

Mississippi

*Comprehensive Annual
Financial Report*

*For the Fiscal Year
Ended June 30, 2012*



Mississippi



Fiscal Year Ended June 30, 2012

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.



PHIL BRYANT
GOVERNOR

STATE OF MISSISSIPPI OFFICE OF THE GOVERNOR



December 20, 2012

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 fiscal year ending June 30, 2012.

For the past several years, Mississippi has worked to adjust to the burden of a national recession and a state-level economic downturn, as evidenced by the information in this report. All in state government have been asked to do more with less so that Mississippi can maintain essential government services for its residents without increasing taxes or reducing take-home pay.

Although our state is making progress in its economic recovery, we still have work to do. We must continue to attract private sector business investment and job creation, and we must make disciplined spending decisions in order to best utilize the resources we have. By focusing on priorities like education, public safety, and economic development, we are positioning our state to take hold of new opportunities and are building a better future and a stronger Mississippi.

Sincerely,

A handwritten signature in black ink that reads "Phil Bryant".

Phil Bryant

Mississippi

Table of Contents

INTRODUCTION

Letter of Transmittal.....	4
Officials of State Government.....	8
Organization Chart	9
Certificate of Achievement for Excellence in Financial Reporting	10

FINANCIAL SECTION

Auditor's Report.....	13
Management's Discussion and Analysis	16

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Assets	26
Statement of Activities.....	28

Governmental Funds Financial Statements	
Balance Sheet.....	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	31
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	32
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	33

Proprietary Funds Financial Statements	
Statement of Net Assets	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets	38
Statement of Cash Flows	40

Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets	44
Statement of Changes in Fiduciary Net Assets.....	45

Component Units Financial Statements	
Statement of Net Assets	46
Statement of Activities.....	47

Notes to the Financial Statements	
Note 1 - Significant Accounting Policies.....	49
Note 2 - Other Accounting Disclosures	55
Note 3 - Interfund Transactions.....	55
Note 4 - Deposits and Investments	56
Note 5 - Receivables	66
Note 6 - Due From Other Governments	67
Note 7 - Loans and Notes Receivable.....	67
Note 8 - Capital Assets	68
Note 9 - Long-term General Obligation Bonds.....	70
Note 10 - Bonds Authorized But Unissued.....	75
Note 11 - Revenue Bonds and Notes.....	76
Note 12 - Other Long-term Liabilities	76
Note 13 - Changes in Long-term Liabilities	79
Note 14 - Short-term Financing	79
Note 15 - Retirement Plans	80
Note 16 - Other Postemployment Benefits.....	84
Note 17 - Commitments	85
Note 18 - Risk Management.....	87
Note 19 - Contingencies.....	88
Note 20 - Endowments.....	88
Note 21 - Subsequent Events	89

Mississippi

Required Supplementary Information

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds and Notes	92
Schedule of Funding Progress - Pension Trust Funds and Notes	95
Schedule of Funding Progress - Other Postemployment Benefits	96

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

Nonmajor Governmental Funds	
Descriptions	99
Combining Balance Sheet	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	102
Proprietary Funds	
Nonmajor Enterprise Funds	
Descriptions	105
Combining Statement of Net Assets	106
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	108
Combining Statement of Cash Flows	110
Internal Service Funds	
Descriptions	115
Combining Statement of Net Assets	116
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	117
Combining Statement of Cash Flows	118
Fiduciary Funds	
Descriptions	121
Pension Trust Funds	
Combining Statement of Fiduciary Net Assets	122
Combining Statement of Changes in Fiduciary Net Assets	124
Agency Funds	
Combining Statement of Fiduciary Net Assets	126
Combining Statement of Changes in Assets and Liabilities	127
Nonmajor Component Units	
Descriptions	129
Combining Statement of Net Assets	130
Combining Statement of Activities	132

STATISTICAL SECTION

Statistical Section	135
Table 1 - Net Assets by Component	136
Table 2 - Changes in Net Assets	138
Table 3 - Fund Balances of Governmental Funds	142
Table 4 - Changes in Fund Balances of Governmental Funds	144
Table 5 - Taxable Sales by Industry	148
Table 6 - Sales Tax Revenue Payers by Industry	148
Table 7 - Ratios of Outstanding Debt by Type	150
Table 8 - Legal Debt Margin	152
Table 9 - Demographic and Economic Statistics	153
Table 10 - Employment by Industry	153
Table 11 - Public School Enrollment	154
Table 12 - Community and Junior College Enrollment	154
Table 13 - University Enrollment	154
Table 14 - Capital Asset Statistics by Function	156
Table 15 - State Government Employees by Function	158
Table 16 - Operating Indicators by Function	160

Mississippi

Introduction



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

KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR



December 20, 2012

To Governor Bryant, 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, 2012 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 is on the upswing again after a brief dip in mid-2012. The index of leading indicators and the index of coincident indicators have been trending upward after falling from April through July. Employment has begun to regain ground lost earlier in the year. Retail sales and General Fund tax collections are coming in ahead of year-ago figures. Housing starts and building permits are up sharply based on the most recent data available. Growth, however, is slow.

The State suffered a brief recession in 2011, due to an unusual string of weather disasters. Most counties in Mississippi were declared federal disaster areas, as tornadoes, severe storms, flooding and drought hit the state. Gross state product fell 0.8%, although employment remained stable and personal income increased 3.8%.

The 2011 downturn led to a shaky start to 2012 and despite gradual improvement, only a 0.5% growth rate of output is estimated for the year. Payroll employment decreased about 0.2%. A modest 2.9% increase in personal income is estimated for the year as a whole.

Over \$1.4 billion in new investments were announced in 2012, which are already increasing economic activity. Of these, the largest job creator may be Nissan’s \$20 million expansion, which will bring 1,000 additional jobs. Kior (biomass) is building a \$350 million facility, generating 350 jobs, and the Hard Rock Hotel and Casino is investing in a \$32.5 million expansion. A \$570 million port upgrade at Gulfport and a \$1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy) are underway.

On-going projects also include Huntington Ingalls’ \$2.4 billion contract with the Navy and Chevron’s \$1.4 billion expansion of its Pascagoula facilities. HCL Cleantech (biomass) is building its headquarters and four plants in the state, for a projected investment of \$1 billion. Stion (thin film solar panels) is investing \$500 million in a new plant and facilities. The recently-built Toyota auto plant is already in production, the Margaritaville casino is open, and expansions at Schultz Extruded (metallurgical pipes) and Severstal (steel) have been completed.

State General Fund collections in FY 2012 were 6.0% higher than the previous year, but for this fiscal year-to-date through November, the increase in collections was only 2.0% above last year’s total. Personal income tax collections were 5.6% above year-ago numbers, but sales tax collections were only 2.4% higher. Collections, however, continue to come in ahead of the estimates on which the state budget is based.

Payroll employment in 2012 was 0.2 % below 2011 levels based on year-to-date numbers through October. On the other hand, the household survey, which includes the self-employed, shows employment of residents was up 1.4%. The payroll figures, however, are considered to provide a more accurate assessment of trends within establishments.

Gains in payroll employment in 2012 were greatest in transportation and utilities, which grew an estimated 3.5%, in health care and social assistance, and in mining and logging, each of which grew about 2.2%. Manufacturing employment was up 1.0%, with durables manufacturing up 2.1%, based on data through October.

The other major sectors employed fewer persons in 2012 than in 2011, including government (down 0.1%), construction (down 6.3%), trade (down 1.6%), leisure and hospitality (down 0.8%), and business and professional (down 1.8%). Overall, employment in 2012 was about 5.5% lower than at the start of the recession in 2007.

Recovery in the housing market, both in Mississippi and nationally, appears to have begun. Housing starts in the state have been trending upward. In the second quarter of 2012, starts were 18% higher than a year ago. The value of residential building permits issued was up sharply, and the median home price increased. The upsurge in permits issued bodes well for the sector in 2013.

The State's foreclosure rate continues to be lower than the national average. In the third quarter of 2012, the State ranked 24th in the nation with a foreclosure rate of 2.9% versus the national average of 4.1%.

Coastal counties, which account for about 15% of the State's employment and population, continue to recover from the effects of Hurricane Katrina and, to a lesser extent, from the Deepwater Horizon oil spill of 2010. Construction employment on the coast this summer remained 40% higher than before Katrina hit in August of 2005; in the rest of the state, construction employment was lower.

Gaming revenues in Mississippi have been drifting downward since 2008. In 2011, spring flooding closed 17 of 19 Mississippi River casinos for a few weeks, pushing revenues from river casinos down 11% for the year. Overall, total gaming revenues in 2011 came in 6% below the \$2.4 billion level reached in 2010. Slow growth of tourism has yielded little growth in the industry this year. Gross revenues of about \$2.2 billion are expected in 2012.

The growth rate of real gross state product is estimated at 0.5% this year, substantially lower than the national growth rate of 2.1%. Total gross state product is estimated at \$100 billion in current dollars. Improvement is expected in 2013, but the slowing momentum of the U.S. and international economies will keep growth rates both here and in the U.S. below 2.0%. There was no increase in employment in Mississippi in 2012, and the growth rate in 2013 is expected to be a modest 1.0%, with a 1.2% increase predicted in 2014.

Personal income rose 4.1% in 2011 (this takes into account the effects of the 2010 payroll tax cut) and a growth rate of 2.9% is estimated for 2012. A breakdown of income data, however, shows that wages and salaries grew more rapidly in 2012 than in 2011 (2.6% versus 2.0%). This is indicative of some improvement in the labor market. The forecast is that growth rate of wage disbursements will continue to rise, boosting personal income growth to 3.1% in 2013.

The State's recovery is closely linked to that of the nation, so that to a large extent economic activity here moves in sync with the rest of the U.S. These projections, then, rest on the assumption that the national economy grows at a modest but positive rate over the next two years.

Eighty-two percent of the 1.1 million wage and salary workers employed in Mississippi are 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 13%.

Manufacturing also sustains many of the State's service jobs in transportation, business services, finance and agriculture. Within manufacturing, which employs 135,800 workers, the percentage of employees in furniture and in wood products is more than twice the corresponding percentages for the U.S. These industries, along with food products, account for 36% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 37% of manufacturing employment.

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. Business and professional activities employ just over 92,000 persons.

Long-term Financial Planning

State revenue collections have exceeded revenue estimates. For the first five months of FY 2013, the revenues have outpaced the estimates. Revenue projections for the next two years show signs of a very slow recovery. The state executive budget recommendation for FY 2014 addresses revenues estimated at a level slightly above FY 2013 appropriations. The recommendation includes minor budget cuts for some agencies with increases in budgets that relate to key areas of focus.

The state executive budget also addresses the need to be prepared for additional fiscal contingencies. As a result, approximately \$115.7 million of available funds are being preserved for use in FY 2015 and beyond.

Major Initiatives

Despite tough economic times for the State, the focus remains on education, workforce training and economic development. These areas are paramount to the future success of the State. Education continues to make up approximately 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 are near completion and will improve these vital services.

In order to secure the financial future of the State, the major financial computer systems must be maintained and updated. Major projects are in progress for both the Department of Revenue's tax/revenue system and the State's accounting and human resources system. Once complete, these projects will help ensure system stability and accountability, as well as enhance the capability of revenue collections for the State.

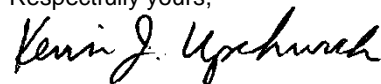
Awards and Acknowledgements

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, 2011. This was the twenty-fifth 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 Office 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,



Kevin J. Upchurch

Mississippi

Officials of State Government

Executive Branch

Governor

Phil Bryant

Lieutenant Governor

Tate Reeves

Secretary of State

Delbert Hosemann

State Auditor

Stacey Pickering

State Treasurer

Lynn Fitch

Attorney General

Jim Hood

**Commissioner of Agriculture
and Commerce**

Cindy Hyde-Smith

Commissioner of Insurance

Mike Chaney

Transportation Commissioners

Dick Hall

Tom King

Mike Tagert

Public Service Commissioners

Brandon Presley

Lynn Posey

Leonard Bentz

State Fiscal Officer

Kevin J. Upchurch

Legislative Branch

Speaker of the House of Representatives

Philip Gunn

Speaker Pro Tempore

of the House of Representatives

Greg Snowden

President Pro Tempore of the Senate

Terry W. Brown

Secretary of Senate

Liz Welch

Clerk of the House of Representatives

Andrew Ketchings

Legislative Budget Office

Debbie Rubisoff, 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.

Jess H. Dickinson

Justices

Michael K. Randolph

Ann H. Lamar

James W. Kitchens

David A. Chandler

Randy G. Pierce

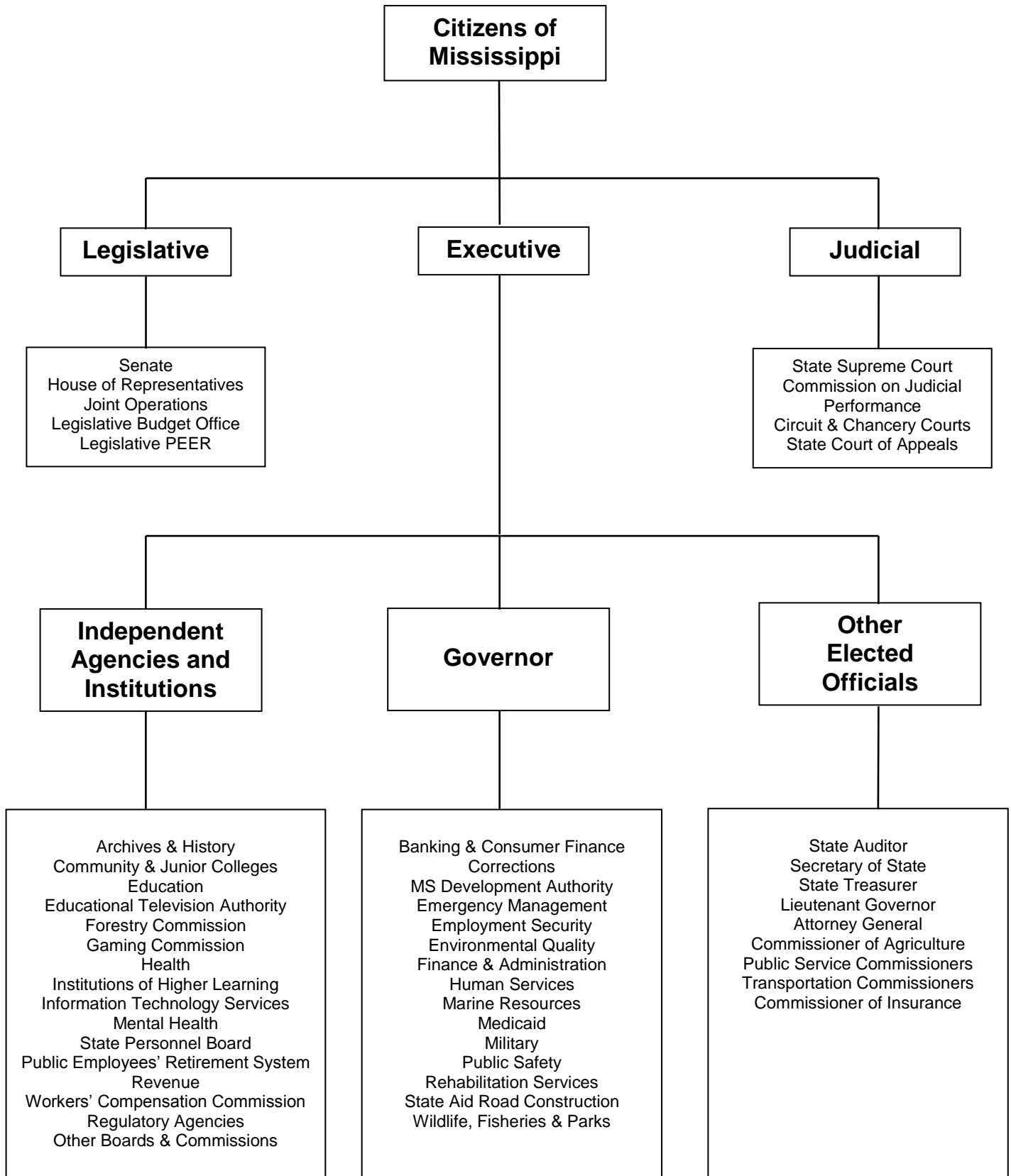
Leslie D. King

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, 2011

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.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

Mississippi

Financial Section

(This page left blank intentionally)



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 (the State), as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

■ Government-wide Financial Statements

● Governmental Activities

- the 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 Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 8% and 38%, 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 the Unemployment Compensation Fund which, in the aggregate, represent 96% and 94%, 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 Department of Corrections, the Department of Environmental Quality, the

Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Department of Rehabilitation Services, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 22% and 33%, respectively, of the assets and revenues of the General Fund;

- Proprietary Funds

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

- Aggregate Remaining Funds

- selected nonmajor governmental funds at the Mississippi Emergency Management Agency and the Department of Employment Security;
- the State Agencies Self-Insured Workers' Compensation Trust Fund and selected funds at the Department of Finance and Administration – Office of Insurance within the Internal Service Fund;
- nonmajor enterprise funds for the Veterans' Home Purchase Board;
- the Pension Trust Funds;
- the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

all of which represent 97% and 88%, 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 also 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 previously 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 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.

Accounting principles generally accepted in the United States of America require that the 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 listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information - combining and individual fund financial statements and supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of the other auditors, the other supplementary information – combining and individual fund financial statements and supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections 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 do not express an opinion or provide any assurance on them.



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

Jackson, Mississippi
December 20, 2012

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, 2012. 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 \$14,157,089,000 (reported as "net assets"). Of this amount, a negative \$2,904,160,000 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. The State had \$4,183,888,000 in restricted net assets. Net assets of governmental activities and business-type activities increased by \$533,022,000 and \$78,358,000, respectively.

Fund Level - At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$4,334,453,000, which is \$70,458,000 greater than the previous year. Revenues from taxes increased indicative of improvement in the economy. In response to the conclusion of federal programs related to American Recovery and Reinvestment Act (ARRA), federal government revenues decreased. Expenditures related to health and social services grew over the prior year reflecting a continued rise in medical costs.

Long-term Debt - The total outstanding net long-term bonds and notes were \$5,195,012,000 at June 30, 2012. During the year, the State issued \$773,163,000 in bonds and notes, net of premiums, discounts and deferred amount on refunding. These bonds and notes were issued primarily for refunding, capital improvements, and the Industry Incentive Financing program.

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 and coliseum 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

The State's combined net assets for governmental and business-type activities increased \$611,380,000 in fiscal year 2012. Current year net assets are \$14,157,089,000 in contrast to the prior year balance of \$13,545,709,000. Business-type activities reported positive balances in all three net asset categories, while governmental activities and the State as a whole continued to reflect a negative balance in unrestricted net assets.

The largest share of net assets, 91 percent, consisted 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 \$815,085,000 from the previous year. Additions to infrastructure for roads, highways, bridges, and building projects provided the majority of the governmental activities' increase of \$822,270,000. The business-type activities' decrease of \$7,185,000 is directly attributed to moving the Veterans' Memorial Stadium Commission, a nonmajor enterprise fund, to Universities, a major component unit.

Restricted net assets, representing resources that are subject to externally imposed restrictions, comprised 29.6 percent of total net assets, as compared to 28.9 percent in the prior year. The remaining negative balance represented unrestricted net assets of \$2,904,145,000. 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 \$228,423,000 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 Activities		Business-type Activities		Total	
	2012	2011 *	2012	2011 *	2012	2011 *
Current and other assets	\$ 6,406,761	\$ 6,274,146	\$ 1,180,930	\$ 1,064,610	\$ 7,587,691	\$ 7,338,756
Capital assets	13,877,365	13,096,646	237,974	248,017	14,115,339	13,344,663
Total Assets	20,284,126	19,370,792	1,418,904	1,312,627	21,703,030	20,683,419
Deferred outflows	58,115	30,827			58,115	30,827
Noncurrent liabilities	5,252,414	4,806,910	388,332	353,529	5,640,746	5,160,439
Other liabilities	1,911,533	1,949,437	51,777	58,661	1,963,310	2,008,098
Total Liabilities	7,163,947	6,756,347	440,109	412,190	7,604,056	7,168,537
Net assets:						
Invested in capital assets, net of related debt	12,667,849	11,845,579	209,497	216,682	12,877,346	12,062,261
Restricted	3,643,013	3,480,202	540,875	433,703	4,183,888	3,913,905
Unrestricted	(3,132,568)	(2,680,509)	228,423	250,052	(2,904,145)	(2,430,457)
Total Net Assets	\$ 13,178,294	\$ 12,645,272	\$ 978,795	\$ 900,437	\$ 14,157,089	\$ 13,545,709

* As restated in Note 2 to the financial statements.

Mississippi

Changes in Net Assets

Operating grants and contributions of \$7,282,562,000 and taxes of \$6,261,313,000 were the State's major revenue sources. Together, they accounted for 80.8 percent of total revenues. Revenue from taxes increased \$340,259,000 over the prior year to improve net assets. Conversely, operating grants and contributions declined sharply by \$925,018,000 as American Recovery and Reinvestment Act (ARRA) programs concluded. As in the prior year, the bulk of the State's total expenses were related to the health and social services function at \$7,074,781,000 or 43.8 percent. Expenses within this function increased over the prior year by \$200,849,000 as the trend of escalating cost in medical services persisted. Expenses in the recreation and resource development function declined by \$286,170,000 as several programs were nearing completion. In response to an improving economy, unemployment compensation expenses were down by \$112,391,000 as fewer claims were filed.

Changes in Net Assets

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011 *	2012	2011 *	2012	2011 *
Revenues:						
Program Revenues:						
Charges for services	\$ 2,191,269	\$ 2,155,782	\$ 339,399	\$ 298,208	\$ 2,530,668	\$ 2,453,990
Operating grants and contributions	7,038,237	7,896,876	244,325	310,704	7,282,562	8,207,580
Capital grants and contributions	612,734	603,098	246	16	612,980	603,114
General Revenues:						
Taxes	6,261,313	5,921,054			6,261,313	5,921,054
Investment income	50,607	91,185	21,800	62,388	72,407	153,573
Total Revenues	16,154,160	16,667,995	605,770	671,316	16,759,930	17,339,311
Expenses:						
General government	1,959,116	1,881,692			1,959,116	1,881,692
Education	4,126,252	4,138,774			4,126,252	4,138,774
Health and social services	7,074,781	6,873,932			7,074,781	6,873,932
Law, justice and public safety	878,668	1,013,451			878,668	1,013,451
Recreation and resource development	722,713	1,008,883			722,713	1,008,883
Regulation of business and professions	37,578	37,457			37,578	37,457
Transportation	555,955	600,224			555,955	600,224
Interest on long-term debt	229,561	223,856			229,561	223,856
Unemployment compensation			408,399	520,790	408,399	520,790
Port Authority at Gulfport			51,950	30,276	51,950	30,276
Prepaid affordable college tuition			56,568	45,754	56,568	45,754
Other business-type			47,009	40,702	47,009	40,702
Total Expenses	15,584,624	15,778,269	563,926	637,522	16,148,550	16,415,791
Excess (deficiency) before Transfers	569,536	889,726	41,844	33,794	611,380	923,520
Transfers	(36,514)	(22,871)	36,514	22,871		
Change in Net Assets	533,022	866,855	78,358	56,665	611,380	923,520
Net Assets - Beginning, as restated	12,645,272	11,778,417	900,437	843,772	13,545,709	12,622,189
Net Assets - Ending	\$ 13,178,294	\$ 12,645,272	\$ 978,795	\$ 900,437	\$ 14,157,089	\$ 13,545,709

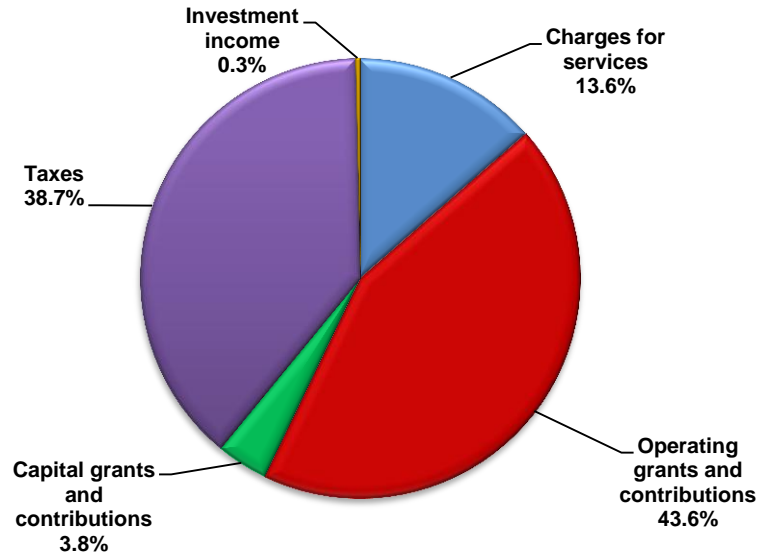
* As restated in Note 2 to the financial statements.

Mississippi

Governmental Activities

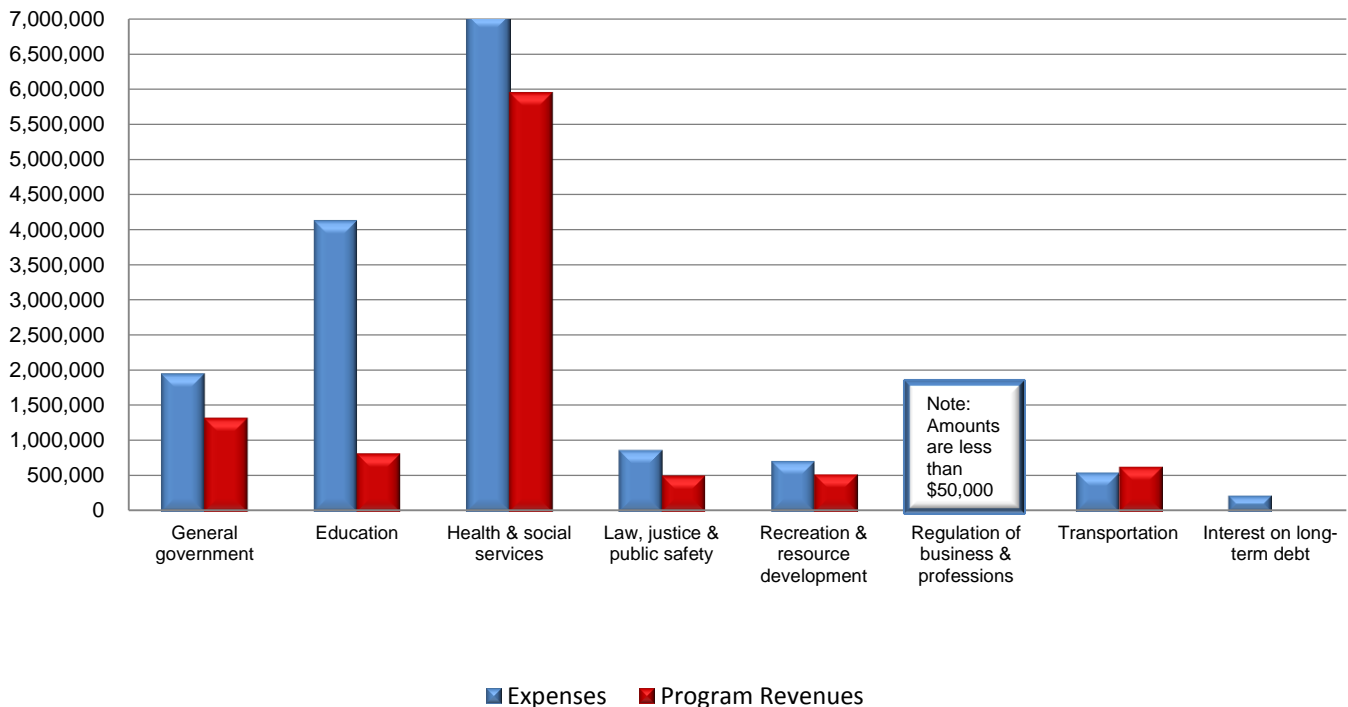
Governmental activities increased the State's net assets by \$533,022,000 for fiscal year 2012. The largest source of revenue at 43.6 percent was operating grants and contributions which declined \$858,639,000 in comparison to the prior year. Revenues from taxes grew to 38.7 percent of total revenues, up from 35.5 percent in the prior year. The health and social services function continued to dominate both the expenses and program revenues at \$7,074,781,000 and \$5,951,227,000, respectively. Education expenses of \$4,126,252,000 surpassed program revenues of \$826,303,000 resulting in a negative \$3,299,949,000 to be funded from general revenues.

Governmental Activities - Revenues by Source



Governmental Activities - Expenses and Program Revenues

(amounts expressed in thousands)

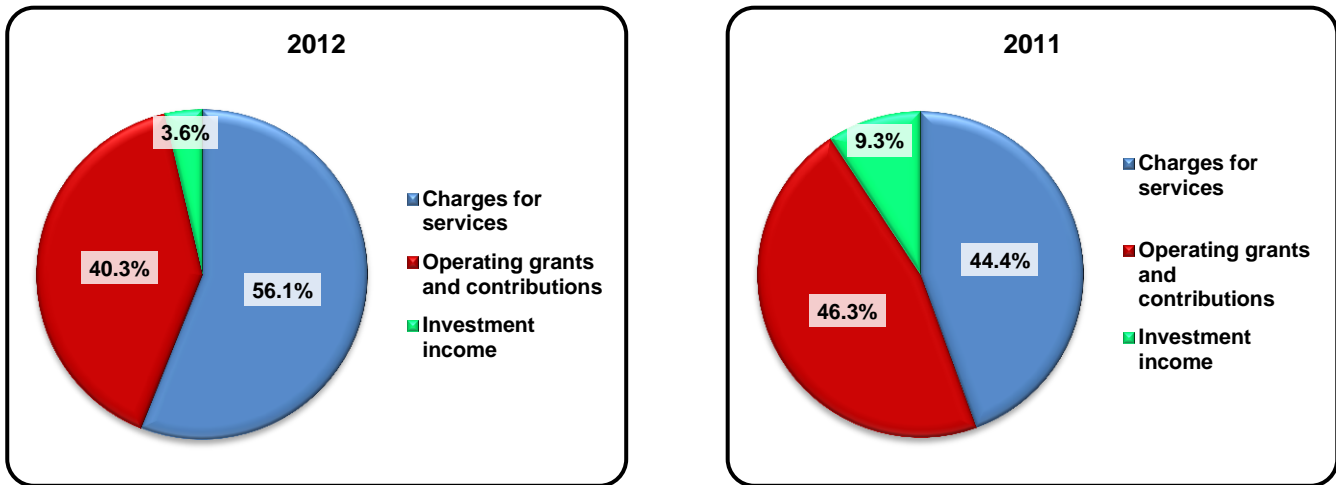


Mississippi

Business-type Activities

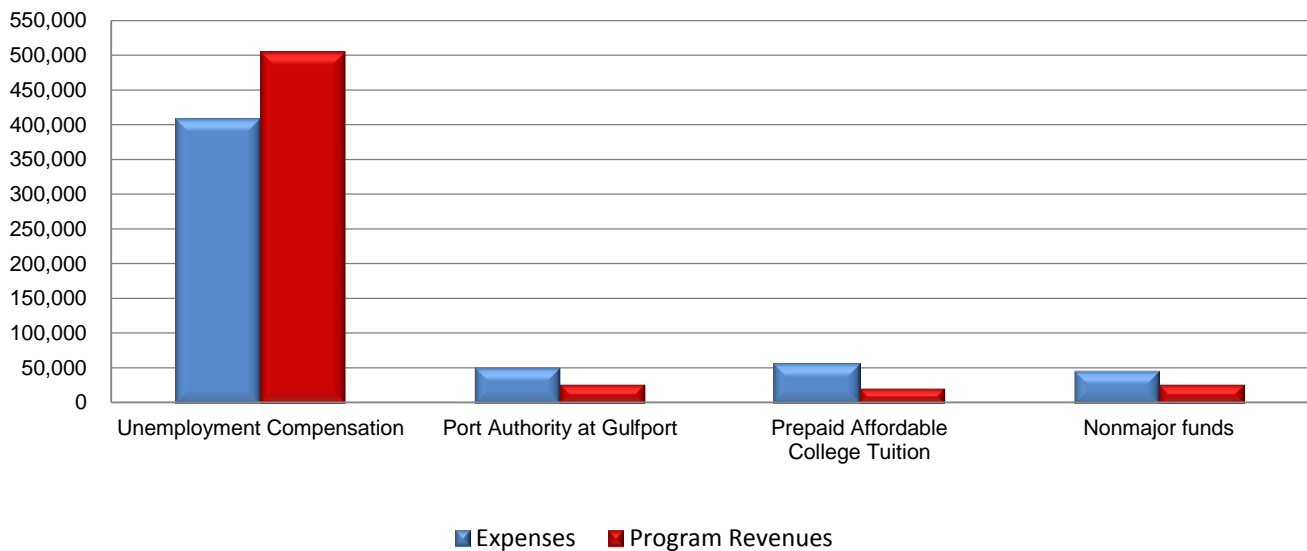
Business-type activities increased the State's net assets by \$78,358,000. The percentage of revenues by source shifted as operating grants and contributions decreased from \$310,704,000 to \$244,325,000 and charges for services increased from \$298,208,000 to \$339,399,000. Investment income had a significant decline from \$62,388,000 to \$21,800,000 mostly due to a negative change in market value. For the current year, program revenues exceeded expenses in the Unemployment Compensation Fund by \$97,649,000 due to fewer people filing for unemployment benefits.

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

At June 30, 2012, the governmental funds reported combined fund balances of \$4,334,453,000, reflecting an increase of \$70,458,000 over the prior year. Within fund balances, \$107,154,000 or 2.5 percent was deemed as nonspendable. The majority of the fund balance, \$3,535,859,000 or 81.6 percent was classified as restricted. Committed fund balance equaled \$192,939,000 or 4.4 percent of the total. Assigned fund balance comprised 1.1 percent or \$45,757,000. The remaining 10.4 percent, or \$452,744,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The General Fund increased \$76,138,000 from the prior year to an ending fund balance of \$3,621,167,000. A \$120,838,000 rise in sales and use tax revenues was fueled by an upturn in automobiles sales. Individual income tax revenues increased \$142,103,000 reflecting the recovering economy. The huge drop in federal government revenues of \$777,395,000 was chiefly due to several programs nearing completion, slightly offset by new programs that are ramping up. The decrease of \$245,465,000 in recreation and resources development expenditures related to the winding down of significant programs. The principal portion of the \$310,128,000 increase in health and social services expenditures was primarily related to Medicaid and the associated rising cost of medical services.

Proprietary Funds

The Unemployment Compensation Fund experienced an increase in net assets of \$107,372,000 as compared to the prior year which had a mere \$487,000 increase. Operating expenses decreased by \$112,391,000 from the prior year as a result of a drop in claims and benefits expense since fewer people filed for unemployment. The \$70,527,000 decline in federal revenue can be directly attributed to this trend.

The Port Authority at Gulfport Fund increased net assets by \$2,897,000. While positive, this was less than the \$25,880,000 increase reported in the prior year. This was due in part to the Port receiving \$12,500,000 in insurance proceeds completing its Hurricane Katrina settlements. Restoration of facilities continued. The Port received \$26,471,000 in federal pass through grants from other state agencies as well as \$12,578,000 direct federal monies for a combined increase of \$11,916,000 over the prior year. A \$21,755,000 increase in operating expenses was attributed to these increased monies.

The Prepaid Affordable College Tuition Fund had a \$32,423,000 decrease in net assets, after posting a \$22,716,000 increase in the prior year. Although tuition receipts increased by \$653,000 over the prior year, this did not offset the \$10,848,000 increase in claims and benefits expense. Additionally, investment income decreased from the prior year by \$45,019,000. The change in market value of investments went from \$29,130,000 in 2011 to a negative \$6,625,000 in 2012 reflecting the volatility of the financial markets.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2012 General Fund revenues was 1.3 percent. This estimate was revised to sine die, which reflected a zero percent growth rate, then in November 2011 to a 1.3 percent growth rate, and finally revised in March 2012 to a 3.5 percent growth rate. Actual fiscal year 2012 General Fund revenue collections were 6 percent higher than the prior year. Each of these revenue components grew: 3.6 percent in sales tax, 7.7 percent in individual income tax, and 12.8 percent in corporate income and franchise tax.

Actual fiscal year 2012 revenues were \$256,010,000 higher than in the prior year. These same revenues were \$262,659,000 above estimated amounts. Positive revenue variances occurred in the three largest General Fund revenue components: individual income tax - \$100,068,000, corporate income and franchise tax - \$73,806,000, and sales tax - \$37,830,000. The final expenditure budget was \$1,601,000 less than the original budget and actual expenditures were \$1,701,000 less than the final budget.

Mississippi

Capital Assets and Debt Administration

Capital Assets

The State's total net capital assets equaled \$14,115,339,000 for the year ended June 30, 2012. Governmental activities increased by \$780,719,000, or 6.0 percent, for the current fiscal year, while business-type activities decreased by \$10,043,000, or 4.0 percent. In the prior fiscal year, both governmental and business-type activities recorded increases of 4.5 percent and 2.8 percent, respectively.

Major capital asset events during fiscal year 2012 included the following:

Governmental activities' infrastructure additions totaled \$1,244,426,000, primarily for roads, highways, and bridges. These additions included pavement rehabilitation projects completed in Coahoma, Hinds, Jones, Newton, and Noxubee counties. Emergency relief projects were wrapped up in Hancock, Harrison, and Jackson counties. National Highway System projects were completed in Adams, Harrison, Jackson, and Stone counties. Urban street projects were brought to a close in Forrest, Lowndes, and Union counties. Bridges were constructed in Chickasaw, Hancock and Lauderdale counties. Gaming projects were finalized in Desoto and Harrison counties. Vision 21 projects were finished in Forrest and Warren counties.

Overall, construction in progress for governmental activities decreased by 10.3 percent due to the completion of infrastructure projects. Despite this overall decrease, there were \$822,882,000 in additions which included \$715,928,000 related to roads, highways, and bridges and \$42,334,000 related to the Mississippi Wireless Interoperable Network. Department of Finance and Administration added \$15,529,000 for software development and \$10,738,000 for building projects, which included the East Mississippi State Hospital Dietary and Laundry Facilities, the Department of Public Safety District Six Substation and Crime Laboratory, and the Department of Health Laboratory. The Military Department contributed \$19,588,000 for building projects.

Other significant capital asset events for governmental activities included land additions of \$128,827,000 for right-of-way acquisitions and building additions of \$116,014,000, including \$50,952,000 for the Military Department, \$14,921,000 for the Department of Transportation, and \$10,593,000 for the Department of Public Safety.

During fiscal year 2012, capital assets for business-type activities decreased by \$10,043,000 primarily as a result of moving the assets of the Veterans' Memorial Stadium Commission, a nonmajor enterprise fund, to Universities, a major component unit. The Port Authority at Gulfport increased construction in progress by \$7,883,000 for the final phase of the West Pier fill project and additional tenant facilities.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 17 addresses the State's outstanding long-term contracts related to the construction of state and county roads, highways, and bridges, as well as building projects for various state agencies.

Capital Assets, Net of Depreciation

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011*	2012	2011*	2012	2011*
Land	\$ 2,074,915	\$ 1,942,310	\$ 71,075	\$ 71,218	\$ 2,145,990	\$ 2,013,528
Software	2,002	2,556			2,002	2,556
Buildings	1,446,135	1,368,378	49,220	60,061	1,495,355	1,428,439
Land improvements	127,087	96,456	20,019	19,170	147,106	115,626
Machinery and equipment	189,006	182,950	9,385	10,467	198,391	193,417
Infrastructure	5,918,951	4,909,224	79,971	82,561	5,998,922	4,991,785
Construction in progress	4,119,269	4,594,772	8,304	4,540	4,127,573	4,599,312
Total	<u>\$ 13,877,365</u>	<u>\$ 13,096,646</u>	<u>\$ 237,974</u>	<u>\$ 248,017</u>	<u>\$ 14,115,339</u>	<u>\$ 13,344,663</u>

*As restated in Note 8 to the financial statements.

Mississippi

Debt Administration

As of June 30, 2012, outstanding general obligation debt for the State was \$4,212,597,000, net of premiums, discounts and deferred amount on refunding. General Obligation Refunding bonds of \$1,495,015,000, Capital Improvements bonds of \$1,194,311,000, and Major Economic Impact bonds of \$403,358,000 comprise 73.4 percent of this outstanding debt. During the current fiscal year, the State issued \$690,425,000 in general obligation bonds which are reported in governmental activities. These bonds were issued for refunding, capital improvements and the Industry Incentive Financing program. Within business-type activities, general obligation bonds decreased by \$2,634,000 as the Port Authority at Gulfport continued to repay its long-term debt.

Mississippi has a rating of AA from Standard and Poor's, AA+ from Fitch, and Aa2 from Moody's. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and the 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, 2012, 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 Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds and notes	\$ 4,191,805	\$ 3,813,700	\$ 20,792	\$ 23,426	\$ 4,212,597	\$ 3,837,126
Notes payable	982,415	1,016,946			982,415	1,016,946
Total	<u>\$ 5,174,220</u>	<u>\$ 4,830,646</u>	<u>\$ 20,792</u>	<u>\$ 23,426</u>	<u>\$ 5,195,012</u>	<u>\$ 4,854,072</u>

Economic Factors and Next Year's Budget

The State's average unemployment rate for the calendar year 2011 average was 10.6 percent. The average for the twelve months ending October 2012 dropped to 9.3 percent. The national average rates were more favorable at 8.9 percent and 8.2 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2013, the forecast is set for a slow upturn in the economy of the State by late in the year. The initial estimated overall fiscal year 2013 General Fund revenue growth rate was negative one percent, with component revenue growth projections of 1.7 percent in sales tax, negative 0.6 percent in individual income tax and negative 8.4 percent in corporate income and franchise tax. The overall estimate was revised in November 2012 to 1.4 percent. The November component revenue projections were 2.0 percent in sales tax, 4.3 percent in individual income tax and negative 8.4 percent in corporate income and franchise tax. At the end of November, General Fund collections had risen above the estimate by 3.4 percent. Actual component revenue had increased by 0.4 percent in sales tax, 5.9 percent in individual income tax and negative 13.5 percent in corporate income and franchise tax.

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, Office of Financial Reporting, P. O. Box 1060, Jackson, MS 39215.

Mississippi

Basic Financial Statements

Mississippi

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	\$ 3,321,640	\$ 44,104	\$ 3,365,744	\$ 17,045
Cash and cash equivalents	383,195	518,059	901,254	385,893
Investments	11,041	8,001	19,042	168,286
Receivables, net	618,622	112,339	730,961	260,427
Restricted assets:				
Cash and cash equivalents		1	1	
Due from other governments, net	537,777	10,694	548,471	280
Internal balances	(24,882)	24,882		
Due from component units	12,318	208	12,526	
Due from primary government				36,733
Inventories	37,236	411	37,647	26,985
Prepaid items		152	152	10,950
Loans and notes receivable, net	42,301	5,540	47,841	34,728
Deferred charges	2,148	17	2,165	
Other assets				2,898
Total Current Assets	4,941,396	724,408	5,665,804	944,225
Noncurrent assets:				
Investments	320,986	294,424	615,410	489,094
Receivables, net	182,952		182,952	
Due from other governments, net	574,059		574,059	
Loans and notes receivable, net	361,773	161,506	523,279	134,057
Deferred charges	25,595	89	25,684	
Restricted assets:				
Cash and cash equivalents		450	450	228,955
Investments				744,658
Capital assets:				
Land and construction in progress	6,194,184	79,379	6,273,563	424,202
Other capital assets, net	7,683,181	158,595	7,841,776	2,802,553
Other assets		53	53	29,701
Total Noncurrent Assets	15,342,730	694,496	16,037,226	4,853,220
Total Assets	20,284,126	1,418,904	21,703,030	5,797,445
Deferred Outflows				
Interest rate swaps	58,115		58,115	
Total Deferred Outflows	\$ 58,115	\$ 0	\$ 58,115	\$ 0

(Continued on Next Page)

Mississippi

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Warrants payable	\$ 67,410	\$ 820	\$ 68,230	\$
Accounts payable and other liabilities	658,401	20,206	678,607	167,952
Contracts payable	98,030		98,030	
Retainage payable		1,308	1,308	
Income tax refunds payable	206,000		206,000	
Due to other governments	333,930	12,819	346,749	
Due to component units	36,715	18	36,733	
Due to primary government				12,526
Claims and benefits payable	110,210	11,287	121,497	
Deposits		1,668	1,668	281
Unearned revenues	97,768	819	98,587	82,079
Pollution remediation obligation	7,715		7,715	
Bonds and notes payable, net	289,945	2,582	292,527	24,942
Lease obligations payable	5,409	250	5,659	2,275
Other liabilities				70,085
Total Current Liabilities	1,911,533	51,777	1,963,310	360,140
Noncurrent liabilities:				
Due to other governments		9,812	9,812	
Claims and benefits payable	40,388	359,575	399,963	
Derivative instruments	58,115		58,115	
Other postemployment benefits payable	108,636		108,636	
Pollution remediation obligation	34,101		34,101	
Bonds and notes payable, net	4,884,275	18,209	4,902,484	886,491
Lease obligations payable	12,670	131	12,801	19,709
Liabilities payable from restricted assets:				
Deposits		1	1	
Other liabilities	114,229	604	114,833	236,013
Total Noncurrent Liabilities	5,252,414	388,332	5,640,746	1,142,213
Total Liabilities	7,163,947	440,109	7,604,056	1,502,353
Net Assets				
Invested in capital assets, net of related debt	12,667,849	209,497	12,877,346	2,399,995
Restricted for:				
Expendable				
General government	299,548		299,548	
Education	145,716		145,716	
Health and social services	359,786		359,786	
Law, justice and public safety	107,690		107,690	
Recreation and resources development	1,341,765		1,341,765	
Regulation of business and professions	49,933		49,933	
Transportation	535,534		535,534	
Capital projects	389,062		389,062	
Debt service	344,061		344,061	
Unemployment compensation benefits		540,425	540,425	
Other purposes		450	450	445,089
Nonexpendable				
Education	58,144		58,144	626,050
Health and social services	2,025		2,025	
Recreation and resources development	9,749		9,749	
Unrestricted	(3,132,568)	228,423	(2,904,145)	823,958
Total Net Assets	\$ 13,178,294	\$ 978,795	\$ 14,157,089	\$ 4,295,092

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

Mississippi

Statement of Activities

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,959,116	\$ 1,226,107	\$ 101,762	\$ 3,577
Education	4,126,252	37,491	788,780	32
Health and social services	7,074,781	659,245	5,288,526	3,456
Law, justice and public safety	878,668	102,689	404,504	6,618
Recreation and resource development	722,713	90,643	443,820	1,437
Regulation of business and professions	37,578	42,229	979	
Transportation	555,955	32,865	9,866	597,614
Interest on long-term debt	229,561			
Total Governmental Activities	15,584,624	2,191,269	7,038,237	612,734
Business-type activities:				
Unemployment compensation	408,399	274,063	231,985	
Port Authority at Gulfport	51,950	15,140	12,340	238
Prepaid affordable college tuition	56,568	22,458		
Other business-type	47,009	27,738		8
Total Business-type Activities	563,926	339,399	244,325	246
Total Primary Government	\$ 16,148,550	\$ 2,530,668	\$ 7,282,562	\$ 612,980
Component units:				
Universities	\$ 3,005,132	\$ 1,501,892	\$ 596,408	\$ 30,110
Nonmajor	40,031	27,859	2,681	3,113
Total Component Units	\$ 3,045,163	\$ 1,529,751	\$ 599,089	\$ 33,223

General revenues:

Taxes:

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

Investment income

Other

Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions
and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (627,670)	\$	\$ (627,670)	
(3,299,949)		(3,299,949)	
(1,123,554)		(1,123,554)	
(364,857)		(364,857)	
(186,813)		(186,813)	
5,630		5,630	
84,390		84,390	
(229,561)		(229,561)	
(5,742,384)		(5,742,384)	
	97,649	97,649	
	(24,232)	(24,232)	
	(34,110)	(34,110)	
	(19,263)	(19,263)	
	20,044	20,044	
(5,742,384)	20,044	(5,722,340)	
			\$ (876,722)
			(6,378)
			(883,100)
3,031,689		3,031,689	
419,811		419,811	
1,572,334		1,572,334	
476,423		476,423	
209,937		209,937	
551,119		551,119	
50,607	21,800	72,407	4,227
			215,237
			766,601
			25,628
(36,514)	36,514		
6,275,406	58,314	6,333,720	1,011,693
533,022	78,358	611,380	128,593
12,645,272	900,437	13,545,709	4,166,499
\$ 13,178,294	\$ 978,795	\$ 14,157,089	\$ 4,295,092

Mississippi

Governmental Funds

Balance Sheet

June 30, 2012 (Expressed in Thousands)

	General	Nonmajor Funds	Totals
Assets			
Equity in internal investment pool	\$ 2,498,208	\$ 573,569	\$ 3,071,777
Cash and cash equivalents	233,696	32,239	265,935
Investments	160,881	138,315	299,196
Receivables, net	791,621	9,663	801,284
Due from other governments, net	1,092,413	19,038	1,111,451
Due from other funds	10,161	14,621	24,782
Due from component units	11,431	10	11,441
Inventories	37,236		37,236
Loans receivable, net	404,074		404,074
Total Assets	\$ 5,239,721	\$ 787,455	\$ 6,027,176
Liabilities and Fund Balances			
Liabilities:			
Warrants payable	\$ 64,536	\$ 2,482	\$ 67,018
Accounts payable and accruals	578,047	12,227	590,274
Contracts payable	79,808	18,222	98,030
Income tax refunds payable	206,000		206,000
Due to other governments	330,622	3,308	333,930
Due to other funds	56,662	21,821	78,483
Due to component units	35,547	1,125	36,672
Claims payable	3,352		3,352
Deferred revenues	193,328		193,328
Unearned revenues	70,652	14,541	85,193
Other liabilities		443	443
Total Liabilities	1,618,554	74,169	1,692,723
Fund balances:			
Nonspendable			
Inventories	37,236		37,236
Principal	15,000	54,918	69,918
Restricted			
General government	298,590		298,590
Education	140,314	5,402	145,716
Health and social services	326,146	18,837	344,983
Law, justice and public safety	74,234	26,257	100,491
Recreation and resources development	1,294,649	47,059	1,341,708
Regulation of business and professions		49,933	49,933
Transportation	521,315		521,315
Capital projects	4,023	385,039	389,062
Debt service	342,115	1,946	344,061
Committed			
General government	12,919		12,919
Education	14,278		14,278
Health and social services	36,666	121,452	158,118
Law, justice and public safety		2,443	2,443
Recreation and resources development	5,181		5,181
Assigned			
General government	11,111		11,111
Education	15		15
Health and social services	4,745		4,745
Law, justice and public safety	28,391		28,391
Recreation and resources development	1,495		1,495
Unassigned	452,744		452,744
Total Fund Balances	3,621,167	713,286	4,334,453
Total Liabilities and Fund Balances	\$ 5,239,721	\$ 787,455	\$ 6,027,176

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, 2012 (Expressed in Thousands)

Total fund balances for governmental funds \$ 4,334,453

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	2,074,915	
Buildings	1,959,949	
Land improvements	233,001	
Machinery and equipment	586,976	
Infrastructure	9,115,233	
Construction in progress	4,119,269	
Accumulated depreciation	(4,225,549)	13,869,747

Derivative instruments reported as deferred outflows in governmental activities
are not financial resources and therefore are not reported in the funds. 58,115

Some of the State's revenues will be collected after year-end but are not
available soon enough to pay for the current period's expenditures and
therefore are deferred in the funds. 193,328

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	(4,118,233)	
Capital lease obligations	(16,547)	
Accrued compensated absences	(120,710)	
Pollution remediation obligation	(41,816)	
Notes payable	(957,062)	
Unamortized charges	82,692	
Unamortized premiums	(153,875)	
Claims payable	(3,957)	
Other postemployment benefits payable	(108,636)	
Accrued interest payable	(53,463)	
Derivative instruments	(58,115)	(5,549,722)

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.

272,373

Net assets of governmental activities \$ 13,178,294

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, 2012 (Expressed in Thousands)

	General	Nonmajor Funds	Totals
Revenues			
Taxes:			
Sales and use	\$ 3,037,136	\$	\$ 3,037,136
Gasoline and other motor fuel	412,458	3,050	415,508
Individual income	1,551,576		1,551,576
Corporate income and franchise	497,879		497,879
Insurance	209,937		209,937
Other	551,086	33	551,119
Licenses, fees and permits	470,979	62,594	533,573
Federal government	7,313,545	333,551	7,647,096
Investment income	48,250	(1,213)	47,037
Charges for sales and services	328,387	18,865	347,252
Rentals	17,842	9,799	27,641
Court assessments and settlements	45,248	110,915	156,163
Other	495,322	40,178	535,500
Total Revenues	14,979,645	577,772	15,557,417
Expenditures			
Current:			
General government	1,414,395		1,414,395
Education	4,028,786	93,041	4,121,827
Health and social services	6,818,119	246,349	7,064,468
Law, justice and public safety	689,041	244,533	933,574
Recreation and resources development	669,354	46,385	715,739
Regulation of business and professions		37,440	37,440
Transportation	1,204,625		1,204,625
Debt service:			
Principal	290,870		290,870
Interest and other fiscal charges	239,827	1,113	240,940
Capital outlay		68,471	68,471
Total Expenditures	15,355,017	737,332	16,092,349
Excess of Revenues under Expenditures	(375,372)	(159,560)	(534,932)
Other Financing Sources (Uses)			
Bonds and notes issued	373,815	229,215	603,030
Capital leases issued	9,524		9,524
Insurance recovery	329	3	332
Payments on refunded bond anticipation notes	(19,000)		(19,000)
Payments to refunded bond and note escrow agent	(115,002)		(115,002)
Premiums on notes and refunding bonds and notes issued	11,925	28,475	40,400
Refunding bonds and notes issued	123,075		123,075
Transfers in	150,707	46,264	196,971
Transfers out	(83,863)	(150,077)	(233,940)
Net Other Financing Sources (Uses)	451,510	153,880	605,390
Net Change in Fund Balances	76,138	(5,680)	70,458
Fund Balances - Beginning	3,545,029	718,966	4,263,995
Fund Balances - Ending	\$ 3,621,167	\$ 713,286	\$ 4,334,453

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, 2012 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 70,458

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,124,572	
Depreciation expense	<u>(326,115)</u>	798,457

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net income of the internal service funds is reported with governmental activities. 57,707

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. (21,555)

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 notes and refunding bonds and notes issued	(40,400)	
Bonds and notes issued	(603,030)	
Refunding bonds and notes issued	(123,075)	
Capital leases issued	(9,524)	
Payments of debt principal	290,870	
Payments on refunded bond anticipation notes	19,000	
Payments to refunded bond and note escrow agent	115,002	
Accrued interest payable	475	
Deferred bond and note issuance costs	<u>4,064</u>	(346,618)

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	2,616	
Change in claims payable	2,103	
Change in compensated absences	(3,618)	
Change in deferred revenues	(2,225)	
Change in other postemployment benefits payable	(26,424)	
Change in pollution remediation obligation	(2,662)	
Amortization of deferred charges and premiums	<u>4,783</u>	<u>(25,427)</u>

Change in net assets of governmental activities \$ 533,022

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

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Assets			
Current assets:			
Equity in internal investment pool	\$	\$ 743	\$ 513
Cash and cash equivalents	453,263	23,195	27,111
Investments		8,001	
Receivables, net	102,216	766	4,809
Restricted assets:			
Cash and cash equivalents		1	
Due from other governments	9,693	943	
Due from other funds	1,482	22,053	
Due from component units	208		
Inventories			
Prepaid items		118	
Loans and notes receivable			
Deferred charges		17	
Total Current Assets	566,862	55,837	32,433
Noncurrent assets:			
Investments		57,442	236,982
Loans and notes receivable			
Deferred charges		89	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets:			
Land and construction in progress		73,307	
Other capital assets, net		126,141	
Other assets		53	
Total Noncurrent Assets		257,482	236,982
Total Assets	\$ 566,862	\$ 313,319	\$ 269,415

Enterprise Funds

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Liabilities			
Current liabilities:			
Warrants payable	\$	\$ 1	\$ 91
Accounts payable and other liabilities	389	12,010	4,195
Retainage payable		1,308	
Due to other governments	12,645		
Due to other funds	1,523	1,886	
Due to component units			
Claims and benefits payable	11,287		
Deposits			
Bonds payable		2,582	
Unearned revenues	593	108	
Lease obligations payable			
Total Current Liabilities	26,437	17,895	4,286
Noncurrent liabilities:			
Due to other governments			
Claims and benefits payable			359,575
Bonds payable		18,209	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		1	
Other liabilities		199	14
Total Noncurrent Liabilities		18,409	359,589
Total Liabilities	26,437	36,304	363,875
Net Assets			
Invested in capital assets, net of related debt		178,657	
Restricted for:			
Expendable			
Unemployment compensation benefits	540,425		
Other purposes		450	
Unrestricted		97,908	(94,460)
Total Net Assets	\$ 540,425	\$ 277,015	\$ (94,460)

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

Enterprise Funds

			Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals		
\$ 728	\$ 820	\$ 392	
3,612	20,206	6,657	
	1,308		
174	12,819		
1,362	4,771	1,600	
18	18	43	
	11,287	105,842	
1,668	1,668		
	2,582		
118	819	12,575	
250	250	295	
7,930	56,548	127,404	
9,812	9,812		
	359,575	37,447	
	18,209		
131	131	1,237	
	1		
391	604	1,082	
10,334	388,332	39,766	
18,264	444,880	167,170	
30,840	209,497	5,929	
	540,425		
	450		
224,975	228,423	266,444	
\$ 255,815	\$ 978,795	\$ 272,373	

Mississippi

Proprietary Funds

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	\$	\$ 14,190	\$
Assessments	274,063		
Investment income			
Federal agencies	231,985		
Rentals			
Fees			842
Tuition receipts			21,616
Other			
Total Operating Revenues	506,048	14,190	22,458
Operating Expenses			
Cost of sales and services			
General and administrative		2,604	238
Contractual services		41,818	1,010
Commodities		321	24
Depreciation		6,315	
Claims and benefits	408,399		55,296
Other			
Total Operating Expenses	408,399	51,058	56,568
Operating Income (Loss)	97,649	(36,868)	(34,110)
Nonoperating Revenues			
Federal grant		12,578	
Revenue from counties		950	
Insurance recovery			
Gain on disposal of capital assets			
Investment income	11,128	311	1,687
Sale of investments			
Total Nonoperating Revenues	11,128	13,839	1,687
Nonoperating Expenses			
Loss on disposal of capital assets			
Interest and other fiscal charges		892	
Other			
Total Nonoperating Expenses		892	
Income (Loss) before Capital Contributions and Transfers	108,777	(23,921)	(32,423)
Capital Contributions			
Transfers In		26,818	
Transfers Out	(1,405)		
Change in Net Assets	107,372	2,897	(32,423)
Total Net Assets - Beginning, as restated	433,053	274,118	(62,037)
Total Net Assets - Ending	\$ 540,425	\$ 277,015	\$ (94,460)

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

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 24,464	\$ 38,654	\$ 832,380	
	274,063		
8,037	8,037		
	231,985		
1,827	1,827		
67	909		
	21,616		
1,320	1,320	42	
35,715	578,411	832,422	
15,015	15,015		
10,639	13,481	14,511	
7,221	50,049	66,353	
1,974	2,319	747	
1,515	7,830	2,472	
	463,695	695,903	
410	410		
36,774	552,799	779,986	
(1,059)	25,612	52,436	
	12,578		
	950		
60	60		
30	30	3	
507	13,633	3,570	
130	130		
727	27,381	3,573	
10,232	10,232		
33	925		
		16	
10,265	11,157	16	
(10,597)	41,836	55,993	
8	8	1,259	
12,295	39,113	617	
(1,194)	(2,599)	(162)	
512	78,358	57,707	
255,303	900,437	214,666	
\$ 255,815	\$ 978,795	\$ 272,373	

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation	Prepaid Affordable College Tuition	
Cash Flows from Operating Activities			
Cash receipts from federal agencies	\$ 232,174	\$	\$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		14,214	22,458
Cash receipts from assessments	244,545		
Cash payments to suppliers for goods and services		(38,046)	(1,061)
Cash payments to employees for services		(2,668)	(228)
Cash payments for claims and benefits	(406,649)		(19,065)
Other operating cash receipts			
Other operating cash payments			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	70,070	(26,500)	2,104
Cash Flows from Noncapital Financing Activities			
Transfers in		16,855	
Transfers out	(1,405)	(12)	
Federal grants received		17,330	
Revenues from counties		950	
Proceeds from other governments			
Net Cash Provided by (Used for)			
Noncapital Financing Activities	(1,405)	35,123	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(6,813)	
Capital grants received		686	
Proceeds from sales of capital assets			
Principal paid on bonds and capital assets contracts		(2,634)	
Interest paid on bonds and capital assets contracts		(898)	
Proceeds from insurance recovery			
Net Cash Used for Capital and Related			
Financing Activities		(9,659)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		76,905	78,049
Purchases of investments		(82,712)	(82,336)
Investment income	11,128	369	5,081
Net Cash Provided by (Used for) Investing Activities	11,128	(5,438)	794
Net Change in Cash and Cash Equivalents	79,793	(6,474)	2,898
Cash and Cash Equivalents - Beginning	373,470	30,863	24,726
Cash and Cash Equivalents - Ending	\$ 453,263	\$ 24,389	\$ 27,624

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$	\$	232,174	\$
			251,246
23,299	59,971		580,142
	244,545		
(23,796)	(62,903)		(66,707)
(10,604)	(13,500)		(14,441)
	(425,714)		(704,544)
961	961		2
(34)	(34)		
27,577	27,577		
(10,907)	(10,907)		
6,496	52,170		45,698
12,278	29,133		616
(2,011)	(3,428)		(339)
	17,330		
	950		
712	712		
10,979	44,697		277
(1,184)	(7,997)		(1,369)
	686		
30	30		9
(236)	(2,870)		
(33)	(931)		
60	60		
(1,363)	(11,022)		(1,360)
130	155,084		9,738
	(165,048)		(11,593)
507	17,085		3,270
637	7,121		1,415
16,749	92,966		46,030
40,589	469,648		321,093
\$	\$	\$	\$
57,338	562,614	367,123	

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation	Prepaid Affordable College Tuition	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ 97,649	\$ (36,868)	\$ (34,110)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		6,315	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(12,341)	(11)	
Due from other governments	(384)	(4)	
Due from other funds	(198)		
Due from component units	(208)		
Inventories			
Prepaid items		(44)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable		1	(18)
Accounts payable and other liabilities	29	4,060	167
Due to other governments	3,916		
Due to other funds	(3,036)	11	(1)
Due to component units			
Claims and benefits payable	841		36,066
Unearned revenues	(16,198)	40	
Total adjustments	(27,579)	10,368	36,214
Net Cash Provided by (Used for) Operating Activities	\$ 70,070	\$ (26,500)	\$ 2,104
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Capital lease			
Gain (loss) on disposal of capital assets			
Change in market value of investments		30	(6,625)

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

Enterprise Funds

Nonmajor Funds		Totals		Governmental Activities - Internal Service Funds	
\$	(1,059)	\$	25,612	\$	52,436
	1,515		7,830		2,472
	528		(11,824)		30
	(37)		(425)		(64)
	(3,969)		(4,167)		(82)
	4		(204)		(98)
	26		26		
	13		(31)		
	8,112		8,112		
	546		529		(561)
	180		4,436		898
	(11)		3,905		(7)
	599		(2,427)		33
	16		16		9
			36,907		(8,554)
	33		(16,125)		(814)
	7,555		26,558		(6,738)
\$	6,496	\$	52,170	\$	45,698

Mississippi

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	\$ 408	\$ 24	\$ 7,042
Cash and cash equivalents	508,507		62,822
Investments, at fair value:			
Short-term securities	196,352	1,329	
Debt securities	4,998,572	46,656	
Equity securities	13,132,440	59,486	
Private equity	449,172		
Real estate investments	1,477,796	6,001	
Asset allocation fund	61,826		
Fixed rate and variable	546,113		
Life insurance contracts	341	29,351	
Securities lending:			
Short-term securities	1,575,455		
Debt securities	2,022,319		
Receivables, net:			
Employer contributions	60,324		
Employee contributions	43,536		
Investment proceeds	505,999		
Interest and dividends	73,359	224	
Other	1,565	100	549
Commodity inventory			496
Capital assets:			
Land and construction in progress	7,260		
Other capital assets, net	14,930		
Total Assets	25,676,274	143,171	\$ 70,909
Liabilities			
Warrants payable	140	1	\$ 141
Accounts payable and accruals	568,997	508	36,931
Due to other governments			1,204
Due to other funds	15		
Amounts held in custody for others			32,633
Obligations under securities lending	3,596,835		
Total Liabilities	4,165,987	509	\$ 70,909
Net Assets			
Held in trust for pension benefits and trust beneficiaries	\$ 21,510,287	\$ 142,662	

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, 2012 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund
Additions		
Contributions:		
Employer	\$ 802,623	\$
Plan participant	631,479	117,211
Total Contributions	1,434,102	117,211
Net Investment Income:		
Net change in fair value of investments	(434,594)	(1)
Interest and dividends	534,890	2,894
Securities lending:		
Income from securities lending	20,035	
Interest expense and trading costs from securities lending	(2,742)	
Managers' fees and trading costs	(44,299)	(571)
Net Investment Income	73,290	2,322
Other Additions:		
Administrative fees	655	135
Other	3,255	
Total Other Additions	3,910	135
Total Additions	1,511,302	119,668
Deductions		
Benefits	2,026,376	108,406
Refunds to terminated employees	93,431	
Administrative expenses	14,399	144
Depreciation	660	
Total Deductions	2,134,866	108,550
Change in Net Assets	(623,564)	11,118
Net Assets - Beginning	22,133,851	131,544
Net Assets - Ending	\$ 21,510,287	\$ 142,662

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

Mississippi

Component Units

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	\$ 15,072	\$ 1,973	\$ 17,045
Cash and cash equivalents	367,901	17,992	385,893
Investments	131,584	36,702	168,286
Receivables, net	257,460	2,967	260,427
Due from other governments		280	280
Due from primary government	36,627	106	36,733
Inventories	25,961	1,024	26,985
Prepaid items	10,737	213	10,950
Notes receivable, net	34,728		34,728
Other assets	2,884	14	2,898
Total Current Assets	882,954	61,271	944,225
Noncurrent assets:			
Investments	489,094		489,094
Notes receivable, net	134,057		134,057
Restricted assets:			
Cash and cash equivalents	228,955		228,955
Investments	737,658	7,000	744,658
Capital assets:			
Land and construction in progress	407,156	17,046	424,202
Other capital assets, net	2,639,864	162,689	2,802,553
Other assets	29,701		29,701
Total Noncurrent Assets	4,666,485	186,735	4,853,220
Total Assets	5,549,439	248,006	5,797,445
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	163,886	4,066	167,952
Due to primary government	11,890	636	12,526
Deposits		281	281
Unearned revenues	81,835	244	82,079
Bonds and notes payable	24,942		24,942
Lease obligations payable	2,233	42	2,275
Other liabilities	70,085		70,085
Total Current Liabilities	354,871	5,269	360,140
Noncurrent liabilities:			
Bonds and notes payable	886,491		886,491
Lease obligations payable	19,481	228	19,709
Other liabilities	235,311	702	236,013
Total Noncurrent Liabilities	1,141,283	930	1,142,213
Total Liabilities	1,496,154	6,199	1,502,353
Net Assets			
Invested in capital assets, net of related debt	2,220,530	179,465	2,399,995
Restricted for:			
Other purposes	440,706	4,383	445,089
Permanent endowments:			
Nonexpendable	619,050	7,000	626,050
Unrestricted	772,999	50,959	823,958
Total Net Assets	\$ 4,053,285	\$ 241,807	\$ 4,295,092

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, 2012 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Universities	Nonmajor	Total
Universities	\$ 3,005,132	\$ 1,501,892	\$ 596,408	\$ 30,110	\$ (876,722)	\$	\$ (876,722)
Nonmajor	40,031	27,859	2,681	3,113		(6,378)	(6,378)
Total	\$ 3,045,163	\$ 1,529,751	\$ 599,089	\$ 33,223	(876,722)	(6,378)	(883,100)
General revenues:							
					3,377	850	4,227
					211,800	3,437	215,237
					766,601		766,601
					25,628		25,628
					1,007,406	4,287	1,011,693
					130,684	(2,091)	128,593
					3,922,601	243,898	4,166,499
					\$ 4,053,285	\$ 241,807	\$ 4,295,092

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

(This page left blank intentionally)

Notes to the Financial Statements

June 30, 2012

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, 2012, and their report, dated November 30, 2012, 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 fund:

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 restricted or committed to expenditures for specific purposes such as, certain federal grant programs and taxes levied with statutorily defined distributions.

The Capital Projects Fund accounts for transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities and other capital assets. Such resources are derived principally from proceeds of general obligation bond issues and 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 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. 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 12 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 are classified as:

Nonspendable - amounts that cannot be spent because they are not in a spendable form (not expected to be converted to cash) or are legally required to be maintained intact. Examples include inventories and permanent fund principal.

Restricted - amounts where legally enforceable constraints are imposed by an external party such as a grantor, or by the constitution, or by the State Legislature at the same time the revenue is created.

Committed - amounts where constraints are imposed by bills which become law after passage by the State Legislature, the highest decision-making authority in the State. These constraints are imposed separately from the creation of the revenue. The revenue cannot be used for any other purpose unless the State Legislature removes or changes the specified use by taking the same formal action that originally imposed the constraint.

Assigned - amounts where constraints are imposed on the use of resources through the intent of the State Legislature or by its delegation to each agency director.

Unassigned - the residual amount of the General Fund, which is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred for purposes in which all classifications of spendable fund balance are available, it is the State's general policy to use the fund balances in the following order: restricted, committed, assigned, and unassigned.

- 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.

Mississippi

Note 2 - Other Accounting Disclosures

- A. 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 \$4,183,888,000 of restricted net assets, of which \$639,278,000 is restricted by enabling legislation.
- B. Deficit Net Assets** - At June 30, 2012, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of \$94,460,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) has deficit net assets of \$29,000, which resulted from legally mandated transfers out of net profit from operations.
- C. Working Cash Stabilization Reserve Account** - 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. The Account balance, in excess of \$40,000,000, may be permanently transferred to the General Fund to cover 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. At June 30, 2012, the Account, as reported in the General Fund, has an unassigned fund balance of \$99,900,000.
- D. Restatement of Net Assets** - During fiscal year 2012, a prior period adjustment was made to decrease beginning net assets by \$43,286,000 in Governmental Activities and \$2,031,000 in Business-type Activities due to a correction of errors related to capital assets. Included in the Governmental Activities change is a decrease of \$177,000 for Internal Service funds. The decrease in Business-type Activities is related to Nonmajor Enterprise funds. The restatement of beginning net assets is summarized as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Net Assets at June 30, 2011, as previously reported	\$ 12,688,558	\$ 902,468
Prior period adjustments	(43,286)	(2,031)
Net Assets at June 30, 2011, as restated	<u>\$ 12,645,272</u>	<u>\$ 900,437</u>

Note 3 - Interfund Transactions

At June 30, 2012, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To						Total
	General	Nonmajor Governmental	Internal Service	Unemployment Compensation	Port Authority at Gulfport	Nonmajor Enterprise	
Governmental:							
General	\$	\$ 11,207	\$ 27,884	\$	\$ 11,461	\$ 6,110	\$ 56,662
Nonmajor Governmental	9,043		1,365	820	10,592	1	21,821
Internal Service	683	92	156	662		7	1,600
Proprietary:							
Unemployment Compensation	86	1,437					1,523
Port Authority at Gulfport		1,885	1				1,886
Nonmajor Enterprise	347		1,015				1,362
Fiduciary	2		13				15
Total	<u>\$ 10,161</u>	<u>\$ 14,621</u>	<u>\$ 30,434</u>	<u>\$ 1,482</u>	<u>\$ 22,053</u>	<u>\$ 6,118</u>	<u>\$ 84,869</u>

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.

Mississippi

At June 30, 2012, 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	Nonmajor Governmental Funds	Unemployment Compensation	Universities	Nonmajor	Total
Primary Government:							
General	\$	\$	\$	\$	\$ 35,501	\$ 46	\$ 35,547
Nonmajor Governmental					1,125		1,125
Internal Service						43	43
Nonmajor Enterprise					1	17	18
Component Units:							
Universities	11,431	241	10	208			11,890
Nonmajor		636					636
Total	\$ 11,431	\$ 877	\$ 10	\$ 208	36,627	\$ 106	\$ 49,259

Amounts due to and due from the primary government and component units are the results of timing differences between the date expenses/expenditures occur and the date payments are made.

At June 30, 2012, 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	\$	\$ 44,135	\$ 617	\$ 26,816	\$ 12,295	\$	83,863
Nonmajor Governmental	149,351	724		2			150,077
Internal Service	162						162
Proprietary:							
Unemployment Compensation		1,405					1,405
Nonmajor Enterprise	1,194						1,194
Total	\$ 150,707	\$ 46,264	\$ 617	\$ 26,818	\$ 12,295	\$	236,701

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 directed the State Fiscal Officer to transfer monies to the General Fund for appropriation by the Legislature. Transfers to the General Fund from nonmajor governmental funds are \$6,056,000.

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).

Mississippi

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

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

Primary Government Deposits (except for the System)

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

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5.5 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 must meet the 105 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian). 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, 2012, \$1,001,000 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, 2012, \$203,000 was uninsured and uncollateralized, and \$83,041,000 was uninsured and collateral held by the pledging financial institution's trust department or agent was not in the government's name.

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

Mississippi

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.

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, or of any county, city, or supervisor's district of any county of the State;

School district bonds of the State;

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

Highway bonds of the State;

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

Mississippi

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

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

Primary Government Investments (except for the System)

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Moody's or S&P credit ratings for the primary government's investments as of June 30, 2012 are as follows (amounts expressed in thousands):

Investment Type	Quality Ratings					
	Aaa/AAA	Aa/AA	A/A	Baa/BBB	B/B	Not Rated
Asset backed securities	\$ 2,948	\$	\$	\$	\$	\$
Collateralized mortgage obligations		844				310,327
Corporate bonds	631	3,299	22,182	7,944	195	580
Guaranteed investment contracts			135,573			
Mortgage pass-throughs	630	1,218	925			94,516
Mutual funds	74,213	14,626				47,967
State and local obligations	843	6,124	1,859	1,773	178	
U.S. Government agency obligations	418	1,680,928				
Total	\$ 79,683	\$ 1,707,039	\$ 160,539	\$ 9,717	\$ 373	\$ 453,390

- 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, 2012, 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	\$ 2,948	\$ 1	\$ 2,947	\$	\$
Collateralized mortgage obligations	639,698	734	554	24,617	613,793
Corporate bonds	37,406	3,322	19,465	6,386	8,233
Guaranteed investment contracts	135,573		128,473		7,100
Mortgage pass-throughs	104,358	243	6,765	36,919	60,431
Mutual funds	136,806	90,169	7,533	39,104	
Other pass-through securities	222,796	31	3,413	94,516	124,836
State and local obligations	10,776	943	4,186	1,241	4,406
U.S. Government agency obligations	1,683,413	8,455	1,375,589	292,157	7,212
U.S. Treasury obligations	155,274	6,109	140,089	8,366	710
Zero coupon bonds	3,199		2,261	938	
Total	\$ 3,132,247	\$ 110,007	\$ 1,691,275	\$ 504,244	\$ 826,721

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.

Mississippi

Mortgage pass-through securities are issued by the FNMA, FHLMC, and Government National Mortgage Association (GNMA). These investments are backed by mortgage loans in which the borrowers have the option of prepaying.

- 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, 2012, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities	Total Fair Value
Australian dollar	\$	\$ 2,831	\$ 2,831
British Pound sterling		4,404	4,404
Euro	16	8,868	8,884
Hong Kong dollar		2,430	2,430
Israeli shekel		713	713
Japanese yen		2,708	2,708
Malaysian ringgit		1,311	1,311
New Taiwan dollar	169	801	970
Norwegian krone		281	281
Singapore dollar		1,513	1,513
Swedish krona		386	386
Swiss franc		3,925	3,925
Total	\$ 185	\$ 30,171	\$ 30,356

- 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 five percent of net investments (amounts expressed in thousands):

Federal Home Loan Bank	\$ 292,559	7.28%
Federal Home Loan Mortgage Corporation	542,486	13.50
Federal National Mortgage Association	1,060,003	26.37

Within the primary government, the General Fund has a significantly greater concentration in the following investments (amounts expressed in thousands):

Natixis	\$ 135,573	69.29%
---------	------------	--------

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, when possible, the types of collateral securing deposits be 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, 2012, the System had no deposits in foreign demand deposit accounts.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any U.S. bank 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.

Mississippi

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State;

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

Highway bonds of the State;

Corporate bonds rated by S&P 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 S&P 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.;

Bonds, stocks, and convertible securities of established foreign companies that 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;

Interest-bearing bonds or notes that 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;

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. Section 25-11-121, Mississippi Code Ann. (1972), allows the System to invest up to ten percent of the total portfolio in real estate only via real estate securities and commingled funds. Direct ownership of real estate assets is prohibited. The portfolio is divided between core commingled 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 that 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

Up to ten percent of the total book value of investments can be types of investments not specifically authorized by this section, 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.

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 S&P or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by S&P 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 S&P. The lending agent is permitted to purchase asset-backed securities for the cash collateral fund that are only AAA rated.

The Moody's or S&P credit ratings for the System's investments as of June 30, 2012 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	\$ 820,608	\$ 41,159	\$ 18,490	\$ 18,540	\$ 7,633	\$ 6,607
Collateralized mortgage obligations	161,307	215,169	56,282	32,469	6,009	13,207
Commercial paper			609,570			
Corporate bonds	44,778	650,850	795,902	673,796	182,514	101,584
Mortgage pass-throughs		561,492				
Repurchase agreements		675,376				
Sovereign agencies debt	15,600	1,345	11,221	2,280	361	
Sovereign governments debt	5,936	16,193	36,670	155,880	98,141	33,986
State and local obligations	765	45,113	46,152	4,715	2,602	
U.S. Government agency obligations	4,011	265,221	1,306			
Yankee/Global bonds	35,477	1,145	5,695	5,701	1,089	
Total	\$ 1,088,482	\$ 2,473,063	\$ 1,581,288	\$ 893,381	\$ 298,349	\$ 155,384

Investment Type	Quality Ratings						
	Caa/CCC	Ca/CC	C/C	D/D	F	P	WR
Asset backed securities	\$ 6,076	\$	13	\$	\$		\$ 1,184
Collateralized mortgage obligations	13,404	1,850	14,984	6,637			280
Commercial Paper					388,747	109,374	
Corporate bonds	9,334					28,906	1,778
Sovereign governments debt							3,421
State and local obligations							1,586
Yankee/Global bonds							
Total	\$ 28,814	\$ 1,850	\$ 14,997	\$ 6,637	\$ 388,747	\$ 138,280	\$ 1,464

- 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 \$24,460,386,000 in investments at June 30, 2012. Of this amount, \$3,600,000,000 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, 2012, consisted of (amounts expressed in thousands):

Investment Type	Fair Value
Commercial paper	\$ 1,107,690
Repurchase agreements	467,765
Corporate bonds	1,075,186
Asset backed securities	776,013
Sovereign agencies	15,600
U.S. Government agencies	155,520
Total	<u>\$ 3,597,774</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 does not limit foreign currency-denominated investments of the System. The System's exposure to foreign currency risk at June 30, 2012, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities and REITs	Debt Securities	Total Fair Value
Australian dollar	\$ (5,291)	\$ 172,646	\$ 3,221	\$ 170,576
Brazilian real	(5,871)	168,320	5,579	168,028
British pound sterling	(1,691)	683,832	3,090	685,231
Canadian dollar	4,287	109,111	3,449	116,847
Chilean peso	1	2,741		2,742
Columbian peso	(6,501)	3,056	6,837	3,392
Czechoslovakia koruna	(1,814)		2,560	746
Danish krone	286	30,684		30,970
Egyptian pound		25,038		25,038
Euro	(13,723)	900,823	28,092	915,192
Hong Kong dollar	747	206,494		207,241
Hungarian forint	(707)	13,800	1,404	14,497
Indian rupee	4	65,306		65,310
Indonesian rupiah	140	52,389		52,529
Israeli shekel	91	14,249		14,340
Japanese yen	2,198	549,388	2,328	553,914
Malaysian ringgit	3	8,563		8,566
Mexican peso	(12,174)	41,500	40,836	70,162
New Taiwan dollar	1,489	77,552		79,041
New Turkish lira	(1,236)	63,308	2,190	64,262
New Zealand dollar	(4,458)	5,679	3,325	4,546
Norwegian krone	(3,365)	65,180	4,721	66,536
Pakistani rupee		11,287		11,287
Peruvian nuevo sol	(1,901)		2,143	242
Philippines peso	9	6,322		6,331
Polish zloty	(820)	4,815	2,010	6,005
Singapore dollar	(3,018)	78,689	3,987	79,658
South African rand	(807)	125,039	1,965	126,197
South Korean won	50	175,002		175,052
Swedish krona	(1,719)	57,534	3,154	58,969
Swiss franc	4,642	186,918		191,560
Thailand baht		33,004		33,004
United Arab Emirates dirham		1,501		1,501
Total	<u>\$ (51,149)</u>	<u>\$ 3,939,770</u>	<u>\$ 120,891</u>	<u>\$ 4,009,512</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, 2012, 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	\$ 920,310	\$ 786,403	\$ 77,231	\$ 18,037	\$ 38,639
Collateralized mortgage obligations	521,598	46,593	876	12,885	461,244
Commercial paper	1,107,691	1,107,691			
Corporate bonds	2,489,442	559,409	1,049,114	557,569	323,350
Mortgage pass-throughs	638,012		642	18,927	618,443
Repurchase agreements	675,376	675,376			
Sovereign agencies debt	30,807	15,600	11,811	3,396	
Sovereign governments debt	350,227	7,516	99,781	129,515	113,415
State and local obligations	100,933		4,820	11,970	84,143
U.S. Government agency obligations	270,538	7,908	236,206	9,664	16,760
U.S. Treasury obligations	1,596,052	14,112	655,313	586,841	339,786
Yankee/Global bonds	49,107	10,519	25,584	7,577	5,427
Total	\$ 8,750,093	\$ 3,231,127	\$ 2,161,378	\$ 1,356,381	\$ 2,001,207

During fiscal year 2012, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, CMOs and 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 \$3,700,000 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 \$521,600,000 in CMOs at June 30, 2012. Of this amount, \$181,400,000 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 \$920,300,000 in ABS held at June 30, 2012, \$51,000,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2012, the System has invested in \$638,000,000 in mortgage pass-through securities issued by the FNMA, FHLMC, and GNMA. 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, 2012 are as follows (amounts expressed in thousands):

Investment Type	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2012	
		Classification	Amount	Classification	Amount
Foreign currency forwards	\$ 12,379,464	Investment income	\$ (839)	Investment	\$ (839)
To-be-announced securities	166,820	Investment income	298	Debt securities	178,395

- 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, 2012, 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 loans. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 6 days at June 30, 2012. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, U.S. and Foreign Government agencies, and ABS. The weighted average effective duration of all collateral investments at June 30, 2012, was 29 days with a weighted average maturity of 29 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, 2012. 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, 2012, the aggregate fair value of securities lending holdings, including accrued interest was \$3,599,658,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$3,560,647,000. The value of the collateral pledged by borrowers at year end was \$3,596,835,000.

Mississippi

Note 5 - Receivables

At June 30, 2012, receivables consisted of (amounts expressed in thousands):

	Governmental Funds				Total Governmental Activities
	General	Nonmajor Funds	Internal Service	Receivables Reclass	
Accounts	\$ 198,450	\$ 19,471	\$ 78	\$ 15	\$ 218,014
Taxes:					
Sales	453,513				453,513
Income	395,751				395,751
Gasoline	49,185				49,185
Other	76,389				76,389
Interest and dividends	7,902	629	197		8,728
Other	228				228
Gross receivables	1,181,418	20,100	275	15	1,201,808
Allowance for uncollectibles	(389,797)	(10,437)			(400,234)
Receivables, net	\$ 791,621	\$ 9,663	\$ 275	\$ 15	\$ 801,574
Amounts not scheduled for collection in subsequent year	\$ 182,728	\$ 224			\$ 182,952

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	\$ 74,092	\$ 703	\$ 3,942	\$ 3,933	\$ 82,670
Assessments	83,651				83,651
Interest and dividends		63	867	644	1,574
Gross receivables	157,743	766	4,809	4,577	167,895
Allowance for uncollectibles	(55,527)			(29)	(55,556)
Receivables, net	\$ 102,216	\$ 766	\$ 4,809	\$ 4,548	\$ 112,339

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 2,066,718	\$ 2,874	\$ 2,069,592
Interest	2,598	93	2,691
Gross receivables	2,069,316	2,967	2,072,283
Allowance for uncollectibles	(1,811,856)		(1,811,856)
Receivables, net	\$ 257,460	\$ 2,967	\$ 260,427

Mississippi

Note 6 - Due From Other Governments

At June 30, 2012, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			Total Governmental Activities
	General	Nonmajor Funds	Internal Service	
Due from other governments	\$ 1,092,575	\$ 19,038	\$ 385	\$ 1,111,998
Allowance for uncollectibles	(162)			(162)
Due from other governments, net	\$ 1,092,413	\$ 19,038	\$ 385	\$ 1,111,836
Amounts not scheduled for collection in subsequent year	\$ 574,059			\$ 574,059

Note 7 - Loans and Notes Receivable

At June 30, 2012, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government	Component Units
	Governmental Activities Governmental Funds General	Universities
Loans and notes receivable	\$ 404,596	\$ 189,799
Allowance for uncollectibles	(522)	(21,014)
Loans and notes receivable, net	\$ 404,074	\$ 168,785
Amounts not scheduled for collection in subsequent year	\$ 361,773	\$ 134,057

Mississippi

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2012, was as follows (amounts expressed in thousands):

	Beginning Balance as restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,942,310	\$ 134,462	\$ 1,857	\$ 2,074,915
Construction in progress	4,594,772	822,882	1,298,385	4,119,269
Total capital assets not being depreciated	6,537,082	957,344	1,300,242	6,194,184
Capital assets being depreciated:				
Software	5,953			5,953
Buildings	1,846,036	116,014	2,101	1,959,949
Land improvements	191,134	43,700	1,777	233,057
Machinery and equipment	594,943	66,710	49,560	612,093
Infrastructure	8,779,708	1,244,426	907,274	9,116,860
Total capital assets being depreciated	11,417,774	1,470,850	960,712	11,927,912
Less accumulated depreciation for:				
Software	3,397	554		3,951
Buildings	477,658	36,962	806	513,814
Land improvements	94,678	12,139	847	105,970
Machinery and equipment	411,993	44,233	33,139	423,087
Infrastructure	3,870,484	234,699	907,274	3,197,909
Total accumulated depreciation	4,858,210	328,587	942,066	4,244,731
Total capital assets being depreciated, net	6,559,564	1,142,263	18,646	7,683,181
Governmental activities capital assets, net	\$ 13,096,646	\$ 2,099,607	\$ 1,318,888	\$ 13,877,365

	Beginning Balance as restated	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 71,218	\$	\$ 143	\$ 71,075
Construction in progress	4,540	8,850	5,086	8,304
Total capital assets not being depreciated	75,758	8,850	5,229	79,379
Capital assets being depreciated:				
Buildings	84,102		16,085	68,017
Land improvements	39,350	2,582	486	41,446
Machinery and equipment	21,634	252	1,578	20,308
Infrastructure	123,214	1,422		124,636
Total capital assets being depreciated	268,300	4,256	18,149	254,407
Less accumulated depreciation for:				
Buildings	24,041	1,348	6,592	18,797
Land improvements	20,180	1,422	175	21,427
Machinery and equipment	11,167	1,048	1,292	10,923
Infrastructure	40,653	4,012		44,665
Total accumulated depreciation	96,041	7,830	8,059	95,812
Total capital assets being depreciated, net	172,259	(3,574)	10,090	158,595
Business-type activities capital assets, net	\$ 248,017	\$ 5,276	\$ 15,319	\$ 237,974

Mississippi

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

Governmental Activities:

General government	\$	15,693
Education		4,326
Health and social services		15,189
Law, justice and public safety		28,160
Recreation and resources development		9,547
Regulation of business and profession		245
Transportation		252,955
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		2,472
Total depreciation expense - governmental activities	\$	<u>328,587</u>

Business-type Activities:

Port Authority at Gulfport	\$	6,315
Other business-type		1,515
Total depreciation expense - business-type activities	\$	<u>7,830</u>

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental Activities:			
Department of Transportation	\$ 5,801,125	\$ 3,763,394	\$ 2,042,050
Information Technology Services	35,524	33,666	242
Wireless Communication Commission	116,651	81,886	34,765
Department of Public Safety	75,174	36,235	28,559
Department of Employment Security	58,672	37,062	21,610
Department of Finance and Administration	127,820	55,949	57,254
Department of Health	33,389	31,861	254
Department of Revenue	32,646	7,759	24,750
Department of Wildlife, Fisheries and Parks	20,600	15,240	3,864
Military Department	18,650	14,323	4,708
Department of Rehabilitation Services	17,755	1,621	10,452
East MS State Hospital	16,790	10,839	2,440
Other projects less than \$10 million	36,078	29,434	1,132
Total governmental activities	<u>6,390,874</u>	<u>4,119,269</u>	<u>2,232,080</u>
Business-type Activities:			
Port Authority at Gulfport	71,133	7,337	63,796
Other projects less than \$10 million	2,269	967	1,302
Total business-type activities	<u>73,402</u>	<u>8,304</u>	<u>65,098</u>
Total construction in progress	<u>\$ 6,464,276</u>	<u>\$ 4,127,573</u>	<u>\$ 2,297,178</u>

Mississippi

Component Units

At June 30, 2012, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 80,185	\$ 16,406	\$ 96,591
Construction in progress	326,971	640	327,611
Total capital assets not being depreciated	407,156	17,046	424,202
Capital assets being depreciated:			
Buildings	2,851,544	160,982	3,012,526
Land improvements	288,121	64,851	352,972
Machinery and equipment	1,030,033	45,630	1,075,663
Total capital assets being depreciated	4,169,698	271,463	4,441,161
Less accumulated depreciation	1,529,834	108,774	1,638,608
Total capital assets being depreciated, net	2,639,864	162,689	2,802,553
Component units capital assets, net	\$ 3,047,020	\$ 179,735	\$ 3,226,755

Note 9 - Long-term General Obligation Bonds

Bond indebtedness incurred by the State 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, 2012, 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, 2012, 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 those funds, the State remains contingently liable for its payment.

Refunding and Defeased Bonds

During fiscal year 2012, the State issued two general obligation refunding bonds.

The State issued \$38,280,000 of general obligation refunding bonds to currently refund or advance refund and defease all or a portion of four issues reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 8 years by \$500,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,551,000.

The State issued \$37,115,000 of general obligation refunding bonds to advance refund and defease a portion of one issue reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 7 years by \$2,139,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$2,040,000.

The net proceeds of refunding issues were deposited 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, 2012, \$143,890,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

Mississippi

During fiscal year 2012, the State issued \$19,000,000 of general obligation bonds, which are reported in governmental activities, to refund general obligation bond anticipation notes.

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, 2012 and selected SBPA terms are:

Series	Outstanding Amount	Liquidity Provider	Scheduled Termination Date	Commitment Fee	Remarketing Agent
Capital Improvements 2005	\$ 39,180,000	Bank of America	7/5/2012	0.67%	Morgan Stanley
Capital Improvements 2007	43,050,000	Bank of America	7/5/2012	0.67	Bank of America
Major Economic Impact 2003A	111,170,000	Bank of America	7/5/2012	0.67	Citigroup
Major Economic Impact 2003B	49,995,000	Bank of America	7/5/2012	0.67	Morgan Stanley
Major Economic Impact 2003C	56,700,000	Bank of America	7/5/2012	0.67	Bank of America

The outstanding SBPA’s for the bonds listed above were extended by Bank of America until October 3, 2012 in order to help facilitate the restructuring of the State’s variable rate debt portfolio. The State allowed these SBPA’s to mature due to the terms of the newly restructured bonds. SBPA’s are no longer required on the current variable rate debt portfolio.

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 \$39,180,000 of demand bonds cannot be resold, the State will be required to pay monthly installments of \$852,000 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 \$43,050,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$5,711,000 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 \$111,170,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$14,749,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

Mississippi

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 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 \$56,700,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of \$7,522,000 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 \$182,230,000 of outstanding variable rate debt in order to hedge changes in cash flows. At June 30, 2012, 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/A2/A
2003A	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A/A3/A
2003B	24,995,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A/A2/A
2003B	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A/A3/A
2005	39,180,000	Oct. 2004	Sept. 2025	Pay 4.037%; receive SIFMA swap index	A-/Baa1/A
2007	43,050,000	May 2005	Sept. 2027	Pay 3.980%; receive SIFMA swap index	A-/Baa1/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, 2012, 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, 2012 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, 2012	
		Classification	Amount	Classification	Amount
2003A	\$ 25,005,000	Deferred Outflow	\$ (5,781,000)	Derivative Instrument	\$ (11,972,000)
2003A	25,000,000	Deferred Outflow	(4,706,000)	Derivative Instrument	(9,316,000)
2003B	24,995,000	Deferred Outflow	(5,778,000)	Derivative Instrument	(11,967,000)
2003B	25,000,000	Deferred Outflow	(4,706,000)	Derivative Instrument	(9,316,000)
2005	39,180,000	Deferred Outflow	(2,702,000)	Derivative Instrument	(7,189,000)
2007	43,050,000	Deferred Outflow	(3,615,000)	Derivative Instrument	(8,355,000)

Mississippi

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, 2012, 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
2013	\$ 4,015	\$ 445	\$ 8,252	\$ 12,712
2014	4,180	435	8,093	12,708
2015	4,375	424	7,926	12,725
2016	4,550	412	7,753	12,715
2017	4,755	401	7,572	12,728
2018 - 2022	27,085	1,801	34,862	63,748
2023 - 2027	93,440	1,085	22,276	116,801
2028 - 2029	39,830	77	1,705	41,612
	<u>\$ 182,230</u>	<u>\$ 5,080</u>	<u>\$ 98,439</u>	<u>\$ 285,749</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, 2012, 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, 2012, the weighted average variable interest rate paid on the bonds was .24919%, while the SIFMA swap index was .18% and one-month LIBOR was .24575%.

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.

Mississippi

At June 30, 2012, the primary government's outstanding general obligation bonds as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Deer Island Project	\$ 995	3.6% - 3.75%	Nov. 2012	\$ 8,800
Franklin County Lake and Recreation Complex				
Road Construction	305	4.88% - 5%	Sept. 2013	1,250
Land, Water, and Timber Resources	5,655	4% - 4.83%	Nov. 2014	28,000
Local Governments Rail Program	1,055	4.28% - 4.4%	Nov. 2014	3,000
Milk Producers	2,315	4.7% - 5.17%	Dec. 2017	3,500
Technology Alliance	855	5% - 5.25%	Oct. 2023	1,000
Farish Street Historic District	1,474	.85% - 5.25%	Nov. 2023	4,500
Heritage, History, and Culture Tourism	685	.85% - 4.35%	Nov. 2023	700
Railroad Lines and Bridges Improvement	2,267	.85% - 5.25%	Nov. 2023	2,500
Small Business and Existing Forestry Industry	4,895	1.8% - 4.05%	Nov. 2023	5,000
State Railroad Revitalization	980	.85% - 4.35%	Nov. 2023	1,000
Sustainable Energy	490	.85% - 4.35%	Nov. 2023	500
Workforce Training	1,960	.85% - 4.35%	Nov. 2023	2,000
Job Protection	4,895	5% - 5.5%	Dec. 2025	6,000
Local Governments Capital Improvements	13,010	5% - 5.5%	Dec. 2025	15,500
Raspget Flight Research Laboratory	884	4.25% - 5%	Dec. 2025	1,200
State Shipyard Improvements	89,365	4.25% - 5.5%	Dec. 2025	156,000
Stennis Space Center	8,293	4% - 5.17%	Dec. 2025	12,350
Industry Incentive Financing	290,865	.85% - 4.35%	Oct. 2027	293,000
Small Enterprise Development Finance	32,920	3.25% - 6.5%	July 2028	99,385
ACE Fund	31,875	.65% - 5.55%	Oct. 2029	34,950
Existing Industry	40,355	.85% - 5.55%	Oct. 2029	41,500
Rural Impact	11,264	.85% - 5.55%	Oct. 2029	23,000
Statewide Wireless Communication System	44,493	1.8% - 5.54%	Oct. 2029	47,000
Major Economic Impact *	403,358	.25% - 6.09%	Oct. 2032	602,300
Farm Reform	4,477	2.13% - 5.67%	Oct. 2034	7,000
Small Municipalities and Limited				
Population Counties	23,095	.85% - 5.67%	Oct. 2034	45,750
Business Investment	29,344	.65% - 5.55%	Nov. 2034	64,900
Economic Development Highway	135,100	1.8% - 5.54%	Nov. 2034	155,000
Capital Improvements *	1,194,311	1.8% - 5.67%	Oct. 2036	1,490,150
General Obligation Refunding Bonds	1,474,223	.45% - 7.35%	Oct. 2036	2,040,112
Local Governments Water System Improvement	11,593	4.25% - 5.25%	Oct. 2036	13,843
Local System Bridge Replacement and				
Rehabilitation	118,509	3.75% - 5.25%	Oct. 2036	147,200
Rural Fire Truck Acquisition	15,108	4.25% - 5.67%	Oct. 2036	17,250
Transportation	116,965	4.35% - 5.45%	Oct. 2036	117,500
Total	4,118,233			5,492,640
Premiums	121,601			
Deferred Amount on Refunding	(48,029)			
Total Governmental Activities	4,191,805			5,492,640
Business-type Activities:				
General Obligation Refunding Bonds	20,792	3.07% - 5.5%	Nov. 2022	27,367
Total General Obligation Bonds	<u>\$ 4,212,597</u>			<u>\$ 5,520,007</u>

* Interest on \$117,865,000 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 \$82,230,000 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.

Mississippi

At June 30, 2012, 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
2013	\$ 239,548	\$ 188,673	\$ 2,582	\$ 817
2014	247,763	177,048	2,707	727
2015	255,927	165,400	2,833	622
2016	257,566	153,769	2,974	505
2017	267,493	142,042	3,022	379
2018 - 2022	980,607	569,525	6,638	357
2023 - 2027	808,439	375,954	36	1
2028 - 2032	576,435	201,048		
2033 - 2037	484,455	54,171		
Total	4,118,233	2,027,630	20,792	3,408
Premiums	121,601			
Deferred Amount on Refunding	(48,029)			
Total Debt Service, Net	\$ 4,191,805	\$ 2,027,630	\$ 20,792	\$ 3,408

Note 10 - Bonds Authorized But Unissued

At June 30, 2012, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds:		
ACE Fund	\$ 47,450	\$ 12,500
Business Investment Act	331,500	42,823
Capital Improvements	740,025	180,731
Deer Island Project	10,000	1,200
Economic Development Highway	364,500	115,600
Energy Infrastructure Revolving Loan	20,000	20,000
Existing Industry Productivity Loan	65,000	5,000
Farm Reform	128,000	20,000
Industry Incentive Financing	468,000	175,000
Local Governments Capital Improvements	128,000	12,500
Major Economic Impact	1,188,800	169,610
North Central Mississippi Regional Railroad Grant	15,000	15,000
Old Capitol Green	20,000	20,000
Railroad Improvements Grant	5,000	5,000
Railroad Revitalization and Stimulus	3,000	2,000
Rural Fire Truck Acquisition	17,850	600
Rural Impact	26,375	1,500
Small Business and Existing Forestry Industry Revolving Loan	30,000	25,000
Small Enterprise Development Finance	140,000	107,565
State Highway Bridge Rehabilitation	100,000	40,500
State Port Improvement (Gulfport)	80,000	80,000
Sustainable Energy Research	2,000	1,500
Technology Alliance	4,000	2,000
Transportation - Access Roads	18,000	15,000
Vision 21 Highway Projects	50,000	19,000
Workforce Training	4,000	2,000
	<u>\$ 4,006,500</u>	<u>\$ 1,091,629</u>

Mississippi

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, 2012, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	\$ 890,473	1% - 6.84%	Dec. 2041	\$ 1,014,052
Notes	20,960	0% - 6%	Sept. 2039	25,654
Total Component Units	<u>\$ 911,433</u>			<u>\$ 1,039,706</u>

At June 30, 2012, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units	
	Principal	Interest
2013	\$ 24,942	\$ 42,813
2014	27,918	41,787
2015	28,988	40,681
2016	29,928	39,463
2017	31,285	38,198
2018 - 2022	160,796	170,110
2023 - 2027	170,724	131,949
2028 - 2032	183,036	89,508
2033 - 2037	160,015	43,443
2038 - 2042	93,801	10,098
	<u>\$ 911,433</u>	<u>\$ 648,050</u>

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2012 is \$121,906,000 for governmental activities and \$629,000 for business-type activities. Internal service compensated absences of \$1,196,000 are included in governmental activities. The component units' liability for compensated absences is \$108,647,000, of which \$107,713,000 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, 2012, six 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, 2012, the primary government's pollution remediation obligation is \$41,816,000. 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.

Mississippi

C. Notes Payable - At June 30, 2012, 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	\$ 139,565	5% - 5.45%	Jul. 2019	\$ 189,860
Energy efficiency	16,237	4.15% - 5.73%	Apr. 2026	22,406
Buildings	220,290	2% - 5.37%	Jul. 2031	226,985
Roads and bridges	580,970	2% - 6.59%	Jan. 2040	686,541
Total	957,062			1,125,792
Premiums	32,274			
Deferred Amount on Refunding	(6,921)			
Total Notes Payable, Net	\$ 982,415			\$ 1,125,792

Refunding and Defeased Notes- During fiscal year 2012, the State issued \$28,680,000 of refunding notes to advance refund notes payable reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next thirteen years by \$2,219,000 and obtain an economic gain (the difference between the present value of the debt service payments for the refunded and refunding notes) of \$1,963,000.

The net proceeds of the refunding issue were deposited into 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 related trust account are not included in the financial statements. At June 30, 2012, \$57,495,000 of outstanding notes (including prior years' refunding) are considered defeased.

At June 30, 2012, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2013	\$ 43,351	\$ 50,486
2014	45,366	48,998
2015	38,620	46,787
2016	45,307	43,289
2017	53,403	40,968
2018 - 2022	252,263	165,313
2023 - 2027	232,207	108,610
2028 - 2032	121,915	58,045
2033 - 2037	90,110	25,666
2038 - 2040	34,520	4,489
Total	957,062	592,651
Premiums	32,274	
Deferred Amount on Refunding	(6,921)	
Total Debt Service, Net	\$ 982,415	\$ 592,651

Mississippi

- 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, 2012, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	\$	\$ 700
Machinery and Equipment	40,688	1,238
Accumulated Depreciation	(18,310)	(433)
Total	<u>\$ 22,378</u>	<u>\$ 1,505</u>

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$1,473,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$11,004,000.

At June 30, 2012, future minimum commitments under capital leases are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
2013	\$ 5,993	\$ 269	\$ 6,262	\$ 3,200
2014	5,001	135	5,136	1,927
2015	3,575		3,575	2,133
2016	2,808		2,808	1,620
2017	1,703		1,703	1,617
2018 - 2022	391		391	6,058
2023 - 2027				5,396
2028 - 2032				5,399
2033 - 2037				5,400
2038 - 2042				2,148
Total Minimum Lease Payments	19,471	404	19,875	34,898
Less Interest	1,392	23	1,415	12,914
Present Value of Minimum Lease Payments	<u>\$ 18,079</u>	<u>\$ 381</u>	<u>\$ 18,460</u>	<u>\$ 21,984</u>

Internal service future minimum lease payments of \$1,647,000 less interest of \$115,000 are included in the governmental activities column.

Mississippi

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2012 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	\$ 3,764,424	\$ 690,425	\$ 336,616	\$ 4,118,233	\$ 239,548
Premiums/Discounts (Note 9)	98,166	34,536	11,101	121,601	11,380
Deferred Amount on Refunding (Note 9)	(48,890)	5,918	5,057	(48,029)	(6,152)
Notes Payable (Note 12)	992,210	35,680	70,828	957,062	43,351
Premiums (Note 12)	28,806	5,864	2,396	32,274	2,813
Deferred Amount on Refunding (Note 12)	(4,070)	740	3,591	(6,921)	(995)
Total Bonds and Notes	4,830,646	773,163	429,589	5,174,220	289,945
Derivative Instruments (Note 9)	30,827	27,288		58,115	
Capital Lease Obligations (Note 12)	13,935	11,056	6,912	18,079	5,409
Accrued Compensated Absences (Note 12)	118,289	62,920	59,303	121,906	8,120
Pollution Remediation Obligation (Note 12)	39,154	15,942	13,280	41,816	7,715
	<u>\$ 5,032,851</u>	<u>\$ 890,369</u>	<u>\$ 509,084</u>	<u>\$ 5,414,136</u>	<u>\$ 311,189</u>
Business-type Activities:					
General Obligation Bonds (Note 9)	\$ 23,426	\$	\$ 2,634	\$ 20,792	\$ 2,582
Accrued Compensated Absences (Note 12)	628	102	101	629	24
Capital Lease Obligations (Note 12)	618		237	381	250
	<u>\$ 24,672</u>	<u>\$ 102</u>	<u>\$ 2,972</u>	<u>\$ 21,802</u>	<u>\$ 2,856</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 ending balance of governmental activities capital lease obligation includes \$1,532,000 of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,197,000 and \$1,196,000, 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 \$336,616,000 in general obligation bonds and notes includes \$93,760,000 in refundings. The reduction of \$70,828,000 in notes payable includes \$29,725,000 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.

Note 14 - Short-term Financing

During fiscal year 2012, the State issued \$80,000,000 in general obligation notes to provide short-term financial assistance for an economic development project. The notes were paid off in October 2011 and carried an interest rate of 1.45%. At June 30, 2012, there were no outstanding short-term notes. Changes in short-term note activity recorded in governmental activities during fiscal year 2012 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
\$	45,000	\$ 80,000	\$ 125,000	\$ 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 granted upon hiring for 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 PERS by the System's Board of Trustees. If approved, membership for these employees is a condition of employment and eligibility is granted to those who qualify upon hiring. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated member contributions plus interest.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before 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 up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect 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. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA 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 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2012, the total annual COLA payments for PERS were \$402,515,000.

Mississippi Highway Safety Patrol Retirement System: Membership in MHSPRS is a condition of employment 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. Participating members 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 2.5 percent of 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. A member who terminates employment from the highway patrol and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A COLA payment is made to eligible retirees and beneficiaries. The COLA 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, with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2012, the total annual COLA payments for MHSPRS were \$7,116,000.

Mississippi

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, fire fighters, 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. Eligible employees hired after these periods automatically become members of PERS. The Municipal Retirement Systems were all closed to new members by July 1, 1987.

Regardless of age, participating employees who retire 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 beyond 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 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 plans also provide certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions. Benefit provisions are established by Sections 21-29-1 et seq., Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Statutes may be amended only by the State Legislature.

The retirees and beneficiaries of MRS 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 (CPI) but not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain MRS plans may adopt an annual adjustment other than one linked to the change in the CPI. These additional payments will be made only when funded by the employers. For the year ended June 30, 2012, the total additional annual payments for MRS plans were \$5,271,000.

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 SLRP became effective 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. A member who terminates legislative employment and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

Retirees and beneficiaries of SLRP may receive additional amounts calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2012, the total additional annual payments for SLRP were \$200,000.

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, 2012. 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, 2011. 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.

Mississippi

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	12.93% ****	35.21%	N/A	7.4%
Other employers	N/A	N/A	1.49 - 8.26 mills	N/A
Plan members	9%	7.25%	7% - 10%	3% **
Annual pension cost	\$ 735,022	\$ 12,257	\$ 18,576	\$ 504
Employer contributions made	\$ 768,914	\$ 12,044 ***	\$ 23,449	\$ 490
Actuarial valuation date	June 30, 2012	June 30, 2012	Sept. 30, 2011	June 30, 2012
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	30 years	30 years	23 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8%	8%	8%	8%
Wage inflation rate	4.25%	4.25%	4.25%	4.25%
Projected salary increases	4.5% - 20%	5% - 10.52%	4.5% - 6%	4.5%
Increases in benefits after retirement	3% ~	3% @	2% - 3.75% #	3% ~
Proposed annual employer contribution rates for fiscal year 2014 based on the PERS Board of Trustees' revised funding policy	15.75%	37% *	-	7.4%

* MHSPRS Administrative Board has not yet confirmed a new employer contribution rate therefore, the latest approved rate was used (fiscal year 2013).

** In addition to 9% 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. Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of \$3,500,000 (14.1 percent of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2012 was \$3,246,000.

**** Based on the June 30, 2010 Annual Required Contribution rate, set two years in advance, the PERS Board of Trustees approved an employer contribution rate increase from 12% to 12.93% for PERS. Due to a request by the leadership of the Mississippi Legislature, the Board took action to delay the contribution rate increases until January 1, 2012. In addition, the Board approved employer contribution rate increases for MHSPRS from 30.3% to 35.21%, and SLRP from 6.65% to 7.4%. These increases were also delayed until January 1, 2012. In October 2012, the Board adopted a revised funding policy aimed at stabilizing the employer contribution rate and reducing the unfunded actuarial accrued liability. The revised policy establishes a goal to be 80% funded by 2042 and sets PERS employer rate at 15.75% while continuing the SLRP rate at 7.4%. An increase in the employer contribution rate for MHSPRS remains under consideration.

Mississippi

E. Three-Year Trend Information

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

	PERS	MHSPRS*	MRS**	SLRP
Contributions:				
2010	\$ 731,544	\$ 12,598	\$ 16,891	446
2011	723,836	11,494	21,429	457
2012	768,914	12,044	22,793	490

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

** Information furnished for MRS is for the years ended September 30, 2009, 2010, and 2011 respectively.

The annual pension cost was 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 114.4%, 120.8% and 122.7% of the required contributions for the years ended September 30, 2009, 2010, and 2011, 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, 2009, 2010, and 2011, 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, 2012	June 30, 2012	Sept. 30, 2011	June 30, 2012
Actuarial Value of Assets	\$ 19,992,797	\$ 268,424	\$ 167,604	\$ 13,268
Actuarial Accrued Liability (AAL) Entry Age	\$ 34,492,873	\$ 421,415	\$ 363,604	\$ 19,537
Unfunded AAL	\$ 14,500,076	\$ 152,991	\$ 196,000	\$ 6,269
Percent Funded	58.0%	63.7%	46.1%	67.9%
Annual Covered Payroll	\$ 5,857,789	\$ 25,670	\$ 1,357	\$ 6,872
Unfunded AAL as a Percentage of Annual Covered Payroll	247.5%	596.0%	14,443.6%	91.2%

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, 2012, retiree premiums range from \$190 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, 2012. 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 \$46,131,000 is 1.07 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 2012 (amounts expressed in thousands):

Annual required contribution	\$ 46,131
Interest on prior year net OPEB obligation	3,700
Adjustment to annual required contribution	(2,837)
Annual OPEB cost	46,994
Contributions made	(20,570)
Increase in net OPEB obligation	26,424
Net OPEB obligation – Beginning of year	82,212
Net OPEB obligation – End of year	<u>\$ 108,636</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):

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 56,277	62.5%	\$ 48,335
2011	52,242	35.2	82,212
2012	46,994	43.8	108,636

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, 2012
Actuarial Value of Assets	\$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	\$ 664,738
Unfunded AAL (UAAL)	\$ 664,738
Funded Ratio	0.0%
Annual Covered Payroll	\$ 4,312,956
UAAL as a Percentage of Annual Covered Payroll	15.4%

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, 2012
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*	8.5%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2017
* Includes price inflation at	3.5%
** Includes wage inflation at	4.25%

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.

Mississippi

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, 2012 are as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2013	18,638
2014	16,148
2015	11,176
2016	9,032
2017	5,956
2018 - 2022	6,871
2023 - 2027	586
2028 - 2032	461
2033 - 2037	309
2038 - 2042	176
2043 - 2047	121
Thereafter	1
Total Minimum Commitments	<u>\$ 69,475</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2012 amounted to \$21,764,000.

B. Contracts

At June 30, 2012, the Department of Transportation had contracts outstanding of approximately \$880,392,000 with performance continuing during fiscal year 2013. Of this amount \$33,795,000 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 65 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 \$23,661,000 outstanding at June 30, 2012 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 55 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 \$181,358,000 at June 30, 2012. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately \$4,708,000 at June 30, 2012. Approximately 74 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 \$63,796,000 at June 30, 2012. These contracts were primarily for construction costs related to the port. These contracts will be paid from Port Authority at Gulfport's revenues and federal grants.

The Department of Information Technology Services had contracts outstanding of approximately \$86,259,000 at June 30, 2012. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system including enhancements which add broadband data capabilities. Approximately 95 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.

C. Encumbrances

Encumbrances represent executed but unperformed purchase orders that are reported within governmental funds as restricted, committed, or assigned fund balance. At June 30, 2012, the encumbrance amounts in the General Fund and nonmajor governmental funds were \$31,462,000 and \$5,548,000, respectively.

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 2011 and 2012 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2011	\$ 173,311	\$ 702,621	\$ 714,552	\$ 161,380
2012	161,380	701,281	712,063	150,598

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 \$7,500,000. 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 State 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, 2012, outstanding Community Disaster loan guarantees totaled \$50,766,000.
- 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 \$2,284,308,000 at June 30, 2012. 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 \$37,611,000 at June 30, 2012, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Mississippi

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 \$33,528,000 from the Working Cash Stabilization Reserve Account and \$357,034,000 from budgetary special funds as of December 20, 2012. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State entered into a financing agreement on October 31, 2012 to provide funding for a highway construction project. This agreement resulted in notes payable totaling \$163,000,000 payable beginning in year 2013 through 2028 with interest rates ranging from 2% to 5%.

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

Taxable General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012A, totaling \$57,120,000 dated August 1, 2012. These bonds were issued for the purpose of converting the unhedged portion of the \$140,000,000 (original principal amount) Taxable Variable Rate General Obligation Bonds (Nissan North America, Inc. Project), Series 2003A from a weekly interest rate to fixed interest rates through a current refunding of the 2003A Nissan Bonds. The bonds mature serially beginning in year 2015 through 2022 with interest rates ranging from 0.78% to 2.4%.

General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012B, totaling \$43,900,000 dated August 1, 2012. These bonds were issued for the purpose of converting the unhedged portion of the \$83,500,000 (original principal amount) General Obligation Bonds (Nissan North America, Inc. Project), Series 2003C (Variable Rate Securities) from a weekly interest rate to fixed interest rates through a current refunding of the 2003C Nissan Bonds that are presently outstanding. These bonds will mature serially beginning in year 2015 through 2023 with interest rates ranging from 1.5% to 5%.

Taxable General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012C (LIBOR Index), totaling \$100,490,000 dated August 1, 2012. These bonds were issued for the purpose of effecting the conversion of the 2003 Refunded Swap Bonds (consisting of the hedged portion of the Taxable Series 2003A and Series 2003B Nissan North America, Inc. Project Bonds) from a weekly interest rate to a LIBOR Index interest rate by currently refunding the 2003 Refunded Swap Bonds. The Series 2012C Bonds will bear interest at a per annum rate equal to 100% of one month LIBOR plus 0.7% for the Initial Interest Period, reset monthly for each Interest Reset Period commencing on or after September 1, 2012. One month LIBOR will be determined by the Calculation Agent. The Series 2012C Bonds will mature on November 1, 2017.

General Obligation Refunding Bonds (Capital Improvements Projects), Series 2012D (SIFMA Index), totaling \$78,625,000 dated August 1, 2012. These bonds were issued for the purpose of effecting the conversion of the Refunded Capital Improvements Bonds (consisting of the hedged Series 2005 and Series 2007 Capital Improvements Bonds) from a weekly interest rate to an Adjusted SIFMA Rate by currently refunding the Refunded Capital Improvements Bonds. The Series 2012D Bonds will bear interest at the Adjusted SIFMA Rate (the SIFMA Rate plus 0.53% for the initial Adjusted SIFMA Rate). Except for the initial Adjusted SIFMA Rate, the Adjusted SIFMA Rate will be determined by the Calculation Agent. The Series 2012D Bonds will mature serially beginning in year 2014 through 2018.

Taxable General Obligation Refunding Bonds, Series 2012E, totaling \$71,985,000 dated August 28, 2012. The Series 2012E Bonds were issued for the purpose of advance refunding and defeasing the following Taxable Refunding Bonds: \$97,070,000 (original principal amount) Taxable General Obligation Bonds (Local Governments Capital Improvements, 2004 Shipyard Improvements, Development Infrastructure Improvements, Small Municipalities Grant Program, Emerging Crops Fund, Major Economic Program, Rural Impact Program, Business Incubator Program, Existing Industry Program, Job Protection, ACE Fund, Museum Program, Children's Museum Program, 2004-2005 IHL Improvements and Series 2005D Refunding Projects), dated as of December 1, 2005. These bonds mature serially beginning in year 2012 through 2025 with interest rates ranging from 0.38% to 3.027%.

General Obligation Refunding Bonds, Series 2012F (Tax-Exempt), totaling \$171,860,000 dated August 28, 2012. The Series 2012F Bonds were issued for the purpose of advance refunding and defeasing the following Tax-Exempt Refunded Bonds: \$150,235,000 (original principal amount) General Obligation Bonds (Watershed Repair and Rehabilitation Cost-Share Program, Moon Lake State Park, Public Libraries Capital Improvements, DFA Projects, Local System Bridge Replacement and the Rehabilitation Fund, the Rural Fire Truck Act and Refunding Series 2005C Notes Projects), Series 2005, dated as of December 1, 2005; \$167,315,000 (original principal amount) General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B.B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt) Project), Series 2006D, dated as of November 1, 2006; \$299,020,000 (original principal amount) General

Mississippi

Obligation Bonds (Capital Improvements Issue), Series 2007B, dated December 1, 2007. These bonds mature serially beginning in year 2012 through 2025 with interest rates ranging from 1% to 5%.

Taxable General Obligation Bonds, Series 2012G, totaling \$39,740,000 dated October 30, 2012. The Series 2012G Bonds were issued for the purpose of providing funds for the following: Existing Industry Program, ACE Fund, Rural Impact Program, Economic Development Highway Program, Sustainable Energy Program, Railroad Improvement Fund, MDA Workforce Training, 2011 IHL and State Agencies Capital Improvements Act and 2011 Community and Junior Colleges Capital Improvements Act. These bonds mature serially beginning in year 2013 through 2019 with interest rates ranging from 0.36% to 1.9%.

General Obligation Bonds, Series 2012H (Tax-Exempt), totaling \$136,680,000 dated October 30, 2012. The Series 2012H Bonds were issued for the purpose of providing funds for the following: 2010 IHL and State Agencies Capital Improvements Act, 2010 Bureau of Building State-Owned Buildings Discretionary Act, 2011 Community and Junior Colleges Capital Improvements Act, 2011 IHL and State Agencies Capital Improvements Act, 2011 Bureau of Building State-Owned Buildings Discretionary Act, Marine Resources Equipment and Facilities Act, State Highway Bridge Rehabilitation Act and Vision 21 High Priority Projects Act. These bonds mature serially beginning in year 2019 through 2032 with interest rates ranging from 2.875% to 5%.

Novation of swaps associated with Nissan 2003A and Nissan 2003B from Citibank to the Bank of New York Mellon. On September 24, 2012 (the novation date), the State transferred swaps associated with Citibank (the original counterparty) to the Bank of New York Mellon (new counterparty). In the transaction, \$25,000,000 related to the Nissan 2003A swaps were novated along with the \$25,000,000 related to the Nissan 2003B swaps. The new agreement (the ISDA Master Agreement) is also dated as of September 24, 2012. The terms and conditions, including the rate, with the Bank of New York Mellon will remain the same as the terms and conditions entered into with Citibank in March 6, 2007 and March 8, 2007, respectively.

Mississippi

Required Supplementary Information

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 1,816,900	\$ 1,816,900	\$ 1,854,730	\$ 37,830
Individual income tax	1,389,100	1,389,100	1,489,168	100,068
Corporate income and franchise taxes	431,500	431,500	505,306	73,806
Use and wholesale compensating taxes	194,000	194,000	215,879	21,879
Tobacco, beer and wine taxes	194,200	194,200	187,979	(6,221)
Insurance tax	191,400	191,400	193,045	1,645
Oil and gas severance taxes	68,000	68,000	89,913	21,913
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	64,800	64,800	66,669	1,869
Other taxes	7,400	7,400	11,970	4,570
Interest	20,000	20,000	14,678	(5,322)
Auto privilege, tag and title fees	9,000	9,000	8,977	(23)
Gaming fees	159,800	159,800	152,077	(7,723)
Highway Safety Patrol fees	21,100	21,100	20,774	(326)
Other fees and services	12,900	12,900	11,266	(1,634)
Miscellaneous	4,300	4,300	4,587	287
Court assessments and settlements			20,041	20,041
Special Fund revenues				
Total Revenues	4,584,400	4,584,400	4,847,059	262,659
Expenditures by Major Budgetary Function				
Legislative	25,797	24,271	23,931	(340)
Judiciary and justice	62,268	62,268	62,165	(103)
Executive and administrative	2,955	2,955	2,940	(15)
Fiscal affairs	54,224	54,224	54,180	(44)
Public education	2,012,381	2,011,931	2,011,890	(41)
Higher education	763,887	764,012	764,001	(11)
Public health	26,522	26,522	26,513	(9)
Hospitals and hospital schools	235,348	235,348	235,343	(5)
Agriculture, commerce and economic development	104,929	104,929	104,893	(36)
Conservation and recreation	45,790	46,040	46,035	(5)
Insurance and banking				
Corrections	311,000	311,000	310,951	(49)
Interdepartmental service				
Social welfare	312,056	312,056	311,284	(772)
Public protection and veterans assistance	85,684	85,684	85,433	(251)
Local assistance	81,109	81,109	81,109	
Motor vehicle and other regulatory agencies	40	40	22	(18)
Miscellaneous	1,213	1,213	1,211	(2)
Public works				
Debt service	369,564	369,564	369,564	
Total Expenditures	4,494,767	4,493,166	4,491,465	(1,701)
Excess of Revenues over (under) Expenditures	89,633	91,234	355,594	264,360
Other Financing Sources (Uses)				
Transfers in	17,200	17,200	23,534	6,334
Transfers out			(376,405)	(376,405)
Investments purchased, net				
Other sources of cash			24	24
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	106,833	108,434	2,747	(105,687)
Budgetary Fund Balances - Beginning	50,455	50,455	50,455	
Budgetary Fund Balances - Ending	\$ 157,288	\$ 158,889	\$ 53,202	\$ (105,687)

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)
\$ 227,561	\$ 236,068	\$ 260,264	\$ 24,196	\$	\$	\$	\$
21,172	23,168	26,056	2,888				
		13	13				
		2	2				
				12,384,724	14,444,003	10,924,704	(3,519,299)
248,733	259,236	286,335	27,099	12,384,724	14,444,003	10,924,704	(3,519,299)
				14	848	808	(40)
				54,177	68,978	53,690	(15,288)
				13,947	54,531	50,969	(3,562)
				103,304	198,338	149,591	(48,747)
237,148	237,148	237,115	(33)	914,084	1,024,376	899,741	(124,635)
92,586	92,586	92,544	(42)	102,454	102,605	65,993	(36,612)
				386,358	408,168	323,819	(84,349)
				391,917	412,168	372,768	(39,400)
2,966	2,966	2,966		1,129,230	1,130,555	396,694	(733,861)
125	125	125		364,387	528,136	320,940	(207,196)
				50,049	81,551	48,981	(32,570)
				20,737	30,725	28,873	(1,852)
				42,890	55,878	48,301	(7,577)
				6,450,274	7,235,078	6,163,764	(1,071,314)
				964,451	1,392,651	690,168	(702,483)
				28,822	31,215	27,153	(4,062)
450	450	449	(1)	1,620	1,760	1,003	(757)
				1,263,200	1,583,633	1,341,052	(242,581)
				102,809	102,809	24,063	(78,746)
333,275	333,275	333,199	(76)	12,384,724	14,444,003	11,008,371	(3,435,632)
(84,542)	(74,039)	(46,864)	27,175			(83,667)	(83,667)
		81,947	81,947			922	922
						(63,146)	(63,146)
						(1,990)	(1,990)
(84,542)	(74,039)	35,083	109,122			(147,881)	(147,881)
		394	394			1,291,219	1,291,219
\$ (84,542)	\$ (74,039)	\$ 35,477	\$ 109,516	\$ 0	\$ 0	\$ 1,143,338	\$ 1,143,338

Mississippi

Required Supplementary Information

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

For the Year Ended June 30, 2012

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, 2012 is presented below (amounts expressed in thousands):

<u>Budgetary Funds</u>	<u>General</u>	<u>Education Enhancement</u>	<u>Special</u>
<u>Financial Statement Major Fund</u>	<u>General</u>		
Net Change in Budgetary Fund Balances	\$ 2,747	\$ 35,083	\$ (147,881)
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	(91,850)	(35,083)	126,933
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			20,948
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	216,227		
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(344,435)		
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	293,449		
Net Change in GAAP Fund Balances	\$ 76,138	\$ 0	\$ 0

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2012 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)
Public Employees' Retirement System of Mississippi						
2010	\$ 20,143,426	\$ 31,399,988	\$ 11,256,562	64.2%	\$ 5,763,556	195.3%
2011	20,315,165	32,654,465	12,339,300	62.2	5,684,624	217.1
2012	19,992,797	34,492,873	14,500,076	58.0	5,857,789	247.5
Mississippi Highway Safety Patrol Retirement System						
2010	\$ 281,088	\$ 411,277	130,189	68.3%	\$ 26,353	494.0%
2011	278,265	414,432	136,167	67.1	24,872	547.5
2012	268,424	421,415	152,991	63.7	25,670	596.0
Municipal Retirement Systems *						
2009	\$ 191,179	381,036	189,857	50.2%	\$ 1,608	11,807.0%
2010	175,988	372,897	196,909	47.2	1,425	13,818.2
2011	167,604	363,604	196,000	46.1	1,357	14,443.6
Supplemental Legislative Retirement Plan						
2010	\$ 13,241	17,081	3,840	77.5%	\$ 6,605	58.1%
2011	13,606	18,605	4,999	73.1	6,810	73.4
2012	13,268	19,537	6,269	67.9	6,872	91.2

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2012, does not differ materially from the value as of September 30, 2011.

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 2012 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, 2012 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)
June 30, 2010	\$ 0	\$ 727,711	\$ 727,711	0.0%	\$ 4,470,558	16.3%
June 30, 2011	0	652,304	652,304	0.0	4,238,716	15.4%
June 30, 2012	0	664,738	664,738	0.0	4,312,956	15.4%

(This page left blank intentionally)

Nonmajor Governmental Funds

Nonmajor Governmental Funds Descriptions

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are restricted or committed 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 and promote preservation and protection of marine resources.

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 and other capital assets. Such resources are derived principally from proceeds of general obligation bond issues and 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.

Mississippi

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2012 (Expressed in Thousands)

	Special Revenue			
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions
Assets				
Equity in internal investment pool	\$ 30,497	\$ 42,275	\$ 41,832	\$ 50,329
Cash and cash equivalents	30,458		962	117
Investments	79,062		1,300	
Receivables:				
Interest	236	3	9	1
Other	8,117	3	215	536
Due from other governments	4,358	13,464	1,024	192
Due from other funds	1,819	9,623	3,054	125
Due from component units			10	
Total Assets	\$ 154,547	\$ 65,368	\$ 48,406	\$ 51,300
Liabilities				
Warrants payable	\$ 195	\$ 1,721	\$ 81	\$ 387
Accounts payable and accruals	4,672	6,243	831	433
Contracts payable				
Due to other governments	330	2,190	786	2
Due to other funds	8,728	12,146	414	518
Due to component units	854		271	
Unearned revenues	173	14,368		
Other liabilities				27
Total Liabilities	14,952	36,668	2,383	1,367
Fund Balances				
Nonspendable				
Permanent fund principal				
Restricted				
Education				
Health and social services	18,143			
Law, justice and public safety		26,257		
Recreation and resources development			46,023	
Regulation of business and professions				49,933
Capital projects				
Debt service				
Committed				
Health and social services	121,452			
Law, justice and public safety		2,443		
Total Fund Balances	139,595	28,700	46,023	49,933
Total Liabilities and Fund Balances	\$ 154,547	\$ 65,368	\$ 48,406	\$ 51,300

Capital Projects	Permanent	Totals
\$ 405,242	\$ 3,394	\$ 573,569
	702	32,239
	57,953	138,315
78	301	628
	164	9,035
		19,038
		14,621
		10
\$ 405,320	\$ 62,514	\$ 787,455
\$ 98	\$ 48	\$ 2,482
18,222		12,227
		18,222
15		3,308
		21,821
		1,125
		14,541
	416	443
18,335	464	74,169
	54,918	54,918
	5,402	5,402
	694	18,837
		26,257
	1,036	47,059
		49,933
385,039		385,039
1,946		1,946
		121,452
		2,443
386,985	62,050	713,286
\$ 405,320	\$ 62,514	\$ 787,455

Mississippi

Nonmajor Governmental Funds

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Special Revenue			
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions
Revenues				
Taxes:				
Gasoline and other motor fuel	\$	\$	\$ 3,050	\$
Other			25	8
Licenses, fees and permits	14,947	16	5,120	41,963
Federal government	78,731	240,514	13,327	979
Investment income	(8,521)	31	437	95
Charges for sales and services	506	3,168	15,156	35
Rentals		75	9,708	16
Court assessments and settlements	110,915			
Other	23,827	857	87	258
Total Revenues	220,405	244,661	46,910	43,354
Expenditures				
Current:				
Education				
Health and social services	246,349			
Law, justice and public safety		244,533		
Recreation and resources development			44,745	
Regulation of business and professions				37,440
Debt service:				
Interest and other fiscal charges			10	
Capital outlay				
Total Expenditures	246,349	244,533	44,755	37,440
Excess of Revenues over (under) Expenditures	(25,944)	128	2,155	5,914
Other Financing Sources (Uses)				
Bonds issued			2,000	
Insurance recovery			3	
Premiums on bonds issued				
Transfers in	6,098	16,996	1,681	500
Transfers out	(39,806)	(20,619)	(26,368)	(6,207)
Net Other Financing Sources (Uses)	(33,708)	(3,623)	(22,684)	(5,707)
Net Change in Fund Balances	(59,652)	(3,495)	(20,529)	207
Fund Balances - Beginning	199,247	32,195	66,552	49,726
Fund Balances - Ending	\$ 139,595	\$ 28,700	\$ 46,023	\$ 49,933

Capital Projects	Permanent	Totals
\$	\$	\$
		3,050
		33
	548	62,594
		333,551
3,994	2,751	(1,213)
		18,865
		9,799
		110,915
14,938	211	40,178
18,932	3,510	577,772
92,919	122	93,041
		246,349
		244,533
	1,640	46,385
		37,440
1,103		1,113
68,471		68,471
162,493	1,762	737,332
(143,561)	1,748	(159,560)
227,215		229,215
		3
28,475		28,475
20,989		46,264
(56,077)	(1,000)	(150,077)
220,602	(1,000)	153,880
77,041	748	(5,680)
309,944	61,302	718,966
\$ 386,985	\$ 62,050	\$ 713,286

(This page left blank intentionally)

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 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 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, 2012 (Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Department of Finance and Administration	
			Veterans' Memorial Stadium Commission	Office of Surplus Property
Assets				
Current assets:				
Equity in internal investment pool	\$ 1,343	\$ 39,461	\$	\$ 1,065
Cash and cash equivalents	58	33		
Receivables, net:				
Accounts	68	3		26
Interest		644		
Due from other governments	4	22		32
Due from other funds	47			
Inventories				20
Prepaid items		16		
Loans and notes receivable		5,540		
Total Current Assets	1,520	45,719		1,143
Noncurrent assets:				
Loans and notes receivable		160,899		
Capital assets:				
Land and construction in progress	840	226		100
Other capital assets, net	14,654	1,213		287
Total Noncurrent Assets	15,494	162,338		387
Total Assets	17,014	208,057		1,530
Liabilities				
Current liabilities:				
Warrants payable	27	648		25
Accounts payable and other liabilities	83	8		26
Due to other governments				
Due to other funds	18	7		1
Due to component units	1			17
Deposits		1,668		
Unearned revenues	118			
Lease obligations payable				
Total Current Liabilities	247	2,331		69
Noncurrent liabilities:				
Due to other governments				
Lease obligations payable				
Other liabilities	74	40		24
Total Noncurrent Liabilities	74	40		24
Total Liabilities	321	2,371		93
Net Assets				
Invested in capital assets, net of related debt	15,479	1,439		387
Unrestricted	1,214	204,247		1,050
Total Net Assets	\$ 16,693	\$ 205,686	\$ 0	\$ 1,437

Yellow Creek Inland Port Authority	Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		Totals
	AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	
\$ 3,570	\$ 10,629	\$ 429	\$ 191	\$ 937	\$ 42,848
181	3,093		533		14,490
					3,904
					644
					58
	5,952		3	116	6,118
	146	24		221	411
18					34
					5,540
3,769	19,820	75	727	1,274	74,047
607					161,506
3,216		1,690			6,072
11,227		2,252	40	2,781	32,454
15,050		3,942	40	2,781	200,032
18,819	19,820	4,017	767	4,055	274,079
		3		25	728
116	2,717	15	455	192	3,612
174					174
50	945		341		1,362
					18
					1,668
					118
				250	250
340	3,662	18	796	467	7,930
9,812					9,812
				131	131
33		39		181	391
9,845		39		312	10,334
10,185	3,662	57	796	779	18,264
7,153		3,942	40	2,400	30,840
1,481	16,158	18	(69)	876	224,975
\$ 8,634	\$ 16,158	\$ 3,960	\$ (29)	\$ 3,276	\$ 255,815

Mississippi

Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

			Department of Finance and Administration	
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Office of Surplus Property
Operating Revenues				
Charges for sales and services	\$ 4,229	\$ 8	\$	\$ 516
Investment income		8,037		
Rentals		39	(2)	
Fees		67		
Other	336	2		
Total Operating Revenues	4,565	8,153	(2)	516
Operating Expenses				
Cost of sales and services	70			
General and administrative	1,179	816	10	326
Contractual services	3,275	225	1	192
Commodities	337	45	5	77
Depreciation	471	41		47
Other	20	42	38	
Total Operating Expenses	5,352	1,169	54	642
Operating Income (Loss)	(787)	6,984	(56)	(126)
Nonoperating Revenues				
Insurance recovery				
Gain on disposal of capital assets				
Investment income		414		3
Sale of investments				
Total Nonoperating Revenues		414		3
Nonoperating Expenses				
Loss on disposal of capital assets			10,127	105
Interest				
Total Nonoperating Expenses			10,127	105
Income (Loss) before Capital Contributions and Transfers	(787)	7,398	(10,183)	(228)
Capital Contributions				
Transfers In	40			
Transfers Out				(60)
Change in Net Assets	(747)	7,398	(10,183)	(288)
Total Net Assets - Beginning, as restated	17,440	198,288	10,183	1,725
Total Net Assets - Ending	\$ 16,693	\$ 205,686	\$ 0	\$ 1,437

Yellow Creek Inland Port Authority	Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		Totals
	AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	
\$ 1,344	\$ 8,609	\$ 124	\$ 8,306	\$ 1,328	\$ 24,464
818		322		650	8,037
4	942	28	8		1,827
2,166	9,551	474	8,314	1,978	67
					1,320
					35,715
	7,902	73	6,170	800	15,015
505	6,517	419	453	414	10,639
928	1,620	348	469	163	7,221
95	28	99	184	1,104	1,974
581		152	14	209	1,515
310					410
2,419	16,067	1,091	7,290	2,690	36,774
(253)	(6,516)	(617)	1,024	(712)	(1,059)
60					60
30					30
39	51				507
130					130
259	51				727
					10,232
				33	33
				33	10,265
6	(6,465)	(617)	1,024	(745)	(10,597)
		8			8
400	10,640	415	24	776	12,295
			(1,070)	(64)	(1,194)
406	4,175	(194)	(22)	(33)	512
8,228	11,983	4,154	(7)	3,309	255,303
\$ 8,634	\$ 16,158	\$ 3,960	\$ (29)	\$ 3,276	\$ 255,815

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2012 (Expressed in Thousands)

			Department of Finance and Administration	
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Office of Surplus Property
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 4,588	\$ 123	\$ 8	\$ 460
Cash payments to suppliers for goods and services	(3,755)	(332)	(113)	(236)
Cash payments to employees for services	(1,181)	(809)	(9)	(337)
Other operating cash receipts				
Other operating cash payments		(34)		
Principal and interest received on program loans		27,577		
Issuance of program loans		(10,907)		
Net Cash Provided by (Used for) Operating Activities	(348)	15,618	(114)	(113)
Cash Flows from Noncapital Financing Activities				
Transfers in	20			
Transfers out				(60)
Proceeds from other governments				
Net Cash Provided by (Used for) Noncapital Financing Activities	20			(60)
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(13)	(9)		(123)
Proceeds from sale of capital assets				
Principal paid on bonds and capital assets contracts				
Interest paid on bonds and capital assets contracts				
Proceeds from insurance recovery				
Net Cash Used for Capital and Related Financing Activities	(13)	(9)		(123)
Cash Flows from Investing Activities				
Proceeds from sale of investments				
Investment income		414		3
Net Cash Provided by Investing Activities		414		3
Net Change in Cash and Cash Equivalents	(341)	16,023	(114)	(293)
Cash and Cash Equivalents - Beginning	1,742	23,471	114	1,358
Cash and Cash Equivalents - Ending	\$ 1,401	\$ 39,494	\$ 0	\$ 1,065

		Department of Rehabilitation Services	Department of Agriculture and Commerce		Department of Corrections						
Yellow Creek Inland Port Authority		AbilityWorks	Agriculture and Forestry Museum		Restaurants and Commissary	Prison Agricultural Enterprises	Totals				
\$	2,207	\$	5,105	\$	463	\$	8,408	\$	1,937	\$	23,299
	(1,502)		(8,382)		(510)		(6,917)		(2,049)		(23,796)
	(485)		(6,516)		(418)		(438)		(411)		(10,604)
			942		11		8				961
											(34)
											27,577
											(10,907)
	220		(8,851)		(454)		1,061		(523)		6,496
	400		10,640		415		24		779		12,278
							(1,887)		(64)		(2,011)
	712										712
	1,112		10,640		415		(1,863)		715		10,979
	(990)								(49)		(1,184)
	30										30
									(236)		(236)
									(33)		(33)
	60										60
	(900)								(318)		(1,363)
	130										130
	39		51								507
	169		51								637
	601		1,840		(39)		(802)		(126)		16,749
	2,969		8,789		90		993		1,063		40,589
\$	3,570	\$	10,629	\$	51	\$	191	\$	937	\$	57,338

(Continued on Next Page)

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

			Department of	
			Finance and Administration	
	Fair	Veterans'	Veterans'	Office of
	Commission	Home	Memorial	Surplus
		Purchase	Stadium	Property
		Board	Commission	
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (Used for) Operating Activities				
Operating income (loss)	\$ (787)	\$ 6,984	\$ (56)	\$ (126)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	471	41		47
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable, net	(31)			(25)
Interest receivable		36		
Due from other governments	(4)	(3)		(30)
Due from other funds	22		10	
Due from component units	4			
Inventories				(2)
Prepaid items		4		
Loans and notes receivable		8,062		
Increase (decrease) in liabilities:				
Warrants payable	(37)	591	(33)	13
Accounts payable and other liabilities	(30)	(99)	(32)	(5)
Due to other governments	(7)		(2)	(2)
Due to other funds	17	2	(1)	
Due to component units	1			17
Unearned revenues	33			
Total adjustments	439	8,634	(58)	13
Net Cash Provided by (Used for) Operating Activities	\$ (348)	\$ 15,618	\$ (114)	\$ (113)
Noncash Capital and Related Financing Activities				
Capital contributions				
Gain (Loss) on disposal of capital assets			(10,127)	(105)

Yellow Creek Inland Port Authority	Department of Rehabilitation Services	Department of Agriculture and Commerce	Department of Corrections		Totals
	AbilityWorks	Agriculture and Forestry Museum	Restaurants and Commissary	Prison Agricultural Enterprises	
\$ (253)	\$ (6,516)	\$ (617)	\$ 1,024	\$ (712)	\$ (1,059)
581		152	14	209	1,515
(9)	452		105		492
					36
	(3,957)		(3)	(41)	(3,969)
	17	8		3	4
(1)	10				26
50					13
					8,112
		(5)		17	546
(115)	529	8	(79)	3	180
					(11)
(33)	614				599
				(2)	16
					33
473	(2,335)	163	37	189	7,555
\$ 220	\$ (8,851)	\$ (454)	\$ 1,061	\$ (523)	\$ 6,496
30		8			8
					(10,202)

(This page left blank intentionally)

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 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. Funding is provided by premiums collected from active and retired employees, local school districts, and the State's operating fund. 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 assessments of state agencies. Tort claims filed against 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, 2012 (Expressed in Thousands)

	Personnel Board		Information Technology Services		Department of Finance and Administration Risk Management		Totals
Assets							
Current assets:							
Equity in internal investment pool	\$	1,713	\$	9,762	\$	238,388	\$ 249,863
Cash and cash equivalents						117,260	117,260
Investments						1,243	1,243
Receivables:							
Accounts		6		26		46	78
Interest						197	197
Due from other governments		1		265		119	385
Due from other funds		18		4,309		26,107	30,434
Due from component units				241		636	877
Total Current Assets		1,738		14,603		383,996	400,337
Noncurrent assets:							
Investments						31,588	31,588
Other capital assets, net		88		7,469		61	7,618
Total Noncurrent Assets		88		7,469		31,649	39,206
Total Assets		1,826		22,072		415,645	439,543
Liabilities							
Current liabilities:							
Warrants payable		73		270		49	392
Accounts payable and other liabilities		62		1,913		4,682	6,657
Due to other funds		154		29		1,417	1,600
Due to component units						43	43
Claims and benefits payable						105,842	105,842
Unearned revenues						12,575	12,575
Lease obligations payable				295			295
Total Current Liabilities		289		2,507		124,608	127,404
Noncurrent liabilities:							
Claims and benefits payable						37,447	37,447
Lease obligations payable				1,237			1,237
Other liabilities		233		730		119	1,082
Total Noncurrent Liabilities		233		1,967		37,566	39,766
Total Liabilities		522		4,474		162,174	167,170
Net Assets							
Invested in capital assets, net of related debt		88		5,780		61	5,929
Unrestricted		1,216		11,818		253,410	266,444
Total Net Assets	\$	1,304	\$	17,598	\$	253,471	\$ 272,373

Mississippi

Internal Service Funds

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

For the Year Ended June 30, 2012 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			
	Personnel Board	Information Technology Services	Risk Management	Totals
Operating Revenues				
Charges for sales and services/premiums	\$ 5,372	\$ 38,133	\$ 788,875	\$ 832,380
Other		2	40	42
Total Operating Revenues	5,372	38,135	788,915	832,422
Operating Expenses				
General and administrative	3,458	9,417	1,636	14,511
Contractual services	1,465	25,488	39,400	66,353
Commodities	301	366	80	747
Depreciation	72	2,387	13	2,472
Claims and benefits			695,903	695,903
Total Operating Expenses	5,296	37,658	737,032	779,986
Operating Income	76	477	51,883	52,436
Nonoperating Revenues				
Gain on disposal of assets	3			3
Investment income			3,570	3,570
Total Nonoperating Revenues	3		3,570	3,573
Nonoperating Expenses				
Other		16		16
Total Nonoperating Expenses		16		16
Income before Capital Contributions and Transfers	79	461	55,453	55,993
Capital Contributions	7	1,252		1,259
Transfers In		345	272	617
Transfers Out			(162)	(162)
Change in Net Assets	86	2,058	55,563	57,707
Total Net Assets - Beginning, as restated	1,218	15,540	197,908	214,666
Total Net Assets - Ending	\$ 1,304	\$ 17,598	\$ 253,471	\$ 272,373

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2012 (Expressed in Thousands)

			Department of Finance and Administration	
	Personnel Board	Information Technology Services	Risk Management	Totals
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	\$ 5,328	\$ 35,109	\$ 210,809	\$ 251,246
Cash receipts/premiums from customers	62	2,428	577,652	580,142
Cash payments to suppliers for goods and services	(1,849)	(25,561)	(39,297)	(66,707)
Cash payments to employees for services	(3,478)	(9,321)	(1,642)	(14,441)
Cash payments for claims and benefits			(704,544)	(704,544)
Other operating cash receipts		1	1	2
Net Cash Provided by Operating Activities	63	2,656	42,979	45,698
Cash Flows from Noncapital Financing Activities				
Transfers in		345	271	616
Transfers out			(339)	(339)
Net Cash Provided by (Used for) Noncapital Financing Activities		345	(68)	277
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(50)	(1,319)		(1,369)
Proceeds from sale of capital assets	9			9
Net Cash Used for Capital and Related Financing Activities	(41)	(1,319)		(1,360)
Cash Flows from Investing Activities				
Proceeds from sales of investments			9,738	9,738
Purchases of investments			(11,593)	(11,593)
Investment income			3,270	3,270
Net Cash Provided by Investing Activities			1,415	1,415
Net Change in Cash and Cash Equivalents	22	1,682	44,326	46,030
Cash and Cash Equivalents - Beginning	1,691	8,080	311,322	321,093
Cash and Cash Equivalents - Ending	\$ 1,713	\$ 9,762	\$ 355,648	\$ 367,123

(Continued on Next Page)

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 76	\$ 477	\$ 51,883	\$ 52,436
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	72	2,387	13	2,472
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	1	(8)	37	30
Due from other governments	2	(3)	(63)	(64)
Due from other funds	14	(416)	320	(82)
Due from component units	1	(167)	68	(98)
Increase (decrease) in liabilities:				
Warrants payable	(43)	(535)	17	(561)
Accounts payable and other liabilities	(69)	920	47	898
Due to other governments		(3)	(4)	(7)
Due to other funds	9	7	17	33
Due to component units		(3)	12	9
Claims and benefits payable			(8,554)	(8,554)
Unearned revenues			(814)	(814)
Total adjustments	(13)	2,179	(8,904)	(6,738)
Net Cash Provided by Operating Activities	\$ 63	\$ 2,656	\$ 42,979	\$ 45,698

Noncash Capital and Related Financing and Investing Activities

Capital contributions	7	1,252		1,259
Capital lease		1,532		1,532
Gain on disposal of capital assets	3			3
Change in market value of investments			330	330

(This page left blank intentionally)

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, 2012 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	\$ 408	\$	\$
Cash and cash equivalents	494,293	6,634	4,019
Investments, at fair value:			
Short-term securities	169,154	2,274	1,378
Debt securities	4,824,431	64,861	39,294
Equity securities	12,273,491	165,009	99,963
Private equity	439,392	5,907	3,579
Real estate investments	1,445,619	19,435	11,774
Asset allocation fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	1,541,028	20,794	12,597
Debt securities	1,978,127	26,692	16,170
Receivables:			
Employer contributions	59,765		559
Employee contributions	41,267		10
Investment proceeds	494,982	6,655	4,031
Interest and dividends	71,490	961	582
Other	671	891	3
Capital assets:			
Land and construction in progress	7,260		
Other capital assets, net	14,930		
Total Assets	23,856,308	320,113	193,959
Liabilities			
Warrants payable	140		
Accounts payable and accruals	556,540	7,408	4,500
Due to other funds	4		11
Obligations under securities lending	3,518,237	47,473	28,760
Total Liabilities	4,074,921	54,881	33,271
Net Assets			
Held in trust for pension benefits	\$ 19,781,387	\$ 265,232	\$ 160,688

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$	\$	\$
331	3,230	408
		508,507
113	23,433	196,352
3,231	66,755	4,998,572
8,221	585,756	13,132,440
294		449,172
968		1,477,796
	61,826	61,826
	546,113	546,113
	341	341
1,036		1,575,455
1,330		2,022,319
		60,324
	2,259	43,536
331		505,999
48	278	73,359
		1,565
		7,260
		14,930
15,903	1,289,991	25,676,274
		140
369	180	568,997
		15
2,365		3,596,835
2,734	180	4,165,987
\$	\$	\$
13,169	1,289,811	21,510,287

Mississippi

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2012 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	\$ 768,914	\$ 8,798	\$ 23,449
Employee	545,587	1,946	121
Total Contributions	1,314,501	10,744	23,570
Net Investment Income:			
Net change in fair value of investments	(421,753)	(5,691)	(3,448)
Interest and dividends	507,764	6,852	4,151
Securities lending:			
Income from securities lending	19,598	264	160
Interest expense and trading costs from securities lending	(2,682)	(36)	(22)
Managers' fees and trading costs	(43,332)	(584)	(354)
Net Investment Income	59,595	805	487
Other Additions:			
Administrative fees	655		
Other	9	3,246	
Total Other Additions	664	3,246	
Total Additions	1,374,760	14,795	24,057
Deductions			
Retirement annuities	1,862,826	26,926	35,348
Refunds to terminated employees	93,379	24	3
Administrative expenses	13,744	176	469
Depreciation	660		
Total Deductions	1,970,609	27,126	35,820
Change in Net Assets	(595,849)	(12,331)	(11,763)
Net Assets - Beginning	20,377,236	277,563	172,451
Net Assets - Ending	\$ 19,781,387	\$ 265,232	\$ 160,688

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$ 490	\$ 972	\$ 802,623
206	83,619	631,479
696	84,591	1,434,102
(284)	(3,418)	(434,594)
341	15,782	534,890
13		20,035
(2)		(2,742)
(29)		(44,299)
39	12,364	73,290
		655
		3,255
		3,910
735	96,955	1,511,302
1,268	100,008	2,026,376
25		93,431
10		14,399
		660
1,303	100,008	2,134,866
(568)	(3,053)	(623,564)
13,737	1,292,864	22,133,851
\$ 13,169	\$ 1,289,811	\$ 21,510,287

Mississippi

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
Assets				
Equity in internal investment pool	\$ 675	\$ 6,367	\$	\$ 7,042
Cash and cash equivalents	162	55,717	6,943	62,822
Receivables, net:				
Other	467	1	81	549
Commodity inventory		496		496
Total Assets	\$ 1,304	\$ 62,581	\$ 7,024	\$ 70,909
Liabilities				
Warrants payable	\$ 101	\$ 40	\$	\$ 141
Accounts payable and accruals		35,481	1,450	36,931
Due to other governments	1,203	1		1,204
Amounts held in custody for others		27,059	5,574	32,633
Total Liabilities	\$ 1,304	\$ 62,581	\$ 7,024	\$ 70,909

Mississippi

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2012 (Expressed in Thousands)

Fund	Assets				
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Commodity Inventory	Total Assets
Local Government Distributive:					
Balance - Beginning	\$ 426	\$ 232	\$ 375	\$	\$ 1,033
Additions	40,619	256	467		41,342
Deductions	40,370	326	375		41,071
Balance - Ending	675	162	467		1,304
Program:					
Balance - Beginning	6,187	26,009		786	32,982
Additions	2,120	95,782	1	15,082	112,985
Deductions	1,940	66,074		15,372	83,386
Balance - Ending	6,367	55,717	1	496	62,581
Institutional:					
Balance - Beginning		6,840	56		6,896
Additions		25,206	98		25,304
Deductions		25,103	73		25,176
Balance - Ending		6,943	81		7,024
Total - All Agency Funds:					
Balance - Beginning	6,613	33,081	431	786	40,911
Additions	42,739	121,244	566	15,082	179,631
Deductions	42,310	91,503	448	15,372	149,633
Balance - Ending	\$ 7,042	\$ 62,822	\$ 549	\$ 496	\$ 70,909
Liabilities					
Fund	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	Total Liabilities
Local Government Distributive:					
Balance - Beginning	\$ 27	\$	\$ 1,006	\$	\$ 1,033
Additions	35,526	441	1,631		37,598
Deductions	35,452	441	1,434		37,327
Balance - Ending	101	0	1,203		1,304
Program:					
Balance - Beginning	53	20,197	1	12,731	32,982
Additions	1,433	35,762		75,730	112,925
Deductions	1,446	20,478		61,402	83,326
Balance - Ending	40	35,481	1	27,059	62,581
Institutional:					
Balance - Beginning		1,514		5,382	6,896
Additions		905		24,641	25,546
Deductions		969		24,449	25,418
Balance - Ending		1,450		5,574	7,024
Total - All Agency Funds:					
Balance - Beginning	80	21,711	1,007	18,113	40,911
Additions	36,959	37,108	1,631	100,371	176,069
Deductions	36,898	21,888	1,434	85,851	146,071
Balance - Ending	\$ 141	\$ 36,931	\$ 1,204	\$ 32,633	\$ 70,909

(This page left blank intentionally)

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, 2012 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	\$ 1,973	\$	\$
Cash and cash equivalents	1,085	1,035	1,391
Investments	12,950	2,732	3,898
Receivables, net	43	491	12
Due from other governments			
Due from primary government			
Inventories			
Prepaid items		167	
Other assets			
Total Current Assets	16,051	4,425	5,301
Noncurrent assets:			
Restricted assets:			
Investments		7,000	
Capital assets:			
Land and construction in progress		4,046	
Other capital assets, net	56	119,183	18
Total Noncurrent Assets	56	130,229	18
Total Assets	16,107	134,654	5,319
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	84	354	
Due to primary government			
Deposits		228	45
Unearned revenues		225	
Lease obligations payable			
Total Current Liabilities	84	807	45
Noncurrent liabilities:			
Lease obligations payable			
Other liabilities	60		
Total Noncurrent Liabilities	60		
Total Liabilities	144	807	45
Net Assets			
Invested in capital assets, net of related debt	56	123,228	18
Restricted for:			
Other purposes			
Permanent endowments:			
Nonexpendable		7,000	
Unrestricted	15,907	3,619	5,256
Total Net Assets	\$ 15,963	\$ 133,847	\$ 5,274

Mississippi Prison Industries Corporation	Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District	Tombigbee River Valley Water Management District	Totals
\$	\$	\$	\$	\$	\$
757	2,363	174	6,530	4,657	1,973
4,000	4,696	4,388		4,038	17,992
500	1	5	1,816	99	36,702
	44	187		49	2,967
64	34	1	7		280
1,003	21				106
30		16			1,024
14					213
6,368	7,159	4,771	8,353	8,843	14
					61,271
					7,000
404	1,834	1,610	8,222	930	17,046
3,454	5,104	1,429	31,809	1,636	162,689
3,858	6,938	3,039	40,031	2,566	186,735
10,226	14,097	7,810	48,384	11,409	248,006
242	1,944	25	1,328	89	4,066
4	314	8	290	20	636
	8				281
19					244
	42				42
265	2,308	33	1,618	109	5,269
	228				228
	150	29	381	82	702
	378	29	381	82	930
265	2,686	62	1,999	191	6,199
3,858	6,669	3,039	40,031	2,566	179,465
		4,380	3		4,383
					7,000
6,103	4,742	329	6,351	8,652	50,959
\$ 9,961	\$ 11,411	\$ 7,748	\$ 46,385	\$ 11,218	\$ 241,807

Mississippi

Nonmajor Component Units

Combining Statement of Activities

For the Year Ended June 30, 2012 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Mississippi Business Finance Corporation	\$ 1,139	\$ 748	\$	\$	(391)
Mississippi Coast Coliseum Commission	9,258	5,885	33		(3,340)
Mississippi Development Bank	349	195			(154)
Mississippi Prison Industries Corporation	6,672	6,696			24
Pat Harrison Waterway District	6,015	3,046	2,648		(321)
Pearl River Basin Development District	790	99		151	(540)
Pearl River Valley Water Supply District	11,699	10,965		2,962	2,228
Tombigbee River Valley Water Management District	4,109	225			0 (3,884)
Total	\$ 40,031	\$ 27,859	\$ 2,681	\$ 3,113	\$ (6,378)

General Revenues					
Investment Income		Other	Change in Net Assets	Net Assets - Beginning	Net Assets - Ending
\$	318	\$	(73)	\$ 16,036	\$ 15,963
	322		(3,018)	136,865	133,847
	75	1,310	1,231	4,043	5,274
	7		31	9,930	9,961
	33		(288)	11,699	11,411
	12	587	59	7,689	7,748
			2,228	44,157	46,385
	83	1,540	(2,261)	13,479	11,218
\$	850	\$ 3,437	\$ (2,091)	\$ 243,898	\$ 241,807

(This page left blank intentionally)

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.

Table 1 – Net Assets by Component.....	136
Table 2 – Changes in Net Assets	138
Table 3 – Fund Balances of Governmental Funds.....	142
Table 4 – Changes in Fund Balances of Governmental Funds.....	144

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.

Table 5 – Taxable Sales by Industry	148
Table 6 – Sales Tax Revenue Payers by Industry.....	148

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.

Table 7 – Ratios of Outstanding Debt by Type.....	150
Table 8 – Legal Debt Margin	152

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.

Table 9 – Demographic and Economic Statistics.....	153
Table 10 – Employment by Industry	153
Table 11 – Public School Enrollment	154
Table 12 – Community and Junior College Enrollment	154
Table 13 – University Enrollment.....	154

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.

Table 14 – Capital Asset Statistics by Function	156
Table 15 – State Government Employees by Function	158
Table 16 – Operating Indicators by Function	160

Mississippi

Net Assets by Component

Last Ten Fiscal Years

Table 1

Accrual Basis of Accounting (Expressed in Thousands)

	2012	2011	2010	2009
Governmental activities				
Invested in capital assets, net of related debt	\$ 12,667,849	\$ 11,845,579	\$ 11,408,744	\$ 10,980,353
Restricted	3,643,013	3,480,202	655,192	625,174
Unrestricted	(3,132,568)	(2,680,509)	(267,768)	(336,905)
Total governmental activities net assets	\$ 13,178,294	\$ 12,645,272	\$ 11,796,168	\$ 11,268,622
Business-type activities				
Invested in capital assets, net of related debt	\$ 209,497	\$ 216,682	\$ 208,101	\$ 195,171
Restricted	540,875	433,703	433,216	614,988
Unrestricted	228,423	250,052	202,455	192,005
Total business-type activities net assets	\$ 978,795	\$ 900,437	\$ 843,772	\$ 1,002,164
Primary Government				
Invested in capital assets, net of related debt	\$ 12,877,346	\$ 12,062,261	\$ 11,616,845	\$ 11,175,524
Restricted	4,183,888	3,913,905	1,088,408	1,240,162
Unrestricted	(2,904,145)	(2,430,457)	(65,313)	(144,900)
Total primary government net assets	\$ 14,157,089	\$ 13,545,709	\$ 12,639,940	\$ 12,270,786

Note: This table has been restated for prior period adjustments.

2008	2007	2006	2005	2004	2003
\$ 10,642,484	\$ 9,770,760	\$ 8,883,410	\$ 8,306,585	\$ 7,915,868	\$ 7,173,292
667,456	477,321	427,128	336,262	476,794	636,014
29,649	575,042	159,530	(120,923)	(122,396)	568,556
\$ 11,339,589	\$ 10,823,123	\$ 9,470,068	\$ 8,521,924	\$ 8,270,266	\$ 8,377,862
\$ 161,144	\$ 136,836	\$ 112,393	\$ 143,055	\$ 138,166	\$ 133,594
778,010	784,367	789,759	807,059	750,915	739,605
209,175	243,751	209,745	169,590	157,241	132,382
\$ 1,148,329	\$ 1,164,954	\$ 1,111,897	\$ 1,119,704	\$ 1,046,322	\$ 1,005,581
\$ 10,803,628	\$ 9,907,596	\$ 8,995,803	\$ 8,449,640	\$ 8,054,034	\$ 7,306,886
1,445,466	1,261,688	1,216,887	1,143,321	1,227,709	1,375,619
238,824	818,793	369,275	48,667	34,845	700,938
\$ 12,487,918	\$ 11,988,077	\$ 10,581,965	\$ 9,641,628	\$ 9,316,588	\$ 9,383,443

Mississippi

Changes in Net Assets

Last Ten Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)

	2012	2011	2010	2009
Expenses				
Governmental activities:				
General government	\$ 1,959,116	\$ 1,881,692	\$ 2,011,806	\$ 2,052,954
Education	4,126,252	4,138,774	4,082,117	4,093,018
Health and social services ¹	7,074,781	6,873,932	6,747,426	6,139,808
Law, justice and public safety ²	878,668	1,013,451	1,095,181	1,052,434
Recreation and resources development ³	722,713	1,008,883	1,058,604	1,127,670
Regulation of business and professions	37,578	37,457	38,188	37,215
Transportation	555,955	600,224	689,802	683,663
Interest on long-term debt	229,561	223,856	146,732	209,516
Total governmental activities expenses	15,584,624	15,778,269	15,869,856	15,396,278
Business-type activities:				
Unemployment compensation ⁴	408,399	520,790	669,679	422,764
Port Authority at Gulfport	51,950	30,276	23,243	15,239
Prepaid affordable college tuition	56,568	45,754	42,183	20,316
Other business-type	47,009	40,702	38,074	40,392
Total business-type activities expenses	563,926	637,522	773,179	498,711
Total primary government expenses	\$ 16,148,550	\$ 16,415,791	\$ 16,643,035	\$ 15,894,989
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,226,107	\$ 1,183,632	\$ 1,214,243	\$ 1,149,464
Education	37,491	36,151	51,848	29,721
Health and social services	659,245	622,266	569,685	563,917
Law, justice and public safety	102,689	101,992	99,098	103,178
Recreation and resources development	90,643	132,401	145,988	84,984
Regulation of business and professions	42,229	43,005	41,644	40,727
Transportation	32,865	36,335	7,787	51,695
Operating grants and contributions ⁵	7,038,237	7,896,876	7,795,111	6,847,036
Capital grants and contributions	612,734	603,098	643,843	556,571
Total governmental activities program revenues	9,842,240	10,655,756	10,569,247	9,427,293
Business-type activities:				
Charges for services:				
Unemployment compensation ⁶	274,063	209,318	84,916	90,301
Port Authority at Gulfport	15,140	27,807	14,652	16,865
Prepaid affordable college tuition	22,458	21,764	21,799	19,374
Other business-type	27,738	39,319	36,811	38,532
Operating grants and contributions ⁷	244,325	310,704	382,141	141,038
Capital grants and contributions	246	16	24	954
Total business-type activities program revenues	583,970	608,928	540,343	307,064
Total primary government program revenues	\$ 10,426,210	\$ 11,264,684	\$ 11,109,590	\$ 9,734,357
Net (Expense) Revenue				
Governmental activities	\$ (5,742,384)	\$ (5,122,513)	\$ (5,300,609)	\$ (5,968,985)
Business-type activities	20,044	(28,594)	(232,836)	(191,647)
Total primary government net expense	\$ (5,722,340)	\$ (5,151,107)	\$ (5,533,445)	\$ (6,160,632)

2008	2007	2006	2005	2004	2003
\$ 2,000,778	\$ 1,803,339	\$ 1,826,995	\$ 1,683,021	\$ 1,648,142	\$ 1,453,788
4,163,587	3,961,573	3,668,314	3,344,598	3,292,951	3,139,812
5,609,247	5,311,270	5,180,153	5,074,151	4,776,214	4,290,392
1,173,359	1,152,359	1,384,238	566,146	549,662	517,753
1,261,268	1,932,646	364,796	423,983	461,243	465,393
36,318	33,192	30,944	30,355	34,269	32,059
643,867	581,446	728,716	531,775	516,130	443,155
196,277	167,233	150,556	150,555	149,764	145,345
15,084,701	14,943,058	13,334,712	11,804,584	11,428,375	10,487,697
143,013	143,348	242,134	138,825	198,147	251,010
12,614	10,349	17,221	14,957	13,879	13,339
40,972	38,391	29,983	33,226	12,253	4,778
34,204	37,559	49,737	45,560	44,194	41,421
230,803	229,647	339,075	232,568	268,473	310,548
\$ 15,315,504	\$ 15,172,705	\$ 13,673,787	\$ 12,037,152	\$ 11,696,848	\$ 10,798,245

\$ 1,135,546	\$ 1,059,532	\$ 944,744	\$ 1,041,597	\$ 842,566	\$ 806,664
27,838	33,991	29,784	24,857	20,925	25,639
507,876	480,944	446,315	465,923	420,116	477,577
100,206	147,360	81,807	76,864	68,089	60,811
85,610	69,949	64,182	60,230	57,470	58,247
39,491	36,173	28,223	32,315	37,170	35,397
40,243	35,192	26,762	29,477	38,299	44,136
6,462,823	7,125,688	6,058,258	4,636,824	4,553,738	4,066,898
795,572	960,369	792,929	415,530	389,686	410,636
9,195,205	9,949,198	8,473,004	6,783,617	6,428,059	5,986,005

100,840	106,256	104,548	158,695	149,726	118,671
22,569	30,166	7,609	21,892	21,578	20,931
21,121	21,343	21,513	19,679	551	1,938
33,522	37,083	40,644	37,604	35,125	31,065
10,069	9,745	93,156	5,905	31,930	53,006
1,838	3,900	539	159	278	903
189,959	208,493	268,009	243,934	239,188	226,514
\$ 9,385,164	\$ 10,157,691	\$ 8,741,013	\$ 7,027,551	\$ 6,667,247	\$ 6,212,519

\$ (5,889,496)	\$ (4,993,860)	\$ (4,861,708)	\$ (5,020,967)	\$ (5,000,316)	\$ (4,501,692)
(40,844)	(21,154)	(71,066)	11,366	(29,285)	(84,034)
\$ (5,930,340)	\$ (5,015,014)	\$ (4,932,774)	\$ (5,009,601)	\$ (5,029,601)	\$ (4,585,726)

(Continued on Next Page)

Mississippi

Changes in Net Assets

Table 2

Last Ten Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2012	2011	2010	2009
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Sales and use ⁸	\$ 3,031,689	\$ 2,935,523	\$ 2,885,064	\$ 2,961,865
Gasoline and other motor fuel	419,811	420,410	406,279	411,729
Individual income	1,572,334	1,374,843	1,385,623	1,415,091
Corporate income and franchise	476,423	477,443	416,978	420,739
Insurance	209,937	192,146	197,970	187,050
Other	551,119	520,689	511,351	461,064
Gain on sale of assets				
Investment income	50,607	91,185	54,935	83,119
Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery				
Transfers	(36,514)	(22,871)	(29,896)	(42,639)
Total governmental activities	6,275,406	5,989,368	5,828,304	5,898,018
Business-type activities:				
Gain on sale of assets				
Investment income	21,800	62,388	44,548	2,843
Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery				
Transfers	36,514	22,871	29,896	42,639
Total business-type activities	58,314	85,259	74,444	45,482
Total primary government	\$ 6,333,720	\$ 6,074,627	\$ 5,902,748	\$ 5,943,500
Change in Net Assets				
Governmental activities	\$ 533,022	\$ 866,855	\$ 527,695	\$ (70,967)
Business-type activities	78,358	56,665	(158,392)	(146,165)
Total primary government	\$ 611,380	\$ 923,520	\$ 369,303	\$ (217,132)

Note: This table has been restated for prior period adjustments.

¹ 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.

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

³ 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.

⁴ 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.

⁵ 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.

	2008	2007	2006	2005	2004	2003
\$	3,166,130	\$ 3,161,005	\$ 3,075,657	\$ 2,626,792	\$ 2,459,718	\$ 2,418,763
	438,676	444,489	442,190	433,307	432,892	418,941
	1,503,869	1,501,334	1,204,055	1,243,192	1,039,488	1,084,999
	500,996	469,182	425,091	365,140	320,057	289,441
	194,129	192,861	169,727	165,955	160,757	149,458
	459,483	397,515	385,810	362,526	352,800	348,744
			585	2,964	534	296
	145,465	184,500	122,553	79,306	130,767	92,243
			(9,871)			
	(2,786)	(3,971)	(5,945)	(6,557)	(4,293)	(761)
	6,405,962	6,346,915	5,809,852	5,272,625	4,892,720	4,802,124
			7			
	21,433	70,240	55,974	55,459	65,733	57,374
			1,333			
	2,786	3,971	5,945	6,557	4,293	761
	24,219	74,211	63,259	62,016	70,026	58,135
\$	6,430,181	\$ 6,421,126	\$ 5,873,111	\$ 5,334,641	\$ 4,962,746	\$ 4,860,259
\$	516,466	\$ 1,353,055	\$ 948,144	\$ 251,658	\$ (107,596)	\$ 300,432
	(16,625)	53,057	(7,807)	73,382	40,741	(25,899)
\$	499,841	\$ 1,406,112	\$ 940,337	\$ 325,040	\$ (66,855)	\$ 274,533

⁶ Unemployment Compensation Charges for Services increased from 2010 to 2011. Employer assessments grew because the taxable wage base doubled.

⁷ 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 .

⁸ 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

Table 3

Last Ten Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2012	2011
General Fund		
Nonspendable	\$ 52,236	\$ 52,571
Restricted	3,001,386	2,895,706
Committed	69,044	198,340
Assigned	45,757	110,648
Unassigned	452,744	287,764
Total General Fund	<u>\$ 3,621,167</u>	<u>\$ 3,545,029</u>

All Other Governmental Funds		
Nonspendable	\$ 54,918	\$ 54,476
Restricted	534,473	477,449
Committed	123,895	187,041
Total All Other Governmental Funds	<u>\$ 713,286</u>	<u>\$ 718,966</u>

	2010	2009	2008	2007
General Fund				
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>
All Other Governmental Funds				
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: Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement 54 but were not restated for prior years. However, this table has been restated for prior period adjustments.

2006	2005	2004	2003
\$ 702,417	\$ 709,505	\$ 593,863	\$ 576,966
1,253,819	715,549	875,888	868,595
\$ 1,956,236	\$ 1,425,054	\$ 1,469,751	\$ 1,445,561
\$ 306,171	\$ 308,032	\$ 68,051	\$ 59,196
427,942	469,379	787,576	708,736
250,799	191,010	321,678	400,602
49,385	41,818	47,008	107,782
1,003	2,104	3,210	4,037
\$ 1,035,300	\$ 1,012,343	\$ 1,227,523	\$ 1,280,353

Mississippi

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Table 4

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2012	2011	2010	2009
Revenues				
Taxes				
Sales and use ¹	\$ 3,037,136	\$ 2,916,298	\$ 2,848,169	\$ 3,008,042
Gasoline and other motor fuel	415,508	415,200	406,837	412,206
Individual income	1,551,576	1,409,473	1,337,000	1,441,141
Corporate income and franchise	497,879	447,322	413,930	420,482
Insurance	209,937	192,146	197,970	187,050
Other	551,119	520,689	511,351	461,064
Licenses, fees and permits	533,573	519,033	505,314	527,099
Federal government ²	7,647,096	8,496,243	8,434,957	7,402,207
Investment income	47,037	88,553	96,596	69,725
Charges for sales and services	347,252	379,741	311,236	351,618
Rentals	27,641	29,044	27,844	24,008
Court assessments and settlements	156,163	145,462	188,337	130,762
Refund of prior year disaster payments				
Other	535,500	511,610	521,636	410,345
Total Revenues	15,557,417	16,070,814	15,801,177	14,845,749
Expenditures				
General government	1,414,395	1,301,010	1,377,855	1,392,656
Education	4,121,827	4,134,654	4,076,285	4,090,971
Health and social services ³	7,064,468	6,863,679	6,711,466	6,129,997
Law, justice and public safety ⁴	933,574	953,468	1,053,017	1,069,705
Recreation and resources development ⁵	715,739	1,002,286	1,055,786	1,138,031
Regulation of business and professions	37,440	37,713	37,847	36,450
Transportation	1,204,625	1,168,090	1,180,908	1,134,357
Debt service				
Principal	290,870	316,103	321,825	419,973
Interest and other fiscal charges	240,940	226,906	163,207	210,654
Defeasance of debt			2,505	
Capital outlay	68,471	84,671	98,825	80,378
Total Expenditures	16,092,349	16,088,580	16,079,526	15,703,172
Excess of revenues over (under) expenditures	\$ (534,932)	\$ (17,766)	\$ (278,349)	\$ (857,423)

2008	2007	2006	2005	2004	2003
\$ 3,146,711	\$ 3,136,554	\$ 3,074,831	\$ 2,609,936	\$ 2,488,055	\$ 2,377,996
437,810	445,876	443,150	432,023	433,091	418,049
1,523,231	1,486,074	1,213,733	1,224,403	1,054,479	1,021,967
503,165	477,166	412,839	363,361	320,848	287,335
194,129	192,861	169,727	165,955	160,757	149,458
459,483	397,515	385,810	362,526	352,800	348,744
547,844	499,787	448,482	444,257	428,412	412,367
7,197,515	8,079,581	6,844,298	5,050,410	4,943,360	4,477,533
132,566	174,142	118,888	76,874	130,333	86,974
327,874	310,769	279,899	265,089	258,217	241,153
24,353	18,559	13,004	19,564	16,651	16,320
139,803	159,131	113,135	209,541	109,796	172,099
	55,557				
345,593	309,521	281,908	349,625	299,009	312,856
14,980,077	15,743,093	13,799,704	11,573,564	10,995,808	10,322,851
1,430,623	1,345,200	1,379,847	1,227,277	1,219,944	1,191,877
4,155,180	3,949,505	3,663,082	3,341,991	3,211,882	3,022,046
5,601,993	5,302,796	5,176,071	5,057,704	4,775,753	4,291,837
1,385,082	1,172,469	1,364,750	567,718	551,354	522,509
1,203,801	1,926,281	351,801	410,624	482,235	484,955
35,841	33,364	30,981	30,574	34,163	32,096
1,178,966	1,390,677	1,284,905	911,974	925,757	876,269
295,060	277,538	261,878	239,525	216,287	194,318
210,311	184,346	177,228	152,766	153,272	146,429
		2,138	1,386	1,689	3,959
110,620	88,575	69,604	85,443	77,839	114,941
15,607,477	15,670,751	13,762,285	12,026,982	11,650,175	10,881,236
\$ (627,400)	\$ 72,342	\$ 37,419	\$ (453,418)	\$ (654,367)	\$ (558,385)

(Continued on Next Page)

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Ten Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2012	2011	2010	2009
Other Financing Sources (Uses)				
Bonds and notes issued	\$ 603,030	\$ 569,794	\$ 581,972	\$ 362,720
Capital leases issued	9,524	8,009	2,987	10,759
Discounts on bonds and notes issued				
Insurance recovery	332	185	1,822	8,838
Payments on refunded bond anticipation notes	(19,000)	(105,105)	(241,100)	
Payments on refunded bonds and notes		(183,105)	(141,892)	
Payments to bond escrow agent				(1,992)
Payments to refunded bond, note and lease escrow agents	(115,002)		(41,998)	(82,265)
Premiums on bonds, notes, and refunding bonds and notes issued	40,400	13,114	10,562	13,916
Refunding bonds and notes issued	123,075	284,453	413,965	76,460
Transfers in	196,971	138,686	756,592	335,056
Transfers out	(233,940)	(161,936)	(786,417)	(363,090)
Net Other Financing Sources (Uses)	605,390	564,095	556,493	360,402
Extraordinary Item				
Insurance recovery from hurricane damage				
Net Change in Fund Balances	\$ 70,458	\$ 546,329	\$ 278,144	\$ (497,021)
Debt Service as a Percentage of Noncapital Expenditures	3.6%	3.6%	3.2%	4.3%

Note: This table has been restated for prior period adjustments.

¹ 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.

² 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.

³ 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.

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

	2008		2007		2006		2005		2004		2003
\$	721,172	\$	714,400	\$	486,780	\$	188,494	\$	625,015	\$	239,000
	724		5,497		11,324		3,975		4,834		6,046
	(390)		(250)		(242)						
	3,874		781		4,408						
			(33,000)								
	(191,894)		(147,765)		(50,462)		(6,882)		(180,678)		(536,921)
	19,613		29,209		15,442		874		7,865		59,728
	208,955		175,365		51,870		7,215		172,505		486,970
	387,993		616,239		498,623		294,453		304,180		248,954
	(389,703)		(620,606)		(501,943)		(294,588)		(307,994)		(250,919)
	760,344		739,870		515,800		193,541		625,727		252,858
					920						
\$	132,944	\$	812,212	\$	554,139	\$	(259,877)	\$	(28,640)	\$	(305,527)
	3.5%		3.2%		3.4%		3.5%		3.4%		3.4%

⁵ 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

	2011	2010	2009	2008
Automotive	\$ 5,443,950	\$ 4,864,021	\$ 5,023,772	\$ 6,083,873
Contracting	5,694,497	6,088,260	7,771,199	7,887,529
Food and Beverage	7,889,072	7,712,477	7,658,372	7,502,956
Furniture	864,544	874,401	858,990	959,992
General Merchandise	7,592,421	7,496,027	7,697,208	7,339,220
Lumber and Building Materials	2,587,393	2,510,439	2,870,910	3,423,567
Machinery, Equipment and Supplies	2,704,961	2,380,929	2,655,964	2,962,978
Miscellaneous Retail	3,453,367	3,339,710	3,567,676	3,743,749
Miscellaneous Services	2,796,299	2,580,111	2,829,490	2,823,849
Public Utilities	4,174,681	4,299,562	4,383,720	4,225,268
Recreation	145,519	144,896	136,388	134,763
Wholesale	785,349	756,599	763,532	749,042
Total taxable sales	\$ 44,132,053	\$ 43,047,432	\$ 46,217,221	\$ 47,836,786
Gross tax collections	\$ 2,725,830	\$ 2,652,437	\$ 2,809,904	\$ 2,893,966
Average effective rate	6.18%	6.16%	6.08%	6.05%

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2011.

Source: Mississippi Department of Revenue

Sales Tax Revenue Payers by Industry

Fiscal Years 2011 and 2002

Table 6

	2011			
	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Automotive	9,006	11.5 %	\$ 314,515	11.6 %
Contracting	9,984	12.7	219,548	8.1
Food and Beverage	13,464	17.2	552,228	20.3
Furniture	1,959	2.5	60,516	2.2
General Merchandise	5,025	6.4	531,907	19.5
Lumber and Building Materials	4,571	5.8	181,113	6.6
Machinery, Equipment and Supplies	5,961	7.6	143,102	5.2
Miscellaneous Retail	20,480	26.2	238,128	8.7
Miscellaneous Services	6,077	7.8	192,528	7.1
Public Utilities	1,176	1.5	227,085	8.3
Recreation	573	0.7	10,186	0.4
Wholesale	37	0.1	54,974	2.0
Total	78,313	100.0 %	\$ 2,725,830	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 2011.

Source: Mississippi Department of Revenue

2007	2006	2005	2004	2003	2002
\$ 6,425,719	\$ 6,659,353	\$ 6,146,219	\$ 6,153,868	\$ 5,993,019	\$ 6,102,300
7,289,281	6,077,508	4,450,580	4,227,714	4,062,074	4,074,641
7,183,345	6,860,282	6,667,695	6,585,188	6,181,754	6,329,716
1,017,087	1,011,007	759,240	740,400	724,376	730,471
7,517,150	7,389,359	6,627,840	6,350,285	5,994,698	5,809,645
3,892,931	3,944,938	2,675,275	2,384,863	2,016,383	1,915,703
3,065,223	2,883,980	2,253,956	2,056,435	2,079,293	2,124,054
3,741,915	3,562,267	3,317,464	3,480,913	3,700,174	3,305,031
2,605,241	2,582,114	1,944,014	1,881,371	1,695,247	1,687,695
4,160,798	4,323,055	3,687,135	3,332,978	3,207,453	3,113,292
135,866	119,248	110,930	116,464	108,309	107,782
728,840	721,747	758,074	744,355	718,041	704,607
\$ 47,763,396	\$ 46,134,858	\$ 39,398,422	\$ 38,054,834	\$ 36,480,821	\$ 36,004,937
\$ 2,899,368	\$ 2,807,350	\$ 2,421,537	\$ 2,338,086	\$ 2,208,570	\$ 2,199,918
6.07%	6.09%	6.15%	6.14%	6.05%	6.11%

2002

Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
11,145	13.8 %	\$ 332,746	15.0 %
7,664	9.5	148,834	6.8
14,921	18.4	441,369	20.1
2,799	3.4	51,045	2.3
5,050	6.2	407,174	18.5
5,274	6.5	131,930	6.0
5,827	7.2	117,751	5.4
21,253	26.2	223,920	10.2
5,590	6.9	117,971	5.4
1,040	1.3	177,356	8.1
384	0.5	7,542	0.3
94	0.1	42,280	1.9
81,041	100.0 %	\$ 2,199,918	100.0 %

Mississippi

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

	2012	2011	2010	2009
Governmental Activities				
General Obligation Bonds and Notes ¹	\$ 4,191,805	\$ 3,813,700	\$ 3,524,006	\$ 3,456,607
Limited Obligation Bonds				
Capital Lease Obligations	18,079	13,935	13,212	17,231
Notes Payable	982,415	1,016,946	1,044,352	852,011
Certificates of Participation				2,045
Total Governmental Activities	5,192,299	4,844,581	4,581,570	4,327,894
Business-type Activities				
General Obligation Bonds	20,792	23,426	26,476	29,231
Revenue Bonds				
Capital Lease Obligations	381	618	841	1,636
Total Business-type Activities	21,173	24,044	27,317	30,867
Total Primary Government	\$ 5,213,472	\$ 4,868,625	\$ 4,608,887	\$ 4,358,761
Amount of Debt Per capita ²	\$ 1,749	\$ 1,634	\$ 1,552	\$ 1,473
Debt as a percentage of Personal Income ³	5.4%	5.1%	5.0%	4.9%
Net General Obligation Bonded Debt⁴				
General Obligation Bonds and Notes ¹	\$ 4,191,805	\$ 3,813,700	\$ 3,524,006	\$ 3,456,607
Less: Debt Service	344,061	323,235	248,686	197,131
Net General Obligation Bonded Debt	\$ 3,847,744	\$ 3,490,465	\$ 3,275,320	\$ 3,259,476
Amount of Net General Obligation Bonded Debt Per capita ²	\$ 1,291	\$ 1,171	\$ 1,103	\$ 1,101
Net General Obligation Bonded Debt as a percentage of Taxable Sales ⁵	8.7%	7.9%	7.6%	7.1%

Notes:

¹ Fiscal years 2003-2004 have been restated to reflect amounts net of deferred refunding charges and premiums/discounts.

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

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

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

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

	2008		2007		2006		2005		2004		2003
\$	3,452,073	\$	3,135,232	\$	3,011,720	\$	2,879,945	\$	2,965,083	\$	2,536,637
	24,460		47,880		70,320		91,845		112,515		132,390
	12,555		18,568		19,034		62,456		74,277		156,075
	882,049		708,028		345,091		162,340		92,877		9,406
	2,190		2,330		2,460		2,585		2,700		2,805
	4,373,327		3,912,038		3,448,625		3,199,171		3,247,452		2,837,313
	32,064		35,084		38,016		40,705		43,207		47,407
							150		295		430
	926		214		320		449		613		193
	32,990		35,298		38,336		41,304		44,115		48,030
\$	4,406,317	\$	3,947,336	\$	3,486,961	\$	3,240,475	\$	3,291,567	\$	2,885,343
\$	1,494	\$	1,347	\$	1,202	\$	1,117	\$	1,139	\$	1,005
	4.8%		4.6%		4.3%		4.2%		4.5%		4.2%
\$	3,452,073	\$	3,135,232	\$	3,011,720	\$	2,879,945	\$	2,965,083	\$	2,536,637
	214,647		175,515		105,347		97,312		107,149		176,556
\$	3,237,426	\$	2,959,717	\$	2,906,373	\$	2,782,633	\$	2,857,934	\$	2,360,081
\$	1,097	\$	1,010	\$	1,002	\$	960	\$	989	\$	822
	6.8%		6.2%		6.3%		7.1%		7.5%		6.5%

Mississippi

Legal Debt Margin

Last Ten Fiscal Years

(Expressed in Thousands)

Table 8

	2012	2011	2010	2009	2008
Legal debt limit	\$ 12,451,109	\$ 12,451,109	\$ 12,451,109	\$ 12,451,109	\$ 12,009,366
Less: Net debt applicable to limit	3,847,744	3,490,465	3,275,320	3,259,476	3,237,426
Legal debt margin	\$ 8,603,365	\$ 8,960,644	\$ 9,175,789	\$ 9,191,633	\$ 8,771,940
Net debt applicable to the limit as a percentage of legal debt limit	30.9%	28.0%	26.3%	26.2%	27.0%

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

Legal Debt Margin Calculation for Fiscal Year 2012:

Legal debt limit ¹	\$ 12,451,109
Amount of debt applicable to limit ²	\$ 4,191,805
Less: amounts available for debt service	344,061
Less: Net debt applicable to limit	3,847,744
Legal debt margin	\$ 8,603,365

Notes:

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

Fiscal Year	Applicable Revenues
2011	\$ 7,956,269
2010	7,698,390
2009	7,960,862
2008	8,300,739

² 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.		
2011	2,980,000	10.6 %	8.9 %	\$ 95,835,000,000	\$ 32,159
2010	2,970,000	10.5	9.6	92,284,000,000	31,072
2009	2,960,000	9.4	9.3	88,896,000,000	30,032
2008	2,950,000	6.8	5.8	91,220,000,000	30,922
2007	2,930,000	6.3	4.6	86,585,000,000	29,551
2006	2,900,000	6.8	4.6	81,098,000,000	27,965
2005	2,900,000	7.8	5.1	77,748,000,000	26,810
2004	2,890,000	6.3	5.5	72,579,000,000	25,114
2003	2,870,000	6.4	6.0	68,755,000,000	23,956
2002	2,860,000	6.7	5.8	66,124,000,000	23,120

Sources:

U.S. Bureau of Economic Analysis

Mississippi Department of Employment Security

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

Employment by Industry

Most Current Calendar Year and Nine Years Prior

Table 10

(Ranked by Number of Employees)

Industry	Rank	2011		Rank	2002	
		Average Number of Employees	Percentage of All Employees		Average Number of Employees	Percentage of All Employees
Government	1	246,100	20.5 %	1	240,100	19.8 %
Manufacturing	2	134,400	11.2	2	187,900	15.5
Retail Trade	3	132,500	11.0	3	140,400	11.6
Health Care and Social Assistance	4	121,600	10.1	5	98,400	8.1
Accommodation and Food Services	5	107,000	8.9	4	108,400	8.9
Professional and Business Services	6	93,900	7.8	6	77,700	6.4
Construction	7	48,800	4.1	7	53,900	4.4
Transportation and Warehousing	8	47,800	4.0	8	45,700	3.8
Other Services	9	34,100	2.8	9	37,300	3.1
Wholesale Trade	10	33,900	2.8	10	35,000	2.9
Total		1,000,100	83.2 %		1,024,800	84.5 %
Total Employed Labor Force		1,200,700	100.0 %		1,214,600	100.0 %

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

	2011/2012	2010/2011	2009/2010	2008/2009
Kindergarten	44,890	42,371	42,790	41,602
Grades 1-3	114,814	115,503	116,320	118,249
Grades 4-6	114,498	115,057	114,328	111,783
Grades 7-9	111,616	111,826	113,802	115,901
Grades 10-12	97,292	98,536	97,942	97,024
Special Education	7,509	7,233	6,923	6,635
Total Enrollment	490,619	490,526	492,105	491,194

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 12

	2011/2012	2010/2011	2009/2010	2008/2009
Coahoma Community College	2,889	2,781	3,210	2,239
Copiah-Lincoln Community College	3,578	5,221	4,649	3,886
East Central Community College	3,091	2,738	3,554	3,219
East Mississippi Community College	5,240	5,906	6,063	6,356
Hinds Community College	14,306	13,693	15,370	12,661
Holmes Community College	6,707	5,711	5,943	5,754
Itawamba Community College	7,602	8,003	9,965	9,173
Jones County Junior College	4,637	6,783	6,982	5,951
Meridian Community College	3,883	3,956	4,856	4,317
Mississippi Delta Community College	3,977	4,320	4,410	4,011
Mississippi Gulf Coast Community College	11,434	12,171	13,426	11,736
Northeast Mississippi Community College	3,736	3,966	5,482	5,006
Northwest Mississippi Community College	8,437	7,312	8,777	7,326
Pearl River Community College	4,675	4,406	4,853	5,081
Southwest Mississippi Community College	2,224	2,283	2,289	2,106
Total Enrollment	86,416	89,250	99,829	88,822

Source: Mississippi State Board for Community and Junior Colleges

University Enrollment

Last Ten Academic Years

Table 13

	2011/2012	2010/2011	2009/2010	2008/2009
Alcorn State University	4,018	3,682	3,334	3,252
Delta State University	4,624	4,327	4,031	4,064
Jackson State University	8,903	8,687	8,783	8,374
Mississippi State University	20,424	19,643	18,600	17,824
Mississippi University for Women	2,661	2,587	2,476	2,365
Mississippi Valley State University	2,452	2,636	2,846	2,929
University of Mississippi	20,830	19,546	18,344	17,601
University of Southern Mississippi	16,604	15,778	15,293	14,793
Total Enrollment	80,516	76,886	73,707	71,202

Source: Institutions of Higher Learning, Office of Strategic Data Management

2007/2008	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
41,453	42,277	42,824	42,158	40,536	38,811
118,969	117,424	114,830	114,453	114,719	116,431
111,009	112,101	113,468	116,383	117,899	118,463
118,593	120,271	120,852	120,186	118,632	116,799
96,003	93,287	91,663	89,641	88,384	88,437
7,275	8,775	10,401	11,769	12,387	12,682
493,302	494,135	494,038	494,590	492,557	491,623

2007/2008	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
2,398	2,201	2,428	2,506	2,392	2,481
3,811	3,933	3,792	3,681	3,796	3,370
2,841	3,096	3,268	3,540	3,540	3,414
6,353	4,938	4,569	4,523	4,103	4,043
16,747	13,487	13,004	13,803	15,202	11,152
5,124	5,164	5,220	4,991	4,945	3,851
8,339	7,363	7,089	6,567	6,778	5,667
5,658	5,785	6,219	6,344	6,231	5,841
4,065	3,946	3,813	4,089	3,944	3,815
3,659	3,815	3,995	3,862	4,128	3,960
9,674	9,045	8,934	10,894	10,551	9,934
5,223	5,264	5,266	5,854	4,996	4,667
6,900	7,457	6,953	6,663	6,523	6,371
4,263	4,411	4,256	4,585	3,898	3,661
2,080	1,986	2,121	2,303	2,280	2,277
87,135	81,891	80,927	84,205	83,307	74,504

2007/2008	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
3,668	3,583	3,544	3,443	3,309	3,150
4,091	4,217	4,119	3,990	3,902	3,963
8,698	8,256	8,416	8,351	7,815	7,783
17,039	16,206	16,101	15,934	16,173	16,610
2,379	2,428	2,285	2,231	2,048	2,105
3,009	3,162	3,165	3,621	3,506	3,501
17,323	17,312	16,928	16,500	15,577	14,961
14,592	14,777	15,030	15,253	15,050	15,266
70,799	69,941	69,588	69,323	67,380	67,339

Mississippi

Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 14

	2012	2011	2010	2009
General Government				
Department of Finance and Administration				
Buildings	37	36	37	37
Vehicles	42	49	48	42
Department of Revenue				
Vehicles	46	44	49	49
Education				
Department of Education				
Vehicles	41	44	43	42
Law, Justice and Public Safety				
Department of Corrections				
Buildings	576	611	627	627
Vehicles	611	593	608	673
Department of Public Safety				
Buildings	41	39	39	38
Vehicles	963	877	845	908
Recreation and Resource Development				
Department of Wildlife, Fisheries and Parks				
State Parks	25	25	26	26
Acres of State Parks	24,591	24,446	24,260	24,260
Buildings	842	843	831	817
Vehicles	614	606	614	632
Forestry Commission				
Buildings	388	392	394	398
Vehicles	429	430	440	446
Regulation of Business and Professions				
Workers' Compensation Commission				
Buildings	1	1	1	1
Transportation				
Department of Transportation				
Miles of state highway	10,913	10,907	10,907	10,984
Vehicles	2,554	2,534	2,569	2,530
Health and Social Sciences				
Department of Mental Health				
Buildings	551	551	553	553
Vehicles	778	786	801	794

Sources:

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

2008	2007	2006	2005	2004	2003
46	46	42	26	25	22
42	41	37	35	35	32
47	47	45	45	45	46
47	44	46	42	42	41
626	633	633	642	642	641
676	707	683	674	702	649
37	37	37	36	36	36
924	943	907	805	834	808
26	26	24	28	28	28
24,260	23,904	23,908	23,800	23,800	23,714
815	812	831	844	841	852
609	614	627	681	723	730
408	418	422	429	424	428
493	508	483	531	578	539
1	1	1	1	1	1
10,949	10,974	10,950	10,927	10,926	10,689
2,547	2,595	2,604	2,604	2,642	2,646
547	541	535	525	520	512
802	798	755	742	712	700

Mississippi

State Government Employees by Function

Last Ten Fiscal Years

Table 15

	2012	2011	2010	2009	2008	2007
General Government						
Department of Finance and Administration	413	407	387	408	380	363
Department of Revenue	664	681	659	711	726	713
Treasury	37	38	38	38	39	37
All Other	1,405	1,399	1,408	1,484	1,438	1,402
Education						
Department of Education	714	717	741	779	782	773
All Other	195	191	193	201	200	195
Health and Social Services						
Department of Human Services	3,302	3,276	3,219	3,284	3,046	2,991
Division of Medicaid	869	897	934	940	908	917
Department of Mental Health	8,189	8,173	8,586	8,978	8,951	8,930
Department of Rehabilitation Services	995	1,026	1,060	1,024	964	949
All Other	3,476	3,399	3,549	3,438	3,329	3,393
Law, Justice and Public Safety						
Department of Corrections	2,746	2,824	2,919	3,090	3,153	3,071
Department of Public Safety	1,291	1,256	1,275	1,338	1,365	1,274
All Other	2,192	2,141	2,130	2,134	1,994	1,883
Recreation and Resource Development						
Department of Environmental Quality	423	432	435	448	428	433
Department of Wildlife, Fisheries and Parks	566	582	665	807	710	788
Forestry Commission	423	443	455	475	521	513
Mississippi Development Authority	308	316	324	319	279	282
All Other	378	375	392	402	412	408
Regulation of Business and Professions						
Public Service Commission	100	100	92	97	97	95
Oil and Gas Board	34	34	34	36	33	32
All Other	245	252	262	255	246	242
Transportation						
Department of Transportation	3,342	3,363	3,448	3,413	3,346	3,267
Total	32,307	32,322	33,205	34,099	33,347	32,951

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

2006	2005	2004	2003
338	330	327	323
697	708	738	734
38	37	38	39
1,380	1,413	1,446	1,427
737	766	804	797
191	195	202	209
2,925	2,987	3,179	3,362
942	877	580	572
8,685	9,043	8,695	8,617
882	871	893	877
3,336	3,467	3,495	3,510
3,072	3,051	3,336	3,656
1,199	1,183	1,202	1,004
1,746	1,749	1,741	1,933
426	447	472	471
777	826	926	844
479	548	587	592
261	271	312	311
395	412	420	421
92	94	101	156
31	28	30	28
244	239	243	238
3,271	3,384	3,316	3,300
32,144	32,926	33,083	33,421

Mississippi

Operating Indicators by Function

Last Ten Fiscal Years

Table 16

	2011	2010	2009	2008
General Government				
Tax returns processed	4,950,000	4,950,000	4,900,000	4,850,000
On-going construction projects	820	688	656	676
Tort claims processed	1,117	1,117	538	353
Unclaimed property claims paid	4,581	8,050	7,799	6,175
Corporate filings processed	112,983	104,842	113,217	40,218
UCC filings processed	254,872	280,335	268,108	286,740
Education				
Average cost per public school student	\$8,752	\$8,930	\$8,895	\$8,737
Public high school graduates	29,569	28,517	24,393	23,935
Public school teachers, K-12	32,042	33,210	33,972	33,613
Health and Social Services				
Average monthly households receiving food assistance	266,966	241,785	204,068	184,779
Child support collections from non-custodial parents	\$314,027,549	\$292,715,332	\$286,696,080	\$264,727,366
Medicaid recipients receiving medical services	637,781	621,607	598,476	569,294
Law, Justice and Public Safety				
Average inmate population in prisons	9,636	10,054	10,761	10,856
Supervised offenders in communities	Not Available	Not Available	25,910	27,323
Driver licenses issued	821,000	780,000	783,508	907,850
Recreation and Resource Development				
Tourist registered at welcome centers	2,462,209	2,485,233	2,962,056	2,906,700
Land reforested (acres)	38,753	24,239	38,257	44,546
Hunting and fishing licenses sold	493,773	502,024	588,095	584,891
Overnight accommodations at state parks	573,975	548,224	575,502	675,000
Regulation of Business and Professions				
Utility complaints investigated	8,059	7,906	7,701	7,299
Well inspections by Oil and Gas Board	12,166	15,323	24,419	21,227
Transportation				
Overlays (miles)	279	397	455	251
Replacement of deficit bridges	85	47	63	55

Note: The most current fiscal year available is fiscal year 2011.

Sources:

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

2007	2006	2005	2004	2003	2002
4,800,000	4,750,000	4,700,000	4,650,000	4,600,000	4,550,000
725	708	707	756	863	830
1,081	726	1,354	2,529	2,312	1,337
9,781	6,670	5,360	41,652	13,683	8,490
30,740	30,441	27,184	29,293	33,779	34,658
289,990	28,317	261,215	231,688	228,930	119,509
\$8,298	\$7,996	\$7,208	\$6,794	\$6,402	\$5,908
23,149	23,691	23,415	23,427	23,703	23,398
32,746	32,129	32,027	31,611	29,071	29,166
174,924	172,814	153,943	149,817	137,793	123,780
\$242,768,697	\$230,206,702	\$218,293,613	\$206,596,005	\$195,621,754	\$191,423,389
547,811	583,523	673,571	730,000	720,304	650,452
10,145	9,669	9,891	10,833	10,639	10,293
29,964	21,736	23,781	22,053	22,342	17,394
755,000	755,000	667,800	753,809	663,893	659,846
2,782,648	2,551,894	2,862,349	2,937,560	2,870,001	3,133,953
61,075	54,886	91,035	57,980	116,681	62,214
585,466	525,000	525,000	533,533	520,000	520,000
674,280	682,525	672,525	765,564	719,637	719,637
6,766	6,749	6,520	6,547	6,172	2,569
22,083	20,879	18,000	19,763	18,920	15,962
146	340	421	594	556	620
62	11	29	73	126	128

Acknowledgements

The Comprehensive Annual Financial Report was prepared by the Mississippi Department of Finance and Administration, Office of Financial Reporting.

Management

*Melissa G. Womack, CPA, Director
Cindy L. Ogletree, CPA, Assistant Director
Sarah S. Prewitt, CPA, Assistant Director*

Fiscal Analysts

*Chelsea Boothe
Lisa Dunn, CPA
Robert Johnson
Nekeida A. McSwain
Kathy W. Piazza, CPA*

Additional assistance

*Linda Brady
Bettie A. Fulgham
Betty L. Smith
Dianne P. Sturgis*

Special acknowledgements

The Office of the State Auditor, whose commitment and valued input into this project are reflected in this accomplishment.

The Department of Transportation, General Services Division whose services in the printing of this report are greatly appreciated.

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

Cover

Photo featuring the eagle atop the New Capitol is courtesy of Debra Enos.