road Division had contracts of \$51,365,000 outstanding at June 30, 2010 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 33 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 \$106,453,000 at June 30, 2010. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately \$13,422,000 at June 30, 2010. Approximately 99 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately \$11,983,000 at June 30, 2010. These contracts were primarily for construction costs related to terminal expansion, yard expansion, and rehabilitating berth facilities. These contracts will be paid from Port Authority at Gulfport's revenues and bonds.

The Department of Information Technology Services had contracts outstanding of approximately \$98,784,000 at June 30, 2010. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system. Approximately 90 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 capital projects funds.



# Mississippi

## 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 2009 and 2010 are as follows (amounts expressed in thousands):

|      | Beginning<br>Balance | Claims and<br>Changes<br>in Estimates | Claims<br>Payments | Ending<br>Balance |
|------|----------------------|---------------------------------------|--------------------|-------------------|
| 2009 | \$ 143,883           | \$ 720,720                            | \$ 709,644         | \$ 154,959        |
| 2010 | \$ 154,959           | \$ 750,951                            | \$ 732,599         | \$ 173,311        |

**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.

# Mississippi

## 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 \$5,691,000. 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, 2010, 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, 2010, outstanding Community Disaster loan guarantees totaled \$183,826,000.

- 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 \$2,455,245,000 at June 30, 2010. 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 \$27,061,000 at June 30, 2010, 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 \$256,975,000 from the Working Cash Stabilization Reserve Account and \$124,000,000 from budgetary special funds as of January 25, 2011. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The *2008-A* and *2008-B Swap Agreements*, in connection with \$166,250,000 of variable rate notes issued in year 2008 to refund notes for correctional facilities, were terminated at the option of the State on July 8, 2010. They had negative fair values at the time of termination, and the State paid \$21,155,000 to the Swap Counterparty.

The State entered into two financing arrangements on July 20, 2010 to currently refund two notes for correctional facilities from variable rate to fixed rate. These agreements resulted in notes payable totaling \$162,410,000 payable beginning in year 2016 through year 2027 with interest rates ranging from 5% to 5.25%.

The State called \$875,000 of Small Enterprise Development Series 2005-A General Obligation Bonds on December 6, 2010 for bonds maturing in years 2011 through 2020.

The State called \$650,000 of Small Enterprise Development Series 2000-O General Obligation Bonds on December 10, 2010 for bonds maturing in years 2011 through 2015.

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

Taxable General Obligation Note, Series 2010-C totaling \$76,000,000 dated September 1, 2010. This note provided funding for Heritage, History and Culture Tourism, Business Investment, Industry Incentive Financing, and Major Economic Impact. The note matured on November 30, 2010 and interest was paid at a rate of 1.57%.

Tax Exempt General Obligation Note totaling \$246,000 dated September 1, 2010. This note provided funding for Capital Improvements. The note was paid in full upon issuance of long-term debt dated November 10, 2010. Interest was payable monthly at a variable rate based on the weekly SIFMA swap index plus 150 basis points.

Taxable General Obligation Bonds, Series 2010-D totaling \$233,975,000 dated November 10, 2010. These bonds provided funding for Heritage, History and Culture Tourism, Workforce Training, Sustainable Energy Research, ACE, Railroad Line Repair, Existing Industry, Rural Impact, Small Municipalities and Limited Population Counties, Small Business and Existing Forestry Industry, Industry Incentive Financing, Major Economic Impact, Farish Street Historic District, Railroad Revitalization, and refinancing general obligation bond anticipation notes. The bonds mature serially through year 2023 with interest rates ranging from 0.651% to 4.351%.

Federally Taxable General Obligation Build America and Recovery Zone Bonds, Series 2010-E totaling \$45,000,000 dated November 10, 2010. These bonds provided funding for Transportation projects. The bonds mature in years 2034 and 2035 with an interest rate of 5.445%.

Federally Taxable General Obligation Build America Bonds, Series 2010-F totaling \$371,695,000 dated November 10, 2010. These bonds provided funding for Infinity Space, Science and Education Center, Children's Museum, Museum of Art, Museum of Natural Science, Long Leaf Trace, Ohr O'Keefe Museum of Art, Jackson Zoo, Crime Lab and Medical Examiner Center, Capital Improvements, Transportation, Local System Bridge Replacement and Rehabilitation, Rural Fire Truck, State Tax Commission ITS Modernization, Statewide Tourism, Community Heritage Preservation, Local Governments Rural Water, Water Pollution Control, Business Investment, Economic Development Highway, and refinancing general obligation bond anticipation notes. The bonds mature serially beginning in year 2023 through 2034 with interest rates ranging from 4.351% to 5.245%.



# Mississippi

## Required Supplementary Information

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

For the Year Ended June 30, 2010 (Expressed in Thousands)

|  | General Fund       |                 |                                |   |
|--|--------------------|-----------------|--------------------------------|---|
|  | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Over (Under) |
| <b>Revenues</b>  |                    |                 |                                |   |
| Sales tax  | \$ 1,924,200       | \$ 1,924,200    | \$ 1,781,277                   | \$ (142,923)                                  |
| Individual income tax  | 1,535,400          | 1,535,400       | 1,339,889                      | (195,511)                                     |
| Corporate income and franchise taxes   | 378,700            | 378,700         | 402,751                        | 24,051  |
| Use and wholesale compensating taxes   | 203,500            | 203,500         | 202,174                        | (1,326)                                       |
| Tobacco, beer and wine taxes   | 207,479            | 207,479         | 186,608                        | (20,871)                                      |
| Insurance tax  | 157,600            | 157,600         | 161,228                        | 3,628   |
| Oil and gas severance taxes  | 108,400            | 108,400         | 65,853                         | (42,547)                                      |
| Alcoholic Beverage Control excise and privilege<br>taxes and net profit on sale of alcoholic beverages | 63,900             | 63,900          | 64,239                         | 339   |
| Other taxes  | 9,900              | 9,900           | 7,884                          | (2,016)                                       |
| Interest   | 22,500             | 22,500          | 16,715                         | (5,785)                                       |
| Auto privilege, tag and title fees   | 17,600             | 17,600          | 16,314                         | (1,286)                                       |
| Gaming fees  | 162,200            | 162,200         | 155,123                        | (7,077)                                       |
| Highway Safety Patrol fees   | 24,400             | 24,400          | 21,824                         | (2,576)                                       |
| Other fees and services  | 12,900             | 12,900          | 11,699                         | (1,201)                                       |
| Miscellaneous  | 4,300              | 4,300           | 4,217                          | (83)  |
| Court assessments and settlements  | 48,500             | 48,500          | 53,300                         | 4,800   |
| Special Fund revenues  |                    |                 |                                |   |
| Total Revenues   | 4,881,479          | 4,881,479       | 4,491,095                      | (390,384)                                     |
| <b>Expenditures by Major Budgetary Function</b>  |                    |                 |                                |   |
| Legislative  | 25,615             | 24,760          | 24,489                         | (271)   |
| Judiciary and justice  | 60,956             | 57,510          | 57,476                         | (34)  |
| Executive and administrative   | 3,601              | 3,269           | 3,266                          | (3)   |
| Fiscal affairs   | 92,211             | 83,473          | 83,462                         | (11)  |
| Public education   | 2,129,087          | 1,925,131       | 1,925,069                      | (62)  |
| Higher education   | 819,951            | 742,256         | 742,147                        | (109)   |
| Public health  | 31,791             | 28,779          | 28,749                         | (30)  |
| Hospitals and hospital schools   | 220,418            | 199,553         | 199,530                        | (23)  |
| Agriculture, commerce and economic development   | 113,600            | 102,675         | 102,646                        | (29)  |
| Conservation and recreation  | 55,509             | 50,251          | 50,240                         | (11)  |
| Insurance and banking  |                    |                 |                                |   |
| Corrections  | 263,072            | 238,144         | 237,831                        | (313)   |
| Interdepartmental service  |                    |                 |                                |   |
| Social welfare   | 401,974            | 350,356         | 349,821                        | (535)   |
| Public protection and veterans assistance  | 96,215             | 87,098          | 87,081                         | (17)  |
| Local assistance   | 84,150             | 77,609          | 77,609                         |   |
| Motor vehicle and other regulatory agencies  | 2,018              | 1,826           | 1,824                          | (2)   |
| Miscellaneous  | 1,457              | 1,319           | 1,313                          | (6)   |
| Public works   |                    |                 |                                |   |
| Debt service   | 347,187            | 347,187         | 347,187                        |   |
| Total Expenditures   | 4,748,812          | 4,321,196       | 4,319,740                      | (1,456)                                       |
| Excess of Revenues over (under) Expenditures   | 132,667            | 560,283         | 171,355                        | (388,928)                                     |
| <b>Other Financing Sources (Uses)</b>  |                    |                 |                                |   |
| Transfers in   | 17,000             | 17,000          | 57,977                         | 40,977  |
| Transfers out  |                    |                 | (232,528)                      | (232,528)                                     |
| Investments purchased, net   |                    |                 |                                |   |
| Other uses of cash   |                    |                 | (1)                            | (1)   |
| Excess of Revenues and Other Sources<br>over (under) Expenditures and Other Uses                       | 149,667            | 577,283         | (3,197)                        | (580,480)                                     |
| Budgetary Fund Balances - Beginning  | 8,075              | 8,075           | 8,075                          |   |
| Budgetary Fund Balances - Ending   | \$ 157,742         | \$ 585,358      | \$ 4,878                       | \$ (580,480)                                  |

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) |
| \$ 241,011                 | \$ 216,032   | \$ 245,289               | \$ 29,257                               | \$              | \$           | \$                       | \$                                      |
| 22,822                     | 21,850       | 23,577                   | 1,727                                   |                 |              |                          |   |
|                            |              | 47                       | 47                                      |                 |              |                          |   |
|                            |              | 2                        | 2                                       |                 |              |                          |   |
|                            |              |                          |   | 13,254,955      | 15,974,384   | 11,862,136               | (4,112,248)                             |
| 263,833                    | 237,882      | 268,915                  | 31,033                                  | 13,254,955      | 15,974,384   | 11,862,136               | (4,112,248)                             |
|                            |              |                          |   | 15              | 15           | 3                        | (12)                                    |
|                            |              |                          |   | 47,637          | 64,688       | 56,797                   | (7,891)                                 |
|                            |              |                          |   | 14,777          | 20,064       | 15,911                   | (4,153)                                 |
|                            |              |                          |   | 87,251          | 317,047      | 292,855                  | (24,192)                                |
| 191,425                    | 173,254      | 172,467                  | (787)                                   | 1,072,208       | 1,422,306    | 1,062,528                | (359,778)                               |
| 88,876                     | 80,454       | 80,443                   | (11)                                    | 93,104          | 157,840      | 115,491                  | (42,349)                                |
|                            |              |                          |   | 382,417         | 419,780      | 343,702                  | (76,078)                                |
|                            |              |                          |   | 434,750         | 463,851      | 392,173                  | (71,678)                                |
| 3,224                      | 2,919        | 2,919                    |   | 1,849,905       | 1,918,230    | 821,385                  | (1,096,845)                             |
| 125                        | 113          | 113                      |   | 369,197         | 933,020      | 433,446                  | (499,574)                               |
|                            |              |                          |   | 88,924          | 88,400       | 79,641                   | (8,759)                                 |
|                            |              |                          |   | 81,355          | 104,079      | 99,868                   | (4,211)                                 |
|                            |              |                          |   | 42,826          | 43,342       | 40,383                   | (2,959)                                 |
|                            |              |                          |   | 5,907,946       | 6,663,368    | 5,875,511                | (787,857)                               |
|                            |              |                          |   | 1,364,436       | 1,564,579    | 773,234                  | (791,345)                               |
|                            |              |                          |   | 27,534          | 26,948       | 23,398                   | (3,550)                                 |
| 450                        | 407          | 406                      | (1)                                     | 996             | 1,986        | 1,602                    | (384)                                   |
|                            |              |                          |   | 1,259,511       | 1,634,675    | 1,291,757                | (342,918)                               |
|                            |              |                          |   | 130,166         | 130,166      | 19,834                   | (110,332)                               |
| 284,100                    | 257,147      | 256,348                  | (799)                                   | 13,254,955      | 15,974,384   | 11,739,519               | (4,234,865)                             |
| (20,267)                   | (19,265)     | 12,567                   | 31,832                                  |                 |              | 122,617                  | 122,617                                 |
|                            |              |                          |   |                 |              | 9,842                    | 9,842                                   |
|                            |              |                          |   |                 |              | (104,340)                | (104,340)                               |
|                            |              |                          |   |                 |              | (1,006)                  | (1,006)                                 |
| (20,267)                   | (19,265)     | 12,567                   | 31,832                                  |                 |              | 27,113                   | 27,113                                  |
|                            |              | 245                      | 245                                     |                 |              | 991,463                  | 991,463                                 |
| \$ (20,267)                | \$ (19,265)  | \$ 12,812                | \$ 32,077                               | \$ 0            | \$ 0         | \$ 1,018,576             | \$ 1,018,576                            |

# Mississippi

## Required Supplementary Information

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

For the Year Ended June 30, 2010

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, 2010 is presented below (amounts expressed in thousands):

| <u>Budgetary Funds</u>   | <u>General</u> | <u>Education<br/>Enhancement</u> | <u>Special</u> |
|--|----------------|----------------------------------|----------------|
| <u>Financial Statement Major Fund</u>  | <u>General</u> |                                  |                |
| Net Change in Budgetary Fund Balances  | \$ (3,197)     | \$ 12,567                        | \$ 27,113      |
| Reclassifications:   |                |                                  |                |
| Budgetary fund excesses are reclassified<br>to the General Fund for GAAP reporting                                       | 13,240         | (12,567)                         | (673)          |
| The State reports amounts in the budgetary<br>funds that are reported in other major and<br>nonmajor funds               |                |                                  | (26,440)       |
| Adjustments:   |                |                                  |                |
| The financial reporting fund structure includes funds<br>that are not part of the budgetary fund structure               | 134,287        |                                  |                |
| The State's basis of budgeting is the cash basis plus<br>encumbrances, rather than the modified accrual basis            | 135,862        |                                  |                |
| Lapse period revenues and expenditures are not<br>treated as assets and liabilities in the financial<br>reporting period | 239,003        |                                  |                |
| Net Change in GAAP Fund Balances   | \$ 519,195     | \$ 0                             | \$ 0           |

# Mississippi

## Required Supplementary Information

### Schedule of Funding Progress - Pension Trust Funds

June 30, 2010 (Expressed in Thousands)

| Actuarial<br>Valuation<br>Date                             | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(b - a) | Percent<br>Funded<br>(a / b) | Annual<br>Covered<br>Payroll<br>(c) | Unfunded<br>AAL as a<br>Percentage of<br>Annual<br>Covered Payroll<br>( (b - a) / c ) |
|--|--|--|----------------------------|------------------------------|-------------------------------------|---|
| <b>Public Employees' Retirement System of Mississippi</b>  |  |  |                            |                              |                                     |   |
| 2008   | \$ 20,814,720                          | \$ 28,534,694  | \$ 7,719,974               | 72.9 %                       | \$ 5,544,705                        | 139.2%  |
| 2009   | 20,597,581                             | 30,594,546   | 9,996,965                  | 67.3                         | 5,831,864                           | 171.4   |
| 2010   | 20,143,426                             | 31,399,988   | 11,256,562                 | 64.2                         | 5,763,556                           | 195.3   |
| <b>Mississippi Highway Safety Patrol Retirement System</b> |  |  |                            |                              |                                     |   |
| 2008   | \$ 298,630                             | \$ 381,578   | \$ 82,948                  | 78.3%                        | \$ 29,597                           | 280.3 %   |
| 2009   | 292,322                                | 394,630  | 102,308                    | 74.1                         | 26,390                              | 387.7   |
| 2010   | 281,088                                | 411,277  | 130,189                    | 68.3                         | 26,353                              | 494.0   |
| <b>Municipal Retirement Systems *</b>                      |  |  |                            |                              |                                     |   |
| 2007   | \$ 213,432                             | \$ 379,584   | \$ 166,152                 | 56.2 %                       | \$ 1,953                            | 8,507.5 %   |
| 2008   | 208,479                                | 368,131  | 159,652                    | 56.6                         | 1,713                               | 9,320.0   |
| 2009   | 191,179                                | 381,036  | 189,857                    | 50.2                         | 1,608                               | 11,807.0  |
| <b>Supplemental Legislative Retirement Plan</b>            |  |  |                            |                              |                                     |   |
| 2008   | \$ 13,412                              | \$ 15,615  | \$ 2,203                   | 85.9 %                       | \$ 6,753                            | 32.6 %  |
| 2009   | 13,386                                 | 16,535   | 3,149                      | 81.0                         | 6,803                               | 46.3  |
| 2010   | 13,241                                 | 17,081   | 3,840                      | 77.5                         | 6,605                               | 58.1  |

\* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2010, does not differ materially from the value as of September 30, 2009.

### Notes to Schedule of Funding Progress - Pension Trust Funds

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, MRS 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). 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 2010 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.



# Mississippi

## Required Supplementary Information

### Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2010 (Expressed in Thousands)

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(b - a) | Percent<br>Funded<br>(a / b) | Annual<br>Covered<br>Payroll<br>(c) | Unfunded<br>AAL as a<br>Percentage of<br>Annual<br>Covered Payroll<br>( (b - a) / c ) |
|--------------------------------|--|--|----------------------------|------------------------------|-------------------------------------|---|
| June 30, 2008                  | \$ 0                                   | \$ 570,248   | \$ 570,248                 | 0.0%                         | \$ 4,348,942                        | 13.1%   |
| June 30, 2009                  | 0                                      | 755,328  | 755,328                    | 0.0                          | 4,613,682                           | 16.4  |
| June 30, 2010                  | 0                                      | 727,711  | 727,711                    | 0.0                          | 4,470,558                           | 16.3  |



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## Nonmajor Governmental Funds

### Nonmajor Governmental Funds Descriptions

#### 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 are combined into specific functions.

**Health and Social Services** - accounts for federal and state monies used to provide vocational rehabilitation services, alcohol abuse treatment and rehabilitation programs, determination of disability eligibility, and administration of the Unemployment Compensation Act. Monies are also received from the settlement of a lawsuit against tobacco companies by the State. The principal and investment income are expended exclusively for health care.

**Law, Justice and Public Safety** - accounts for federal and state monies used to provide an alternative to incarceration, to oversee criminal justice and highway safety, to provide training for military troops and maintenance of training sites, and to provide for emergency management programs and their administration.

**Recreation and Resources Development** - accounts for revenues and expenditures related to programs that promote the rice and soybean industries, promote community development including job development and training, promote efficient and environmentally acceptable use of energy, promote preservation and protection of the state's wildlife and marine resources, and operate the state parks.

**Regulation of Business and Professions** - accounts for revenues and expenditures related to programs that regulate telecommunications, electric, gas, water and sewer utilities, regulate banks and small loan organizations, regulate oil and gas production, regulate various professions controlled by boards and commissions, and administer the provisions of the Mississippi Workers' Compensation Law.

#### Capital Projects Fund

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.

#### 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.

# Mississippi

## Nonmajor Governmental Funds

### Combining Balance Sheet

June 30, 2010 (Expressed in Thousands)

|   | Special Revenue            |                                |                                      |  |
|---|----------------------------|--------------------------------|--------------------------------------|--|
|   | Health and Social Services | Law, Justice and Public Safety | Recreation and Resources Development | Regulation of Business and Professions |
| <b>Assets</b>                                   |                            |                                |                                      |  |
| Equity in internal investment pool              | \$ 79,814                  | \$ 164,126                     | \$ 126,069                           | \$ 43,750                              |
| Cash and cash equivalents                       | 37,530                     | 4,819                          | 12,155                               | 103                                    |
| Investments                                     | 187,853                    |                                | 1,300                                |  |
| Receivables:                                    |                            |                                |                                      |  |
| Interest  | 426                        | 54                             | 1,135                                | 5                                      |
| Other   | 16,909                     | 307                            | 335                                  | 618                                    |
| Due from other governments                      | 7,622                      | 30,198                         | 106,755                              | 166                                    |
| Due from other funds                            | 6,230                      | 1,248                          | 12,256                               | 46                                     |
| Inventories                                     |                            | 1,806                          | 173                                  |  |
| Prepaid items                                   |                            |                                | 163                                  |  |
| Loans receivable, net                           |                            |                                | 1,487                                |  |
| Total Assets                                    | \$ 336,384                 | \$ 202,558                     | \$ 261,828                           | \$ 44,688                              |
| <b>Liabilities</b>                              |                            |                                |                                      |  |
| Warrants payable                                | \$ 2,756                   | \$ 5,913                       | \$ 5,904                             | \$ 659                                 |
| Accounts payable and accruals                   | 16,191                     | 8,635                          | 16,783                               | 495                                    |
| Contracts payable                               |                            |                                |                                      |  |
| Due to other governments                        | 2,493                      | 8,560                          | 37,077                               | 3                                      |
| Due to other funds                              | 30,392                     | 17,214                         | 39,212                               | 181                                    |
| Due to component units                          | 799                        | 40                             | 177                                  |  |
| Unearned revenues                               | 2,348                      | 19,282                         | 1,594                                |  |
| Other liabilities                               |                            |                                |                                      | 229                                    |
| Total Liabilities                               | 54,979                     | 59,644                         | 100,747                              | 1,567                                  |
| <b>Fund Balances</b>                            |                            |                                |                                      |  |
| Reserved for:                                   |                            |                                |                                      |  |
| Education and vocational training               |                            |                                |                                      |  |
| Ellisville State School                         | 2,025                      |                                |                                      |  |
| Encumbrances                                    | 1,230                      | 17,508                         | 3,121                                | 230                                    |
| Inventories                                     |                            | 1,806                          | 173                                  |  |
| Long-term portion of due from other governments |                            |                                | 4,882                                |  |
| Long-term portion of loans receivable           |                            |                                | 826                                  |  |
| Prepaid items                                   |                            |                                | 163                                  |  |
| Wildlife conservation                           |                            |                                |                                      |  |
| Unreserved:                                     |                            |                                |                                      |  |
| Designated for disaster recovery                |                            | 100,570                        |                                      |  |
| Designated for energy programs                  |                            |                                | 6,048                                |  |
| Designated for future capital projects          |                            |                                |                                      |  |
| Designated for future loans                     |                            |                                | 12,614                               |  |
| Designated for health care                      | 243,229                    |                                |                                      |  |
| Undesignated                                    | 34,921                     | 23,030                         | 133,254                              | 42,891                                 |
| Total Fund Balances                             | 281,405                    | 142,914                        | 161,081                              | 43,121                                 |
| Total Liabilities and Fund Balances             | \$ 336,384                 | \$ 202,558                     | \$ 261,828                           | \$ 44,688                              |

| Capital<br>Projects | Permanent        | Totals              |
|---------------------|------------------|---------------------|
| \$ 338,439          | \$ 75            | \$ 752,273          |
|                     | 1,385            | 55,992              |
|                     | 55,508           | 244,661             |
| 114                 | 488              | 2,222               |
|                     |                  | 18,169              |
|                     |                  | 144,741             |
| 501                 |                  | 20,281              |
|                     |                  | 1,979               |
|                     |                  | 163                 |
|                     |                  | 1,487               |
| <u>\$ 339,054</u>   | <u>\$ 57,456</u> | <u>\$ 1,241,968</u> |
| \$ 32               | \$ 4             | \$ 15,268           |
|                     | 32               | 42,136              |
| 15,894              |                  | 15,894              |
|                     |                  | 48,133              |
| 48                  |                  | 87,047              |
|                     |                  | 1,016               |
|                     |                  | 23,224              |
|                     |                  | 229                 |
| <u>15,974</u>       | <u>36</u>        | <u>232,947</u>      |
|                     | 42,580           | 42,580              |
|                     |                  | 2,025               |
|                     |                  | 22,089              |
|                     |                  | 1,979               |
|                     |                  | 4,882               |
|                     |                  | 826                 |
|                     |                  | 163                 |
|                     | 8,239            | 8,239               |
|                     |                  | 100,570             |
|                     |                  | 6,048               |
| 323,080             |                  | 323,080             |
|                     |                  | 12,614              |
|                     |                  | 243,229             |
|                     | 6,601            | 240,697             |
| <u>323,080</u>      | <u>57,420</u>    | <u>1,009,021</u>    |
| <u>\$ 339,054</u>   | <u>\$ 57,456</u> | <u>\$ 1,241,968</u> |

# Mississippi

## Nonmajor Governmental Funds

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

For the Year Ended June 30, 2010 (Expressed in Thousands)

|  | Special Revenue            |                                |                                      |  |
|--|----------------------------|--------------------------------|--------------------------------------|--|
|  | Health and Social Services | Law, Justice and Public Safety | Recreation and Resources Development | Regulation of Business and Professions |
| <b>Revenues</b>                              |                            |                                |                                      |  |
| Taxes:                                       |                            |                                |                                      |  |
| Gasoline and other motor fuel                | \$                         | \$                             | \$ 8,800                             | \$                                     |
| Other  | 5,891                      |                                | 76                                   | 16                                     |
| Licenses, fees and permits                   | 588                        | 9                              | 29,016                               | 40,988                                 |
| Federal government                           | 167,932                    | 447,947                        | 775,898                              | 736                                    |
| Investment income                            | 26,520                     | 2,917                          | 2,621                                | 271                                    |
| Charges for sales and services               | 1,930                      | 5,009                          | 17,010                               | 78                                     |
| Rentals                                      | 11                         | 77                             | 9,346                                | 15                                     |
| Court assessments and settlements            | 112,723                    |                                |                                      |  |
| Other  | 36,198                     | 21,218                         | 52,007                               | 582                                    |
| Total Revenues                               | 351,793                    | 477,177                        | 894,774                              | 42,686                                 |
| <b>Expenditures</b>                          |                            |                                |                                      |  |
| Current:                                     |                            |                                |                                      |  |
| Education                                    |                            |                                |                                      |  |
| Health and social services                   | 315,265                    |                                |                                      |  |
| Law, justice and public safety               |                            | 477,427                        |                                      |  |
| Recreation and resources development         |                            |                                | 584,227                              |  |
| Regulation of business and professions       |                            |                                |                                      | 37,847                                 |
| Debt service:                                |                            |                                |                                      |  |
| Principal                                    | 458                        | 239                            | 78                                   |  |
| Interest and other fiscal charges            | 121                        | 31                             | 35                                   |  |
| Capital outlay                               |                            |                                |                                      |  |
| Total Expenditures                           | 315,844                    | 477,697                        | 584,340                              | 37,847                                 |
| Excess of Revenues over (under) Expenditures | 35,949                     | (520)                          | 310,434                              | 4,839                                  |
| <b>Other Financing Sources (Uses)</b>        |                            |                                |                                      |  |
| Bonds and notes issued                       |                            |                                | 5,000                                |  |
| Insurance recovery                           |                            | 222                            | 27                                   |  |
| Premiums on bonds issued                     |                            |                                |                                      |  |
| Transfers in                                 | 74,684                     | 16,768                         | 14,760                               | 541                                    |
| Transfers out                                | (324,182)                  | (53,336)                       | (269,274)                            | (6,935)                                |
| Net Other Financing Sources (Uses)           | (249,498)                  | (36,346)                       | (249,487)                            | (6,394)                                |
| Net Change in Fund Balances                  | (213,549)                  | (36,866)                       | 60,947                               | (1,555)                                |
| Fund Balances - Beginning                    | 494,954                    | 179,780                        | 100,134                              | 44,676                                 |
| Fund Balances - Ending                       | \$ 281,405                 | \$ 142,914                     | \$ 161,081                           | \$ 43,121                              |

| Capital<br>Projects | Permanent | Totals       |
|---------------------|-----------|--------------|
| \$                  | \$        | \$           |
|                     |           | 8,800        |
|                     |           | 5,983        |
|                     | 355       | 70,956       |
|                     |           | 1,392,513    |
| 7,802               | 2,558     | 42,689       |
|                     |           | 24,027       |
|                     |           | 9,449        |
|                     |           | 112,723      |
| 9,839               | 331       | 120,175      |
| 17,641              | 3,244     | 1,787,315    |
| 79,786              | 76        | 79,862       |
|                     |           | 315,265      |
|                     |           | 477,427      |
|                     | 8         | 584,235      |
|                     |           | 37,847       |
|                     |           | 775          |
| 755                 |           | 942          |
| 98,825              |           | 98,825       |
| 179,366             | 84        | 1,595,178    |
| (161,725)           | 3,160     | 192,137      |
| 119,302             |           | 124,302      |
| 1,530               |           | 1,779        |
| 358                 |           | 358          |
| 7,594               |           | 114,347      |
| (19,247)            | (1,000)   | (673,974)    |
| 109,537             | (1,000)   | (433,188)    |
| (52,188)            | 2,160     | (241,051)    |
| 375,268             | 55,260    | 1,250,072    |
| \$ 323,080          | \$ 57,420 | \$ 1,009,021 |



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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.

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

**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. Funding is provided by gross receipts from port operations, proceeds from other governments and investment 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 **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 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.

# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

|   | Fair<br>Commission | Veterans'<br>Home<br>Purchase<br>Board | Department of<br>Finance and Administration    |                                  |
|---|--------------------|--|--|----------------------------------|
|   |                    |  | Veterans'<br>Memorial<br>Stadium<br>Commission | Office of<br>Surplus<br>Property |
| <b>Assets</b>                                   |                    |  |  |                                  |
| Current assets:                                 |                    |  |  |                                  |
| Equity in internal investment pool              | \$ 1,824           | \$ 12,920                              | \$ 138   | \$ 1,104                         |
| Cash and cash equivalents                       | 58                 | 63                                     | 2  |                                  |
| Receivables, net:                               |                    |  |  |                                  |
| Accounts  | 165                | 3                                      |  |                                  |
| Interest  |                    | 660                                    |  |                                  |
| Due from other governments                      |                    | 1                                      |  | 9                                |
| Due from other funds                            | 156                |  |  |                                  |
| Due from component units                        | 4                  |  |  | 5                                |
| Inventories                                     |                    |  |  | 8                                |
| Prepaid items                                   |                    | 15                                     |  |                                  |
| Loans and notes receivable                      |                    | 5,597                                  |  |                                  |
| Total Current Assets                            | 2,207              | 19,259                                 | 140  | 1,126                            |
| Noncurrent assets:                              |                    |  |  |                                  |
| Loans and notes receivable                      |                    | 172,272                                |  |                                  |
| Capital assets:                                 |                    |  |  |                                  |
| Land and construction in progress               | 840                | 226                                    | 143  | 100                              |
| Other capital assets, net                       | 15,605             | 1,276                                  | 10,407   | 357                              |
| Total Noncurrent Assets                         | 16,445             | 173,774                                | 10,550   | 457                              |
| Total Assets                                    | 18,652             | 193,033                                | 10,690   | 1,583                            |
| <b>Liabilities</b>                              |                    |  |  |                                  |
| Current liabilities:                            |                    |  |  |                                  |
| Warrants payable                                | 65                 | 670                                    | 21   | 8                                |
| Accounts payable and other liabilities          | 152                | 10                                     | 34   | 89                               |
| Due to other funds                              | 7                  | 8                                      | 1  |                                  |
| Due to component units                          |                    |  | 30   |                                  |
| Deposits  |                    | 1,730                                  |  |                                  |
| Unearned revenues                               | 106                |  |  |                                  |
| Lease obligations payable                       |                    |  |  |                                  |
| Total Current Liabilities                       | 330                | 2,418                                  | 86   | 97                               |
| Noncurrent liabilities:                         |                    |  |  |                                  |
| Due to other governments                        |                    |  |  |                                  |
| Lease obligations payable                       |                    |  |  |                                  |
| Other liabilities                               | 72                 | 63                                     | 32   | 37                               |
| Total Noncurrent Liabilities                    | 72                 | 63                                     | 32   | 37                               |
| Total Liabilities                               | 402                | 2,481                                  | 118  | 134                              |
| <b>Net Assets</b>                               |                    |  |  |                                  |
| Invested in capital assets, net of related debt | 16,445             | 1,502                                  | 10,550   | 457                              |
| Unrestricted                                    | 1,805              | 189,050                                | 22   | 992                              |
| Total Net Assets                                | \$ 18,250          | \$ 190,552                             | \$ 10,572                                      | \$ 1,449                         |

| Yellow Creek<br>Inland Port<br>Authority | Department of<br>Rehabilitation<br>Services | Department of<br>Agriculture<br>and Commerce | Department of Corrections        |                                       | Totals          |
|--|---|--|----------------------------------|---------------------------------------|-----------------|
|  | AbilityWorks                                | Agriculture<br>and Forestry<br>Museum        | Restaurants<br>and<br>Commissary | Prison<br>Agricultural<br>Enterprises |                 |
| \$ 860                                   | \$ 6,214                                    | \$ 70 30                                     | \$ 833                           | \$ 468                                | \$ 16,524 8,060 |
| 175                                      | 2,512                                       |  | 690                              |                                       | 3,545 660       |
| 23                                       |   |  |                                  |                                       | 33              |
| 350                                      | 3,481 5                                     | 1  | 1                                | 165                                   | 4,154 14        |
|  | 143   | 26   |                                  | 296                                   | 473             |
| 18                                       | 9   |  |                                  |                                       | 42              |
| 52                                       |   |  |                                  |                                       | 5,649           |
| 1,478                                    | 12,364                                      | 127  | 1,524                            | 929                                   | 39,154          |
| 662                                      |   |  |                                  |                                       | 172,934         |
| 2,251                                    |   | 1,690  |                                  |                                       | 5,250           |
| 14,253                                   |   | 2,573  | 82                               | 3,257                                 | 47,810          |
| 17,166                                   |   | 4,263  | 82                               | 3,257                                 | 225,994         |
| 18,644                                   | 12,364                                      | 4,390  | 1,606                            | 4,186                                 | 265,148         |
|  |   | 11   |                                  | 7                                     | 782             |
| 61                                       | 2,066                                       | 19   | 556                              | 154                                   | 3,141           |
| 6  |   |  | 1,046                            |                                       | 1,068 30        |
|  |   |  |                                  |                                       | 1,730           |
|  | 268   |  |                                  |                                       | 374             |
|  |   |  |                                  | 223                                   | 223             |
| 67                                       | 2,334                                       | 30   | 1,602                            | 384                                   | 7,348           |
| 9,005                                    |   |  |                                  |                                       | 9,005           |
|  |   |  |                                  | 618                                   | 618             |
| 31                                       |   | 38   |                                  | 183                                   | 456             |
| 9,036                                    |   | 38   |                                  | 801                                   | 10,079          |
| 9,103                                    | 2,334                                       | 68   | 1,602                            | 1,185                                 | 17,427          |
| 8,714                                    |   | 4,263  | 82                               | 2,416                                 | 44,429          |
| 827                                      | 10,030                                      | 59   | (78)                             | 585                                   | 203,292         |
| \$ 9,541                                 | \$ 10,030                                   | \$ 4,322                                     | \$ 4                             | \$ 3,001                              | \$ 247,721      |

# Mississippi

## Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2010 (Expressed in Thousands)

|   | Fair<br>Commission | Veterans'<br>Home<br>Purchase<br>Board | Department of<br>Finance and Administration    |                                  |
|---|--------------------|--|--|----------------------------------|
|   |                    |  | Veterans'<br>Memorial<br>Stadium<br>Commission | Office of<br>Surplus<br>Property |
| <b>Operating Revenues</b>                                   |                    |  |  |                                  |
| Charges for sales and services                              | \$ 4,654           | \$                                     | \$ 768   | \$ 1,423                         |
| Investment income   |                    | 8,670                                  |  |                                  |
| Rentals   |                    | 47                                     | 554  |                                  |
| Fees  |                    | 60                                     |  |                                  |
| Other   | 220                | 2                                      |  |                                  |
| Total Operating Revenues                                    | 4,874              | 8,779                                  | 1,322  | 1,423                            |
| <b>Operating Expenses</b>                                   |                    |  |  |                                  |
| Cost of sales and services                                  | 126                |  |  |                                  |
| General and administrative                                  | 1,084              | 838                                    | 491  | 414                              |
| Contractual services  | 3,273              | 192                                    | 1,145  | 113                              |
| Commodities   | 370                | 41                                     | 142  | 44                               |
| Depreciation  | 489                | 40                                     | 425  | 49                               |
| Other   | 32                 | 7                                      |  |                                  |
| Total Operating Expenses                                    | 5,374              | 1,118                                  | 2,203  | 620                              |
| Operating Income (Loss)                                     | (500)              | 7,661                                  | (881)  | 803                              |
| <b>Nonoperating Revenues</b>                                |                    |  |  |                                  |
| Gain on disposal of capital assets                          |                    | 4                                      |  |                                  |
| Investment income   |                    | 289                                    | 3  | 5                                |
| Total Nonoperating Revenues                                 |                    | 293                                    | 3  | 5                                |
| <b>Nonoperating Expenses</b>                                |                    |  |  |                                  |
| Loss on disposal of capital assets                          | 3,268              |  | 5  | 150                              |
| Interest  |                    |  |  |                                  |
| Total Nonoperating Expenses                                 | 3,268              |  | 5  | 150                              |
| Income (Loss) before Capital<br>Contributions and Transfers | (3,768)            | 7,954                                  | (883)  | 658                              |
| Capital Contributions                                       |                    |  |  | 11                               |
| Transfers In  | 10                 |  | 62   |                                  |
| Transfers Out   | (547)              | (5)                                    |  | (102)                            |
| Change in Net Assets  | (4,305)            | 7,949                                  | (821)  | 567                              |
| Total Net Assets - Beginning                                | 22,555             | 182,603                                | 11,393   | 882                              |
| Total Net Assets - Ending                                   | \$ 18,250          | \$ 190,552                             | \$ 10,572                                      | \$ 1,449                         |

| Yellow Creek<br>Inland Port<br>Authority | Department of<br>Rehabilitation<br>Services | Department of<br>Agriculture<br>and Commerce | Department of Corrections        |                                       | Totals     |
|--|---|--|----------------------------------|---------------------------------------|------------|
|  | AbilityWorks                                | Agriculture<br>and Forestry<br>Museum        | Restaurants<br>and<br>Commissary | Prison<br>Agricultural<br>Enterprises |            |
| \$ 860                                   | \$ 6,091                                    | \$ 133                                       | \$ 9,229                         | \$ 1,280                              | \$ 24,438  |
| 913                                      |   | 321  |                                  | 466                                   | 8,670      |
| 23                                       | 1,011                                       | 32   | 33                               | 21                                    | 2,301      |
| 1,796                                    | 7,102                                       | 486  | 9,262                            | 1,767                                 | 60         |
|  |   |  |                                  |                                       | 1,342      |
|  |   |  |                                  |                                       | 36,811     |
|  | 5,844                                       | 60   | 6,782                            | 1,439                                 | 14,251     |
| 560                                      | 6,238                                       | 467  | 511                              | 572                                   | 11,175     |
| 1,287                                    | 1,928                                       | 343  | 613                              | 153                                   | 9,047      |
| 42                                       | 51  | 78   | 161                              | 373                                   | 1,302      |
| 667                                      |   | 152  | 36                               | 227                                   | 2,085      |
|  |   | 1  |                                  |                                       | 40         |
| 2,556                                    | 14,061                                      | 1,101  | 8,103                            | 2,764                                 | 37,900     |
| (760)                                    | (6,959)                                     | (615)  | 1,159                            | (997)                                 | (1,089)    |
|  |   |  |                                  |                                       |            |
|  |   |  |                                  |                                       | 4          |
| 39                                       | 43  |  |                                  |                                       | 379        |
| 39                                       | 43  |  |                                  |                                       | 383        |
|  |   |  |                                  |                                       |            |
|  |   | 1  |                                  | 7                                     | 3,431      |
| 1  |   |  |                                  | 14                                    | 15         |
| 1  |   | 1  |                                  | 21                                    | 3,446      |
|  |   |  |                                  |                                       |            |
| (722)                                    | (6,916)                                     | (616)  | 1,159                            | (1,018)                               | (4,152)    |
|  |   | 13   |                                  |                                       | 24         |
| 350                                      | 8,080                                       | 469  | 35                               | 1,069                                 | 10,075     |
| (6)                                      |   |  | (1,180)                          | (68)                                  | (1,908)    |
| (378)                                    | 1,164                                       | (134)  | 14                               | (17)                                  | 4,039      |
| 9,919                                    | 8,866                                       | 4,456  | (10)                             | 3,018                                 | 243,682    |
| \$ 9,541                                 | \$ 10,030                                   | \$ 4,322                                     | \$ 4                             | \$ 3,001                              | \$ 247,721 |

# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2010 (Expressed in Thousands)

|   |                    |  | Department of<br>Finance and Administration    |                                  |
|---|--------------------|--|--|----------------------------------|
|   | Fair<br>Commission | Veterans'<br>Home<br>Purchase<br>Board | Veterans'<br>Memorial<br>Stadium<br>Commission | Office of<br>Surplus<br>Property |
| <b>Cash Flows from Operating Activities</b>                         |                    |  |  |                                  |
| Cash receipts from customers  | \$ 4,916           | \$ 107                                 | \$ 1,350                                       | \$ 1,453                         |
| Cash payments to suppliers for goods and services                   | (3,914)            | (212)                                  | (1,283)  | (77)                             |
| Cash payments to employees for services                             | (1,096)            | (822)                                  | (479)  | (405)                            |
| Other operating cash receipts                                       |                    | 111                                    |  |                                  |
| Principal and interest received on program loans                    |                    | 25,698                                 |  |                                  |
| Issuance of program loans   |                    | (21,698)                               |  |                                  |
| Net Cash Provided by (Used for) Operating Activities                | (94)               | 3,184                                  | (412)  | 971                              |
| <b>Cash Flows from Noncapital Financing Activities</b>              |                    |  |  |                                  |
| Transfers in  | 10                 |  | 62   |                                  |
| Transfers out   | (547)              | (5)                                    |  | (102)                            |
| Proceeds from other governments                                     |                    |  |  |                                  |
| Principal paid to other governments                                 |                    |  |  |                                  |
| Interest paid to other governments                                  |                    |  |  |                                  |
| Net Cash Provided by (Used for) Noncapital<br>Financing Activities  | (537)              | (5)                                    | 62   | (102)                            |
| <b>Cash Flows from Capital and Related<br/>Financing Activities</b> |                    |  |  |                                  |
| Acquisition and construction of capital assets                      | (54)               | (18)                                   | (31)   | (60)                             |
| Proceeds from sale of capital assets                                |                    | 7                                      |  |                                  |
| Principal paid on bonds and capital assets contracts                |                    |  |  |                                  |
| Interest paid on bonds and capital assets contracts                 |                    |  |  |                                  |
| Net Cash Used for Capital and Related<br>Financing Activities       | (54)               | (11)                                   | (31)   | (60)                             |
| <b>Cash Flows from Investing Activities</b>                         |                    |  |  |                                  |
| Investment income   |                    | 287                                    | 3  | 5                                |
| Net Cash Provided by Investing Activities                           |                    | 287                                    | 3  | 5                                |
| Net Change in Cash and Cash Equivalents                             | (685)              | 3,455                                  | (378)  | 814                              |
| Cash and Cash Equivalents - Beginning                               | 2,567              | 9,528                                  | 518  | 290                              |
| Cash and Cash Equivalents - Ending                                  | \$ 1,882           | \$ 12,983                              | \$ 140   | \$ 1,104                         |

| Yellow Creek<br>Inland Port<br>Authority | Department of<br>Rehabilitation<br>Services | Department of<br>Agriculture<br>and Commerce | Department of Corrections          |                                       |  | Totals |
|--|---|--|------------------------------------|---------------------------------------|--|--------|
|  | AbilityWorks                                | Agriculture<br>and Forestry<br>Museum        | Restaurants<br>and<br>Commissary   | Prison<br>Agricultural<br>Enterprises |  |        |
| \$ 1,155<br>(1,318)<br>(536)             | \$ 4,127<br>(7,712)<br>(6,237)<br>1,010     | \$ 464<br>(483)<br>(467)<br>21               | \$ 9,394<br>(7,749)<br>(504)<br>32 | \$ 1,746<br>(2,088)<br>(540)<br>21    | \$ 24,712<br>(24,836)<br>(11,086)<br>1,195<br>25,698<br>(21,698) |        |
| (699)                                    | (8,812)                                     | (465)  | 1,173                              | (861)                                 | (6,015)  |        |
|  | 8,080                                       | 469  | 34<br>(915)                        | 1,064<br>(68)                         | 9,719<br>(1,637)<br>779<br>(1,531)<br>(1)                        |        |
| (753)                                    | 8,080                                       | 469  | (881)                              | 996                                   | 7,329  |        |
|  |   |  | (21)                               |                                       | (184)<br>7<br>(210)<br>(14)                                      |        |
|  |   |  | (21)                               | (224)                                 | (401)  |        |
| 39                                       | 43  |  |                                    |                                       | 377  |        |
| 39                                       | 43  |  |                                    |                                       | 377  |        |
| (1,413)                                  | (689)                                       | 4  | 271                                | (89)                                  | 1,290  |        |
| 2,273                                    | 6,903                                       | 96   | 562                                | 557                                   | 23,294   |        |
| \$ 860                                   | \$ 6,214                                    | \$ 100                                       | \$ 833                             | \$ 468                                | \$ 24,584  |        |

(Continued on Next Page)



# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2010 (Expressed in Thousands)

(Continued from Previous Page)

|  |                    |  | Department of<br>Finance and Administration    |                                  |
|--|--------------------|--|--|----------------------------------|
|  | Fair<br>Commission | Veterans'<br>Home<br>Purchase<br>Board | Veterans'<br>Memorial<br>Stadium<br>Commission | Office of<br>Surplus<br>Property |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided by (Used for) Operating Activities</b> |                    |  |  |                                  |
| Operating income (loss)  | \$ (500)           | \$ 7,661                               | \$ (881)                                       | \$ 803                           |
| Adjustments to reconcile operating income (loss) to<br>net cash provided by (used for) operating activities: |                    |  |  |                                  |
| Depreciation   | 489                | 40                                     | 425  | 49                               |
| Change in assets and liabilities:  |                    |  |  |                                  |
| (Increase) decrease in assets:   |                    |  |  |                                  |
| Accounts receivable, net   | (13)               | (1)                                    | 26   | 3                                |
| Interest receivable  |                    | 4                                      |  |                                  |
| Due from other governments   |                    | (1)                                    |  | 32                               |
| Due from other funds   | 51                 |  | 3  |                                  |
| Due from component units   | 3                  |  |  | (5)                              |
| Inventories  |                    |  |  | 17                               |
| Prepaid items  |                    |  |  |                                  |
| Loans and notes receivable   |                    | (4,565)                                |  |                                  |
| Increase (decrease) in liabilities:  |                    |  |  |                                  |
| Warrants payable   | 33                 | (171)                                  | (31)   |                                  |
| Accounts payable and other liabilities   | (151)              | 210                                    | 21   | 75                               |
| Due to other governments   |                    |  | (5)  |                                  |
| Due to other funds   | 3                  | 7                                      |  | (3)                              |
| Due to component units   | (10)               |  | 30   |                                  |
| Unearned revenues  | 1                  |  |  |                                  |
| Total adjustments  | 406                | (4,477)                                | 469  | 168                              |
| Net Cash Provided by (Used for) Operating Activities   | \$ (94)            | \$ 3,184                               | \$ (412)                                       | \$ 971                           |
| <b>Noncash Capital and Related Financing Activities</b>  |                    |  |  |                                  |
| Capital contributions  |                    |  |  | 11                               |
| Gain (loss) on disposal of capital assets  | (3,268)            | 4                                      | (5)  | (150)                            |

| Yellow Creek<br>Inland Port<br>Authority | Department of<br>Rehabilitation<br>Services | Department of<br>Agriculture<br>and Commerce | Department of Corrections        |                                       | Totals     |
|--|---|--|----------------------------------|---------------------------------------|------------|
|  | AbilityWorks                                | Agriculture<br>and Forestry<br>Museum        | Restaurants<br>and<br>Commissary | Prison<br>Agricultural<br>Enterprises |            |
| \$ (760)                                 | \$ (6,959)                                  | \$ (615)                                     | \$ 1,159                         | \$ (997)                              | \$ (1,089) |
| 667                                      |   | 152  | 36                               | 227                                   | 2,085      |
| (109)                                    | (106)                                       |  | 164                              |                                       | (36)       |
| (23)                                     |   |  |                                  |                                       | 4          |
|  | (1,855)                                     | (1)  |                                  |                                       | 8          |
|  | (2)   |  |                                  |                                       | (1,802)    |
|  | 8   |  |                                  |                                       | (4)        |
|  | 2   |  |                                  | (124)                                 | (99)       |
| (509)                                    |   |  |                                  |                                       | 2          |
|  |   |  |                                  |                                       | (5,074)    |
|  |   | 3  |                                  | (58)                                  | (224)      |
| 35                                       | 100   | (4)  | (185)                            | 91                                    | 192        |
|  |   |  | (1)                              |                                       | (5)        |
|  |   |  |                                  |                                       | 6          |
|  |   |  |                                  |                                       | 20         |
|  |   |  |                                  |                                       | 1          |
| 61                                       | (1,853)                                     | 150  | 14                               | 136                                   | (4,926)    |
| \$ (699)                                 | \$ (8,812)                                  | \$ (465)                                     | \$ 1,173                         | \$ (861)                              | \$ (6,015) |
|  |   | 13   |                                  |                                       | 24         |
|  |   | (1)  |                                  | (7)                                   | (3,427)    |

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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.

# Mississippi

## Internal Service Funds

### Combining Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

|  |                    |                                       | Department of<br>Finance and<br>Administration |            |
|--|--------------------|---------------------------------------|--|------------|
|  | Personnel<br>Board | Information<br>Technology<br>Services | Risk<br>Management                             | Totals     |
| <b>Assets</b>                                      |                    |                                       |  |            |
| Current assets:                                    |                    |                                       |  |            |
| Equity in internal investment pool                 | \$ 2,164           | \$ 7,499                              | \$ 265,444                                     | \$ 275,107 |
| Cash and cash equivalents                          |                    |                                       | 17,491   | 17,491     |
| Investments  |                    |                                       | 1,711  | 1,711      |
| Receivables:                                       |                    |                                       |  |            |
| Accounts   | 3                  | 17                                    |  | 20         |
| Interest   |                    |                                       | 326  | 326        |
| Due from other governments                         | 1                  | 179                                   |  | 180        |
| Due from other funds                               | 151                | 3,751                                 | 502  | 4,404      |
| Due from component units                           |                    | 78                                    | 17   | 95         |
| Total Current Assets                               | 2,319              | 11,524                                | 285,491  | 299,334    |
| Noncurrent assets:                                 |                    |                                       |  |            |
| Investments  |                    |                                       | 23,419   | 23,419     |
| Other capital assets, net                          | 100                | 5,922                                 | 86   | 6,108      |
| Total Noncurrent Assets                            | 100                | 5,922                                 | 23,505   | 29,527     |
| Total Assets                                       | 2,419              | 17,446                                | 308,996  | 328,861    |
| <b>Liabilities</b>                                 |                    |                                       |  |            |
| Current liabilities:                               |                    |                                       |  |            |
| Warrants payable                                   | 84                 | 1,292                                 | 135  | 1,511      |
| Accounts payable and other liabilities             | 65                 | 1,608                                 | 5,546  | 7,219      |
| Due to other governments                           | 10                 |                                       |  | 10         |
| Due to other funds                                 | 21                 | 21                                    | 1,489  | 1,531      |
| Due to component units                             |                    |                                       | 7  | 7          |
| Claims and benefits payable                        |                    |                                       | 164,574  | 164,574    |
| Unearned revenues                                  |                    |                                       | 2,230  | 2,230      |
| Total Current Liabilities                          | 180                | 2,921                                 | 173,981  | 177,082    |
| Noncurrent liabilities:                            |                    |                                       |  |            |
| Other liabilities                                  | 279                | 781                                   | 131  | 1,191      |
| Total Noncurrent Liabilities                       | 279                | 781                                   | 131  | 1,191      |
| Total Liabilities                                  | 459                | 3,702                                 | 174,112  | 178,273    |
| <b>Net Assets</b>                                  |                    |                                       |  |            |
| Invested in capital assets, net of<br>related debt | 100                | 5,827                                 | 86   | 6,013      |
| Unrestricted                                       | 1,860              | 7,917                                 | 134,798  | 144,575    |
| Total Net Assets                                   | \$ 1,960           | \$ 13,744                             | \$ 134,884                                     | \$ 150,588 |

# Mississippi

## Internal Service Funds

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

For the Year Ended June 30, 2010 (Expressed in Thousands)

|  |                    |                                       |                    | Department of<br>Finance and<br>Administration |          |
|--|--------------------|---------------------------------------|--------------------|--|----------|
|  | Personnel<br>Board | Information<br>Technology<br>Services | Risk<br>Management |  | Totals   |
| <b>Operating Revenues</b>                          |                    |                                       |                    |  |          |
| Charges for sales and services/premiums            | \$ 5,612           | \$ 34,932                             | \$ 759,316         | \$   | 799,860  |
| Other  |                    |                                       | 120                |  | 120      |
| Total Operating Revenues                           | 5,612              | 34,932                                | 759,436            |  | 799,980  |
| <b>Operating Expenses</b>                          |                    |                                       |                    |  |          |
| General and administrative                         | 3,834              | 9,772                                 | 1,760              |  | 15,366   |
| Contractual services                               | 1,528              | 23,012                                | 56,184             |  | 80,724   |
| Commodities  | 231                | 325                                   | 89                 |  | 645      |
| Depreciation                                       | 21                 | 1,931                                 | 11                 |  | 1,963    |
| Claims and benefits                                |                    |                                       | 742,106            |  | 742,106  |
| Total Operating Expenses                           | 5,614              | 35,040                                | 800,150            |  | 840,804  |
| Operating Loss                                     | (2)                | (108)                                 | (40,714)           |  | (40,824) |
| <b>Nonoperating Revenues</b>                       |                    |                                       |                    |  |          |
| Investment income                                  |                    |                                       | 8,421              |  | 8,421    |
| Total Nonoperating Revenues                        |                    |                                       | 8,421              |  | 8,421    |
| <b>Nonoperating Expenses</b>                       |                    |                                       |                    |  |          |
| Loss on disposal of capital assets                 |                    | 21                                    | 1                  |  | 22       |
| Interest   |                    | 2                                     |                    |  | 2        |
| Total Nonoperating Expenses                        |                    | 23                                    | 1                  |  | 24       |
| Loss before Capital Contributions<br>and Transfers | (2)                | (131)                                 | (32,294)           |  | (32,427) |
| Capital Contributions                              |                    | 1,967                                 |                    |  | 1,967    |
| Transfers In                                       | 103                | 398                                   | 531                |  | 1,032    |
| Transfers Out                                      | (1,475)            | (2,765)                               | (131)              |  | (4,371)  |
| Change in Net Assets                               | (1,374)            | (531)                                 | (31,894)           |  | (33,799) |
| Total Net Assets - Beginning                       | 3,334              | 14,275                                | 166,778            |  | 184,387  |
| Total Net Assets - Ending                          | \$ 1,960           | \$ 13,744                             | \$ 134,884         | \$   | 150,588  |

# Mississippi

## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2010 (Expressed in Thousands)

|   |                    |                                       | Department of<br>Finance and<br>Administration |            |
|---|--------------------|---------------------------------------|--|------------|
|   | Personnel<br>Board | Information<br>Technology<br>Services | Risk<br>Management                             | Totals     |
| <b>Cash Flows from Operating Activities</b>                     |                    |                                       |  |            |
| Cash receipts/premiums from interfund services provided         | \$ 5,532           | \$ 33,544                             | \$ 186,319                                     | \$ 225,395 |
| Cash receipts/premiums from customers                           | 58                 | 1,361                                 | 573,269  | 574,688    |
| Cash payments to suppliers for goods and services               | (2,154)            | (22,631)                              | (57,353)                                       | (82,138)   |
| Cash payments to employees for services                         | (3,494)            | (9,659)                               | (1,760)  | (14,913)   |
| Cash payments for claims and benefits                           |                    |                                       | (725,243)                                      | (725,243)  |
| Other operating cash receipts                                   |                    |                                       | 116  | 116        |
| Net Cash Provided by (Used for) Operating Activities            | (58)               | 2,615                                 | (24,652)                                       | (22,095)   |
| <b>Cash Flows from Noncapital Financing Activities</b>          |                    |                                       |  |            |
| Transfers in  |                    | 398                                   | 584  | 982        |
| Transfers out   | (1,475)            | (2,765)                               | (131)  | (4,371)    |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (1,475)            | (2,367)                               | 453  | (3,389)    |
| <b>Cash Flows from Capital and Related Financing Activities</b> |                    |                                       |  |            |
| Acquisition and construction of capital assets                  | (111)              | (831)                                 | (15)   | (957)      |
| Principal paid on capital assets contracts                      |                    | (43)                                  |  | (43)       |
| Interest paid on capital assets contracts                       |                    | (1)                                   |  | (1)        |
| Net Cash Used for Capital and Related Financing Activities      | (111)              | (875)                                 | (15)   | (1,001)    |
| <b>Cash Flows from Investing Activities</b>                     |                    |                                       |  |            |
| Proceeds from sales of investments                              |                    |                                       | 8,052  | 8,052      |
| Purchases of investments  |                    |                                       | (4,716)  | (4,716)    |
| Investment income   |                    |                                       | 8,275  | 8,275      |
| Net Cash Provided by Investing Activities                       |                    |                                       | 11,611   | 11,611     |
| Net Change in Cash and Cash Equivalents                         | (1,644)            | (627)                                 | (12,603)                                       | (14,874)   |
| Cash and Cash Equivalents - Beginning                           | 3,808              | 8,126                                 | 295,538  | 307,472    |
| Cash and Cash Equivalents - Ending                              | \$ 2,164           | \$ 7,499                              | \$ 282,935                                     | \$ 292,598 |

(Continued on Next Page)

# Mississippi

## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2010 (Expressed in Thousands)

(Continued from Previous Page)

|   | Department of<br>Finance and<br>Administration |                                       |                    |             |
|---|--|---------------------------------------|--------------------|-------------|
|   | Personnel<br>Board                             | Information<br>Technology<br>Services | Risk<br>Management | Totals      |
| <b>Reconciliation of Operating Loss to Net Cash<br/>Provided by (Used for) Operating Activities</b> |  |                                       |                    |             |
| Operating loss  | \$ (2)   | \$ (108)                              | \$ (40,714)        | \$ (40,824) |
| Adjustments to reconcile operating loss to net<br>cash provided by (used for) operating activities: |  |                                       |                    |             |
| Depreciation  | 21   | 1,931                                 | 11                 | 1,963       |
| Changes in assets and liabilities:  |  |                                       |                    |             |
| (Increase) decrease in assets:  |  |                                       |                    |             |
| Accounts receivable   | 1  | 1                                     |                    | 2           |
| Due from other governments  |  | (10)                                  | 7                  | (3)         |
| Due from other funds  | (25)   | (66)                                  | 34                 | (57)        |
| Due from component units  | 1  | 63                                    | 6                  | 70          |
| Increase (decrease) in liabilities:   |  |                                       |                    |             |
| Warrants payable  | (1)  | (92)                                  | 55                 | (38)        |
| Accounts payable and other liabilities  | (64)   | 875                                   | (1,604)            | (793)       |
| Due to other governments  | 10   |                                       |                    | 10          |
| Due to other funds  | 1  | 21                                    | 423                | 445         |
| Due to component units  |  |                                       | 5                  | 5           |
| Claims and benefits payable   |  |                                       | 16,905             | 16,905      |
| Unearned revenues   |  |                                       | 220                | 220         |
| Total adjustments   | (56)   | 2,723                                 | 16,062             | 18,729      |
| Net Cash Provided by (Used for) Operating Activities  | \$ (58)  | \$ 2,615                              | \$ (24,652)        | \$ (22,095) |

### Noncash Capital and Related Financing and Investing Activities

|                                       |       |       |       |
|---------------------------------------|-------|-------|-------|
| Capital contributions                 | 1,967 |       | 1,967 |
| Loss on disposal of capital assets    | 21    | 1     | 22    |
| Change in market value of investments |       | (177) | (177) |



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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. Political subdivisions may make contributions on behalf of their employees. 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.

# Mississippi

## Pension Trust Funds

### Combining Statement of Fiduciary Net Assets

June 30, 2010 (Expressed in Thousands)

|                                      | Public<br>Employees'<br>Retirement<br>System | Mississippi<br>Highway<br>Safety Patrol<br>Retirement<br>System | Municipal<br>Retirement<br>Systems |
|--------------------------------------|--|---|------------------------------------|
| <b>Assets</b>                        |  |   |                                    |
| Equity in internal investment pool   | \$ 489                                       | \$  | \$                                 |
| Cash and cash equivalents            | 304,171                                      | 4,218   | 2,729                              |
| Investments, at fair value:          |  |   |                                    |
| Short-term securities                | 2,562  | 35  | 24                                 |
| Debt securities                      | 4,204,814                                    | 58,379  | 37,763                             |
| Equity securities                    | 11,320,363                                   | 157,171   | 101,667                            |
| Private equity                       | 90,166                                       | 1,252   | 810                                |
| Absolute return strategy             | 14,528                                       | 202   | 130                                |
| Real estate investments              | 749,548                                      | 10,407  | 6,732                              |
| Asset allocation fund                |  |   |                                    |
| Fixed rate and variable              |  |   |                                    |
| Life insurance contracts             |  |   |                                    |
| Securities lending:                  |  |   |                                    |
| Short-term securities                | 2,347,754                                    | 32,716  | 21,162                             |
| Debt securities                      | 1,635,963                                    | 22,797  | 14,746                             |
| Receivables:                         |  |   |                                    |
| Employer contributions               | 52,770                                       |   | 285                                |
| Employee contributions               | 31,560                                       |   | 10                                 |
| Investment proceeds                  | 176,533                                      | 2,451   | 1,585                              |
| Interest and dividends               | 65,815                                       | 914   | 591                                |
| Other                                | 660  | 1,117   | 9                                  |
| Capital assets:                      |  |   |                                    |
| Land                                 | 508  |   |                                    |
| Other capital assets, net            | 14,879                                       |   |                                    |
| Total Assets                         | 21,013,083                                   | 291,659   | 188,243                            |
| <b>Liabilities</b>                   |  |   |                                    |
| Warrants payable                     | 255  |   |                                    |
| Accounts payable and accruals        | 234,872                                      | 3,205   | 2,082                              |
| Due to other funds                   | 18   |   | 6                                  |
| Amounts held in custody for others   | 1,138  |   |                                    |
| Obligations under securities lending | 3,988,586                                    | 55,581  | 35,952                             |
| Total Liabilities                    | 4,224,869                                    | 58,786  | 38,040                             |
| <b>Net Assets</b>                    |  |   |                                    |
| Held in trust for pension benefits   | \$ 16,788,214                                | \$ 232,873  | \$ 150,203                         |

| <b>Supplemental<br/>Legislative<br/>Retirement<br/>Plan</b> | <b>Government<br/>Employees'<br/>Deferred<br/>Compensation<br/>Plan</b> | <b>Totals</b> |
|---|---|---------------|
| \$  | \$  | \$            |
| 202   | 2,419   | 489           |
|   |   | 313,739       |
| 2   | 22,193  | 24,816        |
| 2,791   | 50,268  | 4,354,015     |
| 7,513   | 459,368   | 12,046,082    |
| 59  |   | 92,287        |
| 10  |   | 14,870        |
| 497   |   | 767,184       |
|   | 44,884  | 44,884        |
|   | 509,152   | 509,152       |
|   | 365   | 365           |
| 1,564   |   | 2,403,196     |
| 1,090   |   | 1,674,596     |
|   |   | 53,055        |
|   | 3,017   | 34,587        |
| 117   |   | 180,686       |
| 44  | 233   | 67,597        |
|   |   | 1,786         |
|   |   | 508           |
|   |   | 14,879        |
| 13,889  | 1,091,899   | 22,598,773    |
|   |   | 255           |
| 153   | 156   | 240,468       |
|   |   | 24            |
|   |   | 1,138         |
| 2,657   |   | 4,082,776     |
| 2,810   | 156   | 4,324,661     |
| \$  | \$  | \$            |
| 11,079  | 1,091,743   | 18,274,112    |

# Mississippi

## Pension Trust Funds

### Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2010 (Expressed in Thousands)

|  | Public<br>Employees'<br>Retirement<br>System | Mississippi<br>Highway<br>Safety Patrol<br>Retirement<br>System | Municipal<br>Retirement<br>Systems |
|--|--|---|------------------------------------|
| <b>Additions</b>   |  |   |                                    |
| Contributions:   |  |   |                                    |
| Employer   | \$ 731,544                                   | \$ 8,613  | \$ 21,420                          |
| Employee   | 439,397                                      | 2,043   | 145                                |
| Total Contributions  | 1,170,941                                    | 10,656  | 21,565                             |
| Net Investment Income:                                     |  |   |                                    |
| Net change in fair value of investments                    | 1,682,992                                    | 23,452  | 15,171                             |
| Interest and dividends                                     | 459,918                                      | 6,409   | 4,146                              |
| Securities lending:  |  |   |                                    |
| Income from securities lending                             | 40,272                                       | 561   | 363                                |
| Interest expense and trading costs from securities lending | (1,312)                                      | (18)  | (12)                               |
| Managers' fees and trading costs                           | (33,121)                                     | (462)   | (299)                              |
| Net Investment Income                                      | 2,148,749                                    | 29,942  | 19,369                             |
| Other Additions:   |  |   |                                    |
| Administrative fees  | 610  |   |                                    |
| Other  |  | 3,985   |                                    |
| Total Other Additions                                      | 610  | 3,985   |                                    |
| Total Additions  | 3,320,300                                    | 44,583  | 40,934                             |
| <b>Deductions</b>  |  |   |                                    |
| Retirement annuities                                       | 1,580,808                                    | 25,847  | 35,766                             |
| Refunds to terminated employees                            | 73,580                                       | 65  | 3                                  |
| Administrative expenses                                    | 11,739                                       | 172   | 429                                |
| Depreciation   | 446  |   |                                    |
| Total Deductions   | 1,666,573                                    | 26,084  | 36,198                             |
| Change in Net Assets                                       | 1,653,727                                    | 18,499  | 4,736                              |
| Net Assets - Beginning                                     | 15,134,487                                   | 214,374   | 145,467                            |
| Net Assets - Ending  | \$ 16,788,214                                | \$ 232,873  | \$ 150,203                         |

| Supplemental<br>Legislative<br>Retirement<br>Plan |        | Government<br>Employees'<br>Deferred<br>Compensation<br>Plan |           | Totals |            |
|---|--------|--|-----------|--------|------------|
| \$  | 446    | \$   | 863       | \$     | 762,886    |
|   | 202    |  | 86,117    |        | 527,904    |
|   | 648    |  | 86,980    |        | 1,290,790  |
|   | 1,121  |  | 69,952    |        | 1,792,688  |
|   | 306    |  | 19,897    |        | 490,676    |
|   | 27     |  |           |        | 41,223     |
|   |        |  |           |        | (1,342)    |
|   | (22)   |  |           |        | (33,904)   |
|   | 1,432  |  | 89,849    |        | 2,289,341  |
|   |        |  |           |        | 610        |
|   |        |  |           |        | 3,985      |
|   |        |  |           |        | 4,595      |
|   | 2,080  |  | 176,829   |        | 3,584,726  |
|   | 804    |  | 54,009    |        | 1,697,234  |
|   | 20     |  |           |        | 73,668     |
|   | 9      |  |           |        | 12,349     |
|   |        |  |           |        | 446        |
|   | 833    |  | 54,009    |        | 1,783,697  |
|   | 1,247  |  | 122,820   |        | 1,801,029  |
|   | 9,832  |  | 968,923   |        | 16,473,083 |
| \$  | 11,079 | \$   | 1,091,743 | \$     | 18,274,112 |

# Mississippi

## Agency Funds

### Combining Statement of Fiduciary Net Assets

June 30, 2010 (Expressed in Thousands)

|                                    | Local<br>Government<br>Distributive | Program   | Institutional | Totals    |
|------------------------------------|-------------------------------------|-----------|---------------|-----------|
| <b>Assets</b>                      |                                     |           |               |           |
| Equity in internal investment pool | \$ 7,092                            | \$ 5,170  | \$            | \$ 12,262 |
| Cash and cash equivalents          | 211                                 | 27,434    | 7,262         | 34,907    |
| Receivables, net:                  |                                     |           |               |           |
| Other                              | 368                                 |           | 41            | 409       |
| Commodity inventory                |                                     | 466       |               | 466       |
| Total Assets                       | \$ 7,671                            | \$ 33,070 | \$ 7,303      | \$ 48,044 |
| <b>Liabilities</b>                 |                                     |           |               |           |
| Warrants payable                   | \$ 6,517                            | \$ 67     | \$            | \$ 6,584  |
| Accounts payable and accruals      | 1                                   | 18,659    | 1,510         | 20,170    |
| Due to other governments           | 1,153                               | 1         |               | 1,154     |
| Amounts held in custody for others |                                     | 14,343    | 5,793         | 20,136    |
| Total Liabilities                  | \$ 7,671                            | \$ 33,070 | \$ 7,303      | \$ 48,044 |

# Mississippi

## Agency Funds

### Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2010 (Expressed in Thousands)

| Fund                                  | Assets                                      |                                     |                             |  |                      |
|---------------------------------------|---|-------------------------------------|-----------------------------|--|----------------------|
|                                       | Equity in<br>Internal<br>Investment<br>Pool | Cash<br>and Cash<br>Equivalents     | Receivables                 | Commodity<br>Inventory                   | Total<br>Assets      |
| <b>Local Government Distributive:</b> |   |                                     |                             |  |                      |
| Balance - Beginning                   | \$ 7,459                                    | \$ 192                              | \$ 447                      | \$                                       | \$ 8,098             |
| Additions                             | 35,464                                      | 252                                 | 368                         |  | 36,084               |
| Deductions                            | 35,831                                      | 233                                 | 447                         |  | 36,511               |
| Balance - Ending                      | 7,092                                       | 211                                 | 368                         |  | 7,671                |
| <b>Program:</b>                       |   |                                     |                             |  |                      |
| Balance - Beginning                   | 5,275                                       | 8,293                               |                             | 981                                      | 14,549               |
| Additions                             | 3,405                                       | 113,353                             |                             | 15,457                                   | 132,215              |
| Deductions                            | 3,510                                       | 94,212                              |                             | 15,972                                   | 113,694              |
| Balance - Ending                      | 5,170                                       | 27,434                              |                             | 466                                      | 33,070               |
| <b>Institutional:</b>                 |   |                                     |                             |  |                      |
| Balance - Beginning                   |   | 7,736                               | 40                          |  | 7,776                |
| Additions                             |   | 26,240                              | 59                          |  | 26,299               |
| Deductions                            |   | 26,714                              | 58                          |  | 26,772               |
| Balance - Ending                      |   | 7,262                               | 41                          |  | 7,303                |
| <b>Total - All Agency Funds:</b>      |   |                                     |                             |  |                      |
| Balance - Beginning                   | 12,734                                      | 16,221                              | 487                         | 981                                      | 30,423               |
| Additions                             | 38,869                                      | 139,845                             | 427                         | 15,457                                   | 194,598              |
| Deductions                            | 39,341                                      | 121,159                             | 505                         | 15,972                                   | 176,977              |
| Balance - Ending                      | \$ 12,262                                   | \$ 34,907                           | \$ 409                      | \$ 466                                   | \$ 48,044            |
| <b>Liabilities</b>                    |   |                                     |                             |  |                      |
|                                       | Warrants<br>Payable                         | Accounts<br>Payable<br>and Accruals | Due to Other<br>Governments | Amounts Held<br>In Custody<br>for Others | Total<br>Liabilities |
|                                       |   |                                     |                             |  |                      |
| <b>Local Government Distributive:</b> |   |                                     |                             |  |                      |
| Balance - Beginning                   | \$ 6,769                                    | \$                                  | \$ 1,329                    | \$                                       | \$ 8,098             |
| Additions                             | 32,270                                      | 359                                 | 1,508                       |  | 34,137               |
| Deductions                            | 32,522                                      | 358                                 | 1,684                       |  | 34,564               |
| Balance - Ending                      | 6,517                                       | 1                                   | 1,153                       |  | 7,671                |
| <b>Program:</b>                       |   |                                     |                             |  |                      |
| Balance - Beginning                   | 428   | 134                                 | 1                           | 13,986                                   | 14,549               |
| Additions                             | 2,481                                       | 19,387                              |                             | 110,204                                  | 132,072              |
| Deductions                            | 2,842                                       | 862                                 |                             | 109,847                                  | 113,551              |
| Balance - Ending                      | 67  | 18,659                              | 1                           | 14,343                                   | 33,070               |
| <b>Institutional:</b>                 |   |                                     |                             |  |                      |
| Balance - Beginning                   |   | 1,642                               |                             | 6,134                                    | 7,776                |
| Additions                             |   | 585                                 |                             | 25,763                                   | 26,348               |
| Deductions                            |   | 717                                 |                             | 26,104                                   | 26,821               |
| Balance - Ending                      |   | 1,510                               |                             | 5,793                                    | 7,303                |
| <b>Total - All Agency Funds:</b>      |   |                                     |                             |  |                      |
| Balance - Beginning                   | 7,197                                       | 1,776                               | 1,330                       | 20,120                                   | 30,423               |
| Additions                             | 34,751                                      | 20,331                              | 1,508                       | 135,967                                  | 192,557              |
| Deductions                            | 35,364                                      | 1,937                               | 1,684                       | 135,951                                  | 174,936              |
| Balance - Ending                      | \$ 6,584                                    | \$ 20,170                           | \$ 1,154                    | \$ 20,136                                | \$ 48,044            |



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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 is engaged in the manufacture of cloth related items, printing of forms, periodicals and manuals, and providing service work for manufacturers. 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.

# Mississippi

## Nonmajor Component Units

### Combining Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

|   | Mississippi<br>Business<br>Finance<br>Corporation | Mississippi<br>Coast<br>Coliseum<br>Commission | Mississippi<br>Development<br>Bank |
|---|---|--|------------------------------------|
| <b>Assets</b>                                   |   |  |                                    |
| Current assets:                                 |   |  |                                    |
| Equity in internal investment pool              | \$ 1,916  | \$   | \$                                 |
| Cash and cash equivalents                       | 434   | 1,026  | 1,111                              |
| Investments                                     | 13,115  | 1,461  | 2,696                              |
| Receivables, net                                | 73  | 279  | 13                                 |
| Due from other governments                      |   |  |                                    |
| Due from primary government                     |   |  |                                    |
| Inventories                                     |   |  |                                    |
| Prepaid items                                   |   | 188  |                                    |
| Other assets                                    |   |  |                                    |
| Total Current Assets                            | 15,538  | 2,954  | 3,820                              |
| Noncurrent assets:                              |   |  |                                    |
| Restricted assets:                              |   |  |                                    |
| Investments                                     |   | 7,136  |                                    |
| Capital assets:                                 |   |  |                                    |
| Land and construction in progress               |   | 3,395  |                                    |
| Other capital assets, net                       | 33  | 126,515  | 27                                 |
| Total Noncurrent Assets                         | 33  | 137,046  | 27                                 |
| Total Assets                                    | 15,571  | 140,000  | 3,847                              |
| <b>Liabilities</b>                              |   |  |                                    |
| Current liabilities:                            |   |  |                                    |
| Accounts payable and other liabilities          | 43  | 332  |                                    |
| Due to primary government                       |   |  |                                    |
| Deposits  |   | 238  |                                    |
| Unearned revenues                               |   | 651  |                                    |
| Notes payable                                   |   |  |                                    |
| Total Current Liabilities                       | 43  | 1,221  |                                    |
| Noncurrent liabilities:                         |   |  |                                    |
| Notes payable                                   |   |  |                                    |
| Other liabilities                               | 60  |  |                                    |
| Total Noncurrent Liabilities                    | 60  |  |                                    |
| Total Liabilities                               | 103   | 1,221  |                                    |
| <b>Net Assets</b>                               |   |  |                                    |
| Invested in capital assets, net of related debt | 33  | 129,910  | 27                                 |
| Restricted for other purposes                   |   | 7,000  |                                    |
| Unrestricted                                    | 15,435  | 1,869  | 3,820                              |
| Total Net Assets                                | \$ 15,468   | \$ 138,779                                     | \$ 3,847                           |

| Mississippi<br>Prison<br>Industries<br>Corporation | Pat Harrison<br>Waterway<br>District | Pearl River<br>Basin<br>Development<br>District | Pearl River<br>Valley Water<br>Supply District | Tombigbee River<br>Valley Water<br>Management<br>District | Totals     |
|--|--------------------------------------|---|--|---|------------|
| \$   | \$                                   | \$  | \$   | \$  | \$         |
| 932  | 2,166                                | 369   | 5,486  | 7,882   | 1,916      |
| 4,000  | 4,586                                | 4,356   |  |   | 19,406     |
| 706  | 9                                    | 22  | 1,058  | 142   | 30,214     |
|  | 67                                   | 111   |  | 42  | 2,302      |
| 110  |                                      |   | 29   | 5   | 220        |
| 400  | 21                                   |   |  |   | 144        |
| 16   |                                      |   |  |   | 421        |
| 15   |                                      |   |  |   | 204        |
| 6,179  | 6,849                                | 4,858   | 6,573  | 8,071   | 15         |
|  |                                      |   |  |   | 54,842     |
|  |                                      |   |  |   | 7,136      |
| 419  | 1,834                                | 1,524   | 7,689  | 930   | 15,791     |
| 3,477  | 5,635                                | 1,374   | 31,707   | 3,966   | 172,734    |
| 3,896  | 7,469                                | 2,898   | 39,396   | 4,896   | 195,661    |
| 10,075   | 14,318                               | 7,756   | 45,969   | 12,967  | 250,503    |
| 424  | 1,727                                | 37  | 1,346  | 44  | 3,953      |
|  | 5                                    |   | 15   |   | 20         |
|  | 10                                   |   |  |   | 248        |
| 11   |                                      |   |  |   | 662        |
|  | 39                                   |   |  |   | 39         |
| 435  | 1,781                                | 37  | 1,361  | 44  | 4,922      |
|  | 310                                  |   |  |   | 310        |
|  | 170                                  | 24  | 139  | 66  | 459        |
|  | 480                                  | 24  | 139  | 66  | 769        |
| 435  | 2,261                                | 61  | 1,500  | 110   | 5,691      |
| 3,896  | 7,121                                | 2,898   | 39,396   | 4,896   | 188,177    |
|  | 1,538                                | 4,295   |  |   | 12,833     |
| 5,744  | 3,398                                | 502   | 5,073  | 7,961   | 43,802     |
| \$ 9,640   | \$ 12,057                            | \$ 7,695  | \$ 44,469                                      | \$ 12,857   | \$ 244,812 |

# Mississippi

## Nonmajor Component Units

### Combining Statement of Activities

For the Year Ended June 30, 2010 (Expressed in Thousands)

| Functions/Programs                                  | Expenses  | Program Revenues           |  |  | Net<br>(Expense)<br>Revenue |
|---|-----------|----------------------------|--|--|-----------------------------|
|   |           | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                             |
| Mississippi Business Finance Corporation            | \$ 1,012  | \$ 821                     | \$                                       | \$                                     | \$ (191)                    |
| Mississippi Coast Coliseum Commission               | 7,738     | 4,876                      | 22,351                                   |  | 19,489                      |
| Mississippi Development Bank                        | 230       | 480                        |  |  | 250                         |
| Mississippi Prison Industries Corporation           | 6,694     | 6,906                      |  |  | 212                         |
| Pat Harrison Waterway District                      | 6,031     | 2,917                      | 2,904                                    |  | (210)                       |
| Pearl River Basin Development District              | 1,056     | 104                        | 238                                      |  | (714)                       |
| Pearl River Valley Water Supply District            | 10,506    | 10,700                     |  | 1,686                                  | 1,880                       |
| Tombigbee River Valley Water<br>Management District | 1,846     | 1,851                      |  |  | 5                           |
| Total   | \$ 35,113 | \$ 28,655                  | \$ 25,493                                | \$ 1,686                               | \$ 20,721                   |

| <b>General Revenues</b>      |              |                                 |                                       |                                    |  |
|------------------------------|--------------|---------------------------------|---------------------------------------|------------------------------------|--|
| <b>Investment<br/>Income</b> | <b>Other</b> | <b>Change in<br/>Net Assets</b> | <b>Net<br/>Assets -<br/>Beginning</b> | <b>Net<br/>Assets -<br/>Ending</b> |  |
| \$ 561                       | \$           | \$ 370                          | \$ 15,098                             | \$ 15,468                          |  |
| 357                          |              | 19,846                          | 118,933                               | 138,779                            |  |
| 76                           | 1,503        | 1,829                           | 2,018                                 | 3,847                              |  |
| 13                           |              | 225                             | 9,415                                 | 9,640                              |  |
| 84                           |              | (126)                           | 12,183                                | 12,057                             |  |
| 67                           | 551          | (96)                            | 7,791                                 | 7,695                              |  |
|                              |              | 1,880                           | 42,589                                | 44,469                             |  |
| 142                          | 1,560        | 1,707                           | 11,150                                | 12,857                             |  |
| \$ 1,300                     | \$ 3,614     | \$ 25,635                       | \$ 219,177                            | \$ 244,812                         |  |

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# Mississippi

## 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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| Table 4 – Changes in Fund Balances of Governmental Funds..... | 146 |

### Revenue Capacity

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

|   |     |
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| Table 6 – Sales Tax Revenue Payers by Industry..... | 150 |

### Debt Capacity

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

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### Demographic and Economic Information

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

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### Operating Information

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

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# Mississippi

## Net Assets by Component

Last Nine Fiscal Years

Table 1

Accrual Basis of Accounting (Expressed in Thousands)

|   | 2010          | 2009          | 2008          | 2007          |
|---|---------------|---------------|---------------|---------------|
| <b>Governmental activities</b>                  |               |               |               |               |
| Invested in capital assets, net of related debt | \$ 11,408,744 | \$ 10,980,353 | \$ 10,642,484 | \$ 9,770,760  |
| Restricted                                      | 655,192       | 625,174       | 667,456       | 477,321       |
| Unrestricted                                    | (267,619)     | (336,905)     | 29,649        | 575,042       |
| Total governmental activities net assets        | \$ 11,796,317 | \$ 11,268,622 | \$ 11,339,589 | \$ 10,823,123 |
| <b>Business-type activities</b>                 |               |               |               |               |
| Invested in capital assets, net of related debt | \$ 208,101    | \$ 195,171    | \$ 161,144    | \$ 136,836    |
| Restricted                                      | 433,216       | 614,988       | 778,010       | 784,367       |
| Unrestricted                                    | 202,455       | 192,005       | 209,175       | 243,751       |
| Total business-type activities net assets       | \$ 843,772    | \$ 1,002,164  | \$ 1,148,329  | \$ 1,164,954  |
| <b>Primary Government</b>                       |               |               |               |               |
| Invested in capital assets, net of related debt | \$ 11,616,845 | \$ 11,175,524 | \$ 10,803,628 | \$ 9,907,596  |
| Restricted                                      | 1,088,408     | 1,240,162     | 1,445,466     | 1,261,688     |
| Unrestricted                                    | (65,164)      | (144,900)     | 238,824       | 818,793       |
| Total primary government net assets             | \$ 12,640,089 | \$ 12,270,786 | \$ 12,487,918 | \$ 11,988,077 |

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.

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

# Mississippi

## Changes in Net Assets

**Table 2**

**Last Nine Fiscal Years**

Accrual Basis of Accounting (Expressed in Thousands)

|   | 2010           | 2009           | 2008           | 2007           |
|---|----------------|----------------|----------------|----------------|
| <b>Expenses</b>                                   |                |                |                |                |
| Governmental activities:                          |                |                |                |                |
| General government                                | \$ 2,011,806   | \$ 2,052,954   | \$ 2,000,778   | \$ 1,803,339   |
| Education   | 4,082,117      | 4,093,018      | 4,163,587      | 3,961,573      |
| Health and social services <sup>1</sup>           | 6,747,426      | 6,139,808      | 5,609,247      | 5,311,270      |
| Law, justice and public safety <sup>2</sup>       | 1,095,181      | 1,052,434      | 1,173,359      | 1,152,359      |
| Recreation and resources development <sup>3</sup> | 1,058,604      | 1,127,670      | 1,261,268      | 1,932,646      |
| Regulation of business and professions            | 38,188         | 37,215         | 36,318         | 33,192         |
| Transportation                                    | 689,802        | 683,663        | 643,867        | 581,446        |
| Interest on long-term debt                        | 146,732        | 209,516        | 196,277        | 167,233        |
| Total governmental activities expenses            | 15,869,856     | 15,396,278     | 15,084,701     | 14,943,058     |
| Business-type activities:                         |                |                |                |                |
| Unemployment compensation <sup>4</sup>            | 669,679        | 422,764        | 143,013        | 143,348        |
| Port Authority at Gulfport                        | 23,243         | 15,239         | 12,614         | 10,349         |
| Prepaid affordable college tuition                | 42,183         | 20,316         | 40,972         | 38,391         |
| Other business-type                               | 38,074         | 40,392         | 34,204         | 37,559         |
| Total business-type activities expenses           | 773,179        | 498,711        | 230,803        | 229,647        |
| Total primary government expenses                 | \$ 16,643,035  | \$ 15,894,989  | \$ 15,315,504  | \$ 15,172,705  |
| <b>Program Revenues</b>                           |                |                |                |                |
| Governmental activities:                          |                |                |                |                |
| Charges for services:                             |                |                |                |                |
| General government                                | \$ 1,214,243   | \$ 1,149,464   | \$ 1,135,546   | \$ 1,059,532   |
| Education   | 51,848         | 29,721         | 27,838         | 33,991         |
| Health and social services                        | 569,685        | 563,917        | 507,876        | 480,944        |
| Law, justice and public safety                    | 99,098         | 103,178        | 100,206        | 147,360        |
| Recreation and resources development              | 145,988        | 84,984         | 85,610         | 69,949         |
| Regulation of business and professions            | 41,644         | 40,727         | 39,491         | 36,173         |
| Transportation                                    | 7,787          | 51,695         | 40,243         | 35,192         |
| Operating grants and contributions <sup>5</sup>   | 7,795,111      | 6,847,036      | 6,462,823      | 7,125,688      |
| Capital grants and contributions                  | 643,843        | 556,571        | 795,572        | 960,369        |
| Total governmental activities program revenues    | 10,569,247     | 9,427,293      | 9,195,205      | 9,949,198      |
| Business-type activities:                         |                |                |                |                |
| Charges for services:                             |                |                |                |                |
| Unemployment compensation                         | 84,916         | 90,301         | 100,840        | 106,256        |
| Port Authority at Gulfport                        | 14,652         | 16,865         | 22,569         | 30,166         |
| Prepaid affordable college tuition                | 21,799         | 19,374         | 21,121         | 21,343         |
| Other business-type                               | 36,811         | 38,532         | 33,522         | 37,083         |
| Operating grants and contributions <sup>6</sup>   | 382,141        | 141,038        | 10,069         | 9,745          |
| Capital grants and contributions                  | 24             | 954            | 1,838          | 3,900          |
| Total business-type activities program revenues   | 540,343        | 307,064        | 189,959        | 208,493        |
| Total primary government program revenues         | \$ 11,109,590  | \$ 9,734,357   | \$ 9,385,164   | \$ 10,157,691  |
| <b>Net (Expense) Revenue</b>                      |                |                |                |                |
| Governmental activities                           | \$ (5,300,609) | \$ (5,968,985) | \$ (5,889,496) | \$ (4,993,860) |
| Business-type activities                          | (232,836)      | (191,647)      | (40,844)       | (21,154)       |
| Total primary government net expense              | \$ (5,533,445) | \$ (6,160,632) | \$ (5,930,340) | \$ (5,015,014) |

| 2006          | 2005          | 2004          | 2003          | 2002          |
|---------------|---------------|---------------|---------------|---------------|
| \$ 1,826,995  | \$ 1,683,021  | \$ 1,648,142  | \$ 1,453,788  | \$ 1,082,176  |
| 3,668,314     | 3,344,598     | 3,292,951     | 3,139,812     | 2,959,707     |
| 5,180,153     | 5,074,151     | 4,776,214     | 4,290,392     | 4,219,675     |
| 1,384,238     | 566,146       | 549,662       | 517,753       | 509,295       |
| 364,796       | 423,983       | 461,243       | 465,393       | 379,325       |
| 30,944        | 30,355        | 34,269        | 32,059        | 29,960        |
| 728,716       | 531,775       | 516,130       | 443,155       | 433,730       |
| 150,556       | 150,555       | 149,764       | 145,345       | 179,102       |
| 13,334,712    | 11,804,584    | 11,428,375    | 10,487,697    | 9,792,970     |
| 242,134       | 138,825       | 198,147       | 251,010       | 218,517       |
| 17,221        | 14,957        | 13,879        | 13,339        | 11,223        |
| 29,983        | 33,226        | 12,253        | 4,778         | 12,528        |
| 49,737        | 45,560        | 44,194        | 41,421        | 39,912        |
| 339,075       | 232,568       | 268,473       | 310,548       | 282,180       |
| \$ 13,673,787 | \$ 12,037,152 | \$ 11,696,848 | \$ 10,798,245 | \$ 10,075,150 |

|              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|
| \$ 944,744   | \$ 1,041,597 | \$ 842,566   | \$ 806,664   | \$ 491,132   |
| 29,784       | 24,857       | 20,925       | 25,639       | 29,399       |
| 446,315      | 465,923      | 420,116      | 477,577      | 542,157      |
| 81,807       | 76,864       | 68,089       | 60,811       | 58,130       |
| 64,182       | 60,230       | 57,470       | 58,247       | 55,919       |
| 28,223       | 32,315       | 37,170       | 35,397       | 29,364       |
| 26,762       | 29,477       | 38,299       | 44,136       | 50,540       |
| 6,058,258    | 4,636,824    | 4,553,738    | 4,066,898    | 3,812,409    |
| 792,929      | 415,530      | 389,686      | 410,636      | 391,670      |
| 8,473,004    | 6,783,617    | 6,428,059    | 5,986,005    | 5,460,720    |
| 104,548      | 158,695      | 149,726      | 118,671      | 177,048      |
| 7,609        | 21,892       | 21,578       | 20,931       | 19,706       |
| 21,513       | 19,679       | 551          | 1,938        | 488          |
| 40,644       | 37,604       | 35,125       | 31,065       | 29,882       |
| 93,156       | 5,905        | 31,930       | 53,006       | 30,002       |
| 539          | 159          | 278          | 903          | 13,257       |
| 268,009      | 243,934      | 239,188      | 226,514      | 270,383      |
| \$ 8,741,013 | \$ 7,027,551 | \$ 6,667,247 | \$ 6,212,519 | \$ 5,731,103 |

|                |                |                |                |                |
|----------------|----------------|----------------|----------------|----------------|
| \$ (4,861,708) | \$ (5,020,967) | \$ (5,000,316) | \$ (4,501,692) | \$ (4,332,250) |
| (71,066)       | 11,366         | (29,285)       | (84,034)       | (11,797)       |
| \$ (4,932,774) | \$ (5,009,601) | \$ (5,029,601) | \$ (4,585,726) | \$ (4,344,047) |

(Continued on Next Page)

# Mississippi

## Changes in Net Assets

**Table 2**

**Last Nine Fiscal Years**

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

|   | 2010         | 2009         | 2008         | 2007         |
|---|--------------|--------------|--------------|--------------|
| <b>General Revenues and Other Changes in Net Assets</b>                               |              |              |              |              |
| Governmental activities:  |              |              |              |              |
| Taxes:  |              |              |              |              |
| Sales and use <sup>7</sup>  | \$ 2,885,064 | \$ 2,961,865 | \$ 3,166,130 | \$ 3,161,005 |
| Gasoline and other motor fuel   | 406,279      | 411,729      | 438,676      | 444,489      |
| Individual income   | 1,385,623    | 1,415,091    | 1,503,869    | 1,501,334    |
| Corporate income and franchise  | 416,978      | 420,739      | 500,996      | 469,182      |
| Insurance   | 197,970      | 187,050      | 194,129      | 192,861      |
| Other   | 511,351      | 461,064      | 459,483      | 397,515      |
| Gain on sale of assets  |              |              |              |              |
| Investment income   | 54,935       | 83,119       | 145,465      | 184,500      |
| Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery |              |              |              |              |
| Transfers   | (29,896)     | (42,639)     | (2,786)      | (3,971)      |
| Total governmental activities   | 5,828,304    | 5,898,018    | 6,405,962    | 6,346,915    |
| Business-type activities:   |              |              |              |              |
| Gain on sale of assets  |              |              |              |              |
| Investment income   | 44,548       | 2,843        | 21,433       | 70,240       |
| Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery |              |              |              |              |
| Transfers   | 29,896       | 42,639       | 2,786        | 3,971        |
| Total business-type activities  | 74,444       | 45,482       | 24,219       | 74,211       |
| Total primary government  | \$ 5,902,748 | \$ 5,943,500 | \$ 6,430,181 | \$ 6,421,126 |
| <b>Change in Net Assets</b>   |              |              |              |              |
| Governmental activities   | \$ 527,695   | \$ (70,967)  | \$ 516,466   | \$ 1,353,055 |
| Business-type activities  | (158,392)    | (146,165)    | (16,625)     | 53,057       |
| Total primary government  | \$ 369,303   | \$ (217,132) | \$ 499,841   | \$ 1,406,112 |

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.

<sup>1</sup> Health and social services expenditures rose from 2009 to 2010 primarily as benefits and the number of participants in the Medicaid and the Supplemental Nutrition Assistance Programs increased.

Health and social services expenses rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

<sup>2</sup> Law, justice and public safety expenses rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

<sup>3</sup> 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.

<sup>4</sup> Unemployment Compensation expenses increased from 2008 to 2009 and again from 2009 to 2010. The number of eligible workers rose due to the climb in the unemployment rate and benefits were extended under the American Recovery and Reinvestment Act.

|    | 2006      | 2005         | 2004         | 2003         | 2002         |
|----|-----------|--------------|--------------|--------------|--------------|
| \$ | 3,075,657 | \$ 2,626,792 | \$ 2,459,718 | \$ 2,418,763 | \$ 2,378,956 |
|    | 442,190   | 433,307      | 432,892      | 418,941      | 409,536      |
|    | 1,204,055 | 1,243,192    | 1,039,488    | 1,084,999    | 989,877      |
|    | 425,091   | 365,140      | 320,057      | 289,441      | 255,532      |
|    | 169,727   | 165,955      | 160,757      | 149,458      | 131,763      |
|    | 385,810   | 362,526      | 352,800      | 348,744      | 302,479      |
|    | 585       | 2,964        | 534          | 296          | 420          |
|    | 122,553   | 79,306       | 130,767      | 92,243       | 42,572       |
|    | (9,871)   |              |              |              |              |
|    | (5,945)   | (6,557)      | (4,293)      | (761)        | (11,025)     |
|    | 5,809,852 | 5,272,625    | 4,892,720    | 4,802,124    | 4,500,110    |
|    | 7         |              |              |              |              |
|    | 55,974    | 55,459       | 65,733       | 57,374       | 45,890       |
|    | 1,333     |              |              |              |              |
|    | 5,945     | 6,557        | 4,293        | 761          | 11,025       |
|    | 63,259    | 62,016       | 70,026       | 58,135       | 56,915       |
| \$ | 5,873,111 | \$ 5,334,641 | \$ 4,962,746 | \$ 4,860,259 | \$ 4,557,025 |
| \$ | 948,144   | \$ 251,658   | \$ (107,596) | \$ 300,432   | \$ 167,860   |
|    | (7,807)   | 73,382       | 40,741       | (25,899)     | 45,118       |
| \$ | 940,337   | \$ 325,040   | \$ (66,855)  | \$ 274,533   | \$ 212,978   |

<sup>5</sup> Operating grants and contributions increased from 2009 to 2010. This is due in part to funding provided by the American Recovery and Reinvestment Act.

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.

<sup>6</sup> Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance for disaster unemployment payments.

Operating grants and contributions increased from 2008 to 2009. This can be attributed to additional federal funding for unemployment compensation programs under the American Recovery and Reinvestment Act .

<sup>7</sup> 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.

Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.

# Mississippi

## Fund Balances of Governmental Funds

Last Nine Fiscal Years

Table 3

Modified Accrual Basis of Accounting (Expressed in Thousands)

|                                     | 2010                | 2009                | 2008                | 2007                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>General Fund</b>                 |                     |                     |                     |                     |
| Reserved                            | \$ 813,291          | \$ 829,688          | \$ 833,922          | \$ 864,522          |
| Unreserved                          | 1,895,503           | 1,359,911           | 1,822,412           | 1,625,064           |
| Total General Fund                  | <u>\$ 2,708,794</u> | <u>\$ 2,189,599</u> | <u>\$ 2,656,334</u> | <u>\$ 2,489,586</u> |
| <b>All Other Governmental Funds</b> |                     |                     |                     |                     |
| Reserved                            | \$ 82,783           | \$ 316,774          | \$ 325,180          | \$ 317,053          |
| Unreserved, reported in:            |                     |                     |                     |                     |
| Special revenue funds               | 596,557             | 552,911             | 568,091             | 769,769             |
| Capital project funds               | 323,080             | 375,268             | 383,225             | 224,942             |
| Debt service funds                  |                     |                     |                     |                     |
| Permanent funds                     | 6,601               | 5,119               | 3,862               | 2,398               |
| Total All Other Governmental Funds  | <u>\$ 1,009,021</u> | <u>\$ 1,250,072</u> | <u>\$ 1,280,358</u> | <u>\$ 1,314,162</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. This table has been restated for prior period adjustments.

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



# Mississippi

## Changes in Fund Balances of Governmental Funds

Last Nine Fiscal Years

Table 4

Modified Accrual Basis of Accounting (Expressed in Thousands)

|   | 2010         | 2009         | 2008         | 2007         |
|---|--------------|--------------|--------------|--------------|
| <b>Revenues</b>                                   |              |              |              |              |
| Taxes   |              |              |              |              |
| Sales and use <sup>1</sup>                        | \$ 2,848,169 | \$ 3,008,042 | \$ 3,146,711 | \$ 3,136,554 |
| Gasoline and other motor fuel                     | 406,837      | 412,206      | 437,810      | 445,876      |
| Individual income                                 | 1,337,000    | 1,441,141    | 1,523,231    | 1,486,074    |
| Corporate income and franchise                    | 413,930      | 420,482      | 503,165      | 477,166      |
| Insurance   | 197,970      | 187,050      | 194,129      | 192,861      |
| Other   | 511,351      | 461,064      | 459,483      | 397,515      |
| Licenses, fees and permits                        | 505,314      | 527,099      | 547,844      | 499,787      |
| Federal government <sup>2</sup>                   | 8,434,957    | 7,402,207    | 7,197,515    | 8,079,581    |
| Investment income                                 | 96,596       | 69,725       | 132,566      | 174,142      |
| Charges for sales and services                    | 311,236      | 351,618      | 327,874      | 310,769      |
| Rentals   | 27,844       | 24,008       | 24,353       | 18,559       |
| Court assessments and settlements                 | 188,337      | 130,762      | 139,803      | 159,131      |
| Refund of prior year disaster payments            |              |              |              | 55,557       |
| Other   | 521,636      | 410,345      | 345,593      | 309,521      |
| Total Revenues                                    | 15,801,177   | 14,845,749   | 14,980,077   | 15,743,093   |
| <b>Expenditures</b>                               |              |              |              |              |
| General government                                | 1,377,855    | 1,392,656    | 1,430,623    | 1,345,200    |
| Education   | 4,076,285    | 4,090,971    | 4,155,180    | 3,949,505    |
| Health and social services <sup>3</sup>           | 6,711,466    | 6,129,997    | 5,601,993    | 5,302,796    |
| Law, justice and public safety <sup>4</sup>       | 1,053,017    | 1,069,705    | 1,385,082    | 1,172,469    |
| Recreation and resources development <sup>5</sup> | 1,055,786    | 1,138,031    | 1,203,801    | 1,926,281    |
| Regulation of business and professions            | 37,847       | 36,450       | 35,841       | 33,364       |
| Transportation                                    | 1,180,908    | 1,134,357    | 1,178,966    | 1,390,677    |
| Debt service                                      |              |              |              |              |
| Principal   | 321,825      | 419,973      | 295,060      | 277,538      |
| Interest and other fiscal charges                 | 163,207      | 210,654      | 210,311      | 184,346      |
| Defeasance of debt                                | 2,505        |              |              |              |
| Capital outlay                                    | 98,825       | 80,378       | 110,620      | 88,575       |
| Total Expenditures                                | 16,079,526   | 15,703,172   | 15,607,477   | 15,670,751   |
| Excess of revenues over (under) expenditures      | \$ (278,349) | \$ (857,423) | \$ (627,400) | \$ 72,342    |

|    | 2006       |    | 2005       |    | 2004       |    | 2003       |    | 2002       |
|----|------------|----|------------|----|------------|----|------------|----|------------|
| \$ | 3,074,831  | \$ | 2,609,936  | \$ | 2,488,055  | \$ | 2,377,996  | \$ | 2,364,112  |
|    | 443,150    |    | 432,023    |    | 433,091    |    | 418,049    |    | 407,935    |
|    | 1,213,733  |    | 1,224,403  |    | 1,054,479  |    | 1,021,967  |    | 980,284    |
|    | 412,839    |    | 363,361    |    | 320,848    |    | 287,335    |    | 254,785    |
|    | 169,727    |    | 165,955    |    | 160,757    |    | 149,458    |    | 131,763    |
|    | 385,810    |    | 362,526    |    | 352,800    |    | 348,744    |    | 302,479    |
|    | 448,482    |    | 444,257    |    | 428,412    |    | 412,367    |    | 402,878    |
|    | 6,844,298  |    | 5,050,410  |    | 4,943,360  |    | 4,477,533  |    | 4,204,079  |
|    | 118,888    |    | 76,874     |    | 130,333    |    | 86,974     |    | 37,353     |
|    | 279,899    |    | 265,089    |    | 258,217    |    | 241,153    |    | 268,098    |
|    | 13,004     |    | 19,564     |    | 16,651     |    | 16,320     |    | 15,154     |
|    | 113,135    |    | 209,541    |    | 109,796    |    | 172,099    |    | 239,509    |
|    | 281,908    |    | 349,625    |    | 299,009    |    | 312,856    |    | 317,263    |
|    | 13,799,704 |    | 11,573,564 |    | 10,995,808 |    | 10,322,851 |    | 9,925,692  |
|    | 1,379,847  |    | 1,227,277  |    | 1,219,944  |    | 1,191,877  |    | 1,133,606  |
|    | 3,663,082  |    | 3,341,991  |    | 3,211,882  |    | 3,022,046  |    | 2,852,710  |
|    | 5,176,071  |    | 5,057,704  |    | 4,775,753  |    | 4,291,837  |    | 4,212,066  |
|    | 1,364,750  |    | 567,718    |    | 551,354    |    | 522,509    |    | 507,662    |
|    | 351,801    |    | 410,624    |    | 482,235    |    | 484,955    |    | 381,064    |
|    | 30,981     |    | 30,574     |    | 34,163     |    | 32,096     |    | 30,175     |
|    | 1,284,905  |    | 911,974    |    | 925,757    |    | 876,269    |    | 875,165    |
|    | 261,878    |    | 239,525    |    | 216,287    |    | 194,318    |    | 280,590    |
|    | 177,228    |    | 152,766    |    | 153,272    |    | 146,429    |    | 154,430    |
|    | 2,138      |    | 1,386      |    | 1,689      |    | 3,959      |    |            |
|    | 69,604     |    | 85,443     |    | 77,839     |    | 114,941    |    | 103,940    |
|    | 13,762,285 |    | 12,026,982 |    | 11,650,175 |    | 10,881,236 |    | 10,531,408 |
| \$ | 37,419     | \$ | (453,418)  | \$ | (654,367)  | \$ | (558,385)  | \$ | (605,716)  |

(Continued on Next Page)

# Mississippi

## Changes in Fund Balances of Governmental Funds

**Table 4**

**Last Nine Fiscal Years**

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

|  | 2010       | 2009         | 2008       | 2007       |
|--|------------|--------------|------------|------------|
| <b>Other Financing Sources (Uses)</b>                          |            |              |            |            |
| Bonds and notes issued   | \$ 581,972 | \$ 362,720   | \$ 721,172 | \$ 714,400 |
| Capital leases issued  | 2,987      | 10,759       | 724        | 5,497      |
| Discounts on bonds and notes issued                            |            |              | (390)      | (250)      |
| Insurance recovery   | 1,822      | 8,838        | 3,874      | 781        |
| Payments on refunded bond anticipation notes                   | (241,100)  |              |            | (33,000)   |
| Payments on refunded bonds                                     | (141,892)  |              |            |            |
| Payments to bond escrow agent                                  |            | (1,992)      |            |            |
| Payments to refunded bond, note and lease escrow agents        | (41,998)   | (82,265)     | (191,894)  | (147,765)  |
| Premiums on bonds, notes, and refunding bonds and notes issued | 10,562     | 13,916       | 19,613     | 29,209     |
| Refunding bonds and notes issued                               | 413,965    | 76,460       | 208,955    | 175,365    |
| Transfers in   | 756,592    | 335,056      | 387,993    | 616,239    |
| Transfers out  | (786,417)  | (363,090)    | (389,703)  | (620,606)  |
| Net Other Financing Sources (Uses)                             | 556,493    | 360,402      | 760,344    | 739,870    |
| <b>Extraordinary Item</b>                                      |            |              |            |            |
| Insurance recovery from hurricane damage                       |            |              |            |            |
| Net Change in Fund Balances                                    | \$ 278,144 | \$ (497,021) | \$ 132,944 | \$ 812,212 |
| <b>Debt Service as a Percentage of Noncapital Expenditures</b> | 3.2%       | 4.3%         | 3.5%       | 3.2%       |

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. This table has been restated for prior period adjustments.

<sup>1</sup> Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.

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.

<sup>2</sup> Federal government revenues increased from 2009 to 2010. This is due in part to funding provided by the American Recovery and Reinvestment Act.

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.

<sup>3</sup> Health and social services expenditures rose from 2009 to 2010 primarily as benefits and the number of participants in the Medicaid and the Supplemental Nutrition Assistance Programs increased.

Health and social services expenditures rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

<sup>4</sup> Law, justice and public safety expenditures rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

|    | 2006      | 2005         | 2004        | 2003         | 2002         |
|----|-----------|--------------|-------------|--------------|--------------|
| \$ | 486,780   | \$ 188,494   | \$ 625,015  | \$ 239,000   | \$ 415,466   |
|    | 11,324    | 3,975        | 4,834       | 6,046        | 5,070        |
|    | (242)     |              |             |              |              |
|    | 4,408     |              |             |              |              |
|    | (50,462)  | (6,882)      | (180,678)   | (536,921)    | (381,313)    |
|    | 15,442    | 874          | 7,865       | 59,728       | 41,558       |
|    | 51,870    | 7,215        | 172,505     | 486,970      | 364,033      |
|    | 498,623   | 294,453      | 304,180     | 248,954      | 352,432      |
|    | (501,943) | (294,588)    | (307,994)   | (250,919)    | (355,539)    |
|    | 515,800   | 193,541      | 625,727     | 252,858      | 441,707      |
|    | 920       |              |             |              |              |
| \$ | 554,139   | \$ (259,877) | \$ (28,640) | \$ (305,527) | \$ (164,009) |
|    | 3.4%      | 3.5%         | 3.4%        | 3.4%         | 4.4%         |

<sup>5</sup> 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.

# Mississippi

## Taxable Sales by Industry

**Last Ten Fiscal Years**  
(Expressed in Thousands)

**Table 5**

|                                   | 2009          | 2008          | 2007          | 2006          |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Automotive                        | \$ 5,023,772  | \$ 6,083,873  | \$ 6,425,719  | \$ 6,659,353  |
| Contracting                       | 7,771,199     | 7,887,529     | 7,289,281     | 6,077,508     |
| Food and Beverage                 | 7,658,372     | 7,502,956     | 7,183,345     | 6,860,282     |
| Furniture                         | 858,990       | 959,992       | 1,017,087     | 1,011,007     |
| General Merchandise               | 7,697,208     | 7,339,220     | 7,517,150     | 7,389,359     |
| Lumber and Building Materials     | 2,870,910     | 3,423,567     | 3,892,931     | 3,944,938     |
| Machinery, Equipment and Supplies | 2,655,964     | 2,962,978     | 3,065,223     | 2,883,980     |
| Miscellaneous Retail              | 3,567,676     | 3,743,749     | 3,741,915     | 3,562,267     |
| Miscellaneous Services            | 2,829,490     | 2,823,849     | 2,605,241     | 2,582,114     |
| Public Utilities                  | 4,383,720     | 4,225,268     | 4,160,798     | 4,323,055     |
| Recreation                        | 136,388       | 134,763       | 135,866       | 119,248       |
| Wholesale                         | 763,532       | 749,042       | 728,840       | 721,747       |
| Total taxable sales               | \$ 46,217,221 | \$ 47,836,786 | \$ 47,763,396 | \$ 46,134,858 |
| Gross tax collections             | \$ 2,809,904  | \$ 2,893,966  | \$ 2,899,368  | \$ 2,807,350  |
| Average effective rate            | 6.08%         | 6.05%         | 6.07%         | 6.09%         |

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2009.

Source: Mississippi State Tax Commission

## Sales Tax Revenue Payers by Industry

**Fiscal Years 2009 and 2000**

**Table 6**

|                                   | 2009             |                     |  |                     |
|-----------------------------------|------------------|---------------------|--|---------------------|
|                                   | Number of Filers | Percentage of Total | Tax Liability (expressed in thousands) | Percentage of Total |
| Automotive                        | 11,393           | 13.0 %              | \$ 289,641                             | 10.3 %              |
| Contracting                       | 10,341           | 11.9                | 295,067                                | 10.5                |
| Food and Beverage                 | 15,156           | 17.4                | 536,087                                | 19.1                |
| Furniture                         | 2,295            | 2.6                 | 60,129                                 | 2.1                 |
| General Merchandise               | 5,668            | 6.5                 | 539,338                                | 19.2                |
| Lumber and Building Materials     | 5,676            | 6.5                 | 200,964                                | 7.2                 |
| Machinery, Equipment and Supplies | 6,571            | 7.5                 | 152,864                                | 5.5                 |
| Miscellaneous Retail              | 22,128           | 25.4                | 244,195                                | 8.7                 |
| Miscellaneous Services            | 6,176            | 7.0                 | 194,751                                | 6.9                 |
| Public Utilities                  | 1,215            | 1.4                 | 233,874                                | 8.3                 |
| Recreation                        | 582              | 0.7                 | 9,547                                  | 0.3                 |
| Wholesale                         | 46               | 0.1                 | 53,447                                 | 1.9                 |
| Total                             | 87,247           | 100.0 %             | \$ 2,809,904                           | 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 2009.

Source: Mississippi State Tax Commission

|    | 2005       | 2004          | 2003          | 2002          | 2001          | 2000          |
|----|------------|---------------|---------------|---------------|---------------|---------------|
| \$ | 6,146,219  | \$ 6,153,868  | \$ 5,993,019  | \$ 6,102,300  | \$ 5,847,392  | \$ 6,170,349  |
|    | 4,450,580  | 4,227,714     | 4,062,074     | 4,074,641     | 3,908,410     | 4,335,402     |
|    | 6,667,695  | 6,585,188     | 6,181,754     | 6,329,716     | 6,359,213     | 6,304,232     |
|    | 759,240    | 740,400       | 724,376       | 730,471       | 747,479       | 790,395       |
|    | 6,627,840  | 6,350,285     | 5,994,698     | 5,809,645     | 5,494,382     | 5,194,255     |
|    | 2,675,275  | 2,384,863     | 2,016,383     | 1,915,703     | 1,888,429     | 2,112,044     |
|    | 2,253,956  | 2,056,435     | 2,079,293     | 2,124,054     | 2,206,481     | 2,321,233     |
|    | 3,317,464  | 3,480,913     | 3,700,174     | 3,305,031     | 3,267,289     | 3,164,988     |
|    | 1,944,014  | 1,881,371     | 1,695,247     | 1,687,695     | 1,694,971     | 1,722,853     |
|    | 3,687,135  | 3,332,978     | 3,207,453     | 3,113,292     | 3,109,723     | 2,269,785     |
|    | 110,930    | 116,464       | 108,309       | 107,782       | 105,941       | 116,327       |
|    | 758,074    | 744,355       | 718,041       | 704,607       | 680,678       | 683,733       |
| \$ | 39,398,422 | \$ 38,054,834 | \$ 36,480,821 | \$ 36,004,937 | \$ 35,310,388 | \$ 35,185,596 |
| \$ | 2,421,537  | \$ 2,338,086  | \$ 2,208,570  | \$ 2,199,918  | \$ 2,158,940  | \$ 2,130,636  |
|    | 6.15%      | 6.14%         | 6.05%         | 6.11%         | 6.11%         | 6.06%         |

| 2000             |                     |  |                     |
|------------------|---------------------|--|---------------------|
| Number of Filers | Percentage of Total | Tax Liability (expressed in thousands) | Percentage of Total |
| 11,363           | 13.9 %              | \$ 330,926                             | 15.5 %              |
| 7,201            | 8.8                 | 158,670                                | 7.4                 |
| 15,388           | 18.9                | 439,762                                | 20.6                |
| 2,963            | 3.6                 | 55,277                                 | 2.6                 |
| 5,099            | 6.2                 | 364,165                                | 17.1                |
| 5,503            | 6.7                 | 145,061                                | 6.8                 |
| 5,870            | 7.2                 | 127,365                                | 6.0                 |
| 21,099           | 25.9                | 216,676                                | 10.2                |
| 5,629            | 7.0                 | 120,457                                | 5.7                 |
| 987              | 1.2                 | 123,111                                | 5.8                 |
| 408              | 0.5                 | 8,141                                  | 0.4                 |
| 95               | 0.1                 | 41,025                                 | 1.9                 |
| 81,605           | 100.0 %             | \$ 2,130,636                           | 100.0 %             |

# Mississippi

## Ratios of Outstanding Debt by Type

Last Nine Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

|  | 2010         | 2009         | 2008         | 2007         |
|--|--------------|--------------|--------------|--------------|
| <b>Governmental Activities</b>   |              |              |              |              |
| General Obligation Bonds and Notes <sup>1</sup>                                  | \$ 3,524,006 | \$ 3,456,607 | \$ 3,452,073 | \$ 3,135,232 |
| Limited Obligation Bonds   |              |              | 24,460       | 47,880       |
| Capital Lease Obligations  | 13,212       | 17,231       | 12,555       | 18,568       |
| Notes Payable  | 1,044,352    | 852,011      | 882,049      | 708,028      |
| Certificates of Participation  |              | 2,045        | 2,190        | 2,330        |
| Total Governmental Activities  | 4,581,570    | 4,327,894    | 4,373,327    | 3,912,038    |
| <b>Business-type Activities</b>  |              |              |              |              |
| General Obligation Bonds   | 26,476       | 29,231       | 32,064       | 35,084       |
| Revenue Bonds  |              |              |              |              |
| Capital Lease Obligations  | 841          | 1,636        | 926          | 214          |
| Total Business-type Activities   | 27,317       | 30,867       | 32,990       | 35,298       |
| Total Primary Government   | \$ 4,608,887 | \$ 4,358,761 | \$ 4,406,317 | \$ 3,947,336 |
| Amount of Debt Per capita <sup>2</sup>   | \$ 1,562     | \$ 1,478     | \$ 1,499     | \$ 1,352     |
| Debt as a percentage of Personal Income <sup>3</sup>                             | 5.2%         | 4.9%         | 4.9%         | 4.6%         |
| <b>Net General Obligation Bonded Debt<sup>4</sup></b>                            |              |              |              |              |
| General Obligation Bonds and Notes <sup>1</sup>                                  | \$ 3,524,006 | \$ 3,456,607 | \$ 3,452,073 | \$ 3,135,232 |
| Less: Debt Service   | 248,686      | 197,131      | 214,647      | 175,515      |
| Net General Obligation Bonded Debt   | \$ 3,275,320 | \$ 3,259,476 | \$ 3,237,426 | \$ 2,959,717 |
| Amount of Net General Obligation Bonded Debt Per capita <sup>2</sup>             | \$ 1,110     | \$ 1,105     | \$ 1,101     | \$ 1,014     |
| Net General Obligation Bonded Debt as a percentage of Taxable Sales <sup>5</sup> | 7.1%         | 7.1%         | 6.8%         | 6.2%         |

Notes:

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

<sup>2</sup> See Table 9 for population data. For the current fiscal year, the prior year population data is used in the calculation.

<sup>3</sup> See Table 9 for personal income data. For the current fiscal year, the prior year personal income data is used in the calculation.

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

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

|    | 2006      |    | 2005      |    | 2004      |    | 2003      |    | 2002      |
|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| \$ | 3,011,720 | \$ | 2,879,945 | \$ | 2,965,083 | \$ | 2,536,637 | \$ | 2,459,826 |
|    | 70,320    |    | 91,845    |    | 112,515   |    | 132,390   |    | 151,535   |
|    | 19,034    |    | 62,456    |    | 74,277    |    | 156,075   |    | 162,389   |
|    | 345,091   |    | 162,340   |    | 92,877    |    | 9,406     |    | 6,891     |
|    | 2,460     |    | 2,585     |    | 2,700     |    | 2,805     |    | 2,905     |
|    | 3,448,625 |    | 3,199,171 |    | 3,247,452 |    | 2,837,313 |    | 2,783,546 |

|    |           |    |           |    |           |    |           |    |           |
|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
|    | 38,016    |    | 40,705    |    | 43,207    |    | 47,407    |    | 52,417    |
|    |           |    | 150       |    | 295       |    | 430       |    | 555       |
|    | 320       |    | 449       |    | 613       |    | 193       |    | 283       |
|    | 38,336    |    | 41,304    |    | 44,115    |    | 48,030    |    | 53,255    |
| \$ | 3,486,961 | \$ | 3,240,475 | \$ | 3,291,567 | \$ | 2,885,343 | \$ | 2,836,801 |

|    |       |    |       |    |       |    |       |    |      |
|----|-------|----|-------|----|-------|----|-------|----|------|
| \$ | 1,202 | \$ | 1,117 | \$ | 1,139 | \$ | 1,005 | \$ | 992  |
|    | 4.3%  |    | 4.2%  |    | 4.5%  |    | 4.2%  |    | 4.3% |

|    |           |    |           |    |           |    |           |    |           |
|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| \$ | 3,011,720 | \$ | 2,879,945 | \$ | 2,965,083 | \$ | 2,536,637 | \$ | 2,459,826 |
|    | 105,347   |    | 97,312    |    | 107,149   |    | 176,556   |    | 129,771   |
| \$ | 2,906,373 | \$ | 2,782,633 | \$ | 2,857,934 | \$ | 2,360,081 | \$ | 2,330,055 |

|    |       |    |      |    |      |    |      |    |      |
|----|-------|----|------|----|------|----|------|----|------|
| \$ | 1,002 | \$ | 960  | \$ | 989  | \$ | 822  | \$ | 815  |
|    | 6.3%  |    | 7.1% |    | 7.5% |    | 6.5% |    | 6.5% |



# Mississippi

## Legal Debt Margin

### Last Ten Fiscal Years

Table 8

(Expressed in Thousands)

|   | 2010          | 2009          | 2008          | 2007          | 2006          |
|---|---------------|---------------|---------------|---------------|---------------|
| Legal debt limit  | \$ 12,451,109 | \$ 12,451,109 | \$ 12,009,366 | \$ 10,930,262 | \$ 10,056,571 |
| Less: Net debt applicable to limit                                      | 3,275,320     | 3,259,476     | 3,237,426     | 2,959,717     | 2,906,373     |
| Legal debt margin   | \$ 9,175,789  | \$ 9,191,633  | \$ 8,771,940  | \$ 7,970,545  | \$ 7,150,198  |
| Net debt applicable to the limit<br>as a percentage of legal debt limit | 26.3%         | 26.2%         | 27.0%         | 27.1%         | 28.9%         |

|   | 2005         | 2004         | 2003         | 2002         | 2001         |
|---|--------------|--------------|--------------|--------------|--------------|
| Legal debt limit  | \$ 8,740,586 | \$ 8,429,055 | \$ 8,142,318 | \$ 8,142,318 | \$ 7,994,129 |
| Less: Net debt applicable to limit                                      | 2,771,968    | 2,846,985    | 2,339,941    | 2,312,810    | 2,158,098    |
| Legal debt margin   | \$ 5,968,618 | \$ 5,582,070 | \$ 5,802,377 | \$ 5,829,508 | \$ 5,836,031 |
| Net debt applicable to the limit<br>as a percentage of legal debt limit | 31.7%        | 33.8%        | 28.7%        | 28.4%        | 27.0%        |

### Legal Debt Margin Calculation for Fiscal Year 2010:

|   |               |
|---|---------------|
| Legal debt limit <sup>1</sup>                   | \$ 12,451,109 |
| Amount of debt applicable to limit <sup>2</sup> | \$ 3,524,006  |
| Less: amounts available for debt service        | 248,686       |
| Less: Net debt applicable to limit              | 3,275,320     |
| Legal debt margin                               | \$ 9,175,789  |

#### Notes:

<sup>1</sup> 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 |
|-------------|---------------------|
| 2009        | \$ 7,960,862        |
| 2008        | 8,300,739           |
| 2007        | 8,006,244           |
| 2006        | 7,286,841           |

<sup>2</sup> The legal debt limit applies to total governmental activities long-term bonded debt.

# Mississippi

## Demographic and Economic Statistics

Last Ten Calendar Years

Table 9

| Year | Population | Unemployment Rate |       | Personal Income   | Per capita Personal Income |
|------|------------|-------------------|-------|-------------------|----------------------------|
|      |            | Mississippi       | U. S. |                   |                            |
| 2009 | 2,950,000  | 9.6 %             | 9.3 % | \$ 88,919,000,000 | \$ 30,142                  |
| 2008 | 2,940,000  | 6.8               | 5.8   | 89,332,000,000    | 30,385                     |
| 2007 | 2,920,000  | 6.2               | 4.6   | 86,314,000,000    | 29,560                     |
| 2006 | 2,900,000  | 6.8               | 4.6   | 81,136,000,000    | 27,978                     |
| 2005 | 2,900,000  | 7.8               | 5.1   | 77,776,000,000    | 26,819                     |
| 2004 | 2,890,000  | 6.3               | 5.5   | 72,603,000,000    | 25,122                     |
| 2003 | 2,870,000  | 6.4               | 6.0   | 68,798,000,000    | 23,971                     |
| 2002 | 2,860,000  | 6.7               | 5.8   | 66,158,000,000    | 23,132                     |
| 2001 | 2,850,000  | 5.6               | 4.7   | 65,104,000,000    | 22,844                     |
| 2000 | 2,850,000  | 5.6               | 4.0   | 61,397,000,000    | 21,543                     |

Sources:

Mississippi Econometric Model

Mississippi Department of Employment Security

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

## Employment by Industry

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

Table 10

| Industry                           | Rank | 2009                        |                             | Rank | 2001 <sup>1</sup>           |                             |
|------------------------------------|------|-----------------------------|-----------------------------|------|-----------------------------|-----------------------------|
|                                    |      | Average Number of Employees | Percentage of All Employees |      | Average Number of Employees | Percentage of All Employees |
| Government                         | 1    | 250,400                     | 21.4 %                      | 1    | 237,500                     | 19.3 %                      |
| Manufacturing                      | 2    | 141,200                     | 12.1                        | 2    | 200,800                     | 16.3                        |
| Retail Trade                       | 3    | 133,100                     | 11.4                        | 3    | 142,100                     | 11.6                        |
| Health Care and Social Assistance  | 4    | 116,500                     | 10.0                        | 5    | 95,800                      | 7.8                         |
| Accommodation and Food Services    | 5    | 107,600                     | 9.2                         | 4    | 106,700                     | 8.7                         |
| Professional and Business Services | 6    | 86,900                      | 7.4                         | 6    | 76,700                      | 6.2                         |
| Construction                       | 7    | 51,100                      | 4.4                         | 7    | 51,900                      | 4.2                         |
| Transportation and Warehousing     | 8    | 46,300                      | 4.0                         | 8    | 45,800                      | 3.7                         |
| Other Services                     | 9    | 35,400                      | 3.0                         | 9    | 36,800                      | 3.0                         |
| Wholesale Trade                    | 10   | 34,800                      | 3.0                         | 10   | 35,300                      | 2.9                         |
| Total                              |      | 1,003,300                   | 85.9 %                      |      | 1,029,400                   | 83.7 %                      |
| Total Employed Labor Force         |      | 1,168,600                   | 100.0 %                     |      | 1,229,900                   | 100.0 %                     |

<sup>1</sup> Information is presented using the North American Industry Classification System (NAICS). Effective 2001, the system changed to NAICS and prior years are not comparable.

Note: This schedule is presented as an alternative to the principal employer schedule for which employer data could not be obtained. Information contained in the schedule represents nonagricultural employment.

Source: Mississippi Department of Employment Security

# Mississippi

## Public School Enrollment

Last Ten Academic Years

Table 11

|                   | 2009/2010 | 2008/2009 | 2007/2008 | 2006/2007 |
|-------------------|-----------|-----------|-----------|-----------|
| Kindergarten      | 42,790    | 41,602    | 41,453    | 42,277    |
| Grades 1-3        | 116,320   | 118,249   | 118,969   | 117,424   |
| Grades 4-6        | 114,328   | 111,783   | 111,009   | 112,101   |
| Grades 7-9        | 113,802   | 115,901   | 118,593   | 120,271   |
| Grades 10-12      | 97,942    | 97,024    | 96,003    | 93,287    |
| Special Education | 6,923     | 6,635     | 7,275     | 8,775     |
| Total Enrollment  | 492,105   | 491,194   | 493,302   | 494,135   |

Source: Mississippi Department of Education

## Community and Junior College Enrollment

Last Ten Academic Years

Table 12

|  | 2009/2010 | 2008/2009 | 2007/2008 | 2006/2007 |
|--|-----------|-----------|-----------|-----------|
| Coahoma Community College                | 3,210     | 2,239     | 2,398     | 2,201     |
| Copiah-Lincoln Community College         | 4,649     | 3,886     | 3,811     | 3,933     |
| East Central Community College           | 3,554     | 3,219     | 2,841     | 3,096     |
| East Mississippi Community College       | 6,063     | 6,356     | 6,353     | 4,938     |
| Hinds Community College                  | 15,370    | 12,661    | 16,747    | 13,487    |
| Holmes Community College                 | 5,943     | 5,754     | 5,124     | 5,164     |
| Itawamba Community College               | 9,965     | 9,173     | 8,339     | 7,363     |
| Jones County Junior College              | 6,982     | 5,951     | 5,658     | 5,785     |
| Meridian Community College               | 4,856     | 4,317     | 4,065     | 3,946     |
| Mississippi Delta Community College      | 4,410     | 4,011     | 3,659     | 3,815     |
| Mississippi Gulf Coast Community College | 13,426    | 11,736    | 9,674     | 9,045     |
| Northeast Mississippi Community College  | 5,482     | 5,006     | 5,223     | 5,264     |
| Northwest Mississippi Community College  | 8,777     | 7,326     | 6,900     | 7,457     |
| Pearl River Community College            | 4,853     | 5,081     | 4,263     | 4,411     |
| Southwest Mississippi Community College  | 2,289     | 2,106     | 2,080     | 1,986     |
| Total Enrollment                         | 99,829    | 88,822    | 87,135    | 81,891    |

Source: Mississippi State Board for Community and Junior Colleges

## University Enrollment

Last Ten Academic Years

Table 13

|                                     | 2009/2010 | 2008/2009 | 2007/2008 | 2006/2007 |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Alcorn State University             | 3,334     | 3,252     | 3,668     | 3,583     |
| Delta State University              | 4,031     | 4,064     | 4,091     | 4,217     |
| Jackson State University            | 8,783     | 8,374     | 8,698     | 8,256     |
| Mississippi State University        | 18,600    | 17,824    | 17,039    | 16,206    |
| Mississippi University for Women    | 2,476     | 2,365     | 2,379     | 2,428     |
| Mississippi Valley State University | 2,846     | 2,929     | 3,009     | 3,162     |
| University of Mississippi           | 18,344    | 17,601    | 17,323    | 17,312    |
| University of Southern Mississippi  | 15,293    | 14,793    | 14,592    | 14,777    |
| Total Enrollment                    | 73,707    | 71,202    | 70,799    | 69,941    |

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

| <b>2005/2006</b> | <b>2004/2005</b> | <b>2003/2004</b> | <b>2002/2003</b> | <b>2001/2002</b> | <b>2000/2001</b> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 42,824           | 42,158           | 40,536           | 38,811           | 38,736           | 39,055           |
| 114,830          | 114,453          | 114,719          | 116,431          | 119,157          | 121,810          |
| 113,468          | 116,383          | 117,899          | 118,463          | 119,022          | 118,450          |
| 120,852          | 120,186          | 118,632          | 116,799          | 114,533          | 114,885          |
| 91,663           | 89,641           | 88,384           | 88,437           | 88,644           | 89,796           |
| 10,401           | 11,769           | 12,387           | 12,682           | 12,106           | 12,562           |
| 494,038          | 494,590          | 492,557          | 491,623          | 492,198          | 496,558          |

| <b>2005/2006</b> | <b>2004/2005</b> | <b>2003/2004</b> | <b>2002/2003</b> | <b>2001/2002</b> | <b>2000/2001</b> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 2,428            | 2,506            | 2,392            | 2,481            | 2,150            | 1,418            |
| 3,792            | 3,681            | 3,796            | 3,370            | 3,160            | 3,272            |
| 3,268            | 3,540            | 3,540            | 3,414            | 3,347            | 3,312            |
| 4,569            | 4,523            | 4,103            | 4,043            | 3,303            | 3,121            |
| 13,004           | 13,803           | 15,202           | 11,152           | 11,389           | 10,976           |
| 5,220            | 4,991            | 4,945            | 3,851            | 3,482            | 3,328            |
| 7,089            | 6,567            | 6,778            | 5,667            | 4,563            | 4,075            |
| 6,219            | 6,344            | 6,231            | 5,841            | 5,625            | 5,572            |
| 3,813            | 4,089            | 3,944            | 3,815            | 3,743            | 3,183            |
| 3,995            | 3,862            | 4,128            | 3,960            | 3,750            | 3,419            |
| 8,934            | 10,894           | 10,551           | 9,934            | 8,877            | 9,140            |
| 5,266            | 5,854            | 4,996            | 4,667            | 4,463            | 4,353            |
| 6,953            | 6,663            | 6,523            | 6,371            | 5,760            | 5,127            |
| 4,256            | 4,585            | 3,898            | 3,661            | 3,156            | 3,245            |
| 2,121            | 2,303            | 2,280            | 2,277            | 2,159            | 2,083            |
| 80,927           | 84,205           | 83,307           | 74,504           | 68,927           | 65,624           |

| <b>2005/2006</b> | <b>2004/2005</b> | <b>2003/2004</b> | <b>2002/2003</b> | <b>2001/2002</b> | <b>2000/2001</b> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 3,544            | 3,443            | 3,309            | 3,150            | 3,096            | 2,936            |
| 4,119            | 3,990            | 3,902            | 3,963            | 3,875            | 3,916            |
| 8,416            | 8,351            | 7,815            | 7,783            | 7,098            | 6,832            |
| 16,101           | 15,934           | 16,173           | 16,610           | 16,878           | 16,561           |
| 2,285            | 2,231            | 2,048            | 2,105            | 2,328            | 2,815            |
| 3,165            | 3,621            | 3,506            | 3,501            | 3,081            | 2,687            |
| 16,928           | 16,500           | 15,577           | 14,961           | 14,429           | 13,928           |
| 15,030           | 15,253           | 15,050           | 15,266           | 15,232           | 14,509           |
| 69,588           | 69,323           | 67,380           | 67,339           | 66,017           | 64,184           |

# Mississippi

## Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 14

|   | 2010   | 2009   | 2008   | 2007   |
|---|--------|--------|--------|--------|
| <b>General Government</b>                   |        |        |        |        |
| Department of Finance and Administration    |        |        |        |        |
| Buildings                                   | 37     | 37     | 46     | 46     |
| Vehicles                                    | 48     | 42     | 42     | 41     |
| Tax Commission                              |        |        |        |        |
| Vehicles                                    | 49     | 49     | 47     | 47     |
| <b>Education</b>                            |        |        |        |        |
| Department of Education                     |        |        |        |        |
| Vehicles                                    | 43     | 42     | 47     | 44     |
| <b>Law, Justice and Public Safety</b>       |        |        |        |        |
| Department of Corrections                   |        |        |        |        |
| Buildings                                   | 627    | 627    | 626    | 633    |
| Vehicles                                    | 608    | 673    | 676    | 707    |
| Department of Public Safety                 |        |        |        |        |
| Buildings                                   | 39     | 38     | 37     | 37     |
| Vehicles                                    | 845    | 908    | 924    | 943    |
| <b>Recreation and Resource Development</b>  |        |        |        |        |
| Department of Wildlife, Fisheries and Parks |        |        |        |        |
| State Parks                                 | 26     | 26     | 26     | 26     |
| Acres of State Parks                        | 24,260 | 24,260 | 24,260 | 23,904 |
| Buildings                                   | 831    | 817    | 815    | 812    |
| Vehicles                                    | 614    | 632    | 609    | 614    |
| Forestry Commission                         |        |        |        |        |
| Buildings                                   | 394    | 398    | 408    | 418    |
| Vehicles                                    | 440    | 446    | 493    | 508    |
| <b>Transportation</b>                       |        |        |        |        |
| Department of Transportation                |        |        |        |        |
| Miles of state highway                      | 10,907 | 10,984 | 10,949 | 10,974 |
| Vehicles                                    | 2,569  | 2,530  | 2,547  | 2,595  |
| <b>Health and Social Sciences</b>           |        |        |        |        |
| Department of Mental Health                 |        |        |        |        |
| Buildings                                   | 553    | 553    | 547    | 541    |
| Vehicles                                    | 801    | 794    | 802    | 798    |

Sources:

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

| 2006   | 2005   | 2004   | 2003   | 2002   | 2001   |
|--------|--------|--------|--------|--------|--------|
| 42     | 26     | 25     | 22     | 22     | 21     |
| 37     | 35     | 35     | 32     | 32     | 31     |
| 45     | 45     | 45     | 46     | 44     | 42     |
| 46     | 42     | 42     | 41     | 43     | 41     |
| 633    | 642    | 642    | 641    | 634    | 625    |
| 683    | 674    | 702    | 649    | 598    | 699    |
| 37     | 36     | 36     | 36     | 33     | 33     |
| 907    | 805    | 834    | 808    | 805    | 804    |
| 24     | 28     | 28     | 28     | 28     | 28     |
| 23,908 | 23,800 | 23,800 | 23,714 | 23,714 | 23,714 |
| 831    | 844    | 841    | 852    | 814    | 830    |
| 627    | 681    | 723    | 730    | 712    | 687    |
| 422    | 429    | 424    | 428    | 431    | 429    |
| 483    | 531    | 578    | 539    | 546    | 484    |
| 10,950 | 10,927 | 10,926 | 10,689 | 10,678 | 10,665 |
| 2,604  | 2,604  | 2,642  | 2,646  | 2,395  | 2,402  |
| 535    | 525    | 520    | 512    | 481    | 477    |
| 755    | 742    | 712    | 700    | 650    | 630    |

# Mississippi

## State Government Employees by Function

Last Ten Fiscal Years

Table 15

|   | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>General Government</b>                     |               |               |               |               |               |               |
| Department of Finance and Administration      | 387           | 408           | 380           | 363           | 338           | 330           |
| Tax Commission                                | 659           | 711           | 726           | 713           | 697           | 708           |
| Treasury                                      | 38            | 38            | 39            | 37            | 38            | 37            |
| All Other                                     | 1,408         | 1,484         | 1,438         | 1,402         | 1,380         | 1,413         |
| <b>Education</b>                              |               |               |               |               |               |               |
| Department of Education                       | 741           | 779           | 782           | 773           | 737           | 766           |
| All Other                                     | 193           | 201           | 200           | 195           | 191           | 195           |
| <b>Health and Social Services</b>             |               |               |               |               |               |               |
| Department of Human Services                  | 3,219         | 3,284         | 3,046         | 2,991         | 2,925         | 2,987         |
| Division of Medicaid                          | 934           | 940           | 908           | 917           | 942           | 877           |
| Department of Mental Health                   | 8,586         | 8,978         | 8,951         | 8,930         | 8,685         | 9,043         |
| Department of Rehabilitation Services         | 1,060         | 1,024         | 964           | 949           | 882           | 871           |
| All Other                                     | 3,549         | 3,438         | 3,329         | 3,393         | 3,336         | 3,467         |
| <b>Law, Justice and Public Safety</b>         |               |               |               |               |               |               |
| Department of Corrections                     | 2,919         | 3,090         | 3,153         | 3,071         | 3,072         | 3,051         |
| Department of Public Safety                   | 1,275         | 1,338         | 1,365         | 1,274         | 1,199         | 1,183         |
| All Other                                     | 2,130         | 2,134         | 1,994         | 1,883         | 1,746         | 1,749         |
| <b>Recreation and Resource Development</b>    |               |               |               |               |               |               |
| Department of Environmental Quality           | 435           | 448           | 428           | 433           | 426           | 447           |
| Department of Wildlife, Fisheries and Parks   | 665           | 807           | 710           | 788           | 777           | 826           |
| Forestry Commission                           | 455           | 475           | 521           | 513           | 479           | 548           |
| Mississippi Development Authority             | 324           | 319           | 279           | 282           | 261           | 271           |
| All Other                                     | 392           | 402           | 412           | 408           | 395           | 412           |
| <b>Regulation of Business and Professions</b> |               |               |               |               |               |               |
| Public Service Commission                     | 92            | 97            | 97            | 95            | 92            | 94            |
| Oil and Gas Board                             | 34            | 36            | 33            | 32            | 31            | 28            |
| All Other                                     | 262           | 255           | 246           | 242           | 244           | 239           |
| <b>Transportation</b>                         |               |               |               |               |               |               |
| Department of Transportation                  | 3,448         | 3,413         | 3,346         | 3,267         | 3,271         | 3,384         |
| <b>Total</b>                                  | <b>33,205</b> | <b>34,099</b> | <b>33,347</b> | <b>32,951</b> | <b>32,144</b> | <b>32,926</b> |

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

| 2004   | 2003   | 2002   | 2001   |
|--------|--------|--------|--------|
| 327    | 323    | 328    | 334    |
| 738    | 734    | 734    | 762    |
| 38     | 39     | 38     | 38     |
| 1,446  | 1,427  | 1,438  | 1,433  |
| 804    | 797    | 775    | 791    |
| 202    | 209    | 212    | 214    |
| 3,179  | 3,362  | 3,394  | 3,541  |
| 580    | 572    | 547    | 554    |
| 8,695  | 8,617  | 8,523  | 8,420  |
| 893    | 877    | 874    | 849    |
| 3,495  | 3,510  | 3,318  | 3,288  |
| 3,336  | 3,656  | 3,675  | 3,745  |
| 1,202  | 1,004  | 1,012  | 1,065  |
| 1,741  | 1,933  | 1,907  | 1,858  |
| 472    | 471    | 471    | 471    |
| 926    | 844    | 867    | 896    |
| 587    | 592    | 630    | 625    |
| 312    | 311    | 299    | 303    |
| 420    | 421    | 429    | 429    |
| 101    | 156    | 148    | 142    |
| 30     | 28     | 30     | 32     |
| 243    | 238    | 234    | 230    |
| 3,316  | 3,300  | 3,265  | 3,329  |
| 33,083 | 33,421 | 33,148 | 33,349 |



# Mississippi

## Operating Indicators by Function

Last Ten Fiscal Years

Table 16

|  | 2009          | 2008          | 2007          | 2006          |
|--|---------------|---------------|---------------|---------------|
| <b>General Government</b>                            |               |               |               |               |
| Tax returns processed                                | 4,900,000     | 4,850,000     | 4,800,000     | 4,750,000     |
| On-going construction projects                       | 656           | 676           | 725           | 708           |
| Tort claims processed                                | 538           | 353           | 1,081         | 726           |
| Unclaimed property claims paid                       | 7,799         | 6,175         | 9,781         | 6,670         |
| Corporate filings processed                          | 113,217       | 40,218        | 30,740        | 30,441        |
| UCC filings processed                                | 268,108       | 286,740       | 289,990       | 28,317        |
| 16th section leases                                  | 12,457        | 12,627        | 12,200        | 12,360        |
| <b>Education</b>                                     |               |               |               |               |
| Average cost per public school student               | \$8,895       | \$8,737       | \$8,298       | \$7,996       |
| Public high school graduates                         | 24,393        | 23,935        | 23,149        | 23,691        |
| Public school teachers, K-12                         | 33,972        | 33,613        | 32,746        | 32,129        |
| <b>Health and Social Services</b>                    |               |               |               |               |
| Average monthly households receiving food stamps     | 204,068       | 184,779       | 174,924       | 172,814       |
| Food establishments inspected                        | 33,713        | 34,866        | 36,027        | 28,953        |
| Child support collections from non-custodial parents | \$286,696,080 | \$264,727,366 | \$242,768,697 | \$230,206,702 |
| Medicaid recipients receiving medical services       | 598,476       | 569,294       | 547,811       | 583,523       |
| <b>Law, Justice and Public Safety</b>                |               |               |               |               |
| Average inmate population in prisons                 | 10,761        | 10,856        | 10,145        | 9,669         |
| Supervised offenders in communities                  | 25,910        | 27,323        | 29,964        | 21,736        |
| Driver licenses issued                               | 783,508       | 907,850       | 755,000       | 755,000       |
| <b>Recreation and Resource Development</b>           |               |               |               |               |
| Tourist registered at welcome centers                | 2,962,056     | 2,906,700     | 2,782,648     | 2,551,894     |
| Land reforested (acres)                              | 38,257        | 44,546        | 61,075        | 54,886        |
| Hunting and fishing licenses sold                    | 588,095       | 584,891       | 585,466       | 525,000       |
| Overnight accommodations at state parks              | 575,502       | 675,000       | 674,280       | 682,525       |
| <b>Regulation of Business and Professions</b>        |               |               |               |               |
| Utility complaints investigated                      | 7,701         | 7,299         | 6,766         | 6,749         |
| Well inspections by Oil and Gas Board                | 24,419        | 21,227        | 22,083        | 20,879        |
| <b>Transportation</b>                                |               |               |               |               |
| Overlays (miles)                                     | 455           | 251           | 146           | 340           |
| Replacement of deficit bridges                       | 63            | 55            | 62            | 11            |

Note: The most current fiscal year available is fiscal year 2009.

Sources:

Mississippi Joint Legislative Budget Committee, Legislative Budget Report  
Mississippi Department of Education, Superintendent's Annual Report

| 2005          | 2004          | 2003          | 2002          | 2001          | 2000          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 4,700,000     | 4,650,000     | 4,600,000     | 4,550,000     | 4,550,000     | 4,500,000     |
| 707           | 756           | 863           | 830           | 862           | 748           |
| 1,354         | 2,529         | 2,312         | 1,337         | 1,524         | 1,545         |
| 5,360         | 41,652        | 13,683        | 8,490         | 4,399         | 2,166         |
| 27,184        | 29,293        | 33,779        | 34,658        | 17,220        | 14,974        |
| 261,215       | 231,688       | 228,930       | 119,509       | 127,234       | 110,638       |
| 12,367        | 12,311        | 13,800        | 14,171        | 14,967        | 12,528        |
| \$7,208       | \$6,794       | \$6,402       | \$5,908       | \$5,717       | \$4,905       |
| 23,415        | 23,427        | 23,703        | 23,398        | 23,740        | 24,194        |
| 32,027        | 31,611        | 29,071        | 29,166        | 31,017        | 30,782        |
| 153,943       | 149,817       | 137,793       | 123,780       | 113,178       | 109,192       |
| 27,832        | 33,505        | 28,939        | 19,990        | 28,886        | 28,416        |
| \$218,293,613 | \$206,596,005 | \$195,621,754 | \$191,423,389 | \$178,496,714 | \$174,659,489 |
| 673,571       | 730,000       | 720,304       | 650,452       | 587,341       | 512,956       |
| 9,891         | 10,833        | 10,639        | 10,293        | 10,043        | 8,916         |
| 23,781        | 22,053        | 22,342        | 17,394        | 16,677        | 14,280        |
| 667,800       | 753,809       | 663,893       | 659,846       | 659,846       | 659,846       |
| 2,862,349     | 2,937,560     | 2,870,001     | 3,133,953     | 2,994,723     | 3,105,714     |
| 91,035        | 57,980        | 116,681       | 62,214        | 129,447       | 176,802       |
| 525,000       | 533,533       | 520,000       | 520,000       | 573,115       | 520,000       |
| 672,525       | 765,564       | 719,637       | 719,637       | 650,896       | 650,896       |
| 6,520         | 6,547         | 6,172         | 2,569         | 4,334         | 2,355         |
| 18,000        | 19,763        | 18,920        | 15,962        | 25,374        | 16,964        |
| 421           | 594           | 556           | 620           | 257           | 337           |
| 29            | 73            | 126           | 128           | 170           | 125           |

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## ***Cover***

*A painting of the Old Capitol, courtesy of Wyatt Waters.*

*Mississippi watercolor artist Wyatt Waters is the recipient of the 2010 Governor's Award for Excellence in the Arts for Lifetime Achievement. A true believer in community, Wyatt gives back through education and support. He has worked with children to help them discover that art resides within them. Over the years, he has supplied valuable artwork to area non-profits for their fund-raising efforts.*

*Throughout his career, he has been featured in numerous magazines including American Artists Special Watercolor Issues, Art and Antiques, and Mississippi Magazine. In addition, he has published books of his own work, illustrated books for others, and distinguished himself and the State with the overwhelming popularity and accessibility of his art. Wyatt Waters Gallery website is [www.wyattwaters.com](http://www.wyattwaters.com).*