

MISSISSIPPI

Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2008

Mississippi



Fiscal Year Ended June 30, 2008

Department of Finance and Administration

Post Office Box 267
Jackson, MS 39205

Kevin J. Upchurch
Executive Director



This book has been printed on recycled materials.



HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR



December 19, 2008

To the Members of the Legislature and Citizens of Mississippi:

As Governor of the State of Mississippi, I present the Comprehensive Annual Financial Report for the year ending June 30, 2008. This report gives an overview of state government fiscal activity, and I am pleased to say that our state's fiscal affairs are on solid ground. However, there's no doubt that our nation is facing hard times, and Mississippi is not immune to economic downturns in the national economy.

Since I became Governor in 2004, we have worked hard—and succeeded—in moving Mississippi in the right direction. By making responsible and oftentimes tough decisions, together we dug out of a \$720 million budget hole without raising anybody's taxes. Today we've filled our rainy day fund, which is a critical component of ensuring that Mississippi is prepared to weather unforeseen economic crises during this uncertain period.

Although our state endured the worst natural disaster in American history, Mississippi continues to rebound from Hurricane Katrina. We've made a tremendous amount of progress since the storm, but our work here is not finished. I remain convinced that the strong, resilient spirit of our people is paving the way for a South Mississippi and Gulf Coast that's bigger and better than ever.

The last few months have made it clear that America's economy is in turmoil, and in Mississippi we're seeing tax collections fall below what was predicted. During this period of economic uncertainty and hardship, now more than ever we must sharpen our pencils to make sure we can continue to fund our priorities; indeed, we must focus on getting more from the money we spend. As we look to next year's budget, we've got to find a balance between funding priority services for our citizens and protecting our state's fiscal integrity. We must put away the state's credit card, so we can reduce the debt burden on our children and our grandchildren, thus ensuring a bright future for all Mississippians.

As we remain focused on our top priorities, the most critical of which is fiscal responsibility, I plan to continue working to move Mississippi forward through smart policies that create jobs and foster economic growth. It is an honor for Marsha and me to serve this great state. Despite the current economic conditions, I'm optimistic about our future because I know that with strong leadership and good policies, we can give our children and grandchildren a greater opportunity than my generation ever dreamed.

Sincerely,

A handwritten signature in black ink that reads "Haley Barbour". The signature is written in a cursive, flowing style.

Haley Barbour

Mississippi

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Mississippi

Introduction



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

KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR



December 19, 2008

To Governor Barbour, Members of the Legislature, and Citizens of the State of Mississippi:

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2008 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

Mississippi's economy is feeling the effects of the national slump. Leading indicators have been sinking over the course of the year, and the forecast is for a low, but positive, growth rate of output in 2009. On the positive side, the downturn here is not expected to be as severe as in other parts of the country. Post-Katrina reconstruction continues to boost economic activity, along with several major investment projects. Among these projects are a \$1.3 billion auto plant (Toyota), a \$1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), a \$950 million expansion at Keesler Air Force Base, and \$500 million expansions at both SeverCorr and Chevron. As a result, construction employment in the first eight months of 2008 was slightly higher than for the same period in 2007, in contrast with the rest of the nation, which suffered a 5.2% drop.

Gross state product rose 1.7% in 2007; employment was up 1.0%; and personal income grew a strong 6.1%, aided in part by grants to homeowners hurt by Hurricane Katrina. State revenue collections, which had increased dramatically after the hurricane, fell from double-digit growth rates in FY2006 and FY2007, to a modest 3.0% rate of increase in FY2008. The growth in revenues from oil and gas severance taxes accounted for a quarter of this increase. Revenues so far this fiscal year through October are up 0.9%.

The number of persons employed in the first three quarters of 2008 was a mere 0.2% higher than for the same period in 2007. The unemployment rate, which averaged 6.3% in 2007, has risen rapidly since May and stood at 7.4% in September. Employment growth is slowing, with the manufacturing sector hit hardest.

Job gains in the first three quarters of 2008 have been concentrated in service-providing industries. Health and education services, and government each added over 2,000 jobs, and professional and business activities added 1,100 employees. Wholesale trade added 500 workers; transportation and utilities, 600 workers; and mining and natural resources, 200 workers. Retail trade employment remained the same.

The only sectors registering decreases in employment were manufacturing, which lost 5,500 jobs, and financial activities, down by 300 jobs. In manufacturing, only ship and boat building showed strong growth, adding 1,000 employees. The furniture industry lost 1,800 employees.

Mississippi's housing market is faring better than that in many other areas. Home construction post-Katrina insulated the state from the national drop of 26% in housing starts in 2007, although housing starts here did fall 4% and building permits issued declined. The state's mortgage delinquency rate, as measured by past due payments, skyrocketed after the hurricane and remains high relative to the rest of the nation, but it is down sharply from its 2006 peak. Foreclosure rates have stayed relatively low; in the second quarter of 2008, the state ranked 23rd in the nation, with 2% of total loans in foreclosure. The average price of existing homes here fell only an estimated 1.5% in 2008, to \$111,234.

Coastal counties, which account for about 15% of the State's employment and population, continue to recover from the effects of Hurricane Katrina. Employment is back to pre-Katrina levels due to the strong growth of construction and an increase in government employment. However, recovery in several industries may be stalling as tourism and manufacturing decline nationally. As of August 2008, manufacturing and retail trade were at 95% of their pre-Katrina employment levels, while leisure and hospitality employment had slipped back to 83% of the August 2005 level. It is unlikely that these gaps will close before next fall.

Overall, major industries on the coast are largely back on track, however. Casino revenues returned to pre-storm levels last year and continued to climb through the first half of 2008, although more recently there has been some drop-off in revenues at both coastal and Mississippi River casinos. Several major projects are underway in the region. Homeowners, renters and small businesses have faced a difficult path to recovery, and many continue to struggle with the high costs of insurance and other obstacles to rebuilding and resettling. About \$8 billion of Katrina-related inflows that can potentially assist in reconstruction efforts have yet to be spent.

Under pressure from the national downturn and the international financial crisis, Mississippi's economy is expected to experience at least a brief recession. Given the greater momentum in the state going into the downturn, the recession here is not forecast to be as severe as that in the rest of the nation. The national economic recovery will be underway by mid-2009, if the financial rescue and fiscal stimulus packages do their jobs as expected. Under this scenario, gross state product is forecast to grow 1.2% in real terms in 2008, a weak 0.5% in 2009, and 2.3% in 2010 as the recovery picks up steam. Employment will drop 0.6% in 2009, as the state and the nation work their way out of recession in the first part of the year. By 2010, the upswing will bring employment growth of 0.8% to Mississippi, rising to 1.1% in 2011.

Personal income will follow a similar path, growing 3.6% in 2008, 2.7% in 2009, and 4.0% in 2010. New financial regulations will be in place and functioning by late 2009, further reassuring investors and unleashing pent-up demand. The national recovery will strengthen, the pace of activity in the State will pick up, and there will be a return to the State's long-run growth path.

Eighty percent of wage and salary employment in Mississippi is in service-providing industries, with the remaining 20% in the goods-producing industries of manufacturing, construction and natural resources/mining. Despite the dominance of services, goods-producing industries, and manufacturing in particular, are crucial to the State's economy. In the U.S. as a whole, manufacturing provides 10% of total jobs, but in Mississippi the figure is 15%. Manufacturing also sustains many of the State's service jobs in transportation, business services, finance and agriculture. Within manufacturing, which employs 165,000 workers, the percentage of employees in furniture and in wood products is more than twice the corresponding percentage for the U.S. These industries, along with food products, account for 37% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 36% of manufacturing employment here. The largest employers in the service-providing sectors, each employing more than 100,000 persons, are: local government, retail trade, health care and social assistance, and accommodation and food services.

The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100 percent of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches \$40,000,000. Thereafter, 50 percent of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5 percent of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. In fiscal year 2008, the Account had the required \$40,000,000 balance. The entire 50 percent of unencumbered ending cash totaling \$3,084,000 was deposited into the Account.

If at the end of October, or any month thereafter, General Fund revenue collections for the fiscal year fall below 98 percent of the sine die estimate, the Department of Finance and Administration is required to balance the General Fund budget. One action that may be taken is to reduce allotted expenditure authority to general fund agencies by the amount necessary so that expenditures do not exceed the actual General Fund receipts for the fiscal year. In addition, the Working Cash Stabilization Reserve Account balance, in excess of \$40,000,000, may be permanently transferred to the General Fund to cover such deficits up to a maximum of \$50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5 percent maximum is again attained.

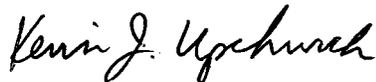
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the twenty-first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was made possible by the dedicated services of the staff of the Bureau of Financial Reporting within the Department of Finance and Administration with the cooperation and support of the Office of the State Auditor and the various agency heads and employees who assisted and contributed to its preparation.

Respectfully yours,



Kevin J. Upchurch

Mississippi

Officials of State Government

Executive Branch

Governor
Haley Barbour

Lieutenant Governor
Phil Bryant

Secretary of State
Delbert Hosemann

State Auditor
Stacey Pickering

State Treasurer
Tate Reeves

Attorney General
Jim Hood

Commissioner of Agriculture and Commerce
Lester Spell, Jr.

Commissioner of Insurance
Mike Chaney

Transportation Commissioners
Dick Hall
Wayne Brown
Bill Minor

Public Service Commissioners
Brandon Presley
Lynn Posey
Leonard Bentz

State Fiscal Officer
J. K. Stringer, Jr.

Legislative Branch

Speaker of the House of Representatives
William J. McCoy

Speaker Pro Tempore of the House of Representatives
J. P. Compretta

President Pro Tempore of the Senate
Billy Hewes

Secretary of Senate
Kevin J. Upchurch

Clerk of the House of Representatives
Don Richardson

Legislative Budget Office
Lee Lindell, Director

Joint Legislative Committee on Performance Evaluation and Expenditure Review
Max K. Arinder, Director

Judicial Branch

Supreme Court of Mississippi

Chief Justice
James W. Smith, Jr.

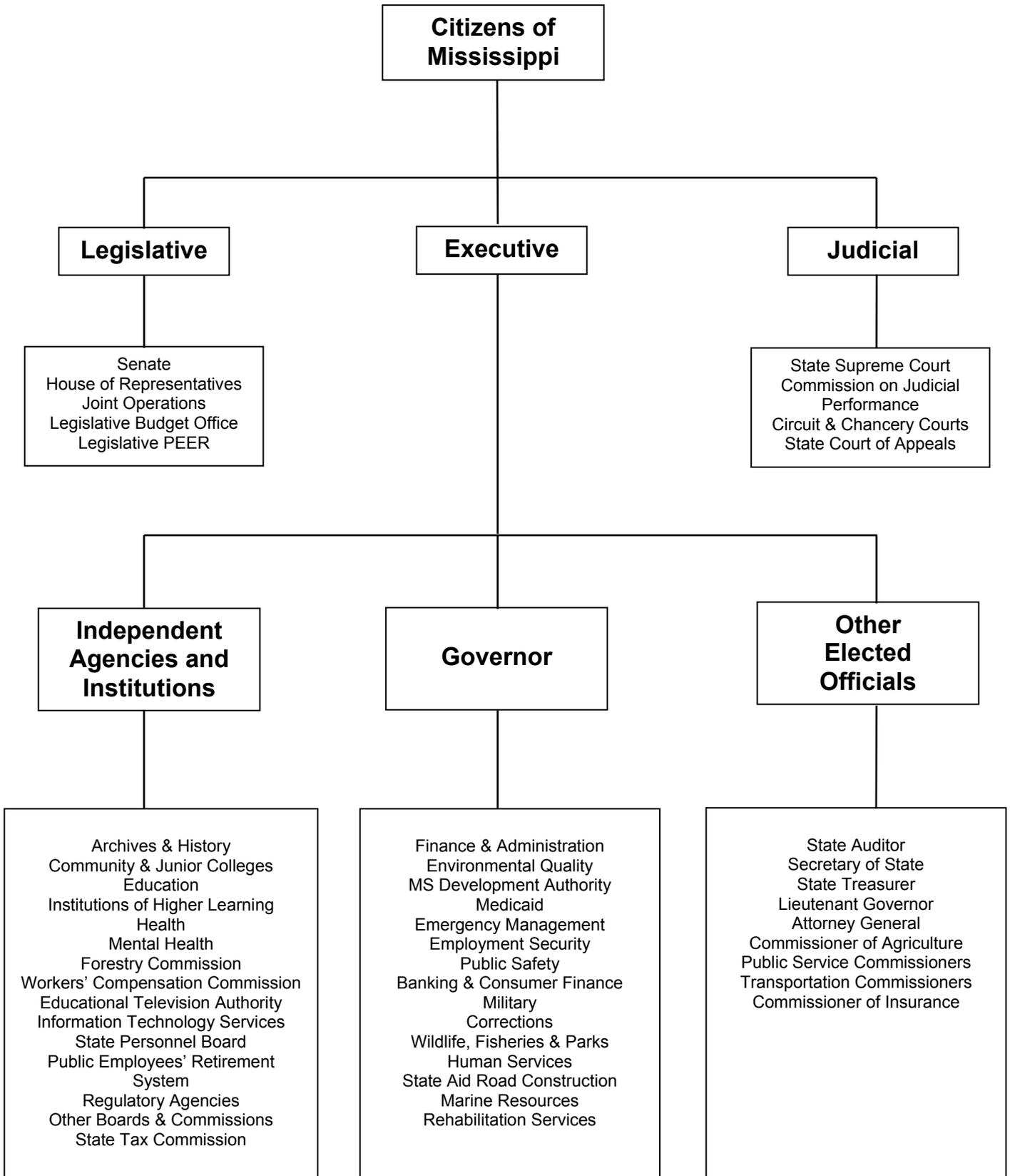
Presiding Justices
William L. Waller, Jr.
Oliver E. Diaz, Jr.

Justices
George C. Carlson, Jr.
James E. Graves, Jr.
Michael K. Randolph
Jess H. Dickinson
Ann H. Lamar
Charles D. Easley, Jr.

Clerk of the Supreme Court
Betty Sephton

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, 2007

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



A handwritten signature in black ink, appearing to read "M. L. Post".

President

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

Executive Director

Mississippi

Financial Section

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of:

▪ Government-wide Financial Statements

• Governmental Activities

- the Health Care Trust Fund, the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 10% and 32%, respectively, of the assets and revenues of the Governmental Activities;

• Business-type Activities

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and AbilityWorks, Inc. within the Department of Rehabilitation Services which, in the aggregate, represent 43% and 23%, respectively, of the assets and revenues of the Business-type Activities;

• Component Units

- the Universities and the nonmajor component units.

▪ Fund Financial Statements

• Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid and the Department of Corrections which represent 24% and 32%, respectively, of the assets and revenues of the General Fund;

- the Health Care Trust Fund which represents 97% and 99%, respectively, of the assets and revenues of the Health Care major governmental fund;
- Proprietary Funds
 - the Port Authority at Gulfport and the Mississippi Prepaid Affordable College Tuition Program which are considered major enterprise funds;
- Aggregate Remaining Funds
 - selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks;
 - the State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;
 - nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc.;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

all of which represent 95% and 74%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

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

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.s. and Note 17, the State adopted the provisions of Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra – Entity Transfers of Assets and Future Revenues*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of the state’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management’s Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of Funding Progress for Pension Trust Funds and corresponding notes and the Schedule of Funding Progress – Other Postemployment Benefits included in this report are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi’s basic financial statements. The introductory section, the supplementary information - combining and individual fund financial statements and supporting schedules and the statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information - combining and individual fund financial statements and supporting schedules has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



STACEY E. PICKERING
State Auditor



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

Jackson, Mississippi
December 19, 2008

Mississippi

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, 2008. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

Government-wide - The assets of the State exceeded its liabilities at the close of the fiscal year by \$12,546,233,000 (reported as "net assets"). Of this amount, \$288,571,000 was reported as "unrestricted net assets", which may be used to meet the government's ongoing obligations to citizens and creditors. Net assets of governmental activities increased by \$574,781,000 and net assets of business-type activities fell by \$16,625,000.

Fund Level - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3,936,692,000, which is an increase of \$132,944,000 from the previous year. This includes a \$166,748,000 increase in the General Fund's fund balance as the result of fewer transfers from the General Fund to nonmajor governmental funds.

Long-term Debt - During fiscal year 2008, the State issued bonds and notes, net of premiums, discounts, and deferred amount on refunding of \$957,482,000, bringing its outstanding net long-term bonds and notes to \$4,390,646,000. These bonds and notes were issued primarily for economic development, for capital improvements, and for correctional facility projects.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Mississippi

Governmental Funds - Most of the State's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the State's near-term financing requirements. Governmental funds include the General Fund and the Health Care Fund, which are presented separately as major funds. The capital projects fund, permanent funds, and nonmajor special revenue funds are combined into a single column on the governmental fund financial statements, with individual fund data provided in the combining financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds - The State maintains two types of proprietary funds: enterprise and internal service. Enterprise funds charge fees for services to outside customers. They are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting, and are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds provide personnel, insurance, and information technology services to other state agencies, as well as other governmental entities, on a cost reimbursement basis. Because these services primarily benefit governmental rather than business-type functions, they have been included in governmental activities on the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Unemployment Compensation Fund, the Port Authority at Gulfport Fund, and the Prepaid Affordable College Tuition Fund are presented separately as major funds, with the nonmajor enterprise funds combined into a single column. The internal service funds are presented in a single column on the proprietary fund statements as well. The 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 overall financial position improved over the past fiscal year. During fiscal year 2008, the State's total net assets increased by \$558,156,000 or 4.7 percent from the previous year. In comparison, net assets in the prior year increased by \$1,388,702,000 or 13.1 percent. The State is able to report positive balances in all three categories of net assets for both governmental and business-type activities.

The largest portion of net assets, 86.2 percent, consists of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets invested in capital assets, net of related debt, increased \$904,600,000 from the previous year. Governmental activities' increase of \$880,292,000 was driven by construction in progress additions related to roads, highways, bridges, and building projects. Most of the business-type activities' increase of \$24,308,000 was the result of the continued rebuilding of capital assets after Hurricane Katrina at the Port Authority at Gulfport. Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 11.5 percent of total net assets. The remaining balance, unrestricted net assets of \$288,571,000, may be used to meet the State's ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007 *	2008	2007 *	2008	2007 *
Current and other assets	\$ 6,201,420	\$ 5,868,505	\$ 1,283,541	\$ 1,294,193	\$ 7,484,961	\$ 7,162,698
Capital assets	11,611,587	10,725,291	194,135	172,135	11,805,722	10,897,426
Total Assets	<u>17,813,007</u>	<u>16,593,796</u>	<u>1,477,676</u>	<u>1,466,328</u>	<u>19,290,683</u>	<u>18,060,124</u>
Noncurrent liabilities	3,978,263	3,705,391	304,805	279,694	4,283,068	3,985,085
Other liabilities	2,436,840	2,065,282	24,542	21,680	2,461,382	2,086,962
Total Liabilities	<u>6,415,103</u>	<u>5,770,673</u>	<u>329,347</u>	<u>301,374</u>	<u>6,744,450</u>	<u>6,072,047</u>
Net assets:						
Invested in capital assets, net of related debt	10,651,052	9,770,760	161,144	136,836	10,812,196	9,907,596
Restricted	667,456	477,321	778,010	784,367	1,445,466	1,261,688
Unrestricted	79,396	575,042	209,175	243,751	288,571	818,793
Total Net Assets	<u>\$ 11,397,904</u>	<u>\$ 10,823,123</u>	<u>\$ 1,148,329</u>	<u>\$ 1,164,954</u>	<u>\$ 12,546,233</u>	<u>\$ 11,988,077</u>

* As restated in Note 2 to the financial statements.

Mississippi

Changes in Net Assets

Operating grants and contributions provided \$6,472,892,000 and taxes provided \$6,263,283,000 which amount to 80.5 percent of the State's total revenues, up slightly when compared to 80.2 percent in the prior year. With regard to expenses, health and social services increased from \$5,311,270,000 or 35.0 percent to \$5,609,247,000 or 36.8 percent of the State's total outlay. In addition, spending on education (other than universities) was 27.3 percent, an increase from 26.1 percent in the prior year. Recreation and resource development was the only expense that decreased from the prior year. The change of \$716,125,000 was primarily due to the prior year disbursement of federal assistance to homeowners for Hurricane Katrina rebuilding efforts.

Changes in Net Assets (amounts expressed in thousands)

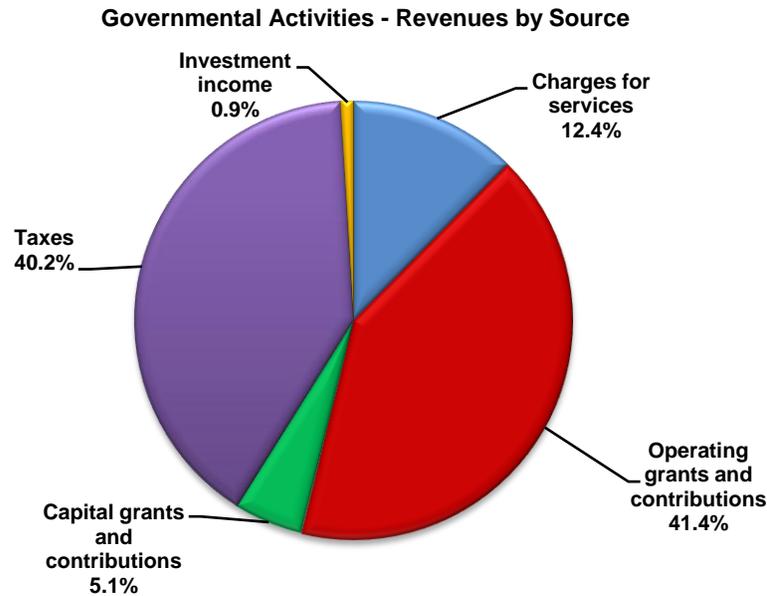
	Governmental Activities		Business-type Activities		Total	
	2008	2007 *	2008	2007 *	2008	2007 *
Revenues:						
Program Revenues:						
Charges for services	\$ 1,936,810	\$ 1,863,141	\$ 178,052	\$ 194,848	\$ 2,114,862	\$ 2,057,989
Operating grants and contributions	6,462,823	7,125,688	10,069	9,745	6,472,892	7,135,433
Capital grants and contributions	795,572	960,369	1,838	3,900	797,410	964,269
General Revenues:						
Taxes	6,263,283	6,166,386			6,263,283	6,166,386
Investment income	145,465	184,500	21,433	70,240	166,898	254,740
Total Revenues	<u>15,603,953</u>	<u>16,300,084</u>	<u>211,392</u>	<u>278,733</u>	<u>15,815,345</u>	<u>16,578,817</u>
Expenses:						
General government	1,995,778	1,803,339			1,995,778	1,803,339
Education	4,163,587	3,961,573			4,163,587	3,961,573
Health and social services	5,609,247	5,311,270			5,609,247	5,311,270
Law, justice and public safety	1,173,359	1,152,359			1,173,359	1,152,359
Recreation and resource development	1,216,521	1,932,646			1,216,521	1,932,646
Regulation of business and professions	36,318	33,192			36,318	33,192
Transportation	635,299	581,446			635,299	581,446
Interest on long-term debt	196,277	167,233			196,277	167,233
Unemployment compensation			143,013	143,348	143,013	143,348
Port Authority at Gulfport			12,614	10,349	12,614	10,349
Prepaid affordable college tuition			40,972	38,391	40,972	38,391
Other business-type			34,204	37,559	34,204	37,559
Total Expenses	<u>15,026,386</u>	<u>14,943,058</u>	<u>230,803</u>	<u>229,647</u>	<u>15,257,189</u>	<u>15,172,705</u>
Excess (deficiency) before Transfers	577,567	1,357,026	(19,411)	49,086	558,156	1,406,112
Transfers	<u>(2,786)</u>	<u>(3,971)</u>	<u>2,786</u>	<u>3,971</u>		
Change in Net Assets	574,781	1,353,055	(16,625)	53,057	558,156	1,406,112
Net Assets - Beginning, as restated	10,823,123	9,470,068	1,164,954	1,111,897	11,988,077	10,581,965
Net Assets - Ending	<u>\$ 11,397,904</u>	<u>\$ 10,823,123</u>	<u>\$ 1,148,329</u>	<u>\$ 1,164,954</u>	<u>\$ 12,546,233</u>	<u>\$ 11,988,077</u>

* As restated in Note 2 to the financial statements.

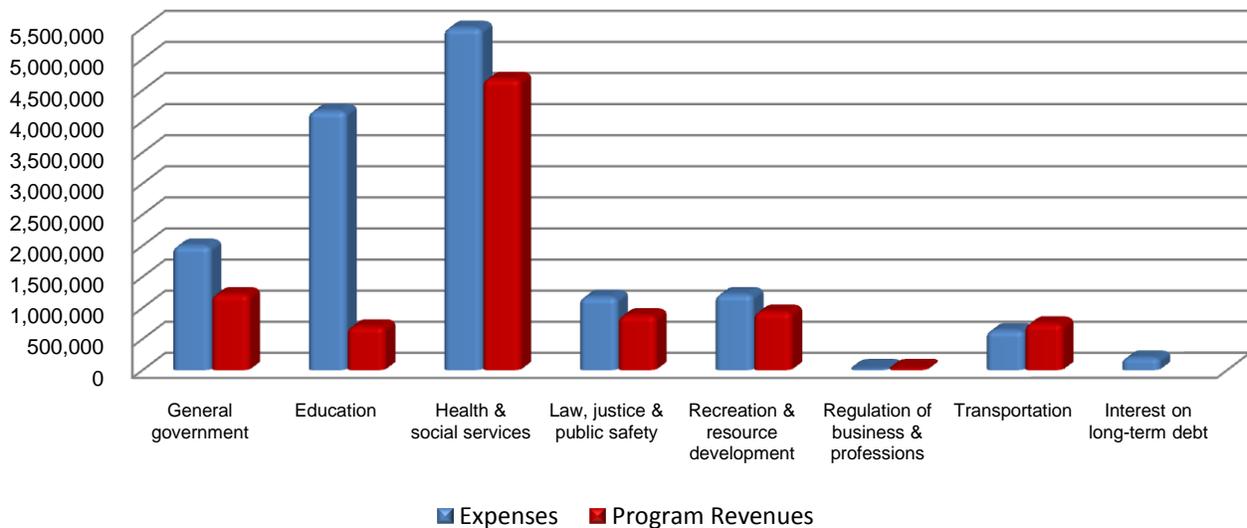
Mississippi

Governmental Activities

Governmental activities increased the State's net assets by \$574,781,000. This increase was substantially less than the \$1,353,055,000 increase of the prior year. Total expenses remained relatively unchanged. However, total revenues were \$696,131,000 less than the prior year, with operating grants and contributions falling by \$662,865,000. This drop is related to federal assistance to homeowners for Hurricane Katrina rebuilding efforts in the prior year. The related recreation and resource development expenses decreased by \$716,125,000. The legislature substantially increased funding by \$202,910,000 for the Mississippi Adequate Education Program, which provides school district funding for programs to meet the required level of accreditation. As a direct consequence, education expenses rose by \$202,014,000.



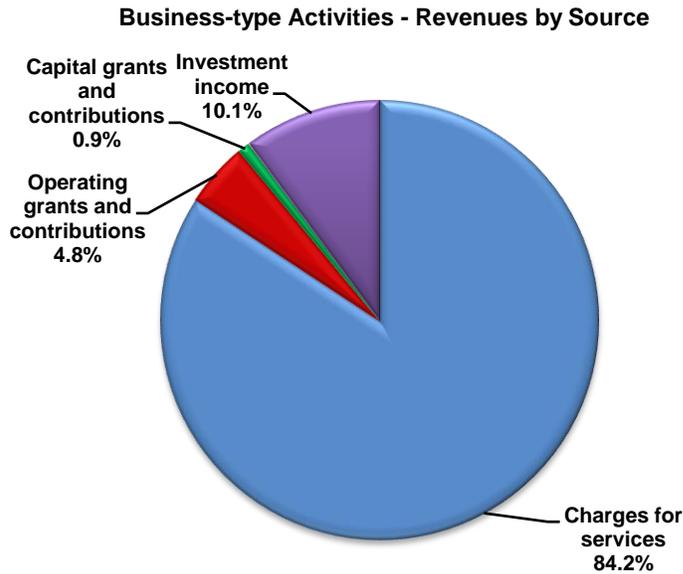
Governmental Activities - Expenses and Program Revenues
(amounts expressed in thousands)



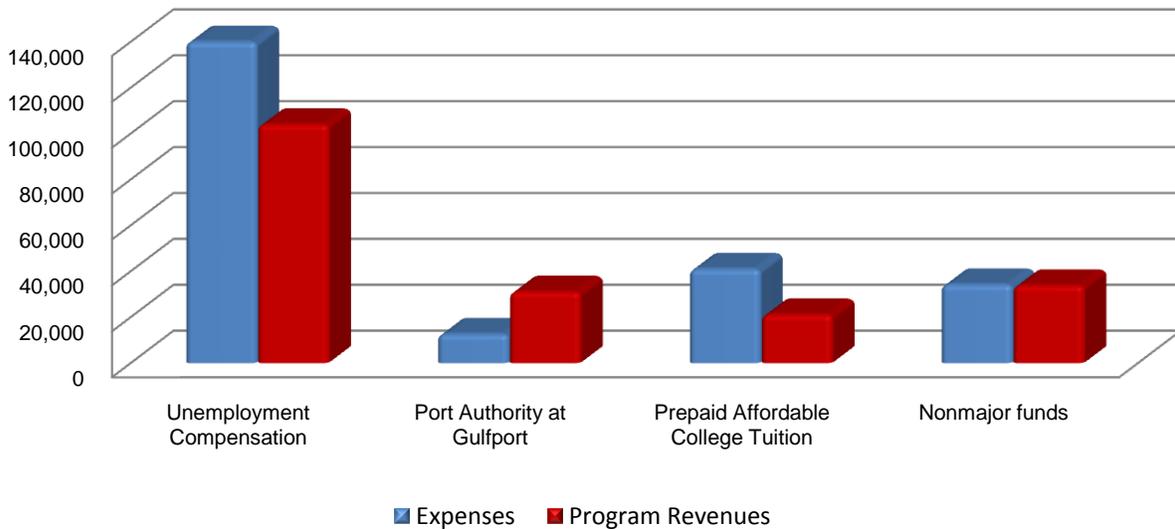
Mississippi

Business-type Activities

Business-type activities decreased the State's net assets by \$16,625,000 as compared to an increase of \$53,057,000 in the previous year. The increase in the State's unemployment rate negatively impacted program revenues and expenses of the Unemployment Compensation fund resulting in a decrease of net assets by \$6,348,000. The Prepaid Affordable College Tuition fund experienced an investment loss of \$21,961,000 as the result of the underperformance of investments. On the other hand, the Port Authority at Gulfport had a favorable year as business has continued to improve with net revenue of \$18,418,000.



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



Mississippi

Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The governmental funds reported combined fund balances of \$3,936,692,000 as of June 30, 2008, an increase of \$132,944,000 as compared to the prior year. Of this total amount, \$2,777,590,000 or 70.6 percent constituted unreserved fund balance. A portion of the unreserved balance, \$2,305,445,000, was not available for new spending because it was designated through internally imposed limitations for specific purposes such as debt service, road and highway construction, future capital projects, and health care.

The General Fund is the chief operating fund of the State. The General Fund increased \$166,748,000 from the prior year to an ending fund balance of \$2,656,334,000. Overall revenues and expenditures were relatively unchanged. Transportation expenditures decreased by \$211,711,000, signaling the completion of emergency repair projects in the aftermath of Hurricane Katrina. Related federal government revenues decreased by \$212,422,000. Other financing sources and uses increased by \$171,139,000, primarily related to a \$276,757,000 reduction in transfers out. Transfers out in fiscal year 2007 included a \$298,661,000 transfer from the General Fund to Emergency Management (a nonmajor governmental fund) in order to meet the requirement to match federal funds related to Hurricane Katrina. The law, justice and public safety function reported the largest percentage increase in expenditures at 17.1% with the commencement of correctional facilities construction.

The Health Care Fund reported a decrease in fund balance of \$81,179,000 from the previous fiscal year as a result of an \$83,726,000 decline in investment income. The change in the fair market value of investments was \$20,507,000 in the prior year and a negative \$41,912,000 in the current year, a \$62,419,000 downturn. Investment income received was \$21,307,000 less than received in the prior year. These declines reflect the tumultuous conditions in the market.

Proprietary Funds

The Unemployment Compensation Fund posted a decrease in net assets of \$6,348,000 for fiscal year 2008. The unemployment rate for the State rose resulting in an \$8,885,000 increase in claims and benefits payments while unemployment insurance premiums declined by \$4,675,000.

The Port Authority at Gulfport Fund reported an increase in net assets of \$23,607,000. Operating revenues increased \$5,529,000 over the prior year as business continues to improve after Hurricane Katrina. The fund received \$8,011,000 from insurance as Katrina claims are still being settled.

The Prepaid Affordable College Tuition Fund reported a decrease in net assets of \$41,812,000. This can be directly attributed to a \$51,784,000 decline in investment income over the prior year due in part to a \$28,501,000 drop in the fair market value of investments.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2008 General Fund revenues was 3.0 percent. This estimate was revised to a sine die estimate of 2.8 percent. Actual fiscal year 2008 General Fund revenue collections were 3.0 percent above the prior year, with component revenue growth of 0.9 percent in sales tax, 4.5 percent in individual income tax, and 3.3 percent in corporate income and franchise tax.

Actual fiscal year 2008 revenues were \$23,698,000 above estimated amounts. The largest revenue variances were a positive \$45,299,000 in individual income tax collections and a negative \$96,817,000 in sales tax collections. The final expenditure budget was \$75,162,000 over the original budget. Actual expenditures were under the final budget by \$6,133,000.

Mississippi

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$15,829,047,000, less accumulated depreciation of \$4,023,325,000, resulting in a net book value of \$11,805,722,000. This reflected a net increase for the current fiscal year of 8.3 percent for governmental activities and a 12.8 percent increase for business-type activities, compared to the prior fiscal year net increase of 9.1 percent and 13.4 percent, respectively. Depreciation expense for fiscal year 2008 totaled \$388,911,000 for governmental and business-type activities.

Major capital asset events during fiscal year 2008 included the following:

Construction in progress additions for governmental activities included \$859,448,000 related to roads, highways, and bridges; \$52,230,000 for Department of Corrections correctional facilities; \$47,576,000 related to Military Department buildings; and \$51,760,000 related to Department of Finance and Administration building projects, such as the NASA Shared Services Center, the Information Technology Services Data Center, and the Sillers Building Parking Facility.

Additions were made to governmental activities infrastructure in the amount of \$587,028,000 for completed roads, highways, and bridges. Pavement rehabilitation projects were completed in Lamar, Lauderdale, and Pike counties. Bridges were replaced in Calhoun, Jones, and Lauderdale counties. In addition, Four Lane Highway Program projects were finished in Clarke, Covington, Greene, Lawrence, Leake, Oktibbeha, Walthall, Webster, and Winston counties. Other projects were completed in Neshoba County related to the gaming industry, in Madison County related to Interstate 55, and in Jackson and Harrison counties for emergency relief projects. Urban street projects were completed in Desoto, Forrest, and Simpson counties.

Land improvements for governmental activities reflected a net increase of \$36,465,000. This included additions of \$15,778,000 for property donated to the Secretary of State's Office and construction projects of \$10,197,000 completed by the Military Department.

Machinery and equipment additions reported in governmental activities were \$208,233,000. Emergency Management's portable housing, an alternative to standard FEMA travel trailer accommodations, accounted for \$149,631,000 of this increase.

Capital assets, net of accumulated depreciation, for business-type activities increased by \$22,000,000. The Port Authority at Gulfport reported a net increase in capital assets of \$22,436,000 as it continued to rebuild its facilities destroyed by Hurricane Katrina. While adding \$26,105,000 to construction in progress during the year, the Port Authority at Gulfport also reported decreases to construction in progress totaling \$46,603,000. These completed projects were reflected in the net increases to land (\$27,122,000), buildings (\$10,913,000), and land improvements (\$5,533,000) for business-type activities.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 18 discusses the State's outstanding long-term contracts related to the construction of state and county roads, highways, and bridges, as well as building projects for various state agencies.

Capital Assets, Net of Depreciation

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 215,419	\$ 194,558	\$ 39,734	\$ 12,612	\$ 255,153	\$ 207,170
Buildings	1,164,341	1,105,587	65,320	54,407	1,229,661	1,159,994
Land improvements	90,133	53,668	20,583	15,050	110,716	68,718
Machinery and equipment	310,094	161,317	5,017	4,244	315,111	165,561
Infrastructure	5,196,213	4,916,573	36,720	39,181	5,232,933	4,955,754
Construction in progress	4,635,387	4,293,588	26,761	46,641	4,662,148	4,340,229
Total	<u>\$ 11,611,587</u>	<u>\$ 10,725,291</u>	<u>\$ 194,135</u>	<u>\$ 172,135</u>	<u>\$ 11,805,722</u>	<u>\$ 10,897,426</u>

Mississippi

Debt Administration

Outstanding general obligation debt for the State as of June 30, 2008 was \$3,484,137,000, net of premiums, discounts, and deferred amount on refunding. General Obligation Refunding (\$1,261,188,000), Capital Improvements (\$919,245,000), and Major Economic Impact (\$416,008,000) bonds comprise 74.5 percent of this outstanding debt. During fiscal year 2008, the State issued \$549,420,000 in general obligation bonds and notes which are reported in governmental activities. These bonds and notes were issued for capital improvements, for grants to local governments, and for economic development primarily related to the Toyota project. Within business-type activities, general obligation bonds decreased by \$3,020,000 as the Port Authority at Gulfport continued to extinguish its long-term debt. Notes of \$380,707,000 were issued during fiscal year 2008 for correctional facility projects (\$287,955,000), for highway construction (\$83,000,000), and for energy management (\$9,752,000).

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

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2008, the State had established a constitutional legal debt limit of \$12,009,366,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 14 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds and notes	\$ 3,452,073	\$ 3,135,232	\$ 32,064	\$ 35,084	\$ 3,484,137	\$ 3,170,316
Limited obligation bonds	24,460	47,880			24,460	47,880
Notes payable	882,049	708,028			882,049	708,028
Total	<u>\$ 4,358,582</u>	<u>\$ 3,891,140</u>	<u>\$ 32,064</u>	<u>\$ 35,084</u>	<u>\$ 4,390,646</u>	<u>\$ 3,926,224</u>

Economic Factors and Next Year's Budget

The State's average unemployment rate increased from the calendar year 2007 average of 6.3 percent to an average of 6.7 percent for the twelve months ending September 2008. The national rates were 4.6 percent and 5.3 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2009, the State economy is expected to experience sluggish growth. The initial estimated overall fiscal year 2009 General Fund revenue growth rate was 3.1 percent, with component revenue growth projections of 3.2 percent in sales tax and 4.5 percent in individual income tax. The overall estimate was revised in October 2008 to 1.9 percent. The October component revenue growth projections were 2.4 percent in sales tax and 1.8 percent in individual income tax. At the end of October 2008, fiscal year 2009 General Fund collections exceeded the estimate at 0.3 percent, with actual component revenue growth/decline of 4.8 percent, -0.4 percent, -22.1 percent, and -13.0 percent in sales tax, individual income tax, corporate income and franchise tax, and gaming fees, respectively.

In accordance with the State's statutory balanced budget requirement, the State Fiscal Officer determined at the end of October that sufficient funds would not be available within the period for which the fiscal year 2009 budget is drawn and instructed selected state agencies, institutions and commissions to reduce allocations of general funds and state-source special funds in the amount of \$41,970,000 in order to keep expenditures within the sum of actual General Fund receipts. Further adjustments may be necessary if General Fund collections continue to fall below the revenue estimate.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State of Mississippi's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: Department of Finance and Administration, Bureau of Financial Reporting, P. O. Box 1060, Jackson, MS 39215.

Mississippi

Basic Financial Statements

Mississippi

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	\$ 2,926,777	\$ 14,543	\$ 2,941,320	\$ 18,177
Cash and cash equivalents	540,714	779,908	1,320,622	343,432
Investments	33,512	69,684	103,196	148,330
Receivables, net	747,010	47,284	794,294	232,067
Restricted assets:				
Cash and cash equivalents		2	2	
Due from other governments, net	734,952	14,501	749,453	4,394
Internal balances	3,351	(3,351)		
Due from component units	547	161	708	
Due from primary government				20,554
Inventories	39,792	472	40,264	21,311
Prepaid items	214	89	303	8,196
Loans and notes receivable, net	20,694	5,065	25,759	24,912
Deferred charges	1,293		1,293	
Other assets				79,837
Total Current Assets	5,048,856	928,358	5,977,214	901,210
Noncurrent assets:				
Investments	391,971	195,705	587,676	273,408
Receivables, net	67,404		67,404	
Due from other governments, net	496,368		496,368	
Loans and notes receivable, net	181,228	159,008	340,236	143,062
Internal loans	268	(268)		
Deferred charges	15,325		15,325	
Restricted assets:				
Equity in internal investment pool		738	738	
Cash and cash equivalents				121,149
Investments				730,043
Capital assets:				
Land and construction in progress	4,850,806	66,495	4,917,301	484,587
Other capital assets, net	6,760,781	127,640	6,888,421	2,006,673
Other assets				10,579
Total Noncurrent Assets	12,764,151	549,318	13,313,469	3,769,501
Total Assets	\$ 17,813,007	\$ 1,477,676	\$ 19,290,683	\$ 4,670,711

(Continued on Next Page)

Mississippi

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Warrants payable	\$ 152,488	\$ 612	\$ 153,100	\$ 1,500
Accounts payable and other liabilities	870,391	11,235	881,626	150,861
Contracts payable	121,434		121,434	
Retainage payable		958	958	
Income tax refunds payable	197,000		197,000	
Due to other governments	279,067	3,538	282,605	
Due to component units	20,543	11	20,554	
Due to primary government				708
Claims and benefits payable	143,883	2,809	146,692	
Deposits		1,472	1,472	893
Unearned revenues	102,907	468	103,375	54,647
Bonds and notes payable, net	543,873	3,178	547,051	23,400
Certificates of participation	145		145	
Lease obligations payable	5,109	261	5,370	10,066
Other liabilities				57,547
Total Current Liabilities	2,436,840	24,542	2,461,382	299,622
Noncurrent liabilities:				
Due to other governments		8,991	8,991	
Claims and benefits payable		265,711	265,711	
Deposits				2,355
Other postemployment benefits payable	43,627		43,627	
Bonds and notes payable, net	3,814,709	28,886	3,843,595	545,129
Certificates of participation	2,045		2,045	
Lease obligations payable	7,446	665	8,111	24,619
Liabilities payable from restricted assets:				
Deposits		2	2	
Other liabilities	110,436	550	110,986	202,966
Total Noncurrent Liabilities	3,978,263	304,805	4,283,068	775,069
Total Liabilities	6,415,103	329,347	6,744,450	1,074,691
Net Assets				
Invested in capital assets, net of related debt	10,651,052	161,144	10,812,196	1,895,847
Restricted for:				
Capital projects	377,683		377,683	
Debt service	214,647		214,647	
Other purposes	22,114	738	22,852	576,766
Permanent trusts:				
Expendable	3,884		3,884	
Nonexpendable	49,128		49,128	495,010
Unemployment compensation benefits		777,272	777,272	
Unrestricted	79,396	209,175	288,571	628,397
Total Net Assets	\$ 11,397,904	\$ 1,148,329	\$ 12,546,233	\$ 3,596,020

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

Mississippi

Statement of Activities

For the Year Ended June 30, 2008 (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	\$ 1,995,778	\$ 1,135,546	\$ 24,366	\$ 58,321
Education	4,163,587	27,838	670,075	1,230
Health and social services	5,609,247	507,876	4,172,034	286
Law, justice and public safety	1,173,359	100,206	739,085	37,842
Recreation and resource development	1,216,521	85,610	848,195	984
Regulation of business and professions	36,318	39,491	478	
Transportation	635,299	40,243	8,590	696,909
Interest on long-term debt	196,277			
Total Governmental Activities	15,026,386	1,936,810	6,462,823	795,572
Business-type activities:				
Unemployment compensation	143,013	100,840	3,149	
Port Authority at Gulfport	12,614	22,569	6,920	1,543
Prepaid affordable college tuition	40,972	21,121		
Other business-type	34,204	33,522		295
Total Business-type Activities	230,803	178,052	10,069	1,838
Total Primary Government	\$ 15,257,189	\$ 2,114,862	\$ 6,472,892	\$ 797,410
Component units:				
Universities	\$ 2,486,357	\$ 1,067,396	\$ 521,900	\$ 40,467
Nonmajor	35,835	31,066	37,701	362
Total Component Units	\$ 2,522,192	\$ 1,098,462	\$ 559,601	\$ 40,829

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				Component Units
Governmental Activities	Business-type Activities	Total		
\$ (777,545)	\$	\$ (777,545)		
(3,464,444)		(3,464,444)		
(929,051)		(929,051)		
(296,226)		(296,226)		
(281,732)		(281,732)		
3,651		3,651		
110,443		110,443		
(196,277)		(196,277)		
<u>(5,831,181)</u>		<u>(5,831,181)</u>		
	(39,024)	(39,024)		
	18,418	18,418		
	(19,851)	(19,851)		
	<u>(387)</u>	<u>(387)</u>		
	(40,844)	(40,844)		
<u>(5,831,181)</u>	<u>(40,844)</u>	<u>(5,872,025)</u>		
			\$ (856,594)	
			33,294	
			<u>(823,300)</u>	
3,166,130		3,166,130		
438,676		438,676		
1,503,869		1,503,869		
500,996		500,996		
194,129		194,129		
459,483		459,483		
145,465	21,433	166,898	4,288	
			131,855	
			859,201	
			16,418	
<u>(2,786)</u>	<u>2,786</u>			
6,405,962	24,219	6,430,181	1,011,762	
574,781	(16,625)	558,156	188,462	
10,823,123	1,164,954	11,988,077	3,407,558	
<u>\$ 11,397,904</u>	<u>\$ 1,148,329</u>	<u>\$ 12,546,233</u>	<u>\$ 3,596,020</u>	

Mississippi

Governmental Funds

Balance Sheet

June 30, 2008 (Expressed in Thousands)

	General	Health Care	Nonmajor Funds	Totals
Assets				
Equity in internal investment pool	\$ 1,964,345	\$ 31,903	\$ 688,446	\$ 2,684,694
Cash and cash equivalents	442,734	9,897	25,840	478,471
Investments	32,382	234,431	129,157	395,970
Receivables, net	800,721	40,836	10,440	851,997
Due from other governments, net	1,099,834		131,463	1,231,297
Due from other funds	31,056		23,239	54,295
Due from component units	485			485
Inventories	37,948		1,844	39,792
Prepaid items	51		163	214
Loans receivable, net	199,081		2,841	201,922
Loans to other funds	270	240,000	3,089	243,359
Total Assets	\$ 4,608,907	\$ 557,067	\$ 1,016,522	\$ 6,182,496
Liabilities and Fund Balances				
Liabilities:				
Warrants payable	\$ 98,548	\$ 75	\$ 52,130	\$ 150,753
Accounts payable and accruals	762,607	8,235	90,883	861,725
Contracts payable	99,269		22,165	121,434
Income tax refunds payable	197,000			197,000
Due to other governments	258,094	71	20,902	279,067
Due to other funds	21,510	3,806	28,783	54,099
Due to component units	19,762		773	20,535
Claims payable	4,119			4,119
Deferred revenues	160,668	38,082		198,750
Unearned revenues	72,382		26,989	99,371
Loans from other funds	258,614			258,614
Other liabilities			337	337
Total Liabilities	1,952,573	50,269	242,962	2,245,804
Fund balances:				
Reserved for:				
Ayers Endowment Trust	15,000			15,000
Distribution to local governments	32,419			32,419
Education and vocational training			41,635	41,635
Ellisville State School			2,025	2,025
Encumbrances	78,672	387	20,505	99,564
Inventories	37,948		1,844	39,792
Loans to other funds	270	240,000	3,089	243,359
Long-term portion of due from other governments	490,202		6,166	496,368
Long-term portion of loans receivable	179,335		1,893	181,228
Prepaid items	51		163	214
Scholarships and books	25			25
Wildlife conservation			7,473	7,473
Unreserved - designated, reported in:				
General fund	1,497,381			1,497,381
Special revenue funds		266,411	158,428	424,839
Capital project funds			383,225	383,225
Unreserved - undesignated, reported in:				
General fund	325,031			325,031
Special revenue funds			143,252	143,252
Permanent funds			3,862	3,862
Total Fund Balances	2,656,334	506,798	773,560	3,936,692
Total Liabilities and Fund Balances	\$ 4,608,907	\$ 557,067	\$ 1,016,522	\$ 6,182,496

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, 2008 (Expressed in Thousands)

Total fund balances for governmental funds \$ 3,936,692

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

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds:

Land	\$ 215,419	
Buildings	1,549,516	
Land improvements	151,582	
Machinery and equipment	643,819	
Infrastructure	8,343,701	
Construction in progress	4,635,387	
Accumulated depreciation	<u>(3,933,089)</u>	11,606,335

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. 198,750

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

General obligation bonds and notes	(3,408,791)	
Limited obligation bonds	(24,460)	
Capital lease obligations	(12,492)	
Accrued compensated absences	(115,491)	
Notes payable	(862,771)	
Certificates of participation	(2,190)	
Unamortized charges	81,996	
Unamortized discounts	42	
Unamortized premiums	(127,979)	
Claims payable	(1,688)	
Other postemployment benefits payable	(43,627)	
Accrued interest payable	<u>(31,137)</u>	(4,548,588)

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. 204,715

Net assets of governmental activities \$ 11,397,904

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, 2008 (Expressed in Thousands)

	General	Health Care	Nonmajor Funds	Totals
Revenues				
Taxes:				
Sales and use	\$ 3,146,711	\$	\$	\$ 3,146,711
Gasoline and other motor fuel	429,010		8,800	437,810
Individual income	1,523,231			1,523,231
Corporate income and franchise	503,165			503,165
Insurance	194,129			194,129
Other	453,754		5,729	459,483
Licenses, fees and permits	439,073		108,771	547,844
Federal government	5,557,130		1,640,385	7,197,515
Investment income (loss)	148,527	(37,339)	21,378	132,566
Charges for sales and services	300,858		27,016	327,874
Rentals	20,590		3,763	24,353
Court assessments and settlements	15,294	124,509		139,803
Other	294,664	955	49,974	345,593
Total Revenues	13,026,136	88,125	1,865,816	14,980,077
Expenditures				
Current:				
General government	1,430,623			1,430,623
Education	4,068,537		86,643	4,155,180
Health and social services	5,248,780	148,043	205,170	5,601,993
Law, justice and public safety	660,529		724,553	1,385,082
Recreation and resources development	361,387		842,414	1,203,801
Regulation of business and professions			35,841	35,841
Transportation	1,178,966			1,178,966
Debt service:				
Principal	293,738		1,322	295,060
Interest and other fiscal charges	209,684		627	210,311
Capital Outlay			110,620	110,620
Total Expenditures	13,452,244	148,043	2,007,190	15,607,477
Excess of Revenues under Expenditures	(426,108)	(59,918)	(141,374)	(627,400)
Other Financing Sources (Uses)				
Bonds and notes issued	398,979		322,193	721,172
Capital leases issued	574		150	724
Discounts on notes issued	(390)			(390)
Insurance recovery	364		3,510	3,874
Payments to refunded note escrow agent	(191,894)			(191,894)
Premiums on bonds, notes and refunding notes issued	2,139		17,474	19,613
Refunding notes issued	208,955			208,955
Transfers in	280,778	12	107,203	387,993
Transfers out	(106,649)	(21,273)	(261,781)	(389,703)
Net Other Financing Sources (Uses)	592,856	(21,261)	188,749	760,344
Net Change in Fund Balances	166,748	(81,179)	47,375	132,944
Fund Balances - Beginning, as restated	2,489,586	587,977	726,185	3,803,748
Fund Balances - Ending	\$ 2,656,334	\$ 506,798	\$ 773,560	\$ 3,936,692

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, 2008 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 132,944

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	\$ 1,215,678	
Depreciation expense	(380,989)	834,689

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service funds is reported with governmental activities.		70,052
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Net change in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,791
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In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(8,890)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

Premiums on bonds, notes and refunding notes issued	(19,613)	
Bonds and notes issued	(721,172)	
Refunding notes issued	(208,955)	
Capital leases issued	(724)	
Payments of debt principal	295,060	
Payments to refunded note escrow agent	191,894	
Discounts on notes issued	390	
Accrued interest payable	(5,257)	
Deferred issuance costs	6,284	(462,093)

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	59,898	
Change in claims payable	(1,454)	
Change in compensated absences	(8,927)	
Change in other postemployment benefits payable	(43,627)	
Amortization of deferred charges and premiums	(2,602)	3,288

Change in net assets of governmental activities \$ 574,781

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

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2008 (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	\$	\$	\$ 594
Cash and cash equivalents	752,313	2,186	14,857
Investments		69,684	
Receivables, net:			
Accounts	5,101	601	5,135
Assessments	27,154		
Insurance		4,125	
Interest and dividends		642	650
Restricted assets:			
Cash and cash equivalents		2	
Due from other governments	1,423	12,975	
Due from other funds	272		
Due from component units	156		
Inventories			
Prepaid items		50	
Loans and notes receivable			
Total Current Assets	786,419	90,265	21,236
Noncurrent assets:			
Investments			195,705
Loans and notes receivable			
Loans to other funds			
Restricted assets:			
Equity in internal investment pool		738	
Capital assets, net		134,608	
Total Noncurrent Assets		135,346	195,705
Total Assets	\$ 786,419	\$ 225,611	\$ 216,941

Enterprise Funds

Enterprise Funds		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 13,949	\$ 14,543	\$ 242,083	
10,552	779,908	62,243	
	69,684		
3,280	14,117	51	
	27,154		
	4,125		
596	1,888	428	
	2		
103	14,501	23	
1,657	1,929	3,768	
5	161	62	
472	472		
39	89		
5,065	5,065		
35,718	933,638	308,658	
	195,705	29,513	
159,008	159,008		
2	2	14,162	
	738		
59,527	194,135	5,252	
218,537	549,588	48,927	
\$ 254,255	\$ 1,483,226	\$ 357,585	

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

Liabilities	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Current liabilities:			
Warrants payable	\$	\$	\$ 243
Accounts payable and other liabilities	108	1,897	6,321
Retainage payable		958	
Due to other governments	3,439		
Due to other funds	2,772		1
Due to component units			
Claims and benefits payable	2,809		
Deposits			
Bonds and notes payable		3,178	
Unearned revenues	19	94	
Lease obligations payable			
Total Current Liabilities	9,147	6,127	6,565
Noncurrent liabilities:			
Due to other governments			
Loans from other funds			
Claims and benefits payable			265,711
Bonds and notes payable		28,886	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		2	
Other liabilities		146	8
Total Noncurrent Liabilities		29,034	265,719
Total Liabilities	9,147	35,161	272,284
Net Assets			
Invested in capital assets, net of related debt		102,544	
Restricted for other purposes		738	
Restricted for unemployment compensation benefits	777,272		
Unrestricted (deficit)		87,168	(55,343)
Total Net Assets	\$ 777,272	\$ 190,450	\$ (55,343)

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

Enterprise Funds

Nonmajor Funds		Totals	Governmental Activities - Internal Service Funds
\$	369	\$ 612	\$ 1,735
	2,909	11,235	7,649
		958	
	99	3,538	
	2,507	5,280	593
	11	11	8
		2,809	138,076
	1,472	1,472	
		3,178	
	355	468	3,536
	261	261	20
	7,983	29,822	151,617
	8,991	8,991	
	270	270	
		265,711	
		28,886	
	665	665	43
		2	
	396	550	1,210
	10,322	305,075	1,253
	18,305	334,897	152,870
	58,600	161,144	5,121
		738	
		777,272	
	177,350	209,175	199,594
\$	235,950	\$ 1,148,329	\$ 204,715

Mississippi

Proprietary Funds

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	\$	\$	\$
Assessments	100,243		
Investment income			
Federal agencies	181		
Rentals			
Fees			551
Tuition receipts			20,569
Other	597		1
Total Operating Revenues	101,021	13,566	21,121
Operating Expenses			
Cost of sales and services			
General and administrative		1,923	201
Contractual services		5,162	982
Commodities		281	31
Depreciation		3,741	
Claims and benefits	143,013		39,758
Other			
Total Operating Expenses	143,013	11,107	40,972
Operating Income (Loss)	(41,992)	2,459	(19,851)
Nonoperating Revenues			
Federal grant	2,968	6,920	
Revenue from counties		992	
Insurance recovery		8,011	
Gain on disposal of capital assets			
Investment income (loss)	39,334	3,611	(21,961)
Total Nonoperating Revenues	42,302	19,534	(21,961)
Nonoperating Expenses			
Loss on disposal of capital assets		7	
Interest		1,500	
Total Nonoperating Expenses		1,507	
Income (Loss) before Capital Contributions and Transfers	310	20,486	(41,812)
Capital Contributions		1,543	
Transfers In		1,578	
Transfers Out	(6,658)		
Change in Net Assets	(6,348)	23,607	(41,812)
Total Net Assets - Beginning, as restated	783,620	166,843	(13,531)
Total Net Assets - Ending	\$ 777,272	\$ 190,450	\$ (55,343)

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

Enterprise Funds

Nonmajor Funds		Totals		Governmental Activities - Internal Service Funds
\$	21,489	\$	35,055	\$ 770,316
			100,243	
	8,336		8,336	
			181	
	2,051		2,051	
	54		605	
			20,569	
	1,576		2,174	17
	33,506		169,214	770,333
	9,863		9,863	
	11,703		13,827	15,685
	8,298		14,442	68,687
	2,083		2,395	708
	2,207		5,948	1,974
			182,771	625,343
	35		35	
	34,189		229,281	712,397
	(683)		(60,067)	57,936
			9,888	
			992	
	16		8,027	
	74		74	
	449		21,433	12,899
	539		40,414	12,899
	67		74	267
	22		1,522	5
	89		1,596	272
	(233)		(21,249)	70,563
	295		1,838	565
	9,301		10,879	553
	(1,435)		(8,093)	(1,629)
	7,928		(16,625)	70,052
	228,022		1,164,954	134,663
\$	235,950	\$	1,148,329	\$ 204,715

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2008 (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	\$ 181	\$	\$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		13,069	21,120
Cash receipts from assessments	100,416		
Cash payments to suppliers for goods and services		(8,837)	(949)
Cash payments to employees for services		(1,914)	(186)
Cash payments for claims and benefits	(156,959)		(11,880)
Other operating cash receipts			1
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(56,362)	2,318	8,106
Cash Flows from Noncapital Financing Activities			
Transfers in		1,578	
Transfers out	(6,658)	(7)	
Principal paid on notes			
Interest paid on notes			
Federal grants received	2,972	573	
Revenues from counties		993	
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,686)	3,137	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(26,185)	
Capital grants received		1,543	
Proceeds from sales of capital assets			
Proceeds from capital lease			
Principal paid on bonds and capital assets contracts		(3,020)	
Interest paid on bonds and capital assets contracts		(1,535)	
Proceeds from insurance recovery		8,887	
Net Cash Used for Capital and Related Financing Activities		(20,310)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		100,694	72,474
Purchases of investments		(95,057)	(89,610)
Investment income	39,334	3,936	7,486
Net Cash Provided by (Used for) Investing Activities	39,334	9,573	(9,650)
Net Increase (Decrease) in Cash and Cash Equivalents	(20,714)	(5,282)	(1,544)
Cash and Cash Equivalents - Beginning, as restated	773,027	8,208	16,995
Cash and Cash Equivalents - Ending	\$ 752,313	\$ 2,926	\$ 15,451

Enterprise Funds

Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$	\$	181 \$
		213,055
23,077	57,266	562,636
	100,416	
(18,680)	(28,466)	(67,292)
(11,666)	(13,766)	(15,443)
	(168,839)	(613,311)
1,323	1,324	7
22,637	22,637	
(22,717)	(22,717)	
(6,026)	(51,964)	79,652
9,402	10,980	557
(1,435)	(8,100)	(1,629)
		(60)
		(1)
	3,545	
	993	
7,967	7,418	(1,133)
(1,570)	(27,755)	(2,281)
	1,543	
102	102	
817	817	
(365)	(3,385)	(19)
(22)	(1,557)	(4)
16	8,903	
(1,022)	(21,332)	(2,304)
	173,168	3,134
	(184,667)	(3,091)
456	51,212	12,949
456	39,713	12,992
1,375	(26,165)	89,207
23,126	821,356	215,119
\$	\$	\$
24,501	795,191	304,326

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2008 (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)	\$ (41,992)	\$ 2,459	\$ (19,851)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		3,741	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	(98)	65	
Assessments receivable	319		
Interest receivable			
Due from other governments	(765)	(113)	
Due from other funds	276		
Due from component units	(156)		
Inventories			
Prepaid items		(26)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			10
Accounts payable and other liabilities	21	(3,366)	174
Due to other governments	(593)		
Due to other funds	(13,545)	7	(1)
Due to component units			
Claims and benefits payable	171		27,774
Unearned revenues		(449)	
Total adjustments	(14,370)	(141)	27,957
Net Cash Provided by (Used for) Operating Activities	\$ (56,362)	\$ 2,318	\$ 8,106
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Gain (loss) on disposal of capital assets		(7)	
Change in market value of investments		103	(28,501)

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

Enterprise Funds

Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$ (683)	\$ (60,067)	\$ 57,936
2,207	5,948	1,974
(226)	(259)	(20)
	319	
(2)	(2)	
(4)	(882)	5
(459)	(183)	3,296
(4)	(160)	64
223	223	
185	159	
(8,280)	(8,280)	
(27)	(17)	796
581	(2,590)	1,878
16	(577)	(20)
510	(13,029)	(573)
(6)	(6)	5
	27,945	12,305
(57)	(506)	2,006
(5,343)	8,103	21,716
\$ (6,026)	\$ (51,964)	\$ 79,652

295	295	565
7		(267)
	(28,398)	791

Mississippi

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2008 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Agency Funds
Assets			
Equity in internal investment pool	\$ 868	\$ 142	\$ 5,437
Cash and cash equivalents	252,953	774	12,421
Investments, at fair value:			
Short-term securities	314,044	4,415	
Long-term debt securities	4,586,030	22,472	
Equity securities	14,203,720	46,193	
Real estate investments	905,080	4,621	
Asset allocation fund	49,797		
Fixed rate and variable	428,577		
Life insurance contracts	425	8,386	
Securities lending:			
Short-term securities	1,746,771		
Long-term debt securities	3,767,727		
Receivables, net:			
Employer contributions	48,522		
Employee contributions	33,808		
Investment proceeds	633,550		
Interest and dividends	91,653		
Other	990	41	416
Due from other funds	1		
Loans to other funds			1,361
Commodity inventory			1,468
Capital assets, net	16,310		
Total Assets	<u>27,080,826</u>	<u>87,044</u>	<u>\$ 21,103</u>
Liabilities			
Warrants payable	360	1	\$ 578
Accounts payable and accruals	732,247	103	953
Due to other governments			1,210
Due to other funds	21		
Amounts held in custody for others	1,138		18,362
Obligations under securities lending	5,551,279		
Total Liabilities	<u>6,285,045</u>	<u>104</u>	<u>\$ 21,103</u>
Net Assets			
Held in trust for pension benefits and trust beneficiaries	<u>\$ 20,795,781</u>	<u>\$ 86,940</u>	

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

Mississippi

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 708,791	\$
Plan participant	511,384	16,733
Total Contributions	1,220,175	16,733
Net Investment Income:		
Net decrease in fair value of investments	(2,427,837)	(7,897)
Interest and dividends	655,952	2,773
Securities lending:		
Income from securities lending	206,713	
Interest expense and trading costs from securities lending	(208,289)	
Managers' fees and trading costs	(36,631)	(542)
Net Investment Loss	(1,810,092)	(5,666)
Other Additions:		
Administrative fees	633	177
Other	3,160	
Total Other Additions	3,793	177
Total Additions (Reductions)	(586,124)	11,244
Deductions		
Benefits	1,504,224	5,415
Refunds to terminated employees	72,790	
Administrative expenses	11,711	146
Depreciation	455	
Total Deductions	1,589,180	5,561
Change in Net Assets	(2,175,304)	5,683
Net Assets - Beginning	22,971,085	81,257
Net Assets - Ending	\$ 20,795,781	\$ 86,940

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

Mississippi

Component Units

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	\$ 16,371	\$ 1,806	\$ 18,177
Cash and cash equivalents	325,612	17,820	343,432
Investments	122,653	25,677	148,330
Receivables, net	227,506	4,561	232,067
Due from other governments		4,394	4,394
Due from primary government	20,122	432	20,554
Inventories	20,822	489	21,311
Prepaid items	7,973	223	8,196
Notes receivable, net	24,912		24,912
Other assets	79,832	5	79,837
Total Current Assets	845,803	55,407	901,210
Noncurrent assets:			
Investments	273,408		273,408
Notes receivable, net	143,062		143,062
Restricted assets:			
Cash and cash equivalents	121,149		121,149
Investments	723,064	6,979	730,043
Capital assets, net	2,361,191	130,069	2,491,260
Other assets	10,579		10,579
Total Noncurrent Assets	3,632,453	137,048	3,769,501
Total Assets	4,478,256	192,455	4,670,711
Liabilities			
Current liabilities:			
Warrants payable	1,500		1,500
Accounts payable and other liabilities	146,643	4,218	150,861
Due to primary government	699	9	708
Deposits		893	893
Unearned revenues	51,584	3,063	54,647
Bonds and notes payable	22,311	1,089	23,400
Lease obligations payable	10,001	65	10,066
Other liabilities	57,547		57,547
Total Current Liabilities	290,285	9,337	299,622
Noncurrent liabilities:			
Deposits	2,355		2,355
Bonds and notes payable	543,982	1,147	545,129
Lease obligations payable	24,619		24,619
Other liabilities	202,618	348	202,966
Total Noncurrent Liabilities	773,574	1,495	775,069
Total Liabilities	1,063,859	10,832	1,074,691
Net Assets			
Invested in capital assets, net of related debt	1,768,078	127,769	1,895,847
Restricted for:			
Other purposes	564,354	12,412	576,766
Permanent endowments:			
Nonexpendable	495,010		495,010
Unrestricted	586,955	41,442	628,397
Total Net Assets	\$ 3,414,397	\$ 181,623	\$ 3,596,020

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, 2008 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Universities	Nonmajor	Total
Universities	\$ 2,486,357	\$ 1,067,396	\$ 521,900	\$ 40,467	\$ (856,594)	\$	\$ (856,594)
Nonmajor	35,835	31,066	37,701	362		33,294	33,294
Total	\$ 2,522,192	\$ 1,098,462	\$ 559,601	\$ 40,829	(856,594)	33,294	(823,300)
General revenues:							
					2,006	2,282	4,288
					129,363	2,492	131,855
					859,201		859,201
					16,418		16,418
					1,006,988	4,774	1,011,762
					150,394	38,068	188,462
					3,264,003	143,555	3,407,558
					\$ 3,414,397	\$ 181,623	\$ 3,596,020

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

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Notes to the Financial Statements

June 30, 2008

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, 2008, and their report, dated November 24, 2008, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Discretely presented component units, which are legally separate from the State, are reported in a separate column of the government-wide financial statements. The State reports the following major discretely presented component unit:

Universities - The Board of Trustees of State Institutions of Higher Learning (IHL), appointed by the primary government, consists of Alcorn State University, Delta State University, Jackson State University, Mississippi State University, Mississippi University for Women, Mississippi Valley State University, the University of Southern Mississippi and the University of Mississippi. IHL is a body politic and corporate. The State provides financial support to IHL through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Universities are the financial data of their significant fund-raising foundations. Because the restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the Universities.

The State reports the following nonmajor discretely presented component units:

Mississippi Business Finance Corporation - This is a public corporation which is an incorporated certified development company. The Mississippi Business Finance Corporation (MBFC) is a legally separate entity. The primary government is not able to impose its will on MBFC and there is not a financial benefit/burden relationship. However, MBFC and the State work together, providing support, one to the other, in developing the State economically. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi

Mississippi Coast Coliseum Commission - This is a political subdivision of the State. Expenditures are subject to legislative budget approvals. The commission is responsible for establishing, promoting, developing, locating, constructing, maintaining and operating a multi-purpose coliseum and related facilities within Harrison County, Mississippi.

Mississippi Development Bank - This is a legally separate entity created and established as a body corporate and politic. The primary government is not able to impose its will on the bank and there is not a financial benefit/burden relationship. However, the bank and the State work together, providing support, one to the other, in developing the State economically. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi Prison Industries Corporation - This is a non-profit corporation created and established as a body politic and corporate, to lease and manage the prison industry programs of the Mississippi Correctional Industries. The primary government is not able to impose its will on the corporation and there is not a financial benefit/burden relationship. However, because Prison Industries utilizes state inmates for their workforce, leases state property at below market value and may receive state appropriations for funding, it would be misleading not to include the corporation as a discretely presented component unit.

Pat Harrison Waterway District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency is charged with the overall responsibility of providing flood relief along the Pascagoula River and its tributaries and to preserve and protect these waters for future generations, for economic enhancement of the area and its industrial growth.

Pearl River Basin Development District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency was created for the purpose of preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, agricultural and manufacturing purposes, for recreational uses, for flood control, timber development, irrigation, navigation and pollution abatement.

Pearl River Valley Water Supply District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. This agency operates and maintains the Ross Barnett Reservoir and surrounding district lands to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. This agency provides for a plan of conservation, recreation, water control and utilization, agricultural development and industrial and economic advancement within the district.

The discretely presented component units are audited by independent auditors, and their financial statements are issued under separate covers. The audited financial statements are available from each discretely presented component unit.

State officials are also responsible for appointing the members of the boards of other related organizations, but the primary government's accountability for these related organizations does not extend beyond making the appointments. These related organizations are Mississippi Hospital Equipment and Facilities Authority, Mississippi Home Corporation and Mississippi Industries for the Blind.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. The primary government is further subdivided between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets is a statement of position, which presents all of the State's nonfiduciary assets and liabilities, with the difference reported as net assets. GAAP requires that net assets be subdivided into three categories:

Invested in capital assets, net of related debt - capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - assets that are not classified as invested in capital assets, net of related debt or restricted net assets.

Mississippi

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. Certain indirect costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and any sources of revenue that are not reported as program revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The State reports the following major governmental funds:

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

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

The State reports the following major enterprise funds:

The Unemployment Compensation Fund accounts for the collection of unemployment insurance assessments from employers and the payment of unemployment benefits to eligible claimants. Funds are also provided by the federal government and investment income.

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

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

Mississippi

Additionally, the State reports the following fund types:

Governmental Funds:

Special Revenue Funds account for transactions related to resources obtained from specific revenue sources that are legally restricted to expenditures for specific purposes such as, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

The Capital Projects Fund accounts for transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and operating transfers from the General Fund.

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

Private-purpose Trust Funds account for operations of a college savings program under Section 529 of the Internal Revenue Code. Funding is provided by participants' contributions and investment earnings.

Agency Funds account for funds distributed to the various counties and municipalities of the state; for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the state has the right or obligation to distribute them to state operating funds or to various entities or individuals; and for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

- E. Equity in Internal Investment Pool and Cash and Cash Equivalents** - Equity in internal investment pool is cash equity with the Treasurer and consists of pooled demand deposits and investments recorded at fair value. Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within 90 days of the date acquired by the State.

In accordance with IHL policy, U. S. Government securities and agencies, and repurchase agreements with a maturity date within 90 days of the date acquired, are included as cash and cash equivalents for the Universities, a major component unit.

- F. Investments** - Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned.

Investments of the pension trust funds are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. The fair value of commingled real estate investment funds is based on independent appraisals, while Real Estate Investment Trusts (REIT) traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

Mississippi

The Public Employees' Retirement System is authorized to enter into securities lending transactions. These transactions represent loans of securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The assets and liabilities arising from securities lending transactions are reflected separately under the captions "Investments" and "Obligations under Securities Lending" in the Statement of Fiduciary Net Assets.

In accordance with authorized investment laws, the Public Employees' Retirement System also invests in various mortgage-backed securities such as collateralized mortgage obligations, interest-only strips and principal-only strips. These securities are reported at fair value and are included in the categories of U. S. Government securities and corporate obligations in the Note 4 disclosure.

- G. Receivables** - Receivables represent amounts due to the State for revenues earned that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." Receivables are reported net of allowances for uncollectible accounts where applicable.
- H. Interfund Activity** - In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

- I. Interfund Balances** - Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities. Fiduciary funds' receivables and payables have been reclassified to accounts receivable and accounts payable, respectively, on the government-wide Statement of Net Assets.
- J. Inventories and Prepaid Items** - Inventories of supplies and materials are stated at cost, generally using the first-in, first-out method. Cost of inventories held for use by the Department of Transportation is determined by the weighted average method. Inventories of supplies and materials of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

- K. Restricted Assets** - Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.
- L. Capital Assets** - Capital assets are reported, net of depreciation, in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their fair market value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or fair market value on the date of donation, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$5,000, infrastructure - \$100,000, and construction in progress - based on the project's class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

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

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

Mississippi

- 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.

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

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

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

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

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

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

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

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

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

- S. Changes in Accounting Standards** - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

Mississippi

Note 2 - Other Accounting Disclosures

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

	Governmental Funds			Totals
	General	Health Care	Nonmajor Funds	
Fund balances, unreserved - designated:				
Debt service	\$ 208,136	\$	6,511	\$ 214,647
Disaster recovery			143,000	143,000
Energy programs			4,342	4,342
Future capital projects	969		376,714	377,683
Future loans	79,275		11,086	90,361
Health care		266,411		266,411
Port improvements	558			558
Road and highway construction	556,253			556,253
Special treasury accounts	288,940			288,940
Working cash stabilization reserve	363,250			363,250
Total	<u>\$ 1,497,381</u>	<u>\$ 266,411</u>	<u>\$ 541,653</u>	<u>\$ 2,305,445</u>

- B. **Net Assets Restricted by Enabling Legislation** - The State's net assets restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net assets reports \$1,445,466,000 of restricted net assets, of which \$75,055,000 is restricted by enabling legislation.
- C. **Deficit Net Assets** - At June 30, 2008, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of \$55,343,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts, and a decline in investment income.
- D. **Restatements of Net Assets** - During fiscal year 2008, prior period adjustments of \$52,888,000 on the General Fund were made to increase the beginning net assets of governmental activities due to the understatement of the federal share of Medicare Part B premiums related to Medicaid. Prior period adjustments of \$35,478,000 on Unemployment Compensation, a major enterprise fund, were made to decrease the beginning net assets of business-type activities due to the overstatement of assessments receivable. A reclassification of net assets of \$8,000 was made between governmental activities and business-type activities. Prior period adjustments of \$5,514,000 were made to increase the beginning net assets of Universities, a major component unit.

Within governmental activities, reclassifications of net assets were made from internal service funds to the General Fund for \$253,000 and from nonmajor governmental funds to the General Fund for \$778,000. The Capital Projects fund was reclassified from a major governmental fund to a nonmajor governmental fund for \$227,464,000.

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

	Governmental Activities	Business-type Activities	Component Units
Net Assets at June 30, 2007, as previously reported	\$ 10,770,227	\$ 1,200,440	\$ 3,402,044
Fund reclassifications	8	(8)	
Prior period adjustments	52,888	(35,478)	5,514
Net Assets at June 30, 2007, as restated	<u>\$ 10,823,123</u>	<u>\$ 1,164,954</u>	<u>\$ 3,407,558</u>

Mississippi

Note 3 - Interfund Transactions

At June 30, 2008, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To							Total
	General	Nonmajor Governmental	Internal Service	Unemployment Compensation	Nonmajor Enterprise	Fiduciary		
Governmental:								
General	\$	\$ 17,799	\$ 3,486	\$	\$ 225	\$	\$	\$ 21,510
Health Care	3,800		6					3,806
Nonmajor Governmental	26,775	324	252		1,432			28,783
Internal Service	208	110	3	272				593
Proprietary:								
Unemployment Compensation	1	2,771						2,772
Prepaid Affordable College Tuition			1					1
Nonmajor Enterprise	272	2,235						2,507
Fiduciary			20				1	21
Total	\$ 31,056	\$ 23,239	\$ 3,768	\$ 272	\$ 1,657	\$ 1	\$	\$ 59,993

Interfund receivables and payables are the results of 1) timing differences between the date expenses/expenditures occur and the date payments are made and 2) the accrual of tax distributions for taxes collected in the following fiscal year.

At June 30, 2008, interfund loans consisted of (amounts expressed in thousands):

Loans To	Loans From						Total
	General	Health Care	Nonmajor Governmental	Internal Service	Nonmajor Enterprise	Fiduciary	
Governmental:							
General	\$	\$ 240,000	\$ 3,089	\$ 14,162	\$ 2	\$ 1,361	\$ 258,614
Proprietary:							
Nonmajor Enterprise	270						270
Total	\$ 270	\$ 240,000	\$ 3,089	\$ 14,162	\$ 2	\$ 1,361	\$ 258,884

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

During fiscal year 2004, the State Legislature directed the State Treasurer to transfer monies to the General Fund for appropriation by the Legislature. Based on the legislative provision for repayment, these monies are considered loans. Loans to the General Fund are from the various funds as presented in the table above (i.e., Nonmajor Governmental, Internal Service, Nonmajor Enterprise and Fiduciary) for a total of \$18,614,000.

Also included in the table is a \$2,500,000 loan to the Yellow Creek Inland Port Authority Fund (a nonmajor enterprise fund) for the construction of a building. At June 30, 2008, the outstanding balance is \$270,000.

Mississippi

At June 30, 2008, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To							Total
	Primary Government				Component Units			
	General	Internal Service	Unemployment Compensation	Nonmajor Enterprise	Universities	Nonmajor		
Primary Government:								
General	\$	\$	\$	\$	\$	19,422	\$ 340	\$ 19,762
Nonmajor Governmental						689	84	773
Internal Service							8	8
Nonmajor Enterprise						11		11
Component Units:								
Universities	485	53	156	5				699
Nonmajor		9						9
Total	\$ 485	\$ 62	\$ 156	\$ 5	\$ 20,122	\$ 432	\$	21,262

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, 2008, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To							Total
	General	Health Care	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise		
Governmental:								
General	\$	\$ 12	\$ 96,197	\$ 553	\$ 1,578	\$ 8,309	\$	106,649
Health Care	21,273							21,273
Nonmajor Governmental	257,822		2,967			992		261,781
Internal Service	1,609		20					1,629
Proprietary:								
Unemployment Compensation			6,658					6,658
Nonmajor Enterprise	74		1,361					1,435
Total	\$ 280,778	\$ 12	\$ 107,203	\$ 553	\$ 1,578	\$ 9,301	\$	399,425

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

The State Legislature authorized transfers of \$10,000,000 from the General Fund to Emergency Management (a nonmajor governmental fund) to cover insufficiencies in disaster support and assistance.

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 \$138,595,000.

Mississippi

Note 4 - Deposits and Investments

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

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

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

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

Primary Government Deposits (except for the System)

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

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

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

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

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

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2008, \$1,724,000 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, 2008, \$1,419,000 was uninsured and uncollateralized.

Mississippi

Primary Government Investment Policies (except for the System)

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

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

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

Direct U.S. Treasury obligations, U.S. Government instrumentalities, U.S. Government agency obligations and any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1 et seq., provided that the portfolio is limited to direct obligations issued by the U.S. (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalities or sponsored enterprises). The total dollar amount of funds invested in all open-end and closed-end management type companies and investment trust cannot exceed 20 percent of total investments. Not more than \$500,000 may be invested with foreign financial institutions.

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

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

School district bonds of the State of Mississippi;

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

Highway bonds of the State of Mississippi;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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 primary government's exposure to credit risk as of June 30, 2008 is as follows (amounts expressed in thousands):

Investment Type	S & P Quality Ratings						
	AAA	AA	A	BBB	BB	B	Not Rated
Asset and mortgage backed securities	\$	\$	\$	\$	\$	\$	\$ 942,433
Corporate bonds	10,326	6,120	14,999	6,124	460	99	
Municipal bonds	620	3,283	1,256	203		51	116
Mutual funds	224,142						221,112
Repurchase agreements							78,493
U.S. Government agency obligations	650,699	531					8,844
Total	\$ 885,787	\$ 9,934	\$ 16,255	\$ 6,327	\$ 460	\$ 150	\$ 1,250,998

- B. Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The primary government has no formal policy for custodial credit risk. Investments were held by the State or in the State's name by financial institutions. Repurchase agreements in the amount of \$95,000 were uninsured, and therefore subject to custodial credit risk.
- 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, 2008, is as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 1,580
Canadian dollar	1,458
Euro	30,966
Hong Kong dollar	1,925
Japanese yen	12,112
Malaysian ringgit	1,378
Norwegian krone	630
Pound sterling	16,275
Singapore dollar	4,008
Swedish krona	548
Swiss franc	9,818
Taiwan dollar	1,101
Thailand baht	1,049
Total	\$ 82,848

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 primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2008, the primary government had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset and mortgage backed securities	\$ 1,355,898	\$ 581	\$ 33,416	\$ 135,123	\$ 1,186,778
Corporate bonds	31,192	4,575	14,701	5,150	6,766
Municipal bonds	5,528	404	1,923	1,021	2,180
Mutual funds	445,253	445,253			
Repurchase agreements	78,493	19,791	58,702		
U.S. Government agency obligations	653,321	52,107	433,953	163,452	3,809
U.S. Treasury obligations	28,927	14,844	13,712	371	
Zero coupon bonds	2,862	499		1,753	610
Total	\$ 2,601,474	\$ 538,054	\$ 556,407	\$ 306,870	\$ 1,200,143

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

Federal Home Loan Mortgage Corporation	49.14%
Federal National Mortgage Association	24.14%

System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, where possible, the types of collateral securing deposits are limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2008, the System had no deposits in foreign demand deposit accounts.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any bank of the U.S. shall, where possible, be safeguarded and guaranteed by the posting of bonds, notes, and other securities as security by the depository. The System's Board of Trustees has formally adopted a short-term investment policy that requires that the market value of securities guaranteeing the deposits shall at all times be equal to 100 percent of the amount of funds on deposit. As of June 30, 2008, the System had cash equivalents of \$250,057,000 that were uninsured and collateral held by the custodial bank was not in the System's name.

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State of Mississippi;

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

Highway bonds of the State of Mississippi;

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

Mississippi

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

System Investments

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

Mississippi

The System's exposure to credit risk as of June 30, 2008 is as follows (amounts expressed in thousands):

Investment Type	S & P Quality Ratings							
	AAA	AA	A	BBB	BAA	BB	BA	B
Asset backed securities	\$ 794,307	\$ 9,421		\$ 1,202		\$ 1,440		\$ 1,555
Collateralized mortgage obligations	1,202,147	18,929	11,099	535		5,568	25	484
Commercial paper			1,714,881					
Corporate bonds	368,211	2,006,571	1,066,020	337,044	4,663	14,878		3,306
Mortgage pass-throughs	840,154		1,124					28
Municipal bonds	9,300	21,290	4,074	5,699				
Repurchase agreements	270,000							
U.S. Government agency obligations	599,971	12,185						
Yankee/Global bonds	1,179	4,424	23,079	4,022				
Total	\$ 4,085,269	\$ 2,072,820	\$ 2,820,277	\$ 348,502	\$ 4,663	\$ 21,886	\$ 25	\$ 5,373

Investment Type	S & P Quality Ratings		
	CAA	CCC	D
Asset backed securities	\$ 75	\$ 7	\$ 370
Corporate bonds	75		2,898
Total	\$ 75	\$ 7	\$ 3,268

- 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 \$26,002,171,000 in investments at June 30, 2008. Of this amount, \$5,514,498,000 was exposed to custodial rate 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.

The fair value of the System's cash collateral securities as of June 30, 2008, consisted of (amounts expressed in thousands):

Investment Type	Fair Value
Commercial paper	\$ 1,666,771
Repurchase agreements	80,000
Corporate bonds	2,592,519
Asset backed securities	716,198
Collateralized mortgage obligations	459,010
Total	\$ 5,514,498

Mississippi

- C. Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy limits non-U.S. investments to 16 percent of total investments. At June 30, 2008, the current position is 23 percent. The System's exposure to foreign currency risk at June 30, 2008, is as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 192,907
Brazilian real	103,700
Canadian dollar	99,352
Danish krone	17,135
Egyptian pound	26,567
Euro	1,505,454
Hong Kong dollar	103,521
Hungarian forint	4,076
Indian rupee	51,798
Indonesian rupiah	20,410
Japanese yen	672,887
Malaysian ringgit	12,340
Mexican nuevo peso	12,506
New Israeli shekel	29,271
New Turkish lira	27,367
New Zealand dollar	1,451
Norwegian krone	46,601
Pound sterling	768,002
Singapore dollar	38,979
South African rand	92,149
South Korean won	97,635
Swedish krona	98,990
Swiss franc	227,957
Taiwan dollar	35,541
Total	\$ 4,286,596

- 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, 2008, the System had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset and mortgage backed securities	\$ 808,302	\$ 733,588	\$ 4,573	\$ 6,363	\$ 63,778
Collateralized mortgage obligations	1,238,787	487,416	16,050	28,749	706,572
Commercial paper	1,714,881	1,714,881			
Corporate bonds	3,803,666	1,568,044	1,469,988	402,305	363,329
Mortgage pass-throughs	874,690	98	898	40,668	833,026
Municipal bonds	40,363		497	5,903	33,963
Repurchase agreements	270,000	270,000			
U.S. Government agency obligations	612,156	26,475	252,031	86,721	246,929
U.S. Treasury obligations	920,370	32,234	400,713	280,151	207,272
Yankee/Global bonds	32,704	2,015	10,678	5,713	14,298
Total	\$ 10,315,919	\$ 4,834,751	\$ 2,155,428	\$ 856,573	\$ 2,469,167

During fiscal year 2008, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, collateralized mortgage obligations (CMOs) and asset-backed securities (ABS). The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and principal only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at \$3,000,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

Mississippi

CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held \$1,238,787,000 in CMOs at June 30, 2008. Of this amount, \$416,000,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the \$808,302,000 in ABS held at June 30, 2008, \$17,000,000 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, 2008, the System has invested in \$874,690,000 in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

- E. Securities Lending Transactions** - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2008, 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 (domestic equities and bonds) and 105 percent (international equities) of the fair value and accrued income of the securities lent. In the event the collateral fair value falls to less than 102 or 105 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

The maturities of the investments made with cash collateral generally do not match the maturities of the securities lent. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 3.7 days at June 30, 2008. Cash collateral is invested in debt securities such as corporate bonds, collateralized mortgage obligations and "AAA" asset-backed securities. Additionally, a significant portion is invested in corporate short-term securities, such as repurchase agreements and commercial paper. The weighted average final duration of all collateral investments at June 30, 2008, was 653 days with a weighted average maturity of 38 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, 2008. 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, 2008, the aggregate fair value of securities lending holdings, including accrued interest was \$5,522,243,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$5,372,649,000. The value of the collateral pledged by borrowers at year end was \$5,551,279,000.

Mississippi

Note 5 - Receivables

At June 30, 2008, receivables consisted of (amounts expressed in thousands):

	Governmental Funds				Receivables Reclass/ Elimination	Total Governmental Activities
	General	Health Care	Nonmajor Funds	Internal Service		
Accounts	\$ 291,513	\$ 2,232	\$ 8,480	\$ 51	\$ 20	\$ 302,296
Taxes:						
Sales	277,188					277,188
Income	186,445					186,445
Gasoline	44,118					44,118
Other	67,663					67,663
Interest and dividends	27,782	38,604	1,960	428	(38,082)	30,692
Other	258					258
Gross receivables	894,967	40,836	10,440	479	(38,062)	908,660
Allowance for uncollectibles	(94,246)					(94,246)
Receivables, net	\$ 800,721	\$ 40,836	\$ 10,440	\$ 479	\$ (38,062)	\$ 814,414
Amounts not scheduled for collection in subsequent year	\$ 67,067	\$ 38,082	\$ 337		\$ (38,082)	\$ 67,404

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	\$ 31,478	\$ 601	\$ 5,135	\$ 3,292	\$ 40,506
Assessments	31,558				31,558
Insurance		4,125			4,125
Interest and dividends		642	650	596	1,888
Gross receivables	63,036	5,368	5,785	3,888	78,077
Allowance for uncollectibles	(30,781)			(12)	(30,793)
Receivables, net	\$ 32,255	\$ 5,368	\$ 5,785	\$ 3,876	\$ 47,284

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 2,101,014	\$ 4,298	\$ 2,105,312
Interest	3,387	263	3,650
Gross receivables	2,104,401	4,561	2,108,962
Allowance for uncollectibles	(1,876,895)		(1,876,895)
Receivables, net	\$ 227,506	\$ 4,561	\$ 232,067

Mississippi

Note 6 - Due From Other Governments

At June 30, 2008, due from other governments consisted of (amounts expressed in thousands):

	<u>Governmental Funds</u>			<u>Total Governmental Activities</u>
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Internal Service</u>	
Due from other governments	\$ 1,100,480	\$ 131,463	\$ 23	\$ 1,231,966
Allowance for uncollectibles	(646)			(646)
Due from other governments, net	<u>\$ 1,099,834</u>	<u>\$ 131,463</u>	<u>\$ 23</u>	<u>\$ 1,231,320</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 490,202</u>	<u>\$ 6,166</u>		<u>\$ 496,368</u>

Note 7 - Loans and Notes Receivable

At June 30, 2008, loans and notes receivables consisted of (amounts expressed in thousands):

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Funds</u>			<u>Universities</u>
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Activities</u>	
Loans and notes receivable	\$ 199,081	\$ 3,364	\$ 202,445	\$ 193,151
Allowance for uncollectibles		(523)	(523)	(25,177)
Loans and notes receivable, net	<u>\$ 199,081</u>	<u>\$ 2,841</u>	<u>\$ 201,922</u>	<u>\$ 167,974</u>
Amounts not scheduled for collection in subsequent year	<u>\$ 179,335</u>	<u>\$ 1,893</u>	<u>\$ 181,228</u>	<u>\$ 143,062</u>

Mississippi

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2008, was as follows (amounts expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 194,558	\$ 26,118	\$ 5,257	\$ 215,419
Construction in progress	4,293,588	1,017,341	675,542	4,635,387
Total capital assets not being depreciated	4,488,146	1,043,459	680,799	4,850,806
Capital assets being depreciated:				
Buildings	1,463,642	89,587	3,713	1,549,516
Land improvements	91,948	61,316	1,682	151,582
Machinery and equipment	492,910	208,233	38,381	662,762
Infrastructure	7,885,852	593,126	133,650	8,345,328
Total capital assets being depreciated	9,934,352	952,262	177,426	10,709,188
Less accumulated depreciation for:				
Buildings	358,055	28,753	1,633	385,175
Land improvements	38,280	23,441	272	61,449
Machinery and equipment	331,593	51,372	30,297	352,668
Infrastructure	2,969,279	296,556	116,720	3,149,115
Total accumulated depreciation	3,697,207	400,122	148,922	3,948,407
Total capital assets being depreciated, net	6,237,145	552,140	28,504	6,760,781
Governmental activities capital assets, net	\$ 10,725,291	\$ 1,595,599	\$ 709,303	\$ 11,611,587
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,612	\$ 27,122	\$	\$ 39,734
Construction in progress	46,641	26,723	46,603	26,761
Total capital assets not being depreciated	59,253	53,845	46,603	66,495
Capital assets being depreciated:				
Buildings	71,928	12,359		84,287
Land improvements	28,741	6,757		35,498
Machinery and equipment	14,378	1,588	878	15,088
Infrastructure	67,579	106		67,685
Total capital assets being depreciated	182,626	20,810	878	202,558
Less accumulated depreciation for:				
Buildings	17,521	1,446		18,967
Land improvements	13,691	1,224		14,915
Machinery and equipment	10,134	718	781	10,071
Infrastructure	28,398	2,567		30,965
Total accumulated depreciation	69,744	5,955	781	74,918
Total capital assets being depreciated, net	112,882	14,855	97	127,640
Business-type activities capital assets, net	\$ 172,135	\$ 68,700	\$ 46,700	\$ 194,135

Mississippi

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

Governmental activities:

General government	\$	10,346
Education		4,270
Health and social services		15,314
Law, justice and public safety		27,548
Recreation and resources development		8,759
Regulation of business and profession		242
Transportation		314,510
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		1,974
Total depreciation expense - governmental activities	\$	382,963

Business-type activities:

Port Authority at Gulfport	\$	3,741
Other business-type		2,207
Total depreciation expense - business-type activities	\$	5,948

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental activities:			
Department of Transportation	\$ 5,684,820	\$ 4,314,014	\$ 1,370,818
Military Department	73,706	58,497	15,209
Department of Finance and Administration	100,797	80,661	12,551
Educational Television	10,349	10,021	93
Department of Corrections	79,501	52,521	26,980
Department of Public Safety	25,748	5,075	1,049
Mississippi Development Authority	78,027	69,909	6,850
Information Technology Services	27,844	8,354	16,705
Wireless Communication Commission	162,590	8,399	154,192
Other projects less than \$10 million	59,369	27,936	14,907
Total governmental activities	6,302,751	4,635,387	1,619,354
Business-type activities:			
Port Authority at Gulfport	36,549	22,830	13,719
Other projects less than \$10 million	3,931	3,931	
Total business-type activities	40,480	26,761	13,719
Total construction in progress	\$ 6,343,231	\$ 4,662,148	\$ 1,633,073

Mississippi

Component Units

At June 30, 2008, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 58,877	\$ 15,777	\$ 74,654
Construction in progress	381,889	28,044	409,933
Total capital assets not being depreciated	440,766	43,821	484,587
Capital assets being depreciated:			
Buildings	2,045,878	75,342	2,121,220
Land improvements	205,158	55,729	260,887
Machinery and equipment	826,931	38,723	865,654
Total capital assets being depreciated	3,077,967	169,794	3,247,761
Less accumulated depreciation	1,157,542	83,546	1,241,088
Total capital assets being depreciated, net	1,920,425	86,248	2,006,673
Component units capital assets, net	\$ 2,361,191	\$ 130,069	\$ 2,491,260

Mississippi

Note 9 - Long-term General Obligation Bonds

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

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2008, 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, 2008, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in these funds, the State remains contingently liable for its payment. In accordance with Mississippi state law, the State serves as the guarantor for the general obligation bonds of the Greater Port of Pascagoula. The port is not considered part of the reporting entity; however, if the port's resources are insufficient to make the debt service payments on the outstanding bonds, the deficiency must be paid by the State. As of June 30, 2008, the Port of Pascagoula's outstanding general obligation bonds are \$435,000.

Bond Anticipation Notes

During fiscal year 2008, the State issued \$118,300,000 of general obligation notes in anticipation of the issuance of bonds for major economic impact projects and to refinance the short-term taxable General Obligation Notes, Series 2007A. These notes may be redeemed from the proceeds of permanent bonds or reissued notes. This short-term debt meets long-term financing criteria and, therefore, is not recorded as a fund liability.

Defeased Bonds

In prior years, the state defeased certain outstanding general obligation bonds of the primary government by depositing the net proceeds of refunding bonds and additional monies from debt service funds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the defeased bonds. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2008, \$587,630,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

Interest Rate Exchange Agreements (Swaps)

As a means to mitigate the State's exposure to fluctuating interest rates, the State entered into forward interest rate swap agreements in connection with \$196,700,000 of currently outstanding variable rate debt.

Terms

2003A Swap Agreements - The State executed swap agreements in July 2006 and March 2007 with two different counterparties in connection with \$50,005,000 of \$126,755,000 outstanding 2003A variable rate bonds. The 2003A bonds have final maturities occurring from November 2008 through November 2028, while the final maturities on the related swaps range from November 2022 to November 2028. Under the 2003A swap agreements, the State pays the counterparties a fixed rate payment ranging from 5.248% to 5.708% and receives a variable rate payment based on one-month LIBOR.

2003B Swap Agreements - The State executed swap agreements in July 2006 and March 2007 with two different counterparties in connection with \$49,995,000 of \$126,745,000 outstanding 2003B variable rate bonds. The 2003B bonds have final maturities occurring from November 2008 through November 2028, while the final maturities on the related swaps range from November 2022 to November 2028. Under the 2003B swap agreements, the State pays the counterparties a fixed rate payment ranging from 5.248% to 5.708% and receives a variable rate payment based on one-month LIBOR.

2005 Swap Agreement - The \$46,700,000 of 2005 variable rate bonds and the related swap have final maturities occurring from September 2008 through September 2025. Under the 2005 swap, executed October 2004, the State pays the counterparty a fixed rate payment of 4.037% and receives a variable rate payment based on the SIFMA Municipal Swap Index.

Mississippi

2007 Swap Agreement - The \$50,000,000 of 2007 variable rate bonds and the related swap have final maturities occurring from September 2008 through September 2027. Under the 2007 swap, executed May 2005, the State pays the counterparty a fixed rate payment of 3.98% and receives a variable rate payment based on the SIFMA Municipal Swap Index.

Fair Value - As of June 30, 2008, the aggregate fair value of the swaps was negative \$11,348,000 based on quoted market prices. The fair value was determined by a third party consultant based on the information in the Interest Rate Swap Confirmations supplied by the swap counterparties. Based on that information and the swap market conditions prevailing on June 30, 2008, the third party consultant calculated the estimated market value. The fair value may vary throughout the life of the swap agreements due to swap market conditions.

Associated Debt - The variable rate bonds are subject to the interest rate exchange agreements. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on all debt, reported under governmental activities and business-type activities, is presented at the end of this note. At June 30, 2008, future debt service requirements on the bonds subject to the swap agreements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2009	\$ 3,385	\$ 4,088	\$ 5,293	\$ 12,766
2010	3,540	4,034	5,207	12,781
2011	3,695	3,978	5,119	12,792
2012	3,850	3,920	5,026	12,796
2013	4,015	3,859	4,929	12,803
2014-2018	22,820	18,289	23,047	64,156
2019-2023	29,080	16,308	19,907	65,295
2024-2028	107,790	8,441	10,259	126,490
2029	18,525	166	203	18,894
	<u>\$ 196,700</u>	<u>\$ 63,083</u>	<u>\$ 78,990</u>	<u>\$ 338,773</u>

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

Credit Risk - The swap agreements require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), also require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations of the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the contract of the authorized insurer and shall be deposited as directed by the State. Additionally, the swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The State has executed swap transactions with three counterparties. Each counterparty had a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories as of June 30, 2008.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the SIFMA Municipal Swap Index or the LIBOR and the variable rate bonds vary, which changes the synthetic rate on the bonds. As of June 30, 2008, the SIFMA rate was 1.5875% and the interest rate on the 2005 and 2007 variable rate bonds ranged from 1.5% to 1.55%. The one-month LIBOR was 2.4575% and the interest rate on the 2003A and 2003B variable rate bonds ranged from 2.51% to 2.8%. The relationship between these rates will vary over time, and any variation will result in an adjustment to the intended synthetic interest rate.

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

Mississippi

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

At June 30, 2008, the primary government's outstanding general obligation bonds and notes as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Bonds				
Archusa Water Park	\$ 60	5%	Aug. 2008	\$ 481
Community and Jr. College Telecommunications Network	820	5%	Aug. 2008	6,619
Port Improvement	2,480	5%	Aug. 2008	19,976
Tech Prep	3,715	5.5%	Aug. 2008	30,024
Gulf Tax Credit *	100,000	0%	Oct. 2008	100,000
Spillway Road	1,805	6.25%	Feb. 2011	4,950
Gaming Highway Improvement	87,640	5%	Oct. 2011	200,000
Ayers Settlement - Allstate Building	1,525	5% - 5.6%	June 2012	3,300
Single Family Residential Housing Fund	2,295	5% - 5.6%	June 2012	5,000
Deer Island Project	4,670	3% - 3.75%	Nov. 2012	8,800
Franklin County Lake and Recreation Complex Road Construction	925	4% - 5%	Sept. 2013	1,250
Major Energy Project Development	9,625	5.6% - 6.45%	Oct. 2013	30,000
Small Business Assistance	2,691	4.85% - 6.15%	Oct. 2013	8,000
Land, Water, and Timber Resources	21,782	3% - 4.83%	Nov. 2014	38,000
Local Governments Rail Program	6,855	3% - 5.6%	Nov. 2014	13,000
Telecommunication Conference and Training Center	9,405	3% - 4.25%	Nov. 2015	17,500
Economic Development Highway	38,970	3% - 7%	Dec. 2017	62,000
Milk Producers	3,500	4.5% - 5.17%	Dec. 2017	3,500
Farish Street Historic District	3,315	3.5% - 5.55%	Aug. 2018	4,000
Cultural Development	5,510	3% - 4.5%	Nov. 2019	6,500
Disaster Assistance	4,230	3% - 4.5%	Nov. 2019	5,000
Water Pollution Control	3,533	3% - 5%	Nov. 2019	3,883
ACE Fund	4,013	3.5% - 5.55%	Dec. 2025	4,450
Business Investment Act	57,264	3.5% - 7.2%	Dec. 2025	102,440
Existing Industry	3,300	5.13% - 5.55%	Dec. 2025	3,500
Farm Reform	5,973	3.5% - 7.13%	Dec. 2025	10,000
Job Protection	4,720	5.13% - 5.55%	Dec. 2025	5,000
Local Governments Capital Improvements	5,175	5% - 6%	Dec. 2025	10,000
Raspert Flight Research Laboratory	1,124	4.25% - 5.75%	Dec. 2025	1,200
Rural Impact Act	17,295	4.25% - 5.55%	Dec. 2025	20,000
Small Municipalities and Limited Population Counties	32,217	3.96% - 5.75%	Dec. 2025	45,000
State Shipyard Improvements	92,255	3.5% - 5.55%	Dec. 2025	114,000
Stennis Space Center	22,450	3.5% - 6.38%	Dec. 2025	51,750
General Obligation Refunding Bonds	1,261,188	3.25% - 7.35%	Nov. 2026	1,640,435
Local Governments Water System Improvement	7,004	3% - 5.5%	Nov. 2026	10,743
Capital Improvements **	919,245	1.45% - 6%	Dec. 2027	1,649,689
Local System Bridge Replacement and Rehabilitation Fund	63,834	3.75% - 5.55%	Dec. 2027	70,000
Rural Fire Truck Acquisition	7,930	4% - 5.75%	Dec. 2027	8,340
Transportation	4,000	4% - 5%	Dec. 2027	4,000
Small Enterprise Development Finance	50,145	3% - 6.35%	Jan. 2028	180,785
Major Economic Impact **	416,008	1.55% - 7%	Nov. 2028	482,250
Total Bonds	3,290,491			4,985,365
Notes				
Major Economic Impact	118,300	5.11% - 5.48%	Oct. 2008	118,300
Premiums/Discounts	107,426			
Deferred Amount on Refunding	(64,144)			
Total Governmental Activities	3,452,073			5,103,665
Business-type Activities:				
Port Improvement (Gulfport)	32,064	4% - 5.5%	Nov. 2022	52,362
Total General Obligation Bonds and Notes	\$ 3,484,137			\$ 5,156,027

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

Mississippi

** Interest on \$80,385,000 and \$224,450,000 of outstanding general obligation bonds for Capital Improvements and Major Economic Impact, respectively, is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with \$96,700,000 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 Municipal Swap Index. Additionally, interest rate swap agreements have been entered into in connection with \$100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2008, 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
2009	\$ 485,102	\$ 151,801	\$ 3,178	\$ 1,549
2010	265,185	134,195	3,365	1,380
2011	261,580	121,408	2,795	1,216
2012	251,496	108,662	2,429	1,082
2013	228,408	96,893	2,422	960
2014 - 2018	1,011,306	324,901	14,339	2,757
2019 - 2023	560,514	139,181	3,536	122
2024 - 2028	326,675	40,366		
2029	18,525	369		
Total	3,408,791	1,117,776	32,064	9,066
Premiums/Discounts	107,426			
Deferred Amount on Refunding	(64,144)			
Total Debt Service, Net	\$ 3,452,073	\$ 1,117,776	\$ 32,064	\$ 9,066

Mississippi

Note 10 - Limited Obligation Bonds

Limited obligation bonds are payable exclusively from specific pledged General Fund revenues. Such obligations are not secured by the full faith, credit and taxing power of the state, and holders of such obligations are not entitled to look to other state resources for payment.

At June 30, 2008, the outstanding limited obligation bonds presented in governmental activities are \$24,460,000. The final maturity date for these bonds is June 2009, with an interest rate of 5.25 percent. The original issue amount of these bonds was \$200,000,000. None of the limited obligation bonds of the state carry variable rates of interest. For the year ending June 30, 2009, the debt service requirement consists of a principal payment of \$24,460,000 and interest payments totaling \$1,284,000.

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, 2008, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	\$ 558,296	1% - 6.55%	Mar. 2037	\$ 760,955
Notes	7,997	0% - 8.2%	Nov. 2023	10,424
Nonmajor Component Units:				
Notes	<u>2,236</u>	3.137% - 4.22%	Jan. 2018	<u>5,492</u>
Total Component Units	<u>\$ 568,529</u>			<u>\$ 776,871</u>

At June 30, 2008, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units	
	Principal	Interest
2009	\$ 23,400	\$ 28,332
2010	21,517	27,458
2011	21,731	26,451
2012	23,145	25,407
2013	22,307	23,936
2014 - 2018	125,622	97,646
2019 - 2023	125,461	66,229
2024 - 2028	105,887	37,016
2029 - 2033	77,858	13,822
2034 - 2038	21,601	1,459
	<u>\$ 568,529</u>	<u>\$ 347,756</u>

Mississippi

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2008 was \$116,760,000 for governmental activities and \$577,000 for business-type activities. Internal service compensated absences of \$1,269,000 are included in governmental activities. The component units reported a liability of \$84,300,000 for compensated absences, of which \$83,536,000 was for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-N).

B. Notes Payable and Certificates of Participation - At June 30, 2008, the primary government's outstanding notes payable and certificates of participation as presented in governmental activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Notes Payable:				
Utility restoration	\$ 189,860	5% - 5.45%	Jul. 2019	\$ 189,860
Energy efficiency	16,024	4.15% - 5.73%	Apr. 2023	19,872
Buildings*	225,418	2.95% - 5.33%	May 2028	227,855
Roads and bridges**	431,469	2.86% - 5%	Jan. 2035	441,550
Total	862,771			879,137
Premiums	20,512			
Deferred Amount on Refunding	(1,234)			
Total Notes Payable	\$ 882,049			\$ 879,137
Certificate of Participation:				
Buildings	\$ 2,190	5% - 5.4%	Oct. 2017	\$ 3,215

* Interest rate swap agreements have been entered into in connection with \$166,250,000 of outstanding variable rate notes for purchases of buildings where the State pays the counterparties fixed rate payments ranging from 3.36% to 3.49%, and until September 30, 2008 receives variable rate payments computed based on the SIFMA Municipal Swap Index. After September 30, 2008, the State will receive variable rate payments computed based on USD-LIBOR-BBA multiplied by 67%.

** Interest on \$26,068,000 of outstanding notes payable to accelerate construction of roads and bridges is variable rate and is reset weekly at the New York prime rate plus 2%, never to exceed 13%.

Refunding - During fiscal year 2008, the State issued \$208,955,000 of refunding notes to currently refund six notes for buildings reported in governmental activities. The current refunding was undertaken to reduce debt service payments over the next 20 years by \$10,778,000, to provide stability under current market conditions, and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding notes) of \$40,390,000.

At June 30, 2008, future debt service requirements for notes payable and certificates of participation are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities			
	Certificates of Participation		Notes Payable	
	Principal	Interest	Principal	Interest
2009	\$ 145	\$ 112	\$ 29,548	\$ 38,407
2010	155	105	36,515	37,172
2011	160	96	39,871	35,365
2012	170	88	41,533	33,431
2013	175	79	43,664	31,400
2014 - 2018	1,385	229	240,678	123,239
2019 - 2023			216,572	67,062
2024 - 2028			182,205	24,174
2029 - 2033			21,875	5,145
2034 - 2035			10,310	496
Total	2,190	709	862,771	395,891
Premiums			20,512	
Deferred Amount on Refunding			(1,234)	
Total Debt Service, Net	\$ 2,190	\$ 709	\$ 882,049	\$ 395,891

Mississippi

Interest Rate Exchange Agreements (Swaps)

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

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

Fair Value - The fair value of the 2009 swap agreement at June 30, 2008 was negative \$3,651,000, estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap agreement, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement under the swap agreement.

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

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

Credit Risk - The swap agreement requires that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the Standard & Poor's Ratings Group rating of "BBB-" or the Moody's Investors Services, Inc. rating of "Baa3", that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States, with a net market value of at least 102% of the net market value of the contract of the authorized issuer and shall be deposited as directed by the State. Additionally, the swap agreement requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The counterparty met the required rating as of June 30, 2008.

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

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

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

2008A and 2008B Swap Agreements - The State entered into interest rate swap agreements in connection with its \$96,390,000 refunding notes (2008A Notes) and \$69,860,000 refunding notes (2008B Notes) both issued in 2008. These refunding notes were issued to refund notes for correctional facilities and the swap agreements were entered into to mitigate the State's exposure to fluctuating interest rates.

Terms - The 2008A notes and its related swap have final maturities occurring from August 2010 through August 2027. Under the 2008A swap agreement, executed April 2008, the State pays the counterparty a fixed payment of 3.361% and until September 30, 2008 receives a variable rate payment computed based on the SIFMA Municipal Swap Index. After September 30, 2008, the state will receive a variable payment based on 67% of the USD-LIBOR-BBA. The 2008B notes and its related swap have final maturities occurring from August 2010 through August 2027. Under the 2008B swap agreement, executed April 2008, the State pays the counterparty a fixed payment of 3.49% and until September 30, 2008 receives a variable rate payment computed based on the SIFMA Municipal Swap Index. After September 30, 2008, the state will receive a variable rate payment based on 67% of the USD-LIBOR-BBA.

Mississippi

Fair Value - The fair values of the 2008A and 2008B swap agreements at June 30, 2008 were negative \$2,273,000 and negative \$2,548,000, respectively. The fair values were based upon mid-market quotations for the swap transactions on June 30, 2008. The fair value may vary throughout the life of the swap agreements due to swap market conditions.

Associated Debt - The 2008A and 2008B variable rate notes are subject to the interest rate exchange agreements. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate notes and the net swap payments will change. The future debt service requirements on notes payable and certificates of participation are presented at the beginning of this note. At June 30, 2008, future debt service requirements on the notes subject to the swap agreements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2009	\$	\$	2,577	\$ 5,512
2010			2,577	5,512
2011	1,735	2,552	2,907	7,194
2012	1,800	2,524	2,875	7,199
2013	2,280	2,490	2,836	7,606
2014 - 2018	26,275	11,578	13,186	51,039
2019 - 2023	53,770	8,028	9,144	70,942
2024 - 2028	80,390	3,164	3,602	87,156
	\$ 166,250	\$ 35,490	\$ 40,420	\$ 242,160

Interest Rate Risk - Although the interest rate is synthetically fixed on the 2008A and 2008B notes under the interest rate exchange agreements, interest payments on the variable rate notes subject to the interest rate exchange agreements and the net swap payments will vary as interest rates change.

Credit Risk - The swap agreements require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories. All of the swap agreements require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the counterparty transfer the agreement to an entity that meets the required rating. The State has executed swap transactions with two counterparties. The counterparties met the required rating as of June 30, 2008.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the SIFMA Municipal Swap Index and the variable rate notes vary, which changes the synthetic rate on the notes. As of June 30, 2008, the SIFMA Municipal Swap Index rate and the interest rates on the 2008A and 2008B variable rate notes were 1.55%. The relationship between these rates will vary over time and any variation will result in an adjustment to the intended synthetic interest rate.

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

Market-Access Risk or Rollover Risk - The State's 2008A and 2008B swap agreements are for the term (maturity) of the corresponding variable rate notes and, therefore, there is no market-access risk or rollover risk.

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

Mississippi

At June 30, 2008, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 21,245	\$ 1,140
Less accumulated depreciation	(8,352)	(160)
Total	\$ 12,893	\$ 980

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$36,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$38,126,000.

At June 30, 2008, 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
2009	\$ 5,596	\$ 303	\$ 5,899	\$ 11,537
2010	3,947	705	4,652	9,270
2011	2,617		2,617	8,707
2012	1,059		1,059	5,345
2013	206		206	1,772
2014 - 2018	107		107	1,755
Total Minimum Lease Payments	13,532	1,008	14,540	38,386
Less Interest	977	82	1,059	3,701
Present Value of Net Minimum Lease Payments	\$ 12,555	\$ 926	\$ 13,481	\$ 34,685

Internal service future minimum lease payments of \$68,000 less interest of \$5,000 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, 2008 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)	\$ 3,106,601	\$ 549,420	\$ 247,230	\$ 3,408,791	\$ 485,102
Premiums/Discounts (Note 9)	98,975	17,487	9,036	107,426	9,263
Deferred Amount on Refunding (Note 9)	(70,344)	6,200		(64,144)	(5,849)
Limited Obligation Bonds (Note 10)	47,880		23,420	24,460	24,460
Notes Payable (Note 12)	690,316	380,707	208,252	862,771	29,548
Premiums/Discounts (Note 12)	19,624	1,736	848	20,512	1,438
Deferred Amount on Refunding (Note 12)	(1,912)	1,932	1,254	(1,234)	(89)
Total Bonds and Notes	3,891,140	957,482	490,040	4,358,582	543,873
Capital Lease Obligations (Note 12)	18,568	724	6,737	12,555	5,109
Accrued Compensated Absences (Note 12)	107,691	68,736	59,667	116,760	6,659
Certificates of Participation (Note 12)	2,330		140	2,190	145
	<u>\$ 4,019,729</u>	<u>\$ 1,026,942</u>	<u>\$ 556,584</u>	<u>\$ 4,490,087</u>	<u>\$ 555,786</u>
Business-type Activities:					
General Obligation Bonds (Note 9)	\$ 35,084	\$	\$ 3,020	\$ 32,064	\$ 3,178
Accrued Compensated Absences (Note 12)	622	163	208	577	27
Capital Lease Obligations (Note 12)	214	817	105	926	261
	<u>\$ 35,920</u>	<u>\$ 980</u>	<u>\$ 3,333</u>	<u>\$ 33,567</u>	<u>\$ 3,466</u>

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The beginning and ending balances of governmental activities capital lease obligations include \$82,000 and \$63,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,127,000 and \$1,269,000, respectively, of internal service funds. The beginning balance of governmental activities notes payable includes \$60,000 of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund and special revenue funds.

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

Mississippi

Note 14 - Bonds Authorized But Unissued

At June 30, 2008, 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	\$ 17,450	\$ 13,000
Business Investment Act	316,000	49,123
Capital Improvements	894,877	214,167
Children's Museums	7,500	4,400
Community Heritage Preservation	25,750	5,500
Cultural Development Act	21,200	4,000
Deer Island Project	10,000	1,200
Disaster Matching Funds	61,000	51,000
Economic Development Highway	196,500	67,600
Existing Industry Productivity	7,000	3,500
Farish Street Historic District	6,000	2,000
Farm Reform	109,000	4,000
Holly Springs Industrial Park Access Road	500	500
Infinity Space, Science and Education Center	10,000	10,000
Job Protection	12,000	7,000
Local Governments Capital Improvements	118,000	13,000
Local Governments Water System Improvements	29,743	4,000
Local System Bridge Replacement	115,000	45,000
Major Economic Impact	1,224,950	475,460
Marine Resources Equipment and Facilities	30,000	25,000
Parks Improvement	15,925	3,019
Port Improvement (Gulfport)	80,000	53,235
Railroad Lines and Bridges Improvements	5,000	5,000
Rural Fire Truck Acquisition	10,000	1,660
Rural Impact	21,875	1,875
Small Enterprise Development Finance	140,000	89,855
Small Municipalities and Limited Population Counties	48,000	3,000
Southern Arts and Entertainment Center	4,000	4,000
Technology Alliance Program	4,000	4,000
Transportation - Highways	8,000	8,000
Water Pollution Control	13,693	600
Watershed Repair and Rehabilitation	6,500	1,000
	3,569,463	1,174,694
Revenue Bonds:		
Port of Gulfport Rail Line	20,000	20,000
	\$ 3,589,463	\$ 1,194,694

Mississippi

Note 15 - Short-term Financing

- A. General Obligation Notes** - During fiscal year 2008, the State issued \$30,075,000 in short-term general obligation CAPTENS notes to provide financing for capital improvement projects, rural fire truck acquisition, an economic development highway project, loans for milk producers, and major economic impact projects. The CAPTENS notes Series A matured in January 2008 and had interest rates ranging from 3.42% to 3.72%. The taxable CAPTENS notes Series B matured in January 2008 and had interest rates ranging from 5% to 5.25%. Additionally, the State reissued \$50,000,000 in general obligation notes, in anticipation of the issuance of bonds, which provided financial assistance for a major economic impact project. This reissuance meets long-term financing criteria and, therefore, is recorded as a reduction in short-term debt. At June 30, 2008, there were no outstanding general obligation short-term notes. Changes in general obligation short-term notes activity recorded in the governmental activities during fiscal year 2008 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Notes, CAPTENS Series A	\$ 0	\$ 13,525	\$ 13,525	\$ 0
General Obligation Notes, CAPTENS Series B	0	16,550	16,550	0
General Obligation Notes, Series 2007A	50,000		50,000	0
	\$ 50,000	\$ 30,075	\$ 80,075	\$ 0

- B. Credit Agreements** - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to \$150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2008 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	\$ 0	\$ 190,947	\$ 150,947	\$ 40,000

Mississippi

Note 16 - Retirement Plans

Plan Description

A. General

In accordance with state statutes, Public Employees' Retirement System (PERS) Board of Trustees (System) administers four defined benefit plans. The defined benefit plans are the PERS, a cost-sharing multiple-employer public employee retirement system established in 1952, Mississippi Highway Safety Patrol Retirement System (MHSPRS), a single-employer public employee retirement system established in 1958, the Municipal Retirement Systems (MRS), which are agent multiple-employer defined benefit public employee retirement systems composed of 19 separate municipal retirement and fire and police disability and relief systems, and Supplemental Legislative Retirement Plan (SLRP), a single-employer public employee retirement system established in fiscal year 1990.

PERS, MHSPRS, MRS and SLRP are considered part of the State of Mississippi's financial reporting entity and are included in the accompanying financial statements as pension trust funds. The purpose of these plans is to provide pension benefits for all state employees, sworn officers of the state highway patrol, other public employees whose employers have elected to participate, and elected members of the State Legislature and the president of the senate. The System issues a Comprehensive Annual Financial Report, which includes PERS, MHSPRS, MRS and SLRP, that is available from Public Employees' Retirement System of Mississippi.

B. Membership and Benefit Provisions

Public Employees' Retirement System: Membership in PERS is a condition of employment; eligibility is granted upon hiring for all qualifying employees and officials of the state, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by the political subdivisions and instrumentalities of the state, membership is contingent upon approval of the entity's participation in the plan by the System's Board of Trustees. If approved, membership is a condition of employment and eligibility is granted upon hiring. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest.

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of credited service are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service through 25 years, plus 2 1/2 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect an option for a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who entered the System prior to July 1, 2007, benefits vest upon completion of four years of membership service. For members who entered the System on or after July 1, 2007, benefits vest upon completion of eight years of membership service. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2008, the total additional annual payments were \$281,124,000.

Mississippi Highway Safety Patrol Retirement System: Membership in MHSPRS is a condition of employment; eligibility is granted upon hiring for all officers of the Mississippi Highway Safety Patrol who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as sworn officers of the highway patrol in the enforcement of the laws of the State of Mississippi. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest.

Participating employees who withdraw from service at or after age 55 with at least five years of membership service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 1/2 percent of their average compensation during the four highest consecutive years of earnings reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

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A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 60, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 60. For the year ended June 30, 2008, the total additional annual payments were \$5,620,000.

Municipal Retirement Systems: Membership in the two General Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems was granted to all municipal employees, firefighters, and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. Employees hired after these periods automatically become members of PERS. MRS were fully closed to new members July 1, 1987. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions.

Participating employees who retire regardless of age with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66 2/3 percent of average monthly compensation. Average monthly compensation for the two Municipal Retirement Systems and for the 17 Fire and Police Disability and Relief Systems is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of credited service. MRS also provide certain death and disability benefits. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Annotated (1972) and annual local and private legislation. Statutes may be amended only by the State Legislature.

The retirees and beneficiaries of Municipal plans with provisions for additional payments, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to an additional payment. This payment is equal to the annual percentage change of the Consumer Price Index not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain Municipal plans may adopt an annual adjustment other than one linked to the change in the Consumer Price Index. These additional payments will only be made when funded by the employers. For the year ended June 30, 2008, the total additional annual payments were \$4,610,000.

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

The retirement allowance is 50 percent of an amount equal to the retirement allowance payable by PERS determined by credited service as an elected senator or representative in the State Legislature or as president of the Senate. Benefits vest upon completion of the requisite number of membership service years in PERS. SLRP also provides certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

Retirees and beneficiaries of SLRP may receive additional amounts calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2008, the total additional annual payments were \$124,000.

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, 2008. 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, 2007. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

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

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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	11.85%	30.30%	N/A	6.65%
Other employers	N/A	N/A	.73 – 8.73 mills	N/A
Plan members	7.25%	6.50%	7.00% - 10.00%	3.00% *
Annual pension cost	\$ 683,189	\$ 12,409	\$ 15,426	\$ 449
Employer contributions made	\$ 683,189	\$ 12,409 ***	\$ 14,979	\$ 449
Actuarial valuation date	June 30, 2008	June 30, 2008	Sept. 30, 2007	June 30, 2008
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	29.4 years	16.6 years	27.0 years	16.8 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	8.00%	8.00%	8.00%	8.00%
Wage inflation rate	4.00%	4.00%	4.00%	4.00%
Projected salary increases	5.00% - 15.00%	5.00% - 10.52%	4.50% - 6.00%	5.00%
Increases in benefits after retirement	3.00% ~	3.00% @	2.00% - 3.75% #	3.00% ~
Proposed annual employer contribution rates for fiscal year 2010	12.00% **	30.30%	-	6.65%

* In addition to 7.25% required by PERS.

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

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

Varies depending on municipality.

** In 2006, the PERS' consulting actuary recommended an employer contribution rate of 12.25 percent of covered wages in order to comply with GASB Statements No. 25 and No. 27. The PERS Board of Trustees adopted a plan to phase-in the contribution rate increase in .55 percent increments until a sufficient funding level was reached to keep the unfunded accrued liability period less than 30 years. As a result, the employer contribution rate was increased to 11.85 percent from 11.3 percent effective July 1, 2007. In the June 30, 2008 valuation report, the consulting actuary recommended an employer contribution rate of 12.0 percent beginning July 1, 2009.

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

E. Three-Year Trend Information

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

	PERS	MHSPRS*	MRS**	SLRP
Contributions:				
2006	\$ 557,831	\$ 9,512	\$ 13,950	\$ 411
2007	610,888	10,616	15,628	432
2008	683,189	12,409	14,979	449

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

** Information furnished for MRS is for the years ended September 30, 2005, 2006, and 2007, respectively.

The annual pension cost is equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met or exceeded the required contributions, except for MRS where the percent contributed was 100.6%, 101.5%, and 97.1% of the required contributions for the years ended September 30, 2005, 2006, and 2007, 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, 2005, 2006, and 2007, the MRS net pension obligation or net pension asset was not significant.

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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, 2008	June 30, 2008	Sept. 30, 2007	June 30, 2008
Actuarial Value of Assets	\$ 20,814,720	\$ 298,630	\$ 213,432	\$ 13,412
Actuarial Accrued Liability (AAL) Entry Age	\$ 28,534,694	\$ 381,578	\$ 379,584	\$ 15,615
Unfunded AAL	\$ 7,719,974	\$ 82,948	\$ 166,152	\$ 2,203
Percent Funded	72.9%	78.3%	56.2%	85.9%
Annual Covered Payroll	\$ 5,544,705	\$ 29,597	\$ 1,953	\$ 6,753
Unfunded AAL as a Percentage of Annual Covered Payroll	139.2%	280.3%	8,507.5%	32.6%

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

Note 17 - 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

No contributions towards other postemployment benefits (OPEB) are made. 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, 2008, retiree premiums range from \$162 to \$1,354 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, 2008. 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 \$43,627,000 is 1.08 percent of annual covered payroll.

Mississippi

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2008 (amounts expressed in thousands):

Annual required contribution	\$ 43,627
Interest on prior year net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>43,627</u>
Contributions made	<u>0</u>
Increase in net OPEB obligation	43,627
Net OPEB obligation – Beginning of year	<u>0</u>
Net OPEB obligation – End of year	<u>\$ 43,627</u>

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 fiscal year 2008 (amounts expressed in thousands):

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 43,627	0.0%	\$ 43,627

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, 2008
Actuarial Value of Assets	\$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	\$ 570,248
Unfunded AAL (UAAL)	\$ 570,248
Funded Ratio	0.0%
Annual Covered Payroll	\$ 4,348,942
UAAL as a Percentage of Annual Covered Payroll	13.1%

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, 2008
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*	5.0% - 7.0%
Healthcare cost trend rate*	11.0%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2015
* Includes inflation at	4.0%

Mississippi

Note 18 - Commitments

A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2008 are as follows (amounts expressed in thousands):

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 19,204
2010	15,351
2011	12,868
2012	9,231
2013	6,815
2014 - 2018	20,859
2019 - 2023	1,087
2024 - 2028	595
2029 - 2033	489
2034 - 2038	361
Thereafter	334
Total Minimum Commitments	<u>\$ 87,194</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2008 amounted to \$19,739,000.

B. Contracts

At June 30, 2008, the Department of Transportation had contracts outstanding of approximately \$673,802,000 with performance continuing during fiscal year 2009. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 51 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline and gaming taxes.

The State Aid Road Division had contracts of \$70,758,000 outstanding at June 30, 2008 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 54 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 \$113,666,000 at June 30, 2008. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately \$15,209,000 at June 30, 2008. 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.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately \$16,339,000 at June 30, 2008. These contracts were primarily for construction costs related to terminal expansion, capital restoration of hurricane damaged assets, rehabilitating berth facilities, and other port improvements. These contracts will be paid from Port Authority at Gulfport's revenues and bonds.

Mississippi

Note 19 - 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 2007 and 2008 are as follows (amounts expressed in thousands):

	<u>Beginning</u> <u>Balance</u>	<u>Claims and</u> <u>Changes</u> <u>in Estimates</u>	<u>Claims</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>
2007	\$ 128,880	\$ 579,594	\$ 579,273	\$ 129,201
2008	\$ 129,201	\$ 634,839	\$ 620,157	\$ 143,883

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 20 - 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 \$2,317,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the state.
- C. Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized to provide loan guarantees on behalf of rural businesses for the purpose of promoting business and economic development in rural areas of the state. At June 30, 2008, outstanding MDA loan guarantees totaled \$350,000.

The State of Mississippi has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program on behalf of local governments. The program provides operational funding to help local governments, or other political subdivisions of the State, that have incurred a significant loss in revenue, due to a presidentially declared disaster, that has adversely affected their ability to provide essential governmental services. At June 30, 2008, outstanding Community Disaster loan guarantees totaled \$144,069,000.

- 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 \$2,192,450,000 at June 30, 2008. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 21 - Endowments

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

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

The net appreciation of investments of donor-restricted endowments available for expenditure approximated \$27,982,000 at June 30, 2008, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Mississippi

Note 22 - Subsequent Events

Subsequent to year end, the State experienced a decline in fair value of investments. This decline is due to turbulent conditions in the financial markets which have affected substantially all investors. The duration and adverse impact of financial market volatility cannot be fully determined at the present time.

The State Fiscal Officer is required by statute to reduce allotments of appropriations to general funds and state-source special funds when General Fund revenues collected by the end of October, or any month thereafter of the fiscal year, fall below 98% of the estimate adopted by the Legislative Budget Office, at the date of sine die adjournment, in order to keep expenditures within the actual General Fund receipts. To be in compliance, the Governor ordered expenditure cuts of \$41,970,000 at the end of October 2008. Additional budget cuts may be necessary if revenue shortfalls persist.

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 \$349,894,000 from the Working Cash Stabilization Reserve Account and \$316,000,000 from budgetary special funds as of December 19, 2008. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

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

Tax-exempt General Obligation Bonds, Small Enterprise Development Finance Act Issue, 2008-III Series F through H (Non-AMT) totaling \$9,025,000 dated July 1, 2008. These bonds provided loans to qualified private companies for the promotion of economic development in the state. The bonds mature serially through year 2028 with interest rates ranging from 4.5 percent to 5.25 percent.

Tax-exempt General Obligation Bonds, Small Enterprise Development Finance Act Issue, 2008-IV Series I (AMT) totaling \$750,000 dated July 1, 2008. These bonds provided a loan to a qualified private company for the promotion of economic development in the state. The bonds mature serially beginning in year 2010 through year 2023 with interest rates ranging from 6 percent to 6.5 percent.

Tax-exempt General Obligation Bonds, Series 2008A totaling \$133,545,000 dated October 1, 2008. These bonds provided funding for Community Heritage Preservation, Local Governments Water System Improvements, Water Pollution Control, Local System Bridge Replacement, Rural Fire Truck Acquisition, Watershed Repair and Rehabilitation and Capital Improvements. The bonds mature serially through year 2028 with interest rates ranging from 4.25 percent to 5 percent.

Taxable General Obligation Bonds, Series 2008B totaling \$96,600,000 dated October 1, 2008. These bonds provided funding for Economic Development Highway, State Shipyard Improvements, ACE Fund, Small Municipalities and Limited Population Counties, Job Protection, Railroad Lines and Bridges Improvements, Major Economic Impact, Farm Reform, Local Governments Capital Improvements, Technology Alliance Program, Children's Museums and Capital Improvements. The bonds mature serially through 2023 with interest rates ranging from 5 percent to 5.25 percent.

Taxable General Obligation Note (Major Economic Impact Act Issue), Series 2008 totaling \$176,600,000 dated October 30, 2008. The note will mature October 30, 2009 with interest payable at maturity a rate of 5.1 percent. This note refinanced certain taxable general obligation bond anticipation notes and provided additional financing for two Major Economic Impact projects.

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Mississippi

Required Supplementary Information

Mississippi

Required Supplementary Information

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 2,044,100	\$ 2,044,100	\$ 1,947,283	\$ (96,817)
Individual income tax	1,496,800	1,496,800	1,542,099	45,299
Corporate income and franchise taxes	475,000	475,000	500,696	25,696
Use and wholesale compensating taxes	236,100	236,100	208,965	(27,135)
Tobacco, beer and wine taxes	87,700	87,700	89,709	2,009
Insurance tax	165,600	165,600	159,059	(6,541)
Oil and gas severance taxes	67,500	67,500	97,774	30,274
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	57,300	57,300	60,167	2,867
Other taxes	22,400	22,400	21,397	(1,003)
Interest	22,500	22,500	39,588	17,088
Auto privilege, tag and title fees	17,800	17,800	18,364	564
Gaming fees	178,500	178,500	194,040	15,540
Highway Safety Patrol fees	21,400	21,400	24,440	3,040
Other fees and services	11,000	11,000	12,905	1,905
Miscellaneous	3,300	3,300	4,200	900
Court assessments and settlements			10,012	10,012
Special Fund revenues				
Total Revenues	4,907,000	4,907,000	4,930,698	23,698
Expenditures by Major Budgetary Function				
Legislative	25,415	25,165	24,566	(599)
Judiciary and justice	56,296	64,851	64,380	(471)
Executive and administrative	2,992	2,992	2,943	(49)
Fiscal affairs	70,994	70,994	70,986	(8)
Public education	2,232,927	2,206,427	2,202,799	(3,628)
Higher education	836,281	836,281	835,717	(564)
Public health	36,903	41,834	41,594	(240)
Hospitals and hospital schools	258,790	268,790	268,697	(93)
Agriculture, commerce and economic development	114,070	114,020	113,963	(57)
Conservation and recreation	55,989	55,939	55,858	(81)
Insurance and banking	11	11		(11)
Corrections	266,007	285,940	285,764	(176)
Interdepartmental service				
Social welfare	504,159	519,162	519,111	(51)
Public protection and veterans assistance	94,404	100,604	100,537	(67)
Local assistance	84,000	84,050	84,021	(29)
Motor vehicle and other regulatory agencies	1,910	5,250	5,250	
Miscellaneous	1,406	1,406	1,397	(9)
Public works	200	200	200	
Debt service	289,548	323,548	323,548	
Total Expenditures	4,932,302	5,007,464	5,001,331	(6,133)
Excess of Revenues over (under) Expenditures	(25,302)	(100,464)	(70,633)	29,831
Other Financing Sources (Uses)				
Transfers in	14,400	14,400	23,649	9,249
Transfers out			(143,215)	(143,215)
Investments sold, net				
Other uses of cash			(10)	(10)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(10,902)	(86,064)	(190,209)	(104,145)
Budgetary Fund Balances - Beginning	226,948	226,948	226,948	
Budgetary Fund Balances (Deficits) - Ending	\$ 216,046	\$ 140,884	\$ 36,739	\$ (104,145)

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)
\$ 257,806	\$ 249,372	\$ 273,264	\$ 23,892	\$	\$	\$	\$
26,377	23,403	25,283	1,880				
		96	96				
		1	1				
				10,931,633	13,890,135	9,717,932	(4,172,203)
284,183	272,775	298,644	25,869	10,931,633	13,890,135	9,717,932	(4,172,203)
				45	45	13	(32)
				48,037	62,128	48,312	(13,816)
				14,752	24,990	19,131	(5,859)
				70,299	75,679	60,464	(15,215)
213,119	213,119	206,416	(6,703)	800,408	900,085	791,242	(108,843)
97,004	97,004	93,890	(3,114)	85,341	86,841	73,908	(12,933)
				294,757	326,059	270,584	(55,475)
				299,766	405,370	377,927	(27,443)
3,239	3,239	3,136	(103)	2,449,524	2,462,984	793,555	(1,669,429)
125	125	125		239,838	369,152	209,439	(159,713)
				47,428	73,288	64,019	(9,269)
				61,338	64,521	62,610	(1,911)
				41,055	41,581	37,212	(4,369)
				4,647,791	5,359,152	4,511,067	(848,085)
				545,408	2,029,217	927,649	(1,101,568)
				24,557	24,734	21,395	(3,339)
450	450	434	(16)	2,540	2,940	2,322	(618)
				1,140,609	1,463,229	1,297,617	(165,612)
				118,140	118,140	27,994	(90,146)
313,937	313,937	304,001	(9,936)	10,931,633	13,890,135	9,596,460	(4,293,675)
(29,754)	(41,162)	(5,357)	35,805			121,472	121,472
						1,862	1,862
						(150,259)	(150,259)
						7,537	7,537
(29,754)	(41,162)	(5,357)	35,805			(19,388)	(19,388)
		5,755	5,755			991,339	991,339
\$ (29,754)	\$ (41,162)	\$ 398	\$ 41,560	\$ 0	\$ 0	\$ 971,951	\$ 971,951

Mississippi

Required Supplementary Information

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

For the Year Ended June 30, 2008

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, 2008 is presented below (amounts expressed in thousands):

Budgetary Funds	General	Education Enhancement	Special
Financial Statement Major Funds	General		Health Care
Net Change in Budgetary Fund Balances	\$ (190,209)	\$ (5,357)	\$ (19,388)
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	55,732	5,357	(61,089)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			82,213
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	414,216		(84,131)
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(50,913)		(6,704)
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	(62,078)		7,920
Net Change in GAAP Fund Balances	\$ 166,748	\$ 0	\$ (81,179)

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2008 (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						
2006	\$ 18,321,063	\$ 24,928,464	\$ 6,607,401	73.5 %	\$ 4,971,974	132.9 %
2007	19,791,564	26,862,636	7,071,072	73.7	5,196,295	136.1
2008	20,814,720	28,534,694	7,719,974	72.9	5,544,705	139.2
Mississippi Highway Safety Patrol Retirement System						
2006	\$ 265,637	\$ 350,638	\$ 85,001	75.8 %	\$ 24,499	347.0 %
2007	284,626	371,233	86,607	76.7	27,037	320.3
2008	298,630	381,578	82,948	78.3	29,597	280.3
Municipal Retirement Systems *						
2005	\$ 217,140	\$ 387,386	\$ 170,246	56.1 %	\$ 2,909	5,852.4 %
2006	213,553	383,355	169,802	55.7	2,223	7,638.4
2007	213,432	379,584	166,152	56.2	1,953	8,507.5
Supplemental Legislative Retirement Plan						
2006	\$ 11,620	\$ 14,064	\$ 2,444	82.6 %	\$ 6,354	38.5 %
2007	12,722	15,054	2,332	84.5	6,554	35.6
2008	13,412	15,615	2,203	85.9	6,753	32.6

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2008, does not differ materially from the value as of September 30, 2007.

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). In addition to the smoothing process, the actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value for any given year. 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 2008 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, 2008 (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, 2008	\$ 0	\$ 570,248	\$ 570,248	0.0%	\$ 4,348,942	13.1%

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Mississippi

Nonmajor Governmental Funds

Nonmajor Governmental Funds Descriptions

Nonmajor Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The numerous special revenue funds used by the state 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.

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

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

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

Capital Projects Fund

The Capital Projects Fund accounts for transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and operating transfers from the General Fund.

Permanent Funds

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government, such as, funds received in royalties and lease of state-owned land that will be used for education improvement, and wildlife endowment funds to be used to acquire land.

Mississippi

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2008 (Expressed in Thousands)

	Nonmajor Special Revenue				Totals
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions	
Assets					
Equity in internal investment pool	\$ 28,211	\$ 204,168	\$ 69,502	\$ 40,196	\$ 342,077
Cash and cash equivalents	13,353	6,757	4,398	121	24,629
Investments	136	3,561	11,587		15,284
Receivables:					
Interest	10	24	956	7	997
Other	7,037	352	332	683	8,404
Due from other governments	5,117	60,933	65,164	249	131,463
Due from other funds	5,944	7,937	9,314	44	23,239
Inventories		1,460	384		1,844
Prepaid items			163		163
Loans receivable, net			2,841		2,841
Loans to other funds	36	99	71	361	567
Total Assets	\$ 59,844	\$ 285,291	\$ 164,712	\$ 41,661	\$ 551,508
Liabilities					
Warrants payable	\$ 3,788	\$ 16,590	\$ 27,369	\$ 849	\$ 48,596
Accounts payable and accruals	8,081	54,482	27,812	477	90,852
Contracts payable					
Due to other governments	756	16,801	3,329	16	20,902
Due to other funds	14,279	6,572	7,209	156	28,216
Due to component units	336	229	208		773
Unearned revenues	2,888	20,698	3,403		26,989
Other liabilities				337	337
Total Liabilities	30,128	115,372	69,330	1,835	216,665
Fund Balances					
Reserved for:					
Education and vocational training					
Ellisville State School	2,025				2,025
Encumbrances	1,635	11,393	7,141	336	20,505
Inventories		1,460	384		1,844
Loans to other funds	36	99	71	361	567
Long-term portion of due from other governments			6,166		6,166
Long-term portion of loans receivable			1,893		1,893
Prepaid items			163		163
Wildlife conservation					
Unreserved:					
Designated for disaster recovery		143,000			143,000
Designated for energy programs			4,342		4,342
Designated for future capital projects					
Designated for future loans			11,086		11,086
Undesignated	26,020	13,967	64,136	39,129	143,252
Total Fund Balances	29,716	169,919	95,382	39,826	334,843
Total Liabilities and Fund Balances	\$ 59,844	\$ 285,291	\$ 164,712	\$ 41,661	\$ 551,508

Capital Projects	Permanent	Totals
\$ 346,028	\$ 341	\$ 688,446
	1,211	25,840
62,620	51,253	129,157
301	662	1,960
	76	8,480
		131,463
		23,239
		1,844
		163
		2,841
2,522		3,089
<u>\$ 411,471</u>	<u>\$ 53,543</u>	<u>\$ 1,016,522</u>
\$ 3,534	\$ 31	\$ 52,130
		90,883
22,165		22,165
		20,902
25	542	28,783
		773
		26,989
		337
<u>25,724</u>	<u>573</u>	<u>242,962</u>
	41,635	41,635
		2,025
		20,505
		1,844
2,522		3,089
		6,166
		1,893
		163
	7,473	7,473
		143,000
		4,342
383,225		383,225
		11,086
	3,862	147,114
<u>385,747</u>	<u>52,970</u>	<u>773,560</u>
<u>\$ 411,471</u>	<u>\$ 53,543</u>	<u>\$ 1,016,522</u>

Mississippi

Nonmajor Governmental Funds

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Nonmajor Special Revenue				Totals
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions	
Revenues					
Taxes:					
Gasoline and other motor fuel	\$	\$	\$ 8,800	\$	\$ 8,800
Other	5,729				5,729
Licenses, fees and permits	20,131	10,947	38,261	39,002	108,341
Federal government	132,034	715,337	792,536	478	1,640,385
Investment income	705	828	3,731	401	5,665
Charges for sales and services	2,438	7,942	16,488	148	27,016
Rentals	2	63	3,683	15	3,763
Other	38,914	6,112	1,100	338	46,464
Total Revenues	199,953	741,229	864,599	40,382	1,846,163
Expenditures					
Current:					
Education					
Health and social services	205,170				205,170
Law, justice and public safety		724,553			724,553
Recreation and resources development			842,407		842,407
Regulation of business and professions				35,841	35,841
Debt service:					
Principal	431	891			1,322
Interest and other fiscal charges	142	21			163
Capital outlay					
Total Expenditures	205,743	725,465	842,407	35,841	1,809,456
Excess of Revenues over (under) Expenditures	(5,790)	15,764	22,192	4,541	36,707
Other Financing Sources (Uses)					
Bonds and notes issued			948		948
Capital leases issued			150		150
Insurance recovery			10		10
Premiums on bonds issued					
Transfers in	39,014	27,019	7,722	75	73,830
Transfers out	(27,430)	(173,678)	(23,492)	(626)	(225,226)
Net Other Financing Sources (Uses)	11,584	(146,659)	(14,662)	(551)	(150,288)
Net Change in Fund Balances	5,794	(130,895)	7,530	3,990	(113,581)
Fund Balances - Beginning, as restated	23,922	300,814	87,852	35,836	448,424
Fund Balances - Ending	\$ 29,716	\$ 169,919	\$ 95,382	\$ 39,826	\$ 334,843

Capital Projects	Permanent	Totals
\$	\$	\$
		8,800
		5,729
	430	108,771
		1,640,385
13,138	2,575	21,378
		27,016
		3,763
2,721	789	49,974
15,859	3,794	1,865,816
86,529	114	86,643
		205,170
		724,553
	7	842,414
		35,841
		1,322
464		627
110,620		110,620
197,613	121	2,007,190
(181,754)	3,673	(141,374)
321,245		322,193
		150
3,500		3,510
17,474		17,474
33,373		107,203
(35,555)	(1,000)	(261,781)
340,037	(1,000)	188,749
158,283	2,673	47,375
227,464	50,297	726,185
\$ 385,747	\$ 52,970	\$ 773,560

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Nonmajor Enterprise Funds

Enterprise funds account for the operations of the state that provide goods or services to the general public on a user charge basis.

Nonmajor Enterprise Funds Descriptions

Fair Commission - The **Fair Commission Fund** accounts for expenses of the Fair Commission's operation of the coliseum, Dixie National Livestock Show and Industrial Showcase Building. Funding sources include gross receipts from the state fair, livestock show, Industrial Building and other events conducted at the coliseum and fairgrounds, as well as operating transfers from the General Fund.

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

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

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

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

Department of Agriculture and Commerce - The **Agriculture and Forestry Museum Fund** accounts for operations of the museum. Revenue is generated from the sale of goods, ticket sales and rental income.

Department of Finance and Administration - The **Office of Surplus Property Fund** receives and maintains an inventory of surplus federal property and redistributes it to state agencies and departments, counties, municipalities and other eligible donees within the state. Fees are collected from the donees to offset operating costs.

Department of Corrections - The **Restaurants and Commissary Fund** accounts for operations of two restaurants and a commissary at the state penitentiary. The restaurants are maintained for the convenience of Department of Corrections penitentiary employees. Profits from the commissary are used for the special benefit of the penitentiary's residents. The **Prison Agricultural Enterprises Fund** accounts for a farming operation. Revenue sources include proceeds from the sale of row crops and rental income from leased land.

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

					Department of Rehabilitation Services
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Assets					
Current assets:					
Equity in internal investment pool	\$ 2,746	\$ 9,999	\$ 109	\$	
Cash and cash equivalents	58	71	71	1,753	6,268
Receivables, net:					
Accounts	141	2	2	230	2,109
Interest		596			
Due from other governments					
Due from other funds	163				1,231
Due from component units					5
Inventories					187
Prepaid items		15		11	13
Loans and notes receivable		5,065			
Total Current Assets	3,108	15,748	182	1,994	9,813
Noncurrent assets:					
Loans and notes receivable		159,008			
Loans to other funds			2		
Capital assets, net	20,597	1,563	11,301	17,973	
Total Noncurrent Assets	20,597	160,571	11,303	17,973	
Total Assets	23,705	176,319	11,485	19,967	9,813
Liabilities					
Current liabilities:					
Warrants payable	91	144	22		
Accounts payable and other liabilities	251	7	20	1	1,768
Due to other governments	16				
Due to other funds		1	1	270	
Due to component units	11				
Deposits		1,472			
Unearned revenues	86				269
Lease obligations payable					
Total Current Liabilities	455	1,624	43	271	2,037
Noncurrent liabilities:					
Due to other governments				8,991	
Loans from other funds				270	
Lease obligations payable					
Other liabilities	85	60	22	31	
Total Noncurrent Liabilities	85	60	22	9,292	
Total Liabilities	540	1,684	65	9,563	2,037
Net Assets					
Invested in capital assets, net of related debt	20,597	1,563	11,301	17,973	
Unrestricted (deficit)	2,568	173,072	119	(7,569)	7,776
Total Net Assets	\$ 23,165	\$ 174,635	\$ 11,420	\$ 10,404	\$ 7,776

<u>Department of Agriculture and Commerce</u>		<u>Department of Finance and Administration</u>		<u>Department of Corrections</u>			
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary		Prison Agricultural Enterprises	Totals
\$	37	\$	294	\$	764	\$	13,949
	44				2,287		10,552
			7		789		3,280
			103				596
			111			152	103
							1,657
	34		74		7	170	5
							472
							39
							5,065
	115		589		3,083	1,086	35,718
							159,008
							2
	4,138		428		96	3,431	59,527
	4,138		428		96	3,431	218,537
	4,253		1,017		3,179	4,517	254,255
	8		89			15	369
	9		14		676	163	2,909
					83		99
			27		2,208		2,507
							11
							1,472
							355
						261	261
	17		130		2,967	439	7,983
							8,991
							270
						665	665
	36		28			134	396
	36		28			799	10,322
	53		158		2,967	1,238	18,305
	4,138		428		96	2,504	58,600
	62		431		116	775	177,350
\$	4,200	\$	859	\$	212	\$	3,279
							\$ 235,950

Mississippi

Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	Department of Rehabilitation Services AbilityWorks
Operating Revenues					
Charges for sales and services	\$ 5,227	\$	\$ 887	\$ 1,303	\$ 7,184
Investment income		8,336			
Rentals		47	588	801	
Fees		54			
Other	287	28	323		930
Total Operating Revenues	5,514	8,465	1,798	2,104	8,114
Operating Expenses					
Cost of sales and services	104				6,970
General and administrative	1,509	836	438	536	6,384
Contractual services	3,702	186	1,093	111	1,699
Commodities	439	26	285	72	34
Depreciation	556	36	427	816	
Other	18	13			
Total Operating Expenses	6,328	1,097	2,243	1,535	15,087
Operating Income (Loss)	(814)	7,368	(445)	569	(6,973)
Nonoperating Revenues					
Insurance recovery				12	
Gain on disposal of capital assets				74	
Investment income		344	3	18	48
Total Nonoperating Revenues		344	3	104	48
Nonoperating Expenses					
Loss on disposal of capital assets	3		5		
Interest				16	
Total Nonoperating Expenses	3		5	16	
Income (Loss) before Capital Contributions and Transfers	(817)	7,712	(447)	657	(6,925)
Capital Contributions	27				
Transfers In	177				7,689
Transfers Out	(18)				
Change in Net Assets	(631)	7,712	(447)	657	764
Total Net Assets - Beginning, as restated	23,796	166,923	11,867	9,747	7,012
Total Net Assets - Ending	\$ 23,165	\$ 174,635	\$ 11,420	\$ 10,404	\$ 7,776

<u>Department of Agriculture and Commerce</u>		<u>Department of Finance and Administration</u>		<u>Department of Corrections</u>					
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary		Prison Agricultural Enterprises	Totals		
\$	170	\$	826	\$	4,024	\$	1,868	\$	21,489
									8,336
	372						243		2,051
									54
	3				5				1,576
	545		826		4,029		2,111		33,506
	82				1,362		1,345		9,863
	474		443		524		559		11,703
	334		235		782		156		8,298
	99		56		320		752		2,083
	110		27		34		201		2,207
	4								35
	1,103		761		3,022		3,013		34,189
	(558)		65		1,007		(902)		(683)
			4						16
									74
			3		33				449
			7		33				539
			7				52		67
							6		22
			7				58		89
	(558)		65		1,040		(960)		(233)
	33		235						295
	479				44		912		9,301
			(74)		(1,343)				(1,435)
	(46)		226		(259)		(48)		7,928
	4,246		633		471		3,327		228,022
\$	4,200	\$	859	\$	212	\$	3,279	\$	235,950

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

					<u>Department of Rehabilitation Services</u>
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Cash Flows from Operating Activities					
Cash receipts from customers	\$ 5,334	\$ 103	\$ 1,472	\$ 2,150	\$ 6,819
Cash payments to suppliers for goods and services	(4,080)	(302)	(1,365)	(192)	(8,377)
Cash payments to employees for services	(1,475)	(817)	(447)	(519)	(6,382)
Other operating cash receipts		65	323		930
Principal and interest received on program loans		22,637			
Issuance of program loans		(22,717)			
Net Cash Provided by (Used for) Operating Activities	(221)	(1,031)	(17)	1,439	(7,010)
Cash Flows from Noncapital Financing Activities					
Transfers in	177				7,689
Transfers out	(18)				
Net Cash Provided by (Used for) Noncapital Financing Activities	159				7,689
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(62)		(12)	(637)	
Proceeds from sale of capital assets				102	
Proceeds from capital lease					
Principal paid on bonds and capital assets contracts				(260)	
Interest paid on bonds and capital assets contracts				(16)	
Proceeds from insurance recovery				12	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(62)		(12)	(799)	
Cash Flows from Investing Activities					
Investment income		351	3	18	48
Net Cash Provided by Investing Activities		351	3	18	48
Net Increase (Decrease) in Cash and Cash Equivalents	(124)	(680)	(26)	658	727
Cash and Cash Equivalents - Beginning, as restated	2,928	10,750	206	1,095	5,541
Cash and Cash Equivalents - Ending	\$ 2,804	\$ 10,070	\$ 180	\$ 1,753	\$ 6,268

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections					
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary	Prison Agricultural Enterprises	Totals			
\$	545	\$	864	\$	3,678	\$	2,112	\$	23,077
	(548)		(313)		(1,359)		(2,144)		(18,680)
	(477)		(436)		(521)		(592)		(11,666)
					5				1,323
									22,637
									(22,717)
	(480)		115		1,803		(624)		(6,026)
	479				44		1,013		9,402
			(74)		(1,343)				(1,435)
	479		(74)		(1,299)		1,013		7,967
					(19)		(840)		(1,570)
									102
							817		817
							(105)		(365)
							(6)		(22)
			4						16
			4		(19)		(134)		(1,022)
			3		33				456
			3		33				456
	(1)		48		518		255		1,375
	82		246		1,769		509		23,126
\$	81	\$	294	\$	2,287	\$	764	\$	24,501

(Continued on Next Page)

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	Department of Rehabilitation Services AbilityWorks
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ (814)	\$ 7,368	\$ (445)	\$ 569	\$ (6,973)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	556	36	427	816	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable, net	(25)	59	(2)	46	(89)
Interest receivable		(2)			
Due from other governments	2				
Due from other funds	(101)				(272)
Due from component units	1				(5)
Inventories					6
Prepaid items		(14)		8	3
Loans and notes receivable		(8,280)			
Increase (decrease) in liabilities:					
Warrants payable	25	(139)	4		
Accounts payable and other liabilities	166	(56)	(1)		320
Due to other governments	16				
Due to other funds	(1)	(3)			
Due to component units	11				
Unearned revenues	(57)				
Total adjustments	593	(8,399)	428	870	(37)
Net Cash Provided by (Used for) Operating Activities	\$ (221)	\$ (1,031)	\$ (17)	\$ 1,439	\$ (7,010)
Noncash Capital and Related Financing Activities					
Capital contributions	27				
Gain (loss) on disposal of capital assets	(3)		(5)	74	

<u>Department of Agriculture and Commerce</u>	<u>Department of Finance and Administration</u>	<u>Department of Corrections</u>		Totals
Agriculture and Forestry Museum	Office of Surplus Property	Restaurants and Commissary	Prison Agricultural Enterprises	
\$ (558)	\$ 65	\$ 1,007	\$ (902)	\$ (683)
110	27	34	201	2,207
	130	(345)		(226)
	(6)			(2)
	(86)			(4)
	(55)	304	(32)	(459)
		188		(4)
	76		7	223
(32)	(62)	144	102	185
	27	487		(8,280)
	(1)	(16)		(27)
78	50	796	278	581
\$ (480)	\$ 115	\$ 1,803	\$ (624)	\$ (6,026)
	235			16
33	(7)		(52)	510
				(6)
				(57)
				(5,343)
				78
				295
				7

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Mississippi

Internal Service Funds

Internal service funds account for the operations of state agencies that provide services or goods to other state agencies or governmental units on a cost reimbursement basis.

Internal Service Funds Descriptions

Personnel Board - The **Personnel Board Fund** accounts for the expenses of establishing personnel policies, regulating the pay of state employees and testing and validating new hires. Revenues consist of assessments charged to state agencies based on the number of authorized positions.

Information Technology Services - The **Information Technology Services Fund** accounts for the centralized data processing and information devices, expenses related to planning and policies for the development of data processing capabilities and for the state's central telephone system, the universities' central telephone systems and other governmental units' telephone systems. Revenues consist of charges to user agencies, universities and governmental units for services and equipment. Other revenue consists of commissions from the usage of public utility companies' pay telephones located on state properties.

Department of Finance and Administration - The **Risk Management Fund** accounts for resources and transactions pertaining to the state's self-insured medical plan and life insurance program as mandated by state law to be offered to state and public education employees. Employees' premiums are funded by the state and local school districts with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. This fund also accounts for unemployment benefits paid to eligible former state employees and for resources and transactions pertaining to the state's self-insured workers' compensation program. Funding is provided by premiums collected from the state's operating fund and participating state agencies. In addition, the fund accounts for resources and transactions pertaining to the state's self-insured tort claims program. Funding is provided by assessment of state agencies. Tort claims filed against the state agencies and state employees are paid from this fund, as well as administrative expenses.

Mississippi

Internal Service Funds

Combining Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Department of Finance and Administration			Totals
	Personnel Board	Information Technology Services	Risk Management	
Assets				
Current assets:				
Equity in internal investment pool	\$ 2,963	\$ 10,261	\$ 228,859	\$ 242,083
Cash and cash equivalents			62,243	62,243
Receivables:				
Accounts	4	27	20	51
Interest			428	428
Due from other governments	1	19	3	23
Due from other funds	162	2,569	1,037	3,768
Due from component units		53	9	62
Total Current Assets	3,130	12,929	292,599	308,658
Noncurrent assets:				
Investments			29,513	29,513
Loans to other funds	33	122	14,007	14,162
Capital assets, net	12	5,146	94	5,252
Total Noncurrent Assets	45	5,268	43,614	48,927
Total Assets	3,175	18,197	336,213	357,585
Liabilities				
Current liabilities:				
Warrants payable	94	366	1,275	1,735
Accounts payable and other liabilities	108	2,512	5,029	7,649
Due to other funds	2	41	550	593
Due to component units	7		1	8
Claims and benefits payable			138,076	138,076
Unearned revenues			3,536	3,536
Lease obligations payable		20		20
Total Current Liabilities	211	2,939	148,467	151,617
Noncurrent liabilities:				
Lease obligations payable		43		43
Other liabilities	251	819	140	1,210
Total Noncurrent Liabilities	251	862	140	1,253
Total Liabilities	462	3,801	148,607	152,870
Net Assets				
Invested in capital assets, net of related debt	12	5,015	94	5,121
Unrestricted	2,701	9,381	187,512	199,594
Total Net Assets	\$ 2,713	\$ 14,396	\$ 187,606	\$ 204,715

Mississippi

Internal Service Funds

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Personnel Board	Information Technology Services	Department of Finance and Administration	
			Risk Management	Totals
Operating Revenues				
Charges for sales and services/premiums	\$ 5,932	\$ 31,745	\$ 732,639	\$ 770,316
Other	1	4	12	17
Total Operating Revenues	5,933	31,749	732,651	770,333
Operating Expenses				
General and administrative	3,421	10,410	1,854	15,685
Contractual services	1,685	19,429	47,573	68,687
Commodities	241	395	72	708
Depreciation	3	1,960	11	1,974
Claims and benefits			625,343	625,343
Total Operating Expenses	5,350	32,194	674,853	712,397
Operating Income (Loss)	583	(445)	57,798	57,936
Nonoperating Revenues				
Investment income			12,899	12,899
Total Nonoperating Revenues			12,899	12,899
Nonoperating Expenses				
Loss on disposal of assets		267		267
Interest		5		5
Total Nonoperating Expenses		272		272
Income (Loss) before Capital Contributions and Transfers	583	(717)	70,697	70,563
Capital Contributions		551	14	565
Transfers In		300	253	553
Transfers Out		(20)	(1,609)	(1,629)
Change in Net Assets	583	114	69,355	70,052
Total Net Assets - Beginning, as restated	2,130	14,282	118,251	134,663
Total Net Assets - Ending	\$ 2,713	\$ 14,396	\$ 187,606	\$ 204,715

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

	<u>Department of Finance and Administration</u>			Totals
	Personnel Board	Information Technology Services	Risk Management	
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	\$ 5,851	\$ 31,894	\$ 175,310	\$ 213,055
Cash receipts/premiums from customers	82	614	561,940	562,636
Cash payments to suppliers for goods and services	(2,064)	(18,653)	(46,575)	(67,292)
Cash payments to employees for services	(3,366)	(10,269)	(1,808)	(15,443)
Cash payments for claims and benefits			(613,311)	(613,311)
Other operating cash receipts	1	4	2	7
Net Cash Provided by Operating Activities	504	3,590	75,558	79,652
Cash Flows From Noncapital Financing Activities				
Transfers in		320	237	557
Transfers out		(20)	(1,609)	(1,629)
Principal paid on notes		(60)		(60)
Interest paid on notes		(1)		(1)
Net Cash Provided by (Used for) Noncapital Financing Activities		239	(1,372)	(1,133)
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(5)	(2,276)		(2,281)
Principal paid on capital assets contracts		(19)		(19)
Interest paid on capital assets contracts		(4)		(4)
Net Cash Used for Capital and Related Financing Activities	(5)	(2,299)		(2,304)
Cash Flows from Investing Activities				
Proceeds from sales of investments			3,134	3,134
Purchases of investments			(3,091)	(3,091)
Investment income			12,949	12,949
Net Cash Provided by Investing Activities			12,992	12,992
Net Increase in Cash and Cash Equivalents	499	1,530	87,178	89,207
Cash and Cash Equivalents - Beginning, as restated	2,464	8,731	203,924	215,119
Cash and Cash Equivalents - Ending	\$ 2,963	\$ 10,261	\$ 291,102	\$ 304,326

(Continued on Next Page)

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

	<u>Department of Finance and Administration</u>			Totals
	Personnel Board	Information Technology Services	Risk Management	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 583	\$ (445)	\$ 57,798	\$ 57,936
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3	1,960	11	1,974
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	1	(10)	(11)	(20)
Due from other governments	1	8	(4)	5
Due from other funds	(1)	714	2,583	3,296
Due from component units	1	36	27	64
Increase (decrease) in liabilities:				
Warrants payable	(46)	(146)	988	796
Accounts payable and other liabilities	(20)	1,432	466	1,878
Due to other governments	(20)			(20)
Due to other funds	(5)	41	(609)	(573)
Due to component units	7		(2)	5
Claims and benefits payable			12,305	12,305
Unearned revenues			2,006	2,006
Total adjustments	(79)	4,035	17,760	21,716
Net Cash Provided by Operating Activities	\$ 504	\$ 3,590	\$ 75,558	\$ 79,652

Noncash Capital and Related Financing and Investing Activities

Capital contributions	551	14	565
Loss on disposal of capital assets	267		267
Change in market value of investments		791	791

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Mississippi

Fiduciary Funds

Fiduciary funds account for assets held in a trustee or agency capacity for others and cannot be used to support government's own programs.

Fiduciary Funds Descriptions

Pension Trust Funds

Public Employees' Retirement System - The **Public Employees' Retirement System Fund** provides retirement and disability benefits to substantially all employees of the state and its political subdivisions. Benefits are funded by contributions from the members, the state and political subdivisions and by investment income. The **Mississippi Highway Safety Patrol Retirement System Fund** provides retirement and disability benefits to sworn officers of the Department of Public Safety. Benefits are funded by contributions from the members and the state and by investment income. The **Municipal Retirement Systems Fund** provides retirement and disability benefits to employees, firefighters and police officers of participating municipalities. Benefits are funded by contributions from the members and the municipalities and by investment income. The **Supplemental Legislative Retirement Plan Fund** provides retirement and disability benefits supplemental to the benefits of the Public Employees' Retirement System to all elected members of the legislature and the president of the senate. Benefits are funded by contributions from the members and the state and by investment income. The **Deferred Compensation Plan Fund** accounts for deposits of gross compensation deferred by employees of the state and its political subdivisions. These deposits are invested until retirement, severance from public service, death or extreme hardship of the individual participants.

Agency Funds

The **Local Government Distributive Fund** serves as a clearing mechanism for funds distributed to the various counties and municipalities of the state. The **Program Fund** accounts for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the state has the right or obligation to distribute them to state operating funds or to various entities or individuals. The **Institutional Fund** accounts for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

Mississippi

Pension Trust Funds

Combining Statement of Fiduciary Net Assets

June 30, 2008 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	\$ 868	\$	\$
Cash and cash equivalents	244,032	3,508	2,543
Investments, at fair value:			
Short-term securities	282,735	4,067	2,949
Long-term debt securities	4,440,149	63,873	46,312
Equity securities	13,350,764	192,057	139,252
Real estate investments	882,606	12,697	9,205
Asset allocation fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	1,703,284	24,568	17,813
Long-term debt securities	3,673,927	52,992	38,422
Receivables:			
Employer contributions	48,216		306
Employee contributions	29,251		9
Investment proceeds	617,818	8,888	6,444
Interest and dividends	89,178	1,283	930
Other	469	518	3
Due from other funds	1		
Capital assets, net	16,310		
Total Assets	25,379,608	364,451	264,188
Liabilities			
Warrants payable	360		
Accounts payable and accruals	713,951	10,220	7,417
Due to other funds	14		6
Amounts held in custody for others	1,138		
Obligations under securities lending	5,413,076	78,077	56,610
Total Liabilities	6,128,539	88,297	64,033
Net Assets			
Held in trust for pension benefits	\$ 19,251,069	\$ 276,154	\$ 200,155

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$	\$	\$
158	2,712	868
		252,953
183	24,110	314,044
2,877	32,819	4,586,030
8,649	512,998	14,203,720
572		905,080
	49,797	49,797
	428,577	428,577
	425	425
1,106		1,746,771
2,386		3,767,727
		48,522
	4,548	33,808
400		633,550
58	204	91,653
		990
		1
		16,310
16,389	1,056,190	27,080,826
		360
461	198	732,247
	1	21
		1,138
3,516		5,551,279
3,977	199	6,285,045
\$	\$	\$
12,412	1,055,991	20,795,781

Mississippi

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	\$ 683,189	\$ 9,253	\$ 15,900
Employee	417,119	1,985	176
Total Contributions	1,100,308	11,238	16,076
Net Investment Income:			
Net decrease in fair value of investments	(2,308,419)	(33,296)	(24,142)
Interest and dividends	620,241	8,946	6,486
Securities lending:			
Income from securities lending	201,567	2,908	2,108
Interest expense and trading costs from securities lending	(203,104)	(2,929)	(2,124)
Managers' fees and trading costs	(35,719)	(515)	(374)
Net Investment Loss	(1,725,434)	(24,886)	(18,046)
Other Additions:			
Administrative fees	633		
Other	4	3,156	
Total Other Additions	637	3,156	
Total Additions (Reductions)	(624,489)	(10,492)	(1,970)
Deductions			
Retirement annuities	1,393,175	20,295	35,870
Refunds to terminated employees	72,750	26	
Administrative expenses	11,078	185	439
Depreciation	455		
Total Deductions	1,477,458	20,506	36,309
Change in Net Assets	(2,101,947)	(30,998)	(38,279)
Net Assets - Beginning	21,353,016	307,152	238,434
Net Assets - Ending	\$ 19,251,069	\$ 276,154	\$ 200,155

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$ 449	\$	\$ 708,791
203	91,901	511,384
652	91,901	1,220,175
(1,499)	(60,481)	(2,427,837)
404	19,875	655,952
130		206,713
(132)		(208,289)
(23)		(36,631)
(1,120)	(40,606)	(1,810,092)
		633
		3,160
		3,793
(468)	51,295	(586,124)
845	54,039	1,504,224
14		72,790
9		11,711
		455
868	54,039	1,589,180
(1,336)	(2,744)	(2,175,304)
13,748	1,058,735	22,971,085
\$ 12,412	\$ 1,055,991	\$ 20,795,781

Mississippi

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2008 (Expressed in Thousands)

	Local			
	Government	Program	Institutional	Totals
	Distributive			
Assets				
Equity in internal investment pool	\$ 971	\$ 4,466	\$	\$ 5,437
Cash and cash equivalents	161	5,274	6,986	12,421
Receivables, net:				
Other	359		57	416
Loans to other funds		1,361		1,361
Commodity inventory		1,468		1,468
Total Assets	<u>\$ 1,491</u>	<u>\$ 12,569</u>	<u>\$ 7,043</u>	<u>\$ 21,103</u>
Liabilities				
Warrants payable	\$ 282	\$ 296	\$	\$ 578
Accounts payable and accruals		178	775	953
Due to other governments	1,209	1		1,210
Amounts held in custody for others		12,094	6,268	18,362
Total Liabilities	<u>\$ 1,491</u>	<u>\$ 12,569</u>	<u>\$ 7,043</u>	<u>\$ 21,103</u>

Mississippi

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Fund	Assets					Total Assets
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Loans to Other Funds	Commodity Inventory	
Local Government Distributive:						
Balance - Beginning	\$ 4,698	\$ 209	\$ 333	\$	\$	\$ 5,240
Additions	30,840	250	359			31,449
Deductions	34,567	298	333			35,198
Balance - Ending	971	161	359			1,491
Program:						
Balance - Beginning	5,238	8,861		1,361	436	15,896
Additions	21,685	37,026			14,911	73,622
Deductions	22,457	40,613			13,879	76,949
Balance - Ending	4,466	5,274		1,361	1,468	12,569
Institutional:						
Balance - Beginning		6,850	35			6,885
Additions		26,486	82			26,568
Deductions		26,350	60			26,410
Balance - Ending		6,986	57			7,043
Total - All Agency Funds:						
Balance - Beginning	9,936	15,920	368	1,361	436	28,021
Additions	52,525	63,762	441		14,911	131,639
Deductions	57,024	67,261	393		13,879	138,557
Balance - Ending	\$ 5,437	\$ 12,421	\$ 416	\$ 1,361	\$ 1,468	\$ 21,103

Fund	Liabilities				Total Liabilities
	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	
Local Government Distributive:					
Balance - Beginning	\$ 4,003	\$	\$ 1,237	\$	\$ 5,240
Additions	27,264		1,492		28,756
Deductions	30,985		1,520		32,505
Balance - Ending	282		1,209		1,491
Program:					
Balance - Beginning	322	298	1	15,275	15,896
Additions	2,902	18,881		51,655	73,438
Deductions	2,928	19,001		54,836	76,765
Balance - Ending	296	178	1	12,094	12,569
Institutional:					
Balance - Beginning		1,347		5,538	6,885
Additions		614		25,191	25,805
Deductions		1,186		24,461	25,647
Balance - Ending		775		6,268	7,043
Total - All Agency Funds:					
Balance - Beginning	4,325	1,645	1,238	20,813	28,021
Additions	30,166	19,495	1,492	76,846	127,999
Deductions	33,913	20,187	1,520	79,297	134,917
Balance - Ending	\$ 578	\$ 953	\$ 1,210	\$ 18,362	\$ 21,103

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Nonmajor Component Units

Component Units are organizations which are legally separate from the state for which the state is financially accountable, or for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

Nonmajor Component Units Descriptions

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

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

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

Mississippi Prison Industries Corporation - The corporation accounts for a printing and book bindery operation, a garment and glove operation, a woodworking operation, and an equine tack operation. Revenue is generated from the charges for goods and services.

Pat Harrison Waterway District - The district accounts for resources used to bring about the full beneficial use of surface and overflow waters of the Pascagoula River Basin.

Pearl River Basin Development District - The district accounts for resources used to preserve, conserve, store and regulate the waters of the Pearl River and its tributaries and their overflows.

Pearl River Valley Water Supply District - The district accounts for the operation and maintenance of the Ross Barnett Reservoir and surrounding lands, to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District - The district accounts for the development and conservation of the human and natural resources of Mississippi counties in which the Tombigbee River or any of its tributaries lie.

Mississippi

Nonmajor Component Units

Combining Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	\$ 1,806	\$	\$
Cash and cash equivalents	1,790	1,134	830
Investments	10,876	2,134	726
Receivables, net	193	2,453	9
Due from other governments		4,093	
Due from primary government		102	
Inventories			
Prepaid items		202	
Other assets			
Total Current Assets	14,665	10,118	1,565
Noncurrent assets:			
Restricted assets:			
Investments		6,979	
Capital assets, net	49	70,413	26
Total Noncurrent Assets	49	77,392	26
Total Assets	14,714	87,510	1,591
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	60	1,219	
Due to primary government			
Deposits	201	473	
Notes payable		902	
Unearned revenues		3,038	
Lease obligations payable		65	
Total Current Liabilities	261	5,697	
Noncurrent liabilities:			
Notes payable			
Other liabilities	60		
Total Noncurrent Liabilities	60		
Total Liabilities	321	5,697	
Net Assets			
Invested in capital assets, net of related debt	49	69,446	26
Restricted for other purposes		7,000	
Unrestricted	14,344	5,367	1,565
Total Net Assets	\$ 14,393	\$ 81,813	\$ 1,591

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
\$	\$	\$	\$	\$	\$
743	1,811	440	5,438	5,634	1,806
3,242	4,682	4,017			17,820
293	111	29	1,307	166	25,677
	51	206		44	4,561
329		1			4,394
455	17			17	432
21					489
5					223
5,088	6,672	4,693	6,745	5,861	5
					55,407
					6,979
4,454	7,973	2,967	38,954	5,233	130,069
4,454	7,973	2,967	38,954	5,233	137,048
9,542	14,645	7,660	45,699	11,094	192,455
369	1,592	26	941	11	4,218
	2		7		9
	37		219		893
		25	150		1,089
					3,063
					65
369	1,631	51	1,317	11	9,337
	387		760		1,147
	169	29	25	65	348
	556	29	785	65	1,495
369	2,187	80	2,102	76	10,832
4,454	7,550	2,967	38,044	5,233	127,769
	1,449	3,963			12,412
4,719	3,459	650	5,553	5,785	41,442
\$	\$	\$	\$	\$	\$
9,173	12,458	7,580	43,597	11,018	181,623

Mississippi

Nonmajor Component Units

Combining Statement of Activities

For the Year Ended June 30, 2008 (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	\$ 958	\$ 1,416	\$	\$	\$ 458
Mississippi Coast Coliseum Commission	7,172	6,070	34,504		33,402
Mississippi Development Bank	32	429			397
Mississippi Prison Industries Corporation	8,069	8,468	351		750
Pat Harrison Waterway District	5,906	2,930	2,635		(341)
Pearl River Basin Development District	1,219	128	211		(880)
Pearl River Valley Water Supply District	10,838	11,396		362	920
Tombigbee River Valley Water Management District	1,641	229			(1,412)
Total	\$ 35,835	\$ 31,066	\$ 37,701	\$ 362	\$ 33,294

General Revenues

	Investment Income	Other	Change in Net Assets	Net Assets - Beginning	Net Assets - Ending
\$	717	\$	1,175	\$ 13,218	\$ 14,393
	651		34,053	47,760	81,813
	55		452	1,139	1,591
	37		787	8,386	9,173
	245	7	(89)	12,547	12,458
	194	923	237	7,343	7,580
	137		1,057	42,540	43,597
	246	1,562	396	10,622	11,018
\$	2,282	\$ 2,492	\$ 38,068	\$ 143,555	\$ 181,623

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Mississippi

Statistical Section

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

Financial Trends

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

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Revenue Capacity

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Debt Capacity

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Demographic and Economic Information

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Operating Information

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Mississippi

Net Assets by Component

Table 1

Last Seven Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

	2008	2007	2006	2005
Governmental activities				
Invested in capital assets, net of related debt	\$ 10,651,052	\$ 9,770,760	\$ 8,883,410	\$ 8,306,585
Restricted	667,456	477,321	427,128	336,262
Unrestricted (deficit)	79,396	575,042	159,530	(120,923)
Total governmental activities net assets	\$ 11,397,904	\$ 10,823,123	\$ 9,470,068	\$ 8,521,924
Business-type activities				
Invested in capital assets, net of related debt	\$ 161,144	\$ 136,836	\$ 112,393	\$ 143,055
Restricted	778,010	784,367	789,759	807,059
Unrestricted	209,175	243,751	209,745	169,590
Total business-type activities net assets	\$ 1,148,329	\$ 1,164,954	\$ 1,111,897	\$ 1,119,704
Primary Government				
Invested in capital assets, net of related debt	\$ 10,812,196	\$ 9,907,596	\$ 8,995,803	\$ 8,449,640
Restricted	1,445,466	1,261,688	1,216,887	1,143,321
Unrestricted	288,571	818,793	369,275	48,667
Total primary government net assets	\$ 12,546,233	\$ 11,988,077	\$ 10,581,965	\$ 9,641,628

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

2004	2003	2002
\$ 7,915,868	\$ 7,173,292	\$ 6,727,606
476,794	636,014	601,879
(122,396)	568,556	747,945
<u>\$ 8,270,266</u>	<u>\$ 8,377,862</u>	<u>\$ 8,077,430</u>

\$ 138,166	\$ 133,594	\$ 120,320
750,915	739,605	787,669
157,241	132,382	123,491
<u>\$ 1,046,322</u>	<u>\$ 1,005,581</u>	<u>\$ 1,031,480</u>

\$ 8,054,034	\$ 7,306,886	\$ 6,847,926
1,227,709	1,375,619	1,389,548
34,845	700,938	871,436
<u>\$ 9,316,588</u>	<u>\$ 9,383,443</u>	<u>\$ 9,108,910</u>

Mississippi

Changes in Net Assets

Last Seven Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)

	2008	2007	2006	2005
Expenses				
Governmental activities:				
General government	\$ 1,995,778	\$ 1,803,339	\$ 1,826,995	\$ 1,683,021
Education	4,163,587	3,961,573	3,668,314	3,344,598
Health and social services	5,609,247	5,311,270	5,180,153	5,074,151
Law, justice and public safety ¹	1,173,359	1,152,359	1,384,238	566,146
Recreation and resource development ²	1,216,521	1,932,646	364,796	423,983
Regulation of business and professions	36,318	33,192	30,944	30,355
Transportation	635,299	581,446	728,716	531,775
Interest on long-term debt	196,277	167,233	150,556	150,555
Total governmental activities expenses	15,026,386	14,943,058	13,334,712	11,804,584
Business-type activities:				
Unemployment compensation	143,013	143,348	242,134	138,825
Port Authority at Gulfport	12,614	10,349	17,221	14,957
Prepaid affordable college tuition	40,972	38,391	29,983	33,226
Other business-type	34,204	37,559	49,737	45,560
Total business-type activities expenses	230,803	229,647	339,075	232,568
Total primary government expenses	\$ 15,257,189	\$ 15,172,705	\$ 13,673,787	\$ 12,037,152
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,135,546	\$ 1,059,532	\$ 944,744	\$ 1,041,597
Education	27,838	33,991	29,784	24,857
Health and social services	507,876	480,944	446,315	465,923
Law, justice and public safety	100,206	147,360	81,807	76,864
Recreation and resources development	85,610	69,949	64,182	60,230
Regulation of business and professions	39,491	36,173	28,223	32,315
Transportation	40,243	35,192	26,762	29,477
Operating grants and contributions ³	6,462,823	7,125,688	6,058,258	4,636,824
Capital grants and contributions	795,572	960,369	792,929	415,530
Total governmental activities program revenues	9,195,205	9,949,198	8,473,004	6,783,617
Business-type activities:				
Charges for services:				
Unemployment compensation	100,840	106,256	104,548	158,695
Port Authority at Gulfport	22,569	30,166	7,609	21,892
Prepaid affordable college tuition	21,121	21,343	21,513	19,679
Other business-type	33,522	37,083	40,644	37,604
Operating grants and contributions ⁴	10,069	9,745	93,156	5,905
Capital grants and contributions	1,838	3,900	539	159
Total business-type activities program revenues	189,959	208,493	268,009	243,934
Total primary government program revenues	\$ 9,385,164	\$ 10,157,691	\$ 8,741,013	\$ 7,027,551
Net (Expense) Revenue				
Governmental activities	\$ (5,831,181)	\$ (4,993,860)	\$ (4,861,708)	\$ (5,020,967)
Business-type activities	(40,844)	(21,154)	(71,066)	11,366
Total primary government net expense	\$ (5,872,025)	\$ (5,015,014)	\$ (4,932,774)	\$ (5,009,601)

2004	2003	2002
\$ 1,648,142	\$ 1,453,788	\$ 1,082,176
3,292,951	3,139,812	2,959,707
4,776,214	4,290,392	4,219,675
549,662	517,753	509,295
461,243	465,393	379,325
34,269	32,059	29,960
516,130	443,155	433,730
149,764	145,345	179,102
<u>11,428,375</u>	<u>10,487,697</u>	<u>9,792,970</u>
198,147	251,010	218,517
13,879	13,339	11,223
12,253	4,778	12,528
44,194	41,421	39,912
<u>268,473</u>	<u>310,548</u>	<u>282,180</u>
<u>\$ 11,696,848</u>	<u>\$ 10,798,245</u>	<u>\$ 10,075,150</u>

\$ 842,566	\$ 806,664	\$ 491,132
20,925	25,639	29,399
420,116	477,577	542,157
68,089	60,811	58,130
57,470	58,247	55,919
37,170	35,397	29,364
38,299	44,136	50,540
4,553,738	4,066,898	3,812,409
389,686	410,636	391,670
<u>6,428,059</u>	<u>5,986,005</u>	<u>5,460,720</u>

149,726	118,671	177,048
21,578	20,931	19,706
551	1,938	488
35,125	31,065	29,882
31,930	53,006	30,002
278	903	13,257
<u>239,188</u>	<u>226,514</u>	<u>270,383</u>
<u>\$ 6,667,247</u>	<u>\$ 6,212,519</u>	<u>\$ 5,731,103</u>

\$ (5,000,316)	\$ (4,501,692)	\$ (4,332,250)
(29,285)	(84,034)	(11,797)
<u>\$ (5,029,601)</u>	<u>\$ (4,585,726)</u>	<u>\$ (4,344,047)</u>

(Continued on Next Page)

Mississippi

Changes in Net Assets

Table 2

Last Seven Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2008	2007	2006	2005
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Sales and use ⁵	\$ 3,166,130	\$ 3,161,005	\$ 3,075,657	\$ 2,626,792
Gasoline and other motor fuel	438,676	444,489	442,190	433,307
Individual income	1,503,869	1,501,334	1,204,055	1,243,192
Corporate income and franchise	500,996	469,182	425,091	365,140
Insurance	194,129	192,861	169,727	165,955
Other	459,483	397,515	385,810	362,526
Gain on sale of assets			585	2,964
Investment income	145,465	184,500	122,553	79,306
Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery			(9,871)	
Transfers	(2,786)	(3,971)	(5,945)	(6,557)
Total governmental activities	6,405,962	6,346,915	5,809,852	5,272,625
Business-type activities:				
Gain on sale of assets			7	
Investment income	21,433	70,240	55,974	55,459
Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery			1,333	
Transfers	2,786	3,971	5,945	6,557
Total business-type activities	24,219	74,211	63,259	62,016
Total primary government	\$ 6,430,181	\$ 6,421,126	\$ 5,873,111	\$ 5,334,641
Change in Net Assets				
Governmental activities	\$ 574,781	\$ 1,353,055	\$ 948,144	\$ 251,658
Business-type activities	(16,625)	53,057	(7,807)	73,382
Total primary government	\$ 558,156	\$ 1,406,112	\$ 940,337	\$ 325,040

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

¹ Law, justice and public safety expenses rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

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

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

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

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

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	2,459,718	\$ 2,418,763	\$ 2,378,956
	432,892	418,941	409,536
	1,039,488	1,084,999	989,877
	320,057	289,441	255,532
	160,757	149,458	131,763
	352,800	348,744	302,479
	534	296	420
	130,767	92,243	42,572
	(4,293)	(761)	(11,025)
	<u>4,892,720</u>	<u>4,802,124</u>	<u>4,500,110</u>
	65,733	57,374	45,890
	4,293	761	11,025
	<u>70,026</u>	<u>58,135</u>	<u>56,915</u>
\$	<u>4,962,746</u>	\$ <u>4,860,259</u>	\$ <u>4,557,025</u>
\$	(107,596)	\$ 300,432	\$ 167,860
	40,741	(25,899)	45,118
\$	<u>(66,855)</u>	\$ <u>274,533</u>	\$ <u>212,978</u>

Mississippi

Fund Balances of Governmental Funds

Table 3

Last Seven Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2008	2007	2006	2005
General Fund				
Reserved	\$ 833,922	\$ 864,522	\$ 702,417	\$ 709,505
Unreserved	1,822,412	1,625,064	1,253,819	715,549
Total General Fund	<u>\$ 2,656,334</u>	<u>\$ 2,489,586</u>	<u>\$ 1,956,236</u>	<u>\$ 1,425,054</u>
All Other Governmental Funds				
Reserved	\$ 325,180	\$ 317,053	\$ 306,171	\$ 308,032
Unreserved, reported in:				
Special revenue funds	568,091	769,769	427,942	469,379
Capital project funds	383,225	224,942	250,799	191,010
Debt service funds			49,385	41,818
Permanent funds	3,862	2,398	1,003	2,104
Total All Other Governmental Funds	<u>\$ 1,280,358</u>	<u>\$ 1,314,162</u>	<u>\$ 1,035,300</u>	<u>\$ 1,012,343</u>

Note: Due to changes in the State's fund structure when GASB Statement 34 was implemented, the fund balance information is only available beginning in fiscal year 2002. This table has been restated for prior period adjustments.

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 593,863	\$ 576,966	\$ 612,098
875,888	868,595	1,169,275
<u>\$ 1,469,751</u>	<u>\$ 1,445,561</u>	<u>\$ 1,781,373</u>
\$ 68,051	\$ 59,196	\$ 64,206
787,576	708,736	709,541
321,678	400,602	407,681
47,008	107,782	65,213
3,210	4,037	3,427
<u>\$ 1,227,523</u>	<u>\$ 1,280,353</u>	<u>\$ 1,250,068</u>

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Seven Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2008	2007	2006	2005
Revenues				
Taxes				
Sales and use ¹	\$ 3,146,711	\$ 3,136,554	\$ 3,074,831	\$ 2,609,936
Gasoline and other motor fuel	437,810	445,876	443,150	432,023
Individual income	1,523,231	1,486,074	1,213,733	1,224,403
Corporate income and franchise	503,165	477,166	412,839	363,361
Insurance	194,129	192,861	169,727	165,955
Other	459,483	397,515	385,810	362,526
Licenses, fees and permits	547,844	499,787	448,482	444,257
Federal government ²	7,197,515	8,079,581	6,844,298	5,050,410
Investment income	132,566	174,142	118,888	76,874
Charges for sales and services	327,874	310,769	279,899	265,089
Rentals	24,353	18,559	13,004	19,564
Court assessments and settlements	139,803	159,131	113,135	209,541
Refund of prior year disaster payments		55,557		
Other	345,593	309,521	281,908	349,625
Total Revenues	14,980,077	15,743,093	13,799,704	11,573,564
Expenditures				
General government	1,430,623	1,345,200	1,379,847	1,227,277
Education	4,155,180	3,949,505	3,663,082	3,341,991
Health and social services	5,601,993	5,302,796	5,176,071	5,057,704
Law, justice and public safety ³	1,385,082	1,172,469	1,364,750	567,718
Recreation and resources development ⁴	1,203,801	1,926,281	351,801	410,624
Regulation of business and professions	35,841	33,364	30,981	30,574
Transportation	1,178,966	1,390,677	1,284,905	911,974
Debt service				
Principal	295,060	277,538	261,878	239,525
Interest and other fiscal charges	210,311	184,346	177,228	152,766
Defeasance of debt			2,138	1,386
Capital outlay	110,620	88,575	69,604	85,443
Total Expenditures	15,607,477	15,670,751	13,762,285	12,026,982
Excess of revenues over (under) expenditures	\$ (627,400)	\$ 72,342	\$ 37,419	\$ (453,418)

	2004	2003	2002
\$	2,488,055	\$ 2,377,996	\$ 2,364,112
	433,091	418,049	407,935
	1,054,479	1,021,967	980,284
	320,848	287,335	254,785
	160,757	149,458	131,763
	352,800	348,744	302,479
	428,412	412,367	402,878
	4,943,360	4,477,533	4,204,079
	130,333	86,974	37,353
	258,217	241,153	268,098
	16,651	16,320	15,154
	109,796	172,099	239,509
	299,009	312,856	317,263
	<u>10,995,808</u>	<u>10,322,851</u>	<u>9,925,692</u>
	1,219,944	1,191,877	1,133,606
	3,211,882	3,022,046	2,852,710
	4,775,753	4,291,837	4,212,066
	551,354	522,509	507,662
	482,235	484,955	381,064
	34,163	32,096	30,175
	925,757	876,269	875,165
	216,287	194,318	280,590
	153,272	146,429	154,430
	1,689	3,959	
	77,839	114,941	103,940
	<u>11,650,175</u>	<u>10,881,236</u>	<u>10,531,408</u>
\$	<u>(654,367)</u>	<u>(558,385)</u>	<u>(605,716)</u>

(Continued on Next Page)

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Seven Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2008	2007	2006	2005
Other Financing Sources (Uses)				
Bonds and notes issued	\$ 721,172	\$ 714,400	\$ 486,780	\$ 188,494
Capital leases issued	724	5,497	11,324	3,975
Discounts on bonds and notes issued	(390)	(250)	(242)	
Insurance recovery	3,874	781	4,408	
Payments on refunded bond anticipation notes		(33,000)		
Payments to refunded bond and lease escrow agents	(191,894)	(147,765)	(50,462)	(6,882)
Premiums on bonds, notes, and refunding bonds and notes issued	19,613	29,209	15,442	874
Refunding bonds and notes issued	208,955	175,365	51,870	7,215
Transfers in	387,993	616,239	498,623	294,453
Transfers out	(389,703)	(620,606)	(501,943)	(294,588)
Net Other Financing Sources (Uses)	760,344	739,870	515,800	193,541
Extraordinary Item				
Insurance recovery from hurricane damage			920	
Net Change in Fund Balances	\$ 132,944	\$ 812,212	\$ 554,139	\$ (259,877)
Debt Service as a Percentage of Noncapital Expenditures	3.5%	3.2%	3.4%	3.5%

Note: Due to changes in the State's fund structure when GASB Statement 34 was implemented, the changes in fund balance information is only available beginning in fiscal year 2002. This table has been restated for prior period adjustments.

¹ Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

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

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

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

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

	2004	2003	2002
\$	625,015	\$ 239,000	\$ 415,466
	4,834	6,046	5,070
	(180,678)	(536,921)	(381,313)
	7,865	59,728	41,558
	172,505	486,970	364,033
	304,180	248,954	352,432
	(307,994)	(250,919)	(355,539)
	<u>625,727</u>	<u>252,858</u>	<u>441,707</u>
\$	<u>(28,640)</u>	<u>(305,527)</u>	<u>(164,009)</u>
	3.4%	3.4%	4.4%

Mississippi

Taxable Sales by Industry

Last Ten Fiscal Years
(Expressed in Thousands)

Table 5

	2007	2006	2005	2004
Automotive	\$ 6,425,719	\$ 6,659,353	\$ 6,146,219	\$ 6,153,868
Contracting	7,289,281	6,077,508	4,450,580	4,227,714
Food and Beverage	7,183,345	6,860,282	6,667,695	6,585,188
Furniture	1,017,087	1,011,007	759,240	740,400
General Merchandise	7,517,150	7,389,359	6,627,840	6,350,285
Lumber and Building Materials	3,892,931	3,944,938	2,675,275	2,384,863
Machinery, Equipment and Supplies	3,065,223	2,883,980	2,253,956	2,056,435
Miscellaneous Retail	3,741,915	3,562,267	3,317,464	3,480,913
Miscellaneous Services	2,605,241	2,582,114	1,944,014	1,881,371
Public Utilities	4,160,798	4,323,055	3,687,135	3,332,978
Recreation	135,866	119,248	110,930	116,464
Wholesale	728,840	721,747	758,074	744,355
Total taxable sales	\$ 47,763,396	\$ 46,134,858	\$ 39,398,422	\$ 38,054,834
Gross tax collections	\$ 2,899,368	\$ 2,807,350	\$ 2,421,537	\$ 2,338,086
Average effective rate	6.07%	6.09%	6.15%	6.14%

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2007.

Source: Mississippi State Tax Commission

Sales Tax Revenue Payers by Industry

Fiscal Years 2007 and 1998

Table 6

	2007			
	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Automotive	11,289	13.2 %	\$ 358,905	12.4 %
Contracting	9,571	11.2	283,154	9.8
Food and Beverage	15,200	17.7	502,835	17.3
Furniture	2,388	2.8	71,196	2.4
General Merchandise	5,333	6.2	526,796	18.2
Lumber and Building Materials	5,886	6.9	272,505	9.4
Machinery, Equipment and Supplies	6,268	7.3	165,984	5.7
Miscellaneous Retail	22,162	25.8	254,584	8.8
Miscellaneous Services	5,969	6.9	179,041	6.2
Public Utilities	1,164	1.3	223,838	7.7
Recreation	526	0.6	9,511	0.3
Wholesale	44	0.1	51,019	1.8
Total	85,800	100.0 %	\$ 2,899,368	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 2007.

Source: Mississippi State Tax Commission

	2003	2002	2001	2000	1999	1998
\$	5,993,019	\$ 6,102,300	\$ 5,847,392	\$ 6,170,349	\$ 5,983,176	\$ 5,447,407
	4,062,074	4,074,641	3,908,410	4,335,402	4,265,836	3,745,037
	6,181,754	6,329,716	6,359,213	6,304,232	6,159,492	5,857,463
	724,376	730,471	747,479	790,395	797,853	755,253
	5,994,698	5,809,645	5,494,382	5,194,255	4,884,481	4,541,655
	2,016,383	1,915,703	1,888,429	2,112,044	2,059,528	1,806,148
	2,079,293	2,124,054	2,206,481	2,321,233	2,348,386	2,225,443
	3,700,174	3,305,031	3,267,289	3,164,988	2,936,565	2,485,570
	1,695,247	1,687,695	1,694,971	1,722,853	1,699,602	1,564,658
	3,207,453	3,113,292	3,109,723	2,269,785	2,134,249	2,135,616
	108,309	107,782	105,941	116,327	113,617	105,925
	718,041	704,607	680,678	683,733	647,794	601,971
\$	36,480,821	\$ 36,004,937	\$ 35,310,388	\$ 35,185,596	\$ 34,030,579	\$ 31,272,146
\$	2,208,570	\$ 2,199,918	\$ 2,158,940	\$ 2,130,636	\$ 2,042,078	\$ 1,885,299
	6.05%	6.11%	6.11%	6.06%	6.00%	6.03%

1998

Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
11,308	14.3 %	\$ 291,288	15.5 %
6,534	8.3	136,658	7.2
15,253	19.3	408,553	21.7
3,044	3.8	52,832	2.8
5,157	6.5	318,405	16.9
5,527	7.0	123,925	6.6
5,574	7.1	118,491	6.3
19,692	24.9	170,632	9.0
5,558	7.0	108,960	5.8
914	1.2	112,096	5.9
394	0.5	7,411	0.4
101	0.1	36,048	1.9
79,056	100.0 %	\$ 1,885,299	100.0 %

Mississippi

Ratios of Outstanding Debt by Type

Table 7

Last Seven Fiscal Years

(Expressed in Thousands, except Per capita)

	2008	2007	2006	2005
Governmental Activities				
General Obligation Bonds and Notes ¹	\$ 3,452,073	\$ 3,135,232	\$ 3,011,720	\$ 2,879,945
Limited Obligation Bonds	24,460	47,880	70,320	91,845
Capital Lease Obligations	12,555	18,568	19,034	62,456
Notes Payable	882,049	708,028	345,091	162,340
Certificates of Participation	2,190	2,330	2,460	2,585
Total Governmental Activities	4,373,327	3,912,038	3,448,625	3,199,171
Business-type Activities				
General Obligation Bonds	32,064	35,084	38,016	40,705
Revenue Bonds				150
Capital Lease Obligations	926	214	320	449
Total Business-type Activities	32,990	35,298	38,336	41,304
Total Primary Government	\$ 4,406,317	\$ 3,947,336	\$ 3,486,961	\$ 3,240,475
Amount of Debt Per capita ²	\$ 1,509	\$ 1,352	\$ 1,202	\$ 1,117
Debt as a percentage of Personal Income ³	5.2%	4.7%	4.5%	4.4%
Net General Obligation Bonded Debt⁴				
General Obligation Bonds and Notes ¹	\$ 3,452,073	\$ 3,135,232	\$ 3,011,720	\$ 2,879,945
Less: Debt Service	214,647	175,515	105,347	97,312
Net General Obligation Bonded Debt	\$ 3,237,426	\$ 2,959,717	\$ 2,906,373	\$ 2,782,633
Amount of Net General Obligation Bonded Debt Per capita ²	\$ 1,109	\$ 1,014	\$ 1,002	\$ 960
Net General Obligation Bonded Debt as a percentage of Taxable Sales ⁵	6.8%	6.2%	6.3%	7.1%

Notes:

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

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

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

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

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

	2004	2003	2002
\$	2,965,083	\$ 2,536,637	\$ 2,459,826
	112,515	132,390	151,535
	74,277	156,075	162,389
	92,877	9,406	6,891
	2,700	2,805	2,905
	<u>3,247,452</u>	<u>2,837,313</u>	<u>2,783,546</u>

	43,207	47,407	52,417
	295	430	555
	613	193	283
	<u>44,115</u>	<u>48,030</u>	<u>53,255</u>
\$	<u>3,291,567</u>	<u>\$ 2,885,343</u>	<u>\$ 2,836,801</u>

\$	1,139	\$ 1,005	\$ 992
	4.7%	4.4%	4.4%

\$	2,965,083	\$ 2,536,637	\$ 2,459,826
	107,149	176,556	129,771
\$	<u>2,857,934</u>	<u>\$ 2,360,081</u>	<u>\$ 2,330,055</u>

\$	989	\$ 822	\$ 815
	7.5%	6.5%	6.5%

Mississippi

Legal Debt Margin

Last Ten Fiscal Years

Table 8

(Expressed in Thousands)

	2008	2007	2006	2005
Legal debt limit	\$ 12,009,366	\$ 10,930,262	\$ 10,056,571	\$ 8,740,586
Less: Net debt applicable to limit	3,237,426	2,959,717	2,906,373	2,771,968
Legal debt margin	\$ 8,771,940	\$ 7,970,545	\$ 7,150,198	\$ 5,968,618
Net debt applicable to the limit as a percentage of legal debt limit	27.0%	27.1%	28.9%	31.7%

Legal Debt Margin Calculation for Fiscal Year 2008:

Legal debt limit ¹		\$ 12,009,366
Amount of debt applicable to limit ²	\$ 3,452,073	
Less: amounts available for debt service	214,647	
Less: Net debt applicable to limit		3,237,426
Legal debt margin		\$ 8,771,940

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
2007	\$ 8,006,244
2006	7,286,841
2005	6,704,381
2004	5,827,057

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

	2004	2003	2002	2001	2000	1999
\$	8,429,055	\$ 8,142,318	\$ 8,142,318	\$ 7,994,129	\$ 7,627,217	\$ 7,138,012
	2,846,985	2,339,941	2,312,810	2,158,098	1,919,008	1,802,781
\$	5,582,070	\$ 5,802,377	\$ 5,829,508	\$ 5,836,031	\$ 5,708,209	\$ 5,335,231

33.8% 28.7% 28.4% 27.0% 25.2% 25.3%

Mississippi

Average Annual Employment by Sector

Last Ten Calendar Years

Table 9

	2007	2006	2005	2004
Agriculture	14,259	14,857	15,771	16,089
Construction	62,381	60,829	55,635	52,614
Finance, insurance and real estate	47,245	46,575	46,444	45,997
Manufacturing	169,657	176,012	178,775	180,146
Mining	6,178	5,815	4,841	4,842
Public administration	54,157	52,961	53,585	53,983
Retail trade	141,865	142,672	139,126	139,062
Services	512,957	497,075	493,242	489,639
Transportation and public utilities	63,702	63,098	63,171	63,224
Wholesale trade	36,954	36,388	35,131	34,929

Source: Mississippi Department of Employment Security, Labor Market Information

Average Annual Wages by Sector

Last Ten Calendar Years

Table 10

	2007	2006	2005	2004
Agriculture	\$ 26,293	\$ 25,233	\$ 24,114	\$ 23,398
Construction	37,191	35,693	32,441	29,445
Finance, insurance and real estate	39,622	38,074	36,184	34,748
Manufacturing	37,303	35,768	34,519	33,204
Mining	60,851	55,894	50,776	46,320
Public administration	29,863	28,278	27,636	26,754
Retail trade	21,603	21,565	20,436	19,650
Services	29,223	28,132	26,834	25,889
Transportation and public utilities	39,079	38,234	37,492	35,972
Wholesale trade	47,294	44,994	42,164	40,135

Source: Mississippi Department of Employment Security, Labor Market Information

2003	2002	2001	2000	1999	1998
15,966	16,211	17,169	17,983	18,427	17,056
54,228	57,383	55,311	58,513	58,741	57,738
46,042	45,835	45,942	42,915	42,940	42,620
179,671	188,857	201,623	233,396	244,019	245,561
4,785	4,824	5,479	4,523	5,025	6,272
53,231	52,832	53,037	51,069	49,358	47,814
138,848	140,879	142,212	209,811	207,042	197,611
480,338	473,257	464,686	387,568	384,459	374,512
62,895	63,352	64,513	57,615	55,712	53,804
34,993	34,980	35,263	46,866	47,387	47,689

2003	2002	2001	2000	1999	1998
\$ 22,910	\$ 21,748	\$ 21,193	\$ 19,239	\$ 18,859	\$ 18,064
29,594	29,682	28,312	27,705	26,937	26,508
33,455	32,562	31,215	32,252	30,460	30,005
31,950	30,346	29,376	28,496	27,630	26,712
44,827	43,682	41,754	38,404	40,171	36,794
26,089	25,055	24,393	23,829	23,043	22,463
19,158	18,471	18,003	14,736	14,500	14,003
24,984	24,104	23,476	24,508	23,489	22,870
34,590	33,897	33,488	34,910	33,210	32,721
37,870	36,614	35,567	33,399	32,532	31,466

Mississippi

Demographic and Economic Statistics

Last Ten Calendar Years

Table 11

Year	Population	Unemployment Rate		Personal Income	Per capita Personal Income
		Mississippi	U.S.		
2007	2,920,000	6.3 %	4.6 %	\$ 84,193,000,000	\$ 28,833
2006	2,900,000	6.7	4.6	78,356,000,000	27,019
2005	2,900,000	7.8	5.1	74,033,000,000	25,529
2004	2,890,000	6.4	5.5	69,778,000,000	24,145
2003	2,870,000	6.4	6.0	66,304,000,000	23,102
2002	2,860,000	6.7	5.8	63,979,000,000	22,370
2001	2,850,000	5.6	4.7	62,739,000,000	22,014
2000	2,850,000	5.6	4.0	59,838,000,000	20,996
1999	2,830,000	5.1	4.2	56,719,000,000	20,042
1998	2,810,000	5.4	4.5	54,820,000,000	19,509

Sources:

Mississippi Econometric Model

Mississippi Department of Employment Security

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

Mississippi

Principal Employers

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

Table 12

Employer	Rank	2007		1998		
		Percentage of All Employees	Average Number of Employees	Rank	Percentage of All Employees	Average Number of Employees
State of Mississippi	1	2.7 %	33,600	1	2.6 %	31,000
Federal Government	2	2.1	26,200	2	2.2	26,200
Wal-Mart ¹	3	2.1	25,400			
Northrop Grumman	4	1.0	12,800			
University of Mississippi Medical Center ¹	5	0.6	7,500			
Harrah's Entertainment	6	0.5	5,800	3	0.7	8,600
Nissan North America	7	0.4	5,100			
North Mississippi Medical Center ¹	8	0.3	4,300			
Howard Industries	9	0.3	4,200	10	0.3	3,000
Lane Furniture	10	0.3	4,000			
Litton Industries ²				4	0.9	10,300
Tyson Foods				5	0.4	4,500
Sanderson Farms				6	0.4	4,300
International Paper				7	0.3	3,800
Georgia-Pacific				8	0.3	3,300
B. C. Rogers				9	0.3	3,100
Total Principal Employers		10.3 %	128,900		8.4 %	98,100
Total Employed Labor Force		100.0 %	1,231,700		100.0 %	1,199,200

¹ Information is not available for historical comparison.

² Litton Industries was acquired by Northrop Grumman in 2001.

Sources:

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

Mississippi

Public School Enrollment

Last Ten Academic Years

Table 13

	2007/2008	2006/2007	2005/2006	2004/2005
Kindergarten	41,453	42,277	42,824	42,158
Grades 1-3	118,969	117,424	114,830	114,453
Grades 4-6	111,009	112,101	113,468	116,383
Grades 7-9	118,593	120,271	120,852	120,186
Grades 10-12	96,003	93,287	91,663	89,641
Special Education	7,275	8,775	10,401	11,769
Total Enrollment	493,302	494,135	494,038	494,590

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 14

	2007/2008	2006/2007	2005/2006	2004/2005
Coahoma Community College	2,398	2,201	2,428	2,506
Copiah-Lincoln Community College	3,811	3,933	3,792	3,681
East Central Community College	2,841	3,096	3,268	3,540
East Mississippi Community College	6,353	4,938	4,569	4,523
Hinds Community College	16,747	13,487	13,004	13,803
Holmes Community College	5,124	5,164	5,220	4,991
Itawamba Community College	8,339	7,363	7,089	6,567
Jones County Junior College	5,658	5,785	6,219	6,344
Meridian Community College	4,065	3,946	3,813	4,089
Mississippi Delta Community College	3,659	3,815	3,995	3,862
Mississippi Gulf Coast Community College	9,674	9,045	8,934	10,894
Northeast Mississippi Community College	5,223	5,264	5,266	5,854
Northwest Mississippi Community College	6,900	7,457	6,953	6,663
Pearl River Community College	4,263	4,411	4,256	4,585
Southwest Mississippi Community College	2,080	1,986	2,121	2,303
Total Enrollment	87,135	81,891	80,927	84,205

Source: Mississippi State Board for Community and Junior Colleges

University Enrollment

Last Ten Academic Years

Table 15

	2007/2008	2006/2007	2005/2006	2004/2005
Alcorn State University	3,668	3,583	3,544	3,443
Delta State University	4,091	4,217	4,119	3,990
Jackson State University	8,698	8,256	8,416	8,351
Mississippi State University	17,039	16,206	16,101	15,934
Mississippi University for Women	2,379	2,428	2,285	2,231
Mississippi Valley State University	3,009	3,162	3,165	3,621
University of Mississippi	17,323	17,312	16,928	16,500
University of Southern Mississippi	14,592	14,777	15,030	15,253
Total Enrollment	70,799	69,941	69,588	69,323

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

2003/2004	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
40,536	38,811	38,736	39,055	39,455	41,057
114,719	116,431	119,157	121,810	124,176	124,759
117,899	118,463	119,022	118,450	116,155	113,584
118,632	116,799	114,533	114,885	115,585	116,913
88,384	88,437	88,644	89,796	90,947	91,783
12,387	12,682	12,106	12,562	13,044	14,283
492,557	491,623	492,198	496,558	499,362	502,379

2003/2004	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
2,392	2,481	2,150	1,418	1,317	1,336
3,796	3,370	3,160	3,272	3,086	2,967
3,540	3,414	3,347	3,312	2,605	2,518
4,103	4,043	3,303	3,121	2,848	3,033
15,202	11,152	11,389	10,976	10,943	10,361
4,945	3,851	3,482	3,328	3,089	2,466
6,778	5,667	4,563	4,075	3,946	3,965
6,231	5,841	5,625	5,572	5,016	5,465
3,944	3,815	3,743	3,183	3,077	3,132
4,128	3,960	3,750	3,419	5,242	4,208
10,551	9,934	8,877	9,140	10,054	10,124
4,996	4,667	4,463	4,353	4,792	4,366
6,523	6,371	5,760	5,127	5,074	5,083
3,898	3,661	3,156	3,245	3,291	3,264
2,280	2,277	2,159	2,083	2,066	2,022
83,307	74,504	68,927	65,624	66,446	64,310

2003/2004	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
3,309	3,150	3,096	2,936	2,871	2,860
3,902	3,963	3,875	3,916	4,086	4,048
7,815	7,783	7,098	6,832	6,354	6,292
16,173	16,610	16,878	16,561	16,076	15,718
2,048	2,105	2,328	2,815	2,953	3,314
3,506	3,501	3,081	2,687	2,509	2,445
15,577	14,961	14,429	13,928	13,527	13,305
15,050	15,266	15,232	14,509	14,350	14,533
67,380	67,339	66,017	64,184	62,726	62,515

Mississippi

Capital Asset Statistics by Function

Last Nine Fiscal Years

Table 16

	2008	2007	2006	2005
General Government				
Department of Finance and Administration				
Buildings	46	46	42	26
Vehicles	42	41	37	35
Tax Commission				
Vehicles	47	47	45	45
Education				
Department of Education				
Vehicles	47	44	46	42
Law, Justice and Public Safety				
Department of Corrections				
Buildings	626	633	633	642
Vehicles	676	707	683	674
Department of Public Safety				
Buildings	37	37	37	36
Vehicles	924	943	907	805
Recreation and Resource Development				
Department of Wildlife, Fisheries and Parks				
State Parks	26	26	24	28
Acres of State Parks	24,260	23,904	23,908	23,800
Buildings	815	812	831	844
Vehicles	609	614	627	681
Forestry Commission				
Buildings	408	418	422	429
Vehicles	493	508	483	531
Transportation				
Department of Transportation				
Miles of state highway	10,949	10,974	10,950	10,927
Vehicles	2,547	2,595	2,604	2,604
Health and Social Sciences				
Department of Mental Health				
Buildings	547	541	535	525
Vehicles	802	798	755	742

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

Sources:

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

2004	2003	2002	2001	2000
25	22	22	21	20
35	32	32	31	33
45	46	44	42	42
42	41	43	41	43
642	641	634	625	532
702	649	598	699	664
36	36	33	33	33
834	808	805	804	791
28	28	28	28	29
23,800	23,714	23,714	23,714	23,756
841	852	814	830	804
723	730	712	687	682
424	428	431	429	426
578	539	546	484	493
10,926	10,689	10,678	10,665	10,649
2,642	2,646	2,395	2,402	2,467
520	512	481	477	360
712	700	650	630	599

Mississippi

State Government Employees by Function

Last Ten Fiscal Years

Table 17

	2008	2007	2006	2005	2004	2003
General Government						
Department of Finance and Administration	380	363	338	330	327	323
Tax Commission	726	713	697	708	738	734
Treasury	39	37	38	37	38	39
All Other	1,438	1,402	1,380	1,413	1,446	1,427
Education						
Department of Education	782	773	737	766	804	797
All Other	200	195	191	195	202	209
Health and Social Services						
Department of Human Services	3,046	2,991	2,925	2,987	3,179	3,362
Division of Medicaid	908	917	942	877	580	572
Department of Mental Health	8,951	8,930	8,685	9,043	8,695	8,617
Department of Rehabilitation Services	964	949	882	871	893	877
All Other	3,329	3,393	3,336	3,467	3,495	3,510
Law, Justice and Public Safety						
Department of Corrections	3,153	3,071	3,072	3,051	3,336	3,656
Department of Public Safety	1,365	1,274	1,199	1,183	1,202	1,004
All Other	1,994	1,883	1,746	1,749	1,741	1,933
Recreation and Resource Development						
Department of Environmental Quality	428	433	426	447	472	471
Department of Wildlife, Fisheries and Parks	710	788	777	826	926	844
Forestry Commission	521	513	479	548	587	592
Mississippi Development Authority	279	282	261	271	312	311
All Other	412	408	395	412	420	421
Regulation of Business and Professions						
Public Service Commission	97	95	92	94	101	156
Oil and Gas Board	33	32	31	28	30	28
All Other	246	242	244	239	243	238
Transportation						
Department of Transportation	3,346	3,267	3,271	3,384	3,316	3,300
Total	33,347	32,951	32,144	32,926	33,083	33,421

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

2002	2001	2000	1999
328	334	349	333
734	762	778	761
38	38	34	30
1,438	1,433	1,438	1,263
775	791	804	777
212	214	220	221
3,394	3,541	3,746	3,609
547	554	482	395
8,523	8,420	8,213	7,739
874	849	768	801
3,318	3,288	3,231	3,249
3,675	3,745	3,644	3,523
1,012	1,065	1,023	989
1,907	1,858	1,811	1,740
471	471	76	450
867	896	1,030	1,041
630	625	697	680
299	303	307	322
429	429	436	371
148	142	136	136
30	32	29	31
234	230	228	216
3,265	3,329	3,286	3,304
33,148	33,349	32,766	31,981

Mississippi

Operating Indicators by Function

Last Ten Fiscal Years

Table 18

	2007	2006	2005	2004
General Government				
Tax returns processed	4,800,000	4,750,000	4,700,000	4,650,000
On-going construction projects	725	708	707	756
Tort claims processed	1,081	726	1,354	2,529
Unclaimed property claims paid	9,781	6,670	5,360	41,652
Corporate filings processed	30,740	30,441	27,184	29,293
UCC filings processed	289,990	28,317	261,215	231,688
16th section leases	12,200	12,360	12,367	12,311
Education				
Average cost per public school student	\$8,298	\$7,996	\$7,208	\$6,794
Public high school graduates	23,149	23,691	23,415	23,427
Public school teachers, K-12	32,746	32,129	32,027	31,611
Health and Social Services				
Average monthly households receiving food stamps	174,924	172,814	153,943	149,817
Food establishments inspected	36,027	28,953	27,832	33,505
Child support collections from non-custodial parents	\$242,768,697	\$230,206,702	\$218,293,613	\$206,596,005
Medicaid recipients receiving medical services	547,811	583,523	673,571	730,000
Law, Justice and Public Safety				
Average inmate population in prisons	10,145	9,669	9,891	10,833
Supervised offenders in communities	29,964	21,736	23,781	22,053
Driver licenses issued	755,000	755,000	667,800	753,809
Recreation and Resource Development				
Estimated attendance at fairground events	1,200,250	1,058,250	1,056,450	1,057,569
Estimated attendance at the Dixie Livestock Show	126,080	110,081	128,459	127,463
Tourist registered at welcome centers	2,782,648	2,551,894	2,862,349	2,937,560
Land reforested (acres)	61,075	54,886	91,035	57,980
Hunting and fishing licenses sold	585,466	525,000	525,000	533,533
Overnight accommodations at state parks	674,280	682,525	672,525	765,564
Regulation of Business and Professions				
Utility complaints investigated	6,766	6,749	6,520	6,547
Well inspections by Oil and Gas Board	22,083	20,879	18,000	19,763
Transportation				
Overlays (miles)	146	340	421	594
Replacement of deficit bridges	62	11	29	73

Note: The most current fiscal year available is fiscal year 2007.

Sources:

Mississippi Legislative Budget Office, Agency Budget Submissions

Mississippi Joint Legislative Budget Committee, Proposed Budget

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

2003	2002	2001	2000	1999	1998
4,600,000	4,550,000	4,550,000	4,500,000	2,575,000	2,541,950
863	830	862	748	637	631
2,312	1,337	1,524	1,545	1,443	1,517
13,683	8,490	4,399	2,166	5,218	7,679
33,779	34,658	17,220	14,974	12,979	17,323
228,930	119,509	127,234	110,638	96,207	102,655
13,800	14,171	14,967	12,528	12,579	12,463
\$6,402	\$5,908	\$5,717	\$4,905	\$5,120	\$4,777
23,703	23,398	23,740	24,194	24,148	24,477
29,071	29,166	31,017	30,782	29,939	29,574
137,793	123,780	113,178	109,192	119,809	135,946
28,939	19,990	28,886	28,416	27,431	30,979
\$195,621,754	\$191,423,389	\$178,496,714	\$174,659,489	\$141,000,000	\$125,024,234
720,304	650,452	587,341	512,956	486,660	525,000
10,639	10,293	10,043	8,916	8,754	8,938
22,342	17,394	16,677	14,280	14,280	14,024
663,893	659,846	659,846	659,846	579,510	560,154
912,749	912,749	575,000	1,875,000	1,875,000	1,875,000
130,000	130,000	125,000	121,000	125,000	125,000
2,870,001	3,133,953	2,994,723	3,105,714	2,903,934	2,996,687
116,681	62,214	129,447	176,802	140,000	175,000
520,000	520,000	573,115	520,000	559,824	520,000
719,637	719,637	650,896	650,896	652,732	632,934
6,172	2,569	4,334	2,355	3,904	1,998
18,920	15,962	25,374	16,964	16,334	16,121
556	620	257	337	476	348
126	128	170	125	99	157

Acknowledgements

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

Management:

Melissa G. Womack, CPA, Director
Betty L. Smith, Assistant Director

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Leila C. Malatesta, Office of Fiscal Management Director
Linda Brady, Administrative Assistant
Bettie A. Fulgham, Special Projects
Donna McFarland, Assistant Director

Special acknowledgement goes to:

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

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.

This report may be viewed at: www.dfa.state.ms.us

State of Mississippi

Single Audit Report

for the Fiscal Year Ended June 30, 2008

MISSISSIPPI



Stacey E. Pickering

State Auditor

Office of the State Auditor



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 30, 2009

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

I am pleased to submit the *Single Audit Report* of the State of Mississippi for the fiscal year ended June 30, 2008. Our audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996, the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Mississippi's audit requirements.

The Single Audit process requires the coordination and cooperation of many state government entities. We are particularly grateful for the efforts of the Mississippi Department of Finance and Administration in compiling data, other state agencies in assisting in the resolution of single audit issues and the efforts of our own outstanding staff.

I am also pleased to report recognition of two other state achievements in financial accounting and reporting:

- for the twenty-first consecutive year the Government Finance Officers Association of the United States and Canada has awarded its Certificate of Achievement for Excellence in Financial Reporting to the Mississippi Department of Finance and Administration for the state's 2007 Comprehensive Annual Financial Report (CAFR) and
- an unqualified opinion has been rendered on the state's financial statements in 2008.

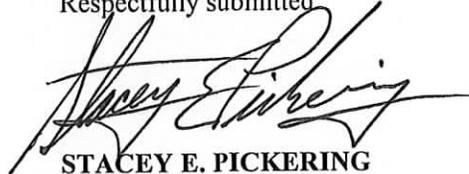
Mississippi's *Comprehensive Annual Financial Report* for fiscal year 2008 has been issued and is available electronically at <http://www.dfa.state.ms.us/> or by writing to the address below:

Mississippi Department of Finance and Administration
Attention: Bureau of Financial Reporting
P. O. Box 267
Jackson, MS 39205

The Governor, Members of the Legislature
And Citizens of the State of Mississippi
Page 2

I continue to be encouraged and enthusiastic about the quality of our government's financial reporting. It is a fair and diligent reflection of the importance our state places on taxpayers' money, as well as the dedication of the state's employees and citizens who must safeguard it. We can all be proud that this report represents another one of the many things we do well in Mississippi.

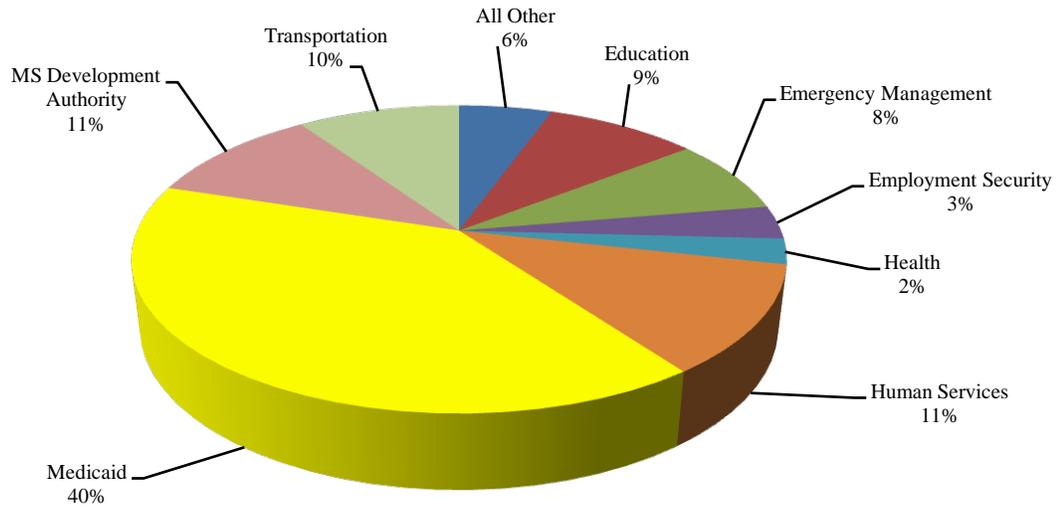
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

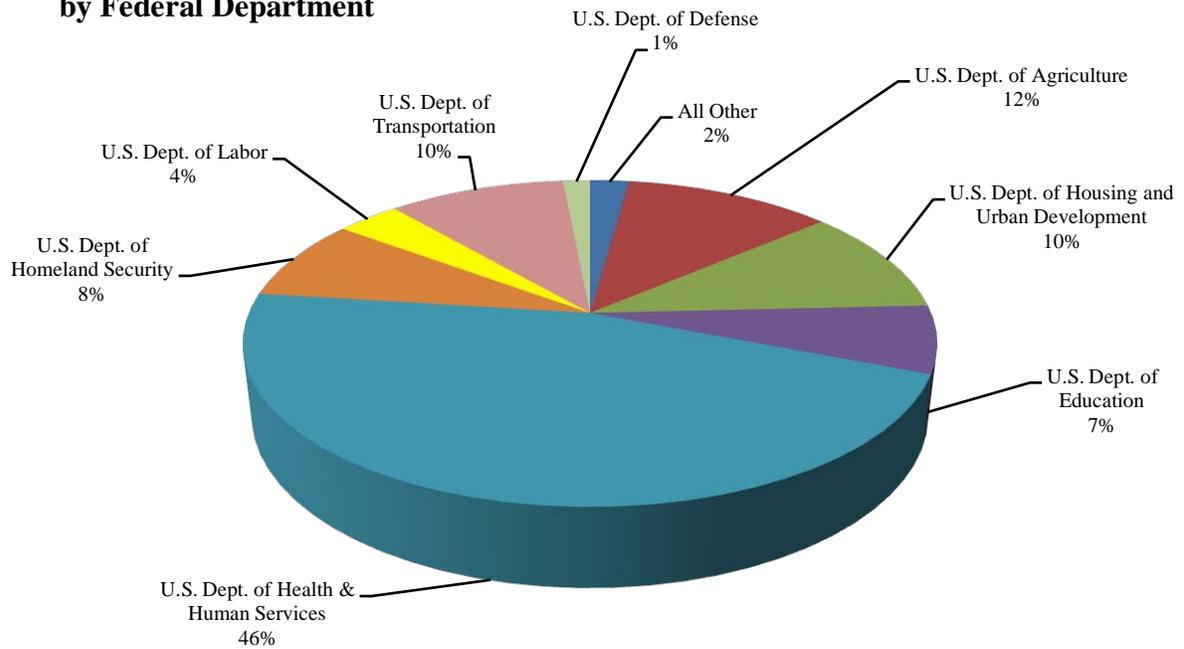
STACEY E. PICKERING
State Auditor

STATE OF MISSISSIPPI Fiscal Year 2008

Expenditures of Federal Awards by State Grantee Agency

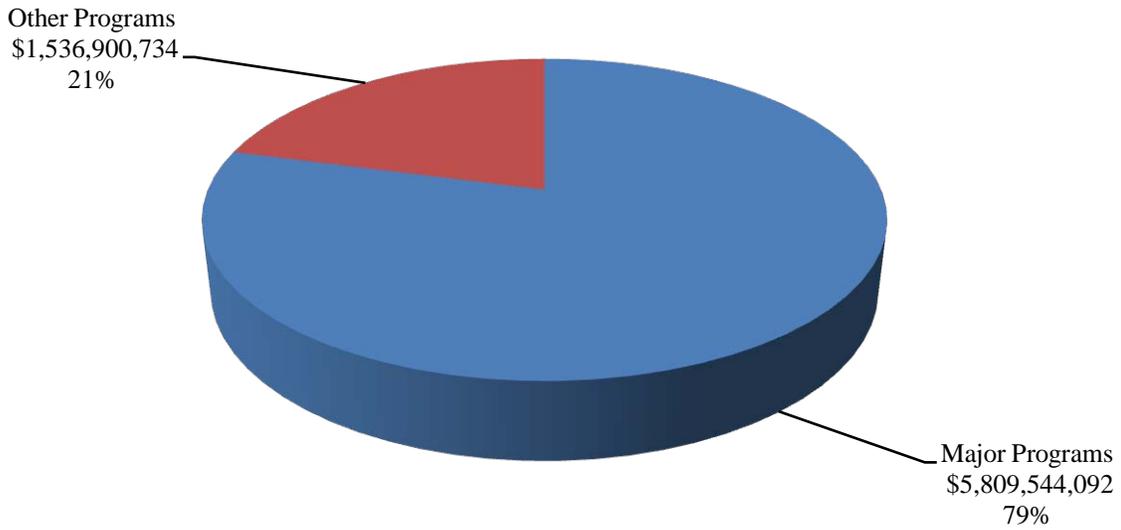


Expenditures of Federal Awards by Federal Department

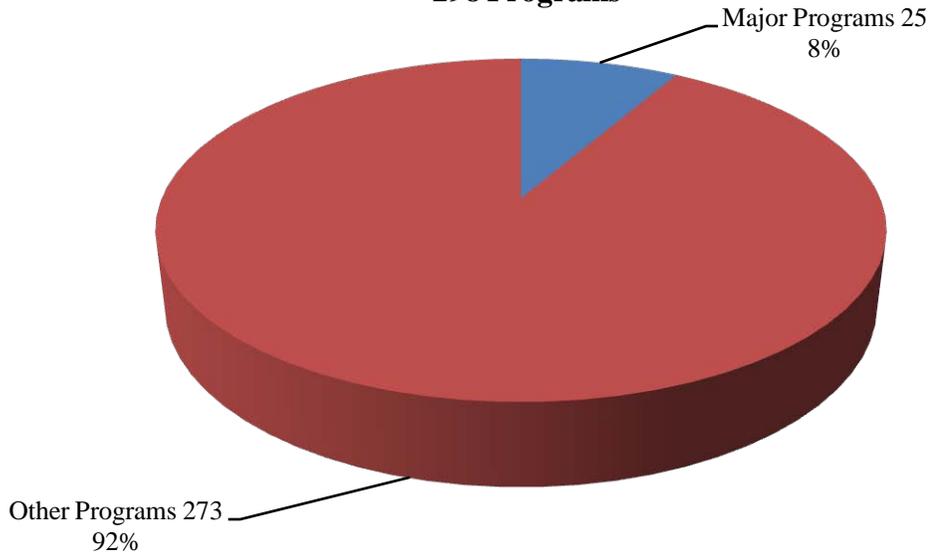


STATE OF MISSISSIPPI Fiscal Year 2008

Percentage of Major Program Assistance Total Expenditures of Federal Awards \$7,346,444,826

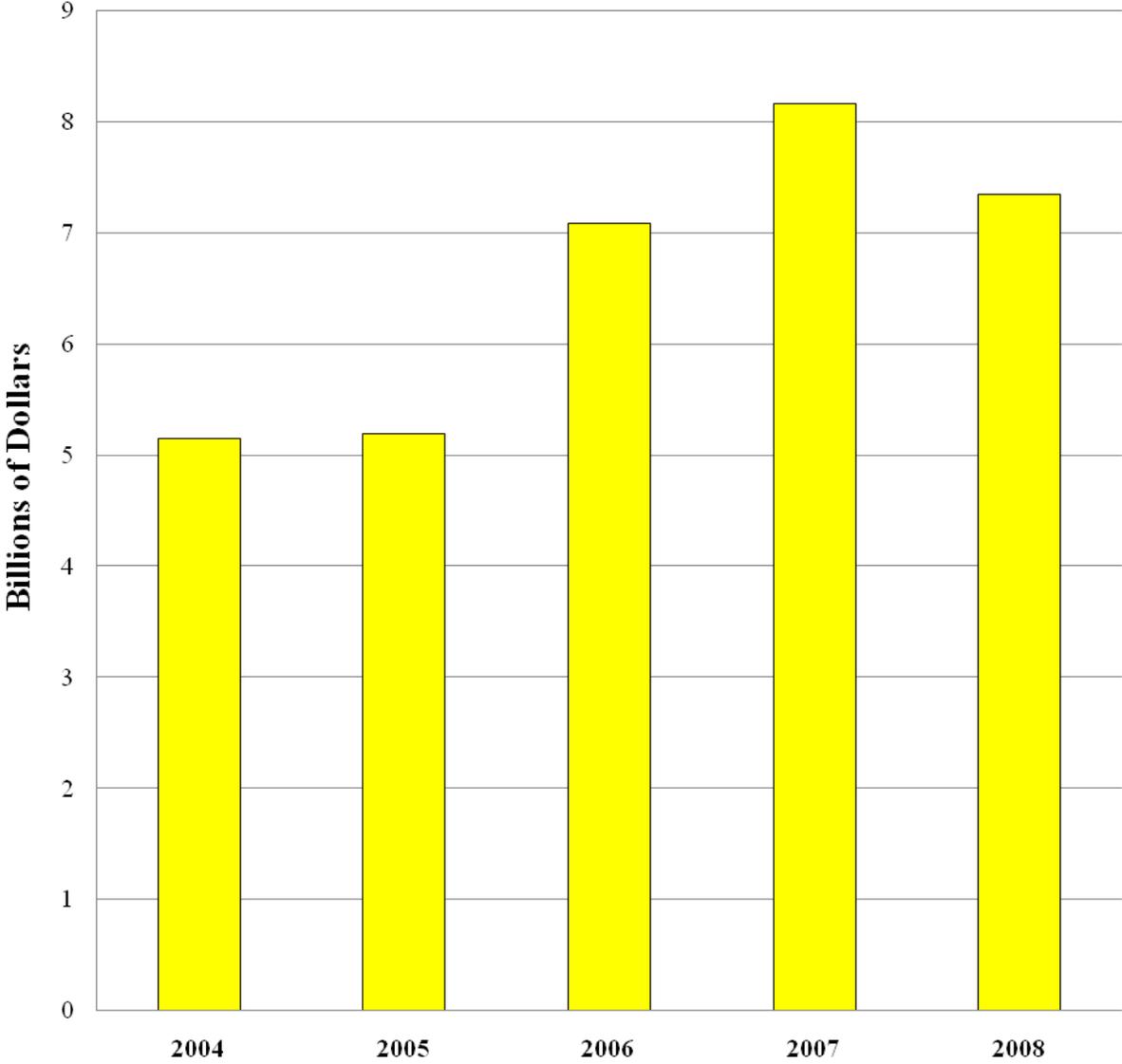


Percentage of Major Program Assistance 298 Programs



STATE OF MISSISSIPPI Total Federal Financial Assistance

Last Five Fiscal Years



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STATE OF MISSISSIPPI

SINGLE AUDIT REPORT

For the Year Ended June 30, 2008

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STATE OF MISSISSIPPI
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I. AUDIT REPORTING





STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi, as of and for the year ended June 30, 2008, which collectively comprise the state's basic financial statements, and have issued our report thereon dated December 19, 2008. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the following, as described in our report on the State of Mississippi's financial statements:

■ Government-wide Financial Statements

● Governmental Activities

- the Health Care Trust Fund, the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 10% and 32%, respectively, of the assets and revenues of the Governmental Activities;

● Business-type Activities

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and AbilityWorks, Inc. within the Department of Rehabilitation Services which, in the aggregate, represent 43% and 23%, respectively, of the assets and revenues of the Business-type Activities;

● Component Units

- the Universities and the nonmajor component units.

■ Fund Financial Statements

● Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid and the Department of Corrections which represent 24% and 32%, respectively, of the assets and revenues of the General Fund;
- the Health Care Trust Fund which represents 97% and 99%, respectively, of the assets and revenues of the Health Care major governmental fund;

● Proprietary Funds

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

● Aggregate Remaining Funds

- selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks;
- the State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;
- nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc. within the Department of Rehabilitation Services;
- the Pension Trust Funds;
- the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

all of which represent 95% and 74%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

Except for the major component unit Universities, this report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters for the major component unit Universities that are reported on separately by those auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Mississippi Foundation, the Mississippi State University Foundation, Inc., the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Tort Liability Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation and the University Hospitals and Clinics, a division of the University of Mississippi Medical Center, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we and other auditors considered the State of Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Mississippi's internal control over financial reporting.

Our and the other auditors' consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we and other auditors identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 - Financial Statement Findings" as items 2008-12, 2008-13, 2008-14, 2008-15, 2008-16 and 2008-21 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our and the other auditor's consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we and other auditors consider items 2008-15 and 2008-16 to be material weaknesses.

We and the other auditors also noted other matters involving the internal control over financial reporting, which we have reported to management of the State of Mississippi in separate communications.

Compliance and Other Matters

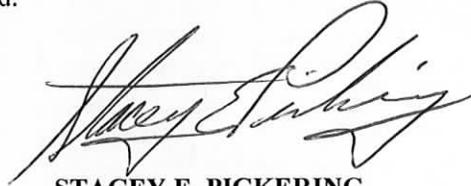
As part of obtaining reasonable assurance about whether the State of Mississippi's basic financial statements are free of material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests and the reports of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we and the other auditors noted certain matters, which we have reported to management of the State of Mississippi in separate communications.

Management's responses to the findings identified in our audit are described in the accompanying Management Responses and Corrective Action Plans section. We did not audit management's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
Page 5

This report is intended solely for the information and use of management, the Governor, Members of the Legislature, federal awarding agencies, pass-through entities, and those charged with governance and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



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

Jackson, Mississippi
December 19, 2008

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We and other auditors have audited the compliance of the State of Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. We did not audit the National Guard Military Operations and Maintenance Projects program, the National Guard Special Military Operations and Projects program, the Edward Byrne Memorial Formula Grant program, the Edward Byrne Memorial Justice Assistance Grant Program, the State and Community Highway Safety program, the Capitalization Grants for Clean Water State Revolving Funds program, the Capitalization Grants for Drinking Water State Revolving Funds program, the State Children's Insurance Program, the Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations program, the Medicaid Cluster program, the Homeland Security Cluster program, the Disaster Grants - Public Assistance program, and the Alternative Housing Pilot Program. Those programs were audited by other auditors whose reports have been furnished to us. The State of Mississippi's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State of Mississippi's management. Our responsibility is to express an opinion on the State of Mississippi's compliance based on our audit and the audits of other auditors.

Except as discussed in the following paragraph, we and other auditors conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we and other auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit, and the audits of other auditors, provide a reasonable basis for our opinion. Our audit, and the audits of other auditors, does not provide a legal determination of the State of Mississippi's compliance with those requirements.

The scope of this audit did not include testing transactions and records from the major federal programs of the public universities of Mississippi, the Mississippi Authority for Educational Television or the Port Authority at Gulfport. The audits of these federal programs were conducted in accordance with the provisions of OMB Circular A-133, and separate reports were issued. We did not audit the allowable costs/cost principles and eligibility compliance requirements of the Homeowner's Assistance Grant Program within the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii. Auditors from the Office of the Inspector General of the U.S. Department of Housing and Urban Development conducted the audit of these compliance requirements for the program for fiscal year 2008 and will issue a separate report.

As described in item 08-13 in the accompanying schedule of findings and questioned costs, the State of Mississippi did not comply with requirements regarding the Davis-Bacon Act that are applicable to the Social Services Block Grant program. Compliance with the requirement is necessary, in our opinion, for the State of Mississippi to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, and the scope limitation related to the Homeowner's Assistance Grant Program within the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii described in the second preceding paragraph, the State of Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. We did not test the transactions and records of the major federal programs administered by the state's public universities, the Mississippi Authority for Educational Television or the Port Authority at Gulfport for compliance with any requirements referred to above to determine the effects of such noncompliance, if any.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" as items 08-04, 08-10 and 08-15.

In addition, we and the other auditors noted certain other immaterial instances of noncompliance, which we have reported to management of the State of Mississippi in separate communications.

Internal Control over Compliance

The management of the State of Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing the audit, we and other auditors considered the State of Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the State of Mississippi's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Mississippi's internal control over compliance. We excluded the federal programs of the state's public universities, the Mississippi Authority for Educational Television, the Port Authority at Gulfport, and the allowable costs/cost principles and eligibility requirements of the Homeowner's Assistance Grant Program within the Community Development Block Grants/State's and Non-Entitlement Grants in Hawaii Program as discussed in the third paragraph of this report.

Our and the other auditors' consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the State of Mississippi's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we and the other auditors identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We and the other auditors consider the deficiencies in internal control over compliance described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" as items 08-01, 08-02, 08-06, 08-07, 08-08, 08-09, 08-10, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16, 08-17, 08-18, 08-19, 08-20, and 08-21.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs," we consider item 08-13 to be a material weakness.

We and the other auditors also noted other matters involving internal control over compliance and its operation, which have been reported to management of the State of Mississippi in separate communications.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We did not audit the financial statements of:

- Government-wide Financial Statements

- Governmental Activities

- the Health Care Trust Fund, the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 10% and 32%, respectively, of the assets and revenues of the Governmental Activities;

- Business-type Activities
 - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and AbilityWorks, Inc. within the Department of Rehabilitation Services, which, in the aggregate, represent 43% and 23%, respectively, of the assets and revenues of the Business-type Activities;

 - Component Units
 - the Universities and the nonmajor component units.

 - Fund Financial Statements
 - Governmental Funds
 - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid and the Department of Corrections which represent 24% and 32%, respectively, of the assets and revenues of the General Fund;
 - the Health Care Trust Fund which represents 97% and 99%, respectively, of the assets and revenues of the Health Care major governmental fund;

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

 - Aggregate Remaining Funds
 - selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks;
 - The State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;
 - nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc. within the Department of Rehabilitation Services;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;
- all of which represent 95% and 74%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

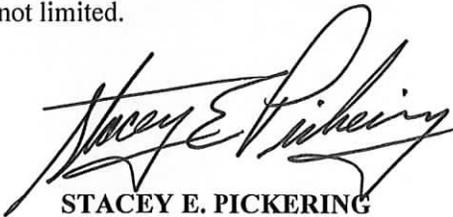
Those financial statements were audited by other auditors whose reports thereon have been furnished to us. Our opinion, insofar as it relates to the amounts included for the above named entities, is based on the reports of the other auditors.

The State of Mississippi has excluded federal programs administered by public universities, the Mississippi Authority for Educational Television and the Port Authority at Gulfport from the accompanying schedules of expenditures of federal awards, as more fully described in Note 2 to the schedules. The state's public universities, the Mississippi Authority for Educational Television and the Port Authority at Gulfport were audited in accordance with statutory requirements and the provisions of OMB Circular A-133, and separate reports were issued.

Our audit and the audits of the other auditors were performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards by Federal Department and the Schedule of Expenditures of Federal Awards by State Grantee Agency are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the basic financial statements. The information in the schedules of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit and the audit reports of the other auditors, except for the effects of the omission described in the preceding paragraph, the information in the schedules of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Management's responses to the findings identified in our audit are described in the accompanying Management Responses and Corrective Action Plans section. We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, individuals charged with governance, the Governor, Members of the Legislature, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



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

Jackson, Mississippi
March 30, 2009 except for the Schedule of Expenditures of Federal Awards, as to which the date is
December 19, 2008

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**Schedule of Expenditures of Federal Awards by
Federal Department**



STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
OFFICE OF NATIONAL DRUG CONTROL POLICY			
07.UN	High Intensity Drug Trafficking Area	Narcotics / Public Safety	792,764
TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY			792,764
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Agriculture and Commerce / Animal Health / Wildlife, Fisheries and Parks	1,010,800
10.029	Avian Influenza Indemnity Program	Wildlife, Fisheries and Parks	33,059
10.163	Market Protection and Promotion	Agriculture and Commerce	85,626
10.169	Specialty Crop Block Grant Program	Agriculture and Commerce	89,968
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	Agriculture and Commerce	1,660,808
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Health	76,322,428
10.558	Child and Adult Care Food Program	Education	31,110,949
10.560	State Administrative Expenses for Child Nutrition	Education	2,807,910
10.565	Commodity Supplemental Food Program	Health	433,340
10.574	Team Nutrition Grants	Education	55,929
10.580	Food Stamp Program Outreach/Participation Program	Human Services	750
10.582	Fresh Fruit and Vegetable Program	Education	1,082,299
10.664	Cooperative Forestry Assistance	Agriculture and Commerce / Forestry Commission	8,023,765
10.677	Forest Land Enhancement Program	Forestry Commission	7,295-
10.680	Forest Health Protection	Agriculture and Commerce	150,000
10.773	Rural Business Opportunity Grants	MS Development Authority	56,081
10.902	Soil and Water Conservation	Soil & Water Conservation Commission	508,506
10.950	Agricultural Statistics Reports	Agriculture and Commerce	156,236

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
10.UN	Assistance to Eligible Catfish Producers	Agriculture and Commerce	9,745,646
	SUBTOTAL		133,326,805
	Food Stamp Cluster		
10.551	Food Stamps	Human Services	482,700,601
10.561	State Administrative Matching Grants for Food Stamp Program	Human Services	29,533,072
	Total Food Stamp Cluster		512,233,673
	Child Nutrition Cluster		
10.553	School Breakfast Program	Education	46,287,142
10.555 @	National School Lunch Program	Education	142,924,594
10.556	Special Milk Program for Children	Education	3,520
10.559	Summer Food Service Program for Children	Education	3,451,185
	Total Child Nutrition Cluster		192,666,441
	Emergency Food Assistance Cluster		
10.568	Emergency Food Assistance Program (Administrative Costs)	Human Services	708,739
10.569 @	Emergency Food Assistance Program (Food Commodities)	Human Services	2,930,576
	Total Emergency Food Assistance Cluster		3,639,315
	Schools and Roads Cluster		
10.665	Schools and Roads Grants to States	Treasury	9,796,442
	Total Schools and Roads Cluster		9,796,442
	TOTAL U.S. DEPARTMENT OF AGRICULTURE		851,662,676
	U.S. DEPARTMENT OF COMMERCE		
11.302	Economic Development Support for Planning Organizations	MS Development Authority	210,263
11.407	Interjurisdictional Fisheries Act of 1986	Marine Resources	134,511
11.419	Coastal Zone Management Administration Awards	Environmental Quality / Marine Resources	2,323,606
11.420	Coastal Zone Management Estuarine Research Reserves	Marine Resources	2,101,936

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
11.429	Marine Sanctuary Program	Secretary of State	1,228,955
11.434	Cooperative Fishery Statistics	Marine Resources	102,359
11.463	Habitat Conservation	Marine Resources	1,763,936
11.472	Unallied Science Program	Marine Resources	82,058
TOTAL U.S. DEPARTMENT OF COMMERCE			7,947,624
U.S. DEPARTMENT OF DEFENSE			
12.002	Procurement Technical Assistance For Business Firms	MS Development Authority	446,014
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environmental Quality	202,251
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Military Department	94,467,391
12.402	National Guard Special Military Operations and Projects	Military Department	9,193,172
12.404	National Guard Civilian Youth Opportunities	Military Department	3,398,676
12.405	National Guard Drug Interdiction and Counter Drug Activities	Military Department	275,545
12.UN1	Teacher and Teacher's Aide Placement Assistance Program	Education	2,135-
12.UN2	Wildlife Mitigation Projects (Passed-through from the U.S. Army Corps of Engineers. Identifying number assigned by the pass-through entity-DACW01-3-91-543, DACW01-3-91-500, DACW01-3-92-411, DACW01-3-92-410, DACW-38-91-H-010 and DACW-38-91-H-007	Wildlife, Fisheries and Parks	2,190,659
TOTAL U.S. DEPARTMENT OF DEFENSE			110,171,573
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	MS Development Authority	755,969,446
14.231	Emergency Shelter Grants Program	MS Development Authority	1,321,219
14.239	HOME Investment Partnerships Program	MS Development Authority	11,680,851
14.241	Housing Opportunities for Persons with AIDS	Health	592,079
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			769,563,595

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
U.S. DEPARTMENT OF THE INTERIOR		
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	81,322
15.252	Abandoned Mine Land Reclamation (AMLR) Program	39,291
15.612	Rare and Endangered Species Conservation	288,034
15.616	Clean Vessel Act	82,721
15.622	Sportfishing and Boating Safety Act	6,489
15.808	U.S. Geological Survey Research and Data Collection	49,935
15.810	National Cooperative Geologic Mapping Program	99,728
15.904	Historic Preservation Fund Grants-In-Aid	7,178,609
15.916	Outdoor Recreation Acquisition, Development and Planning	1,084,588
15.929	Save America's Treasures	216,000
	SUBTOTAL	9,126,717
	Fish and Wildlife Cluster	
15.605	Sport Fish Restoration Program	10,068,551
15.611	Wildlife Restoration	971,258
	Total Fish and Wildlife Cluster	11,039,809
	TOTAL U.S. DEPARTMENT OF THE INTERIOR	20,166,526
U.S. DEPARTMENT OF JUSTICE		
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	12,332
16.523	Juvenile Accountability Block Grants	603,872
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	430,577
16.543	Missing Children's Assistance	86,516
16.548	Title V Delinquency Prevention Program	205,560

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA</u> <u>Number</u>	<u>Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
16.554	National Criminal History Improvement Program (NCHIP) Public Safety	237,481
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants Public Safety	986,944
16.575	Crime Victim Assistance Public Safety	3,993,399
16.576	Crime Victim Compensation Attorney General	775,000
16.579	Edward Byrne Memorial Formula Grant Program Public Safety	912,862
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program Public Safety	101,902
16.588	Violence Against Women Formula Grants Public Safety	1,784,562
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program Public Safety	357,870
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Attorney General	626,418
16.593	Residential Substance Abuse Treatment for State Prisoners Public Safety	589,895
16.606	State Criminal Alien Assistance Program Corrections	31,582
16.607	Bulletproof Vest Partnership Program Public Safety	22,239
16.609	Community Prosecution and Project Safe Neighborhoods Public Safety	509,165
16.727	Enforcing Underage Drinking Laws Program Public Safety	437,417
16.738	Edward Byrne Memorial Justice Assistance Grant Program Public Safety	40,126,923
16.740	Statewide Automated Victim Information Notification (SAVIN) Program Corrections	587,103
16.744	Anti-Gang Initiative Public Safety	104,717
16.UN	Domestic Cannabis Eradication/Suppression Program Narcotics	613,266
16.UN1	COPS Methamphetamine Grant Narcotics	580,404
16.UN2	Justice Federal Gaming Commission	11,000
16.UN3	Developing and Enhancing Prescription Drug Monitoring Programs Pharmacy Board	103,913
16.UN4	Federal Asset Forfeitures Public Safety	332,166

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>Federal Department/Program Name</u>		Federal Expenditures Distributions/ Issuances
	Total WIA Cluster		64,663,262
	TOTAL U.S. DEPARTMENT OF LABOR		259,440,058
	U.S. DEPARTMENT OF TRANSPORTATION		
20.106	Airport Improvement Program	Transportation	49,875
20.200	Highway Research and Development Program	Transportation	4,695
20.217	Motor Carrier Safety	Public Safety	3,221,499
20.219	Recreational Trails Program	Wildlife, Fisheries and Parks	2,055,566
20.232	Commercial Driver License State Programs	Public Safety	908,929
20.2NA	Fatal Analysis Reporting System	Public Safety	62,716
20.313	Railroad Research and Development	Transportation	502,859
20.505	Federal Transit Metropolitan Planning Grants	Transportation	277,907
20.509	Formula Grants for Other Than Urbanized Areas	Transportation	7,644,375
20.514	Public Transportation Research	Transportation	9,935
20.700	Pipeline Safety Program Base Grants	Public Service Commission	213,865
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	Emergency Management	152,868
	SUBTOTAL		15,105,089
	Highway Planning and Construction Cluster		
20.205	Highway Planning and Construction	Transportation	695,476,333
	Total Highway Planning and Construction Cluster		695,476,333
	Federal Transit Cluster		
20.500	Federal Transit Capital Investment Grants	Transportation	11,546
	Total Federal Transit Cluster		11,546
	Transit Services Programs Cluster		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	Transportation	842,855
	Total Transit Services Programs Cluster		842,855

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	Highway Safety Cluster		
20.600	State and Community Highway Safety	Public Safety	14,628,696
	Total Highway Safety Cluster		<u>14,628,696</u>
	TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>726,064,519</u>
	U.S. DEPARTMENT OF THE TREASURY		
21.UN	Treasury Federal Equitable Sharing	Gaming Commission	10,501
	TOTAL U.S. DEPARTMENT OF THE TREASURY		<u>10,501</u>
	APPALACHIAN REGIONAL COMMISSION		
23.002	Appalachian Area Development	MS Development Authority / Transportation	638,005
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	MS Development Authority	213,059
	TOTAL APPALACHIAN REGIONAL COMMISSION		<u>851,064</u>
	GENERAL SERVICES ADMINISTRATION		
39.003	@ Donation of Federal Surplus Personal Property	Finance and Administration	1,554,007
39.011	Election Reform Payments	Secretary of State	507,882
	TOTAL GENERAL SERVICES ADMINISTRATION		<u>2,061,889</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.024	Promotion of the Arts Grants to Organizations and Individuals	Archives and History / Arts Commission	72,349
45.025	Promotion of the Arts Partnership Agreements	Arts Commission	497,795
45.130	Promotion of the Humanities Challenge Grants	Archives and History	14,038
45.303	Conservation Project Support	Archives and History	126,566
45.310	Grants to States	Library Commission	1,485,605
	TOTAL NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		<u>2,196,353</u>
	U.S. DEPARTMENT OF VETERANS AFFAIRS		

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures/ Distributions/ Issuances</u>
64.124	All-Volunteer Force Educational Assistance	Veterans Affairs Board	139,792
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			139,792
ENVIRONMENTAL PROTECTION AGENCY			
66.032	State Indoor Radon Grants	Health	44,766
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Quality	769,278
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality	234,679
66.432	State Public Water System Supervision	Health	1,197,498
66.433	State Underground Water Source Protection	Oil and Gas Board	101,850
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	Environmental Quality	2,536
66.454	Water Quality Management Planning	Environmental Quality	105,513
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality	10,384,344
66.460	Nonpoint Source Implementation Grants	Agriculture and Commerce / Environmental Quality	4,642,899
66.463	Water Quality Cooperative Agreements	Environmental Quality	246,596
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	Environmental Quality	18,196
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Health	9,388,235
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	Health	259,621
66.472	Beach Monitoring and Notification Program Implementation Grants	Environmental Quality	214,169
66.474	Water Protection Grants to the States	Health	75,215
66.475	Gulf of Mexico Program	Environmental Quality	200,869
66.511	Office of Research and Development Consolidated Research/Training/Fellowships	Environmental Quality	105,146

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	Environmental Quality	154,521
66.605	Performance Partnership Grants	Agricultural Aviation Board / Environmental Quality	7,279,546
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Quality	38,235
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	Agriculture and Commerce	801,342
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	Environmental Quality	102,892
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Environmental Quality	246,971
66.708	Pollution Prevention Grants Program	Environmental Quality	73,766
66.709	Multi-Media Capacity Building Grants for States and Tribes	Environmental Quality	20,807
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	Environmental Quality	239,957
66.804	State and Tribal Underground Storage Tanks Program	Environmental Quality	502,656
66.805	Leaking Underground Storage Tank Trust Fund Program	Environmental Quality	1,408,367
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	Environmental Quality	141,836
66.815	Brownfield Job Training Cooperative Agreements	Environmental Quality	1,727
66.817	State and Tribal Response Program Grants	Environmental Quality	358,405
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	Environmental Quality	48,203
TOTAL ENVIRONMENTAL PROTECTION AGENCY			39,410,641
U.S. DEPARTMENT OF ENERGY			
81.041	State Energy Program	MS Development Authority	435,566
81.042	Weatherization Assistance for Low-Income Persons	Human Services	1,615,744
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	Emergency Management	191,133

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>Federal Department/Program Name</u>		Federal Expenditures Distributions/ Issuances
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	MS Development Authority	71,855
81.119	State Energy Program Special Projects	MS Development Authority	78,809
81.UN1	Petroleum Violation Escrow	Environmental Quality / Treasury	161,326
TOTAL U.S. DEPARTMENT OF ENERGY			2,554,433
U.S. DEPARTMENT OF EDUCATION			
84.002	Adult Education - Basic Grants to States	Bd for Community and Junior Colleges	6,302,798
84.010	Title I Grants to Local Educational Agencies	Education	174,255,531
84.011	Migrant Education State Grant Program	Education	1,096,092
84.013	Title I Program for Neglected and Delinquent Children	Education	546,082
84.048	Career and Technical Education - Basic Grants to States	Education	13,775,018
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Rehabilitation Services	44,789,545
84.169	Independent Living State Grants	Rehabilitation Services	226,138
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	Rehabilitation Services	333,739
84.181	Special Education-Grants for Infants and Families	Health	4,401,895
84.184	Safe and Drug-Free Schools and Communities National Programs	Education	165,242
84.185	Byrd Honors Scholarships	Education	392,250
84.186	Safe and Drug-Free Schools and Communities State Grants	Education / Public Safety	3,932,371
84.187	Supported Employment Services for Individuals with Significant Disabilities	Rehabilitation Services	362,408
84.196	Education for Homeless Children and Youth	Education	943,864
84.213	Even Start State Educational Agencies	Education	898,574
84.215	Fund for the Improvement of Education	Education	169,151
84.224	Assistive Technology	Rehabilitation Services	533,877

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Department/Program Name		Federal Expenditures/ Distributions/ Issuances
84.243	Tech-Prep Education	Education	1,268,696
84.265	Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	Rehabilitation Services	128,781
84.287	Twenty-First Century Community Learning Centers	Education	13,831,929
84.293	Foreign Language Assistance	Education	278,617
84.298	State Grants for Innovative Programs	Education	1,028,916
84.305	Education Research, Development and Dissemination	Education	82,587
84.318	Education Technology State Grants	Education	3,357,372
84.323	Special Education - State Personnel Development	Education	900,504
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	Education	109,993
84.331	Grants to States for Incarcerated Youth Offenders	Education	392,741
84.332	Comprehensive School Reform Demonstration	Education	328,565
84.336	Teacher Quality Enhancement Grants	Education	380,480
84.350	Transition to Teaching	Education	950
84.357	Reading First State Grants	Education	14,252,357
84.358	Rural Education	Education	6,458,304
84.365	English Language Acquisition Grants	Education	916,638
84.366	Mathematics and Science Partnerships	Education	2,634,558
84.367	Improving Teacher Quality State Grants	Education	38,649,880
84.369	Grants for State Assessments and Related Activities	Education	2,671,163
84.377	School Improvement Grants	Education	40
84.938	Hurricane Education Recovery	Education	31,335,297
	SUBTOTAL		372,132,943
	Special Education Cluster (IDEA)		
84.027	Special Education - Grants to States	Education	112,941,048

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
84.173	Special Education Preschool Grants	Education	4,646,722
	Total Special Education Cluster (IDEA)		117,587,770
	TRIO Cluster		
84.044	TRIO Talent Search	Education	349,425
	Total TRIO Cluster		349,425
	TOTAL U.S. DEPARTMENT OF EDUCATION		490,070,138
	NATIONAL ARCHIVES AND RECORDS ADMINISTRATION		
89.003	National Historical Publications and Records Grants	Archives and History	9,110
	TOTAL NATIONAL ARCHIVES AND RECORDS ADMINISTRATION		9,110
	ELECTIONS ASSISTANCE COMMISSION		
90.401	Help America Vote Act Requirements Payments	Secretary of State	1,664,035
	TOTAL ELECTIONS ASSISTANCE COMMISSION		1,664,035
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	Health	229,179
93.010	Community-Based Abstinence Education (CBAE)	Human Services	217,602
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Human Services	49,397
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	Human Services	64,696
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	Human Services	168,190
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	Human Services	319,460
93.052	National Family Caregiver Support, Title III, Part E	Human Services	1,604,504
93.069	Public Health Emergency Preparedness	Health	5,994,026
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Mental Health	1,191,654

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA</u> <u>Number</u>	<u>Federal Department/Program Name</u>		<u>Federal</u> <u>Expenditures</u> <u>Distributions/</u> <u>Issuances</u>
93.110	Maternal and Child Health Federal Consolidated Programs	Health	102,675
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health	1,097,712
93.127	Emergency Medical Services for Children	Health	111,533
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Health	135,795
93.136	Injury Prevention and Control Research and State and Community Based Programs	Health	595,112
93.150	Projects for Assistance in Transition from Homelessness (PATH)	Mental Health	305,426
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	Health	349,353
93.217	Family Planning Services	Health	6,179,836
93.230	Consolidated Knowledge Development and Application (KD&A) Program	Mental Health	42,147
93.235	Abstinence Education Program	Health / Human Services	491,896
93.236	Grants for Dental Public Health Residency Training	Health	13,438
93.241	State Rural Hospital Flexibility Program	Health	268,755
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Mental Health	688,332
93.251	Universal Newborn Hearing Screening	Health	95,401
93.259	Rural Access to Emergency Devices Grant	Health	117,768
93.268	@ Immunization Grants	Health	35,888,784
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	Health	11,961,748
93.301	Small Rural Hospital Improvement Grant Program	Health	333,255
93.556	Promoting Safe and Stable Families	Human Services	8,048,921
93.558	Temporary Assistance for Needy Families	Human Services	108,039,776
93.563	Child Support Enforcement	Human Services	16,374,481

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
93.566	Refugee and Entrant Assistance State Administered Programs	Human Services	552,305
93.568	Low-Income Home Energy Assistance	Human Services	21,074,992
93.569	Community Services Block Grant	Human Services	9,981,892
93.576	Refugee and Entrant Assistance Discretionary Grants	Human Services	11,783
93.585	Empowerment Zones Program	MS Development Authority	613,682
93.586	State Court Improvement Program	Supreme Court / Wildlife, Fisheries and Parks	305,034
93.597	Grants to States for Access and Visitation Programs	Human Services	135,509
93.599	Chafee Education and Training Vouchers Program (ETV)	Human Services	227,475
93.600	Head Start	Governor's Office	149,244
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Mental Health	1,116,506
93.643	Children's Justice Grants to States	Human Services	157,665
93.645	Child Welfare Services State Grants	Human Services	3,613,200
93.647	Social Services Research and Demonstration	Human Services	38,034
93.658	Foster Care Title IV-E	Human Services	9,301,605
93.659	Adoption Assistance	Human Services	5,049,684
93.667	Social Services Block Grant	Human Services	67,156,994
93.669	Child Abuse and Neglect State Grants	Human Services	388,989
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	Health	1,024,454
93.674	Chafee Foster Care Independence Program	Human Services	965,143
93.767	State Children's Insurance Program	Medicaid	132,962,385
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	Human Services / Medicaid / Mental Health	24,007,428
93.789	Alternatives to Psychiatric Residential Treatment Facilities for Children	Medicaid	77,947

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA</u> <u>Number</u>	<u>Federal Department/Program Name</u>		<u>Federal</u> <u>Expenditures</u> <u>Distributions/</u> <u>Issuances</u>
93.793	Medicaid Transformation Grants	Medicaid	306,836
93.889	National Bioterrorism Hospital Preparedness Program	Health	5,979,016
93.913	Grants to States for Operation of Offices of Rural Health	Health	119,899
93.917	HIV Care Formula Grants	Health	12,824,697
93.926	Healthy Start Initiative	Health	273,643
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	Education	209,292
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	Health	2,186,663
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health	522,373
93.945	Assistance Programs for Chronic Disease Prevention and Control	Health	418,625
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health	131,257
93.958	Block Grants for Community Mental Health Services	Mental Health	4,462,328
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Mental Health	13,621,505
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	Health	1,428,257
93.982	Mental Health Disaster Assistance and Emergency Mental Health	Mental Health	518-
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	Health	286,154
93.991	Preventive Health and Health Services Block Grant	Health	1,650,138
93.994	Maternal and Child Health Services Block Grant to the States	Health	10,381,762
SUBTOTAL			534,794,729
Aging Cluster			
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	Human Services	2,907,118

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	Human Services	5,692,491
93.053	Nutrition Services Incentive Program	Human Services	1,671,768
	Total Aging Cluster		10,271,377
	CCDF Cluster		
93.575	Child Care and Development Block Grant	Human Services	29,645,759
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	24,721,606
	Total CCDF Cluster		54,367,365
	Medicaid Cluster		
93.775	State Medicaid Fraud Control Units	Attorney General	1,828,058
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health / Medicaid	3,346,556
93.778	Medical Assistance Program	Medicaid	2,780,031,231
	Total Medicaid Cluster		2,785,205,845
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		3,384,639,316
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.004	Learn and Serve America School and Community Based Programs	Education	276,681
94.007	Planning and Program Development Grants	Education	245,523
94.013	Volunteers in Service to America	Human Services	34,575
	SUBTOTAL		556,779
	Foster Grandparent/Senior Companion Cluster		
94.016	Senior Companion Program	Human Services	151,657
	Total Foster Grandparent/Senior Companion Cluster		151,657
	TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		708,436
	SOCIAL SECURITY ADMINISTRATION		
96.008	Social Security - Work Incentives Planning and Assistance Program	Rehabilitation Services	944,290

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2008**

<u>CFDA</u> <u>Number</u>	<u>Federal Department/Program Name</u>		<u>Federal</u> <u>Expenditures</u> <u>Distributions/</u> <u>Issuances</u>
97.004	State Domestic Preparedness Equipment Support Program	Emergency Management / Public Safety	3,214,209
97.067	Homeland Security Grant Program	Public Safety	11,811,086
	Total Homeland Security Cluster		15,025,295
	TOTAL DEPARTMENT OF HOMELAND SECURITY		594,733,898
	TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 7,346,444,826

EXPLANATION OF FOOTNOTE REFERENCE:

Program Number with UN denotes unknown CFDA numbers.

The total expenditures for CFDA No. 17.225 include state expenditures of \$149,670,190 and federal expenditures of \$24,974,386.

@ Denotes federal programs with noncash benefits.

(concluded)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

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Schedule of Expenditures of Federal Awards by State Grantee Agency



STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
<u>Agricultural Aviation Board</u>		
ENVIRONMENTAL PROTECTION AGENCY		
66.605	Performance Partnership Grants	58,290
TOTAL Agricultural Aviation Board		58,290
<u>Agriculture and Commerce</u>		
U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	213,750
10.163	Market Protection and Promotion	85,626
10.169	Specialty Crop Block Grant Program	89,968
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	1,660,808
10.664	Cooperative Forestry Assistance	100,000
10.680	Forest Health Protection	150,000
10.950	Agricultural Statistics Reports	156,236
10.UN	Assistance to Eligible Catfish Producers	9,745,646
Total U.S. DEPARTMENT OF AGRICULTURE		12,202,034
ENVIRONMENTAL PROTECTION AGENCY		
66.460	Nonpoint Source Implementation Grants	36,387
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	801,342
Total ENVIRONMENTAL PROTECTION AGENCY		837,729
TOTAL Agriculture and Commerce		13,039,763
<u>Animal Health</u>		
U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	730,907
TOTAL Animal Health		730,907
<u>Archives and History</u>		
U.S. DEPARTMENT OF THE INTERIOR		
15.904	Historic Preservation Fund Grants-In-Aid	7,178,609
15.929	Save America's Treasures	216,000

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	Total U.S. DEPARTMENT OF THE INTERIOR	7,394,609
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
45.024	Promotion of the Arts Grants to Organizations and Individuals	55,366
45.130	Promotion of the Humanities Challenge Grants	14,038
45.303	Conservation Project Support	126,566
	Total NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	195,970
	NATIONAL ARCHIVES AND RECORDS ADMINISTRATION	
89.003	National Historical Publications and Records Grants	9,110
	TOTAL Archives and History	7,599,689
	<u>Arts Commission</u>	
	U.S. DEPARTMENT OF LABOR	
17.260	WIA Dislocated Workers	259,983
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
45.024	Promotion of the Arts Grants to Organizations and Individuals	16,983
45.025	Promotion of the Arts Partnership Agreements	497,795
	Total NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	514,778
	TOTAL Arts Commission	774,761
	<u>Attorney General</u>	
	U.S. DEPARTMENT OF JUSTICE	
16.543	Missing Children's Assistance	86,516
16.576	Crime Victim Compensation	775,000
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	626,418
	Total U.S. DEPARTMENT OF JUSTICE	1,487,934
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.775	State Medicaid Fraud Control Units	1,828,058
	TOTAL Attorney General	3,315,992

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
<u>Bd for Community and Junior Colleges</u>		
U.S. DEPARTMENT OF LABOR		
17.261	WIA Pilots, Demonstrations, and Research Projects	1,400,245
U.S. DEPARTMENT OF EDUCATION		
84.002	Adult Education - Basic Grants to States	6,302,798
TOTAL Bd for Community and Junior Colleges		7,703,043
<u>Corrections</u>		
U.S. DEPARTMENT OF JUSTICE		
16.606	State Criminal Alien Assistance Program	31,582
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	587,103
Total U.S. DEPARTMENT OF JUSTICE		618,685
TOTAL Corrections		618,685
<u>Education</u>		
U.S. DEPARTMENT OF AGRICULTURE		
10.553	School Breakfast Program	46,287,142
10.555 @	National School Lunch Program	142,924,594
10.556	Special Milk Program for Children	3,520
10.558	Child and Adult Care Food Program	31,110,949
10.559	Summer Food Service Program for Children	3,451,185
10.560	State Administrative Expenses for Child Nutrition	2,807,910
10.574	Team Nutrition Grants	55,929
10.582	Fresh Fruit and Vegetable Program	1,082,299
Total U.S. DEPARTMENT OF AGRICULTURE		227,723,528
U.S. DEPARTMENT OF DEFENSE		
12.UN1	Teacher and Teacher's Aide Placement Assistance Program	2,135-
U.S. DEPARTMENT OF LABOR		
17.249	Employment Services and Job Training Pilots - Demonstrations and Research	13,279

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
U.S. DEPARTMENT OF EDUCATION		
84.010	Title I Grants to Local Educational Agencies	174,255,531
84.011	Migrant Education State Grant Program	1,096,092
84.013	Title I Program for Neglected and Delinquent Children	546,082
84.027	Special Education Grants to States	112,941,048
84.044	TRIO Talent Search	349,425
84.048	Career and Technical Education - Basic Grants to States	13,775,018
84.173	Special Education Preschool Grants	4,646,722
84.184	Safe and Drug-Free Schools and Communities National Programs	165,242
84.185	Byrd Honors Scholarships	392,250
84.186	Safe and Drug-Free Schools and Communities State Grants	3,132,883
84.196	Education for Homeless Children and Youth	943,864
84.213	Even Start State Educational Agencies	898,574
84.215	Fund for the Improvement of Education	169,151
84.243	Tech-Prep Education	1,268,696
84.287	Twenty-First Century Community Learning Centers	13,831,929
84.293	Foreign Language Assistance	278,617
84.298	State Grants for Innovative Programs	1,028,916
84.305	Education Research, Development and Dissemination	82,587
84.318	Education Technology State Grants	3,357,372
84.323	Special Education - State Personnel Development	900,504
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	109,993
84.331	Grants to States for Incarcerated Youth Offenders	392,741
84.332	Comprehensive School Reform Demonstration	328,565
84.336	Teacher Quality Enhancement Grants	380,480
84.350	Transition to Teaching	950
84.357	Reading First State Grants	14,252,357
84.358	Rural Education	6,458,304
84.365	English Language Acquisition Grants	916,638
84.366	Mathematics and Science Partnerships	2,634,558
84.367	Improving Teacher Quality State Grants	38,649,880
84.369	Grants for State Assessments and Related Activities	2,671,163

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
84.377	School Improvement Grants	40
84.938	Hurricane Education Recovery	31,335,297
	Total U.S. DEPARTMENT OF EDUCATION	432,191,469
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	209,292
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	
94.004	Learn and Serve America School and Community Based Programs	276,681
94.007	Planning and Program Development Grants	245,523
	Total CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	522,204
	TOTAL Education	660,657,637
	<u>Emergency Management</u>	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	152,868
	U.S. DEPARTMENT OF ENERGY	
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	191,133
	DEPARTMENT OF HOMELAND SECURITY	
97.004	State Domestic Preparedness Equipment Support Program	2,391,495
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	401,763
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	189,845
97.029	Flood Mitigation Assistance	625,768
97.030	Community Disaster Loans	65,005
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	326,421,388
97.039	Hazard Mitigation Grant	15,950,544
97.087	Alternative Housing Pilot Program	231,158,971
97.092	Repetitive Flood Claims	134,425
	Total DEPARTMENT OF HOMELAND SECURITY	577,339,204

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
	TOTAL Emergency Management	577,683,205
	<u>Employment Security</u>	
	U.S. DEPARTMENT OF LABOR	
17.002	Labor Force Statistics	724,045
17.207	Employment Service/Wagner-Peyser Funded Activities	7,585,161
17.225 #	Unemployment Insurance	174,644,576
17.245	Trade Adjustment Assistance	3,762,461
17.258	WIA Adult Program	40,426,052
17.259	WIA Youth Activities	12,641,751
17.260	WIA Dislocated Workers	11,238,727
17.261	WIA Pilots, Demonstrations, and Research Projects	3,151,407
17.266	Work Incentive Grants	506,052
17.268	H-1B Job Training Grants	97,094
17.272	Permanent Labor Certification for Foreign Workers	86,192
17.801	Disabled Veterans' Outreach Program (DVOP)	595,723
17.804	Local Veterans' Employment Representative Program	993,086
	Total U.S. DEPARTMENT OF LABOR	256,452,327
	DEPARTMENT OF HOMELAND SECURITY	
97.034	Disaster Unemployment Assistance	397,582-
	TOTAL Employment Security	256,054,745
	<u>Environmental Quality</u>	
	U.S. DEPARTMENT OF COMMERCE	
11.419	Coastal Zone Management Administration Awards	2,254,779
	U.S. DEPARTMENT OF DEFENSE	
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	202,251
	U.S. DEPARTMENT OF THE INTERIOR	
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	81,322
15.252	Abandoned Mine Land Reclamation (AMLR) Program	39,291

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
15.808	U.S. Geological Survey Research and Data Collection	48,666
15.810	National Cooperative Geologic Mapping Program	99,728
	Total U.S. DEPARTMENT OF THE INTERIOR	269,007
	U.S. DEPARTMENT OF LABOR	
17.600	Mine Health and Safety Grants	47,172
	ENVIRONMENTAL PROTECTION AGENCY	
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	769,278
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	234,679
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	2,536
66.454	Water Quality Management Planning	105,513
66.458	Capitalization Grants for Clean Water State Revolving Funds	10,384,344
66.460	Nonpoint Source Implementation Grants	4,606,512
66.463	Water Quality Cooperative Agreements	246,596
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	18,196
66.472	Beach Monitoring and Notification Program Implementation Grants	214,169
66.475	Gulf of Mexico Program	200,869
66.511	Office of Research and Development Consolidated Research/Training/Fellowships	105,146
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	154,521
66.605	Performance Partnership Grants	7,221,256
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	38,235
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	102,892
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	246,971
66.708	Pollution Prevention Grants Program	73,766
66.709	Multi-Media Capacity Building Grants for States and Tribes	20,807
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	239,957
66.804	State and Tribal Underground Storage Tanks Program	502,656
66.805	Leaking Underground Storage Tank Trust Fund Program	1,408,367
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	141,836
66.815	Brownfield Job Training Cooperative Agreements	1,727
66.817	State and Tribal Response Program Grants	358,405
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	48,203

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	Total ENVIRONMENTAL PROTECTION AGENCY	27,447,437
	U.S. DEPARTMENT OF ENERGY	
81.UN1	Petroleum Violation Escrow	1,851-
	DEPARTMENT OF HOMELAND SECURITY	
97.041	National Dam Safety Program	141,509
97.045	Cooperating Technical Partners	2,092,753
97.070	Map Modernization Management Support	119,557
	Total DEPARTMENT OF HOMELAND SECURITY	2,353,819
	TOTAL Environmental Quality	32,572,614
	<u>Finance and Administration</u>	
	GENERAL SERVICES ADMINISTRATION	
39.003 @	Donation of Federal Surplus Personal Property	1,554,007
	TOTAL Finance and Administration	1,554,007
	<u>Forestry Commission</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.664	Cooperative Forestry Assistance	7,923,765
10.677	Forest Land Enhancement Program	7,295-
	Total U.S. DEPARTMENT OF AGRICULTURE	7,916,470
	TOTAL Forestry Commission	7,916,470
	<u>Gaming Commission</u>	
	U.S. DEPARTMENT OF JUSTICE	
16.UN2	Justice Federal	11,000
	U.S. DEPARTMENT OF THE TREASURY	
21.UN	Treasury Federal Equitable Sharing	10,501

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
	TOTAL Gaming Commission	21,501
	<u>Governor's Office</u>	
	U.S. DEPARTMENT OF LABOR	
17.260	WIA Dislocated Workers	96,749
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.600	Head Start	149,244
	TOTAL Governor's Office	245,993
	<u>Health</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	76,322,428
10.565	Commodity Supplemental Food Program	433,340
	Total U.S. DEPARTMENT OF AGRICULTURE	76,755,768
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
14.241	Housing Opportunities for Persons with AIDS	592,079
	U.S. DEPARTMENT OF LABOR	
17.005	Compensation and Working Conditions	19,537
17.504	Consultation Agreements	23,330
	Total U.S. DEPARTMENT OF LABOR	42,867
	ENVIRONMENTAL PROTECTION AGENCY	
66.032	State Indoor Radon Grants	44,766
66.432	State Public Water System Supervision	1,197,498
66.468	Capitalization Grants for Drinking Water State Revolving Funds	9,388,235
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	259,621
66.474	Water Protection Grants to the States	75,215
	Total ENVIRONMENTAL PROTECTION AGENCY	10,965,335
	U.S. DEPARTMENT OF EDUCATION	
84.181	Special Education-Grants for Infants and Families	4,401,895

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	229,179
93.069	Public Health Emergency Preparedness	5,994,026
93.110	Maternal and Child Health Federal Consolidated Programs	102,675
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	1,097,712
93.127	Emergency Medical Services for Children	111,533
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	135,795
93.136	Injury Prevention and Control Research and State and Community Based Programs	595,112
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	349,353
93.217	Family Planning Services	6,179,836
93.235	Abstinence Education Program	176,648
93.236	Grants for Dental Public Health Residency Training	13,438
93.241	State Rural Hospital Flexibility Program	268,755
93.251	Universal Newborn Hearing Screening	95,401
93.259	Rural Access to Emergency Devices Grant	117,768
93.268 @	Immunization Grants	35,888,784
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	11,961,748
93.301	Small Rural Hospital Improvement Grant Program	333,255
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,024,454
93.777	State Survey and Certification of Health Care Providers and Suppliers	2,016,441
93.889	National Bioterrorism Hospital Preparedness Program	5,979,016
93.913	Grants to States for Operation of Offices of Rural Health	119,899
93.917	HIV Care Formula Grants	12,824,697
93.926	Healthy Start Initiative	273,643
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	2,186,663
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	522,373
93.945	Assistance Programs for Chronic Disease Prevention and Control	418,625
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	131,257
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	1,428,257

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	286,154
93.991	Preventive Health and Health Services Block Grant	1,650,138
93.994	Maternal and Child Health Services Block Grant to the States	10,381,762
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	102,894,397
	TOTAL Health	195,652,341
	<u>Human Services</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.551	Food Stamps	482,700,601
10.561	State Administrative Matching Grants for Food Stamp Program	29,533,072
10.568	Emergency Food Assistance Program (Administrative Costs)	708,739
10.569 @	Emergency Food Assistance Program (Food Commodities)	2,930,576
10.580	Food Stamp Program Outreach/Participation Program	750
	Total U.S. DEPARTMENT OF AGRICULTURE	515,873,738
	U.S. DEPARTMENT OF LABOR	
17.235	Senior Community Service Employment Program	1,127,436
	U.S. DEPARTMENT OF ENERGY	
81.042	Weatherization Assistance for Low-Income Persons	1,615,744
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.010	Community-Based Abstinence Education (CBAE)	217,602
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	49,397
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	64,696
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	168,190
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	2,907,118
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	5,692,491
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	319,460
93.052	National Family Caregiver Support, Title III, Part E	1,604,504
93.053	Nutrition Services Incentive Program	1,671,768

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
93.235	Abstinence Education Program	315,248
93.556	Promoting Safe and Stable Families	8,048,921
93.558	Temporary Assistance for Needy Families	108,039,776
93.563	Child Support Enforcement	16,374,481
93.566	Refugee and Entrant Assistance State Administered Programs	552,305
93.568	Low-Income Home Energy Assistance	21,074,992
93.569	Community Services Block Grant	9,981,892
93.575	Child Care and Development Block Grant	29,645,759
93.576	Refugee and Entrant Assistance Discretionary Grants	11,783
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	24,721,606
93.597	Grants to States for Access and Visitation Programs	135,509
93.599	Chafee Education and Training Vouchers Program (ETV)	227,475
93.643	Children's Justice Grants to States	157,665
93.645	Child Welfare Services State Grants	3,613,200
93.647	Social Services Research and Demonstration	38,034
93.658	Foster Care Title IV-E	9,301,605
93.659	Adoption Assistance	5,049,684
93.667	Social Services Block Grant	67,156,994
93.669	Child Abuse and Neglect State Grants	388,989
93.674	Chafee Foster Care Independence Program	965,143
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	603,404
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	319,099,691
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	
94.013	Volunteers in Service to America	34,575
94.016	Senior Companion Program	151,657
	Total CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	186,232
	TOTAL Human Services	837,902,841
	<u>Library Commission</u>	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
45.310	Grants to States	1,485,605

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
	TOTAL Library Commission	1,485,605
	<u>Marine Resources</u>	
	U.S. DEPARTMENT OF COMMERCE	
11.407	Interjurisdictional Fisheries Act of 1986	134,511
11.419	Coastal Zone Management Administration Awards	68,827
11.420	Coastal Zone Management Estuarine Research Reserves	2,101,936
11.434	Cooperative Fishery Statistics	102,359
11.463	Habitat Conservation	1,763,936
11.472	Unallied Science Program	82,058
	Total U.S. DEPARTMENT OF COMMERCE	4,253,627
	U.S. DEPARTMENT OF THE INTERIOR	
15.605	Sport Fish Restoration Program	653,852
15.616	Clean Vessel Act	82,721
15.622	Sportfishing and Boating Safety Act	6,489
15.808	U.S. Geological Survey Research and Data Collection	1,269
	Total U.S. DEPARTMENT OF THE INTERIOR	744,331
	TOTAL Marine Resources	4,997,958
	<u>Medicaid</u>	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.767	State Children's Insurance Program	132,962,385
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,330,115
93.778	Medical Assistance Program	2,780,031,231
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	23,275,309
93.789	Alternatives to Psychiatric Residential Treatment Facilities for Children	77,947
93.793	Medicaid Transformation Grants	306,836
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	2,937,983,823
	TOTAL Medicaid	2,937,983,823
	<u>Mental Health</u>	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,191,654

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
93.150	Projects for Assistance in Transition from Homelessness (PATH)	305,426
93.230	Consolidated Knowledge Development and Application (KD&A) Program	42,147
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	688,332
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,116,506
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	128,715
93.958	Block Grants for Community Mental Health Services	4,462,328
93.959	Block Grants for Prevention and Treatment of Substance Abuse	13,621,505
93.982	Mental Health Disaster Assistance and Emergency Mental Health	518-
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	21,556,095
	TOTAL Mental Health	21,556,095
	<u>Military Department</u>	
	U.S. DEPARTMENT OF DEFENSE	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	94,467,391
12.402	National Guard Special Military Operations and Projects	9,193,172
12.404	National Guard Civilian Youth Opportunities	3,398,676
12.405	National Guard Drug Interdiction and Counter Drug Activities	275,545
	Total U.S. DEPARTMENT OF DEFENSE	107,334,784
	TOTAL Military Department	107,334,784
	<u>MS Development Authority</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.773	Rural Business Opportunity Grants	56,081
	U.S. DEPARTMENT OF COMMERCE	
11.302	Economic Development Support for Planning Organizations	210,263
	U.S. DEPARTMENT OF DEFENSE	
12.002	Procurement Technical Assistance For Business Firms	446,014
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	755,969,446
14.231	Emergency Shelter Grants Program	1,321,219
14.239	HOME Investment Partnerships Program	11,680,851
	Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	768,971,516
	APPALACHIAN REGIONAL COMMISSION	
23.002	Appalachian Area Development	538,005
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	213,059
	Total APPALACHIAN REGIONAL COMMISSION	751,064
	U.S. DEPARTMENT OF ENERGY	
81.041	State Energy Program	435,566
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	71,855
81.119	State Energy Program Special Projects	78,809
	Total U.S. DEPARTMENT OF ENERGY	586,230
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.585	Empowerment Zones Program	613,682
	TOTAL MS Development Authority	771,634,850
	<u>Narcotics</u>	
	OFFICE OF NATIONAL DRUG CONTROL POLICY	
07.UN	High Intensity Drug Trafficking Area	596,886
	U.S. DEPARTMENT OF JUSTICE	
16.UN	Domestic Cannabis Eradication/Suppression Program	613,266
16.UN1	COPS Methamphetamine Grant	580,404
	Total U.S. DEPARTMENT OF JUSTICE	1,193,670
	TOTAL Narcotics	1,790,556
	<u>Oil and Gas Board</u>	
	ENVIRONMENTAL PROTECTION AGENCY	
66.433	State Underground Water Source Protection	101,850

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	TOTAL Oil and Gas Board	101,850
	<u>Pharmacy Board</u>	
	U.S. DEPARTMENT OF JUSTICE	
16.UN3	Developing and Enhancing Prescription Drug Monitoring Programs	103,913
	TOTAL Pharmacy Board	103,913
	<u>Public Safety</u>	
	OFFICE OF NATIONAL DRUG CONTROL POLICY	
07.UN	High Intensity Drug Trafficking Area	195,878
	U.S. DEPARTMENT OF JUSTICE	
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	12,332
16.523	Juvenile Accountability Block Grants	603,872
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	430,577
16.548	Title V Delinquency Prevention Program	205,560
16.554	National Criminal History Improvement Program (NCHIP)	237,481
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	986,944
16.575	Crime Victim Assistance	3,993,399
16.579	Edward Byrne Memorial Formula Grant Program	912,862
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	101,902
16.588	Violence Against Women Formula Grants	1,784,562
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	357,870
16.593	Residential Substance Abuse Treatment for State Prisoners	589,895
16.607	Bulletproof Vest Partnership Program	22,239
16.609	Community Prosecution and Project Safe Neighborhoods	509,165
16.727	Enforcing Underage Drinking Laws Program	437,417
16.738	Edward Byrne Memorial Justice Assistance Grant Program	40,126,923
16.744	Anti-Gang Initiative	104,717
16.UN4	Federal Asset Forfeitures	332,166

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See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
	Total U.S. DEPARTMENT OF JUSTICE	51,749,883
	U.S. DEPARTMENT OF TRANSPORTATION	
20.217	Motor Carrier Safety	3,221,499
20.232	Commercial Driver License State Programs	908,929
20.2NA	Fatal Analysis Reporting System	62,716
20.600	State and Community Highway Safety	14,628,696
	Total U.S. DEPARTMENT OF TRANSPORTATION	18,821,840
	U.S. DEPARTMENT OF EDUCATION	
84.186	Safe and Drug-Free Schools and Communities State Grants	799,488
	DEPARTMENT OF HOMELAND SECURITY	
97.004	State Domestic Preparedness Equipment Support Program	822,714
97.042	Emergency Management Performance Grants	1,607,074
97.067	Homeland Security Grant Program	11,811,086
97.074	Law Enforcement Terrorism Prevention Program (LETPP)	247,956-
	Total DEPARTMENT OF HOMELAND SECURITY	13,992,918
	TOTAL Public Safety	85,560,007
	<u>Public Service Commission</u>	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.700	Pipeline Safety Program Base Grants	213,865
	TOTAL Public Service Commission	213,865
	<u>Rehabilitation Services</u>	
	U.S. DEPARTMENT OF EDUCATION	
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	44,789,545
84.169	Independent Living State Grants	226,138
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	333,739
84.187	Supported Employment Services for Individuals with Significant Disabilities	362,408
84.224	Assistive Technology	533,877
84.265	Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	128,781

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	Total U.S. DEPARTMENT OF EDUCATION	46,374,488
	SOCIAL SECURITY ADMINISTRATION	
96.001	Social Security Disability Insurance	25,476,510
96.008	Social Security - Work Incentives Planning and Assistance Program	944,290
	Total SOCIAL SECURITY ADMINISTRATION	26,420,800
	TOTAL Rehabilitation Services	72,795,288
	<u>Secretary of State</u>	
	U.S. DEPARTMENT OF COMMERCE	
11.429	Marine Sanctuary Program	1,228,955
	GENERAL SERVICES ADMINISTRATION	
39.011	Election Reform Payments	507,882
	ELECTIONS ASSISTANCE COMMISSION	
90.401	Help America Vote Act Requirements Payments	1,664,035
	TOTAL Secretary of State	3,400,872
	<u>Soil & Water Conservation Commission</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.902	Soil and Water Conservation	508,506
	TOTAL Soil & Water Conservation Commission	508,506
	<u>State Fire Academy</u>	
	DEPARTMENT OF HOMELAND SECURITY	
97.043	State Fire Training Systems Grants	24,794
	TOTAL State Fire Academy	24,794
	<u>Supreme Court</u>	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	

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See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures Distributions/ Issuances
93.586	State Court Improvement Program	126,989
	TOTAL Supreme Court	126,989
	<u>Transportation</u>	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.106	Airport Improvement Program	49,875
20.200	Highway Research and Development Program	4,695
20.205	Highway Planning and Construction	695,476,333
20.313	Railroad Research and Development	502,859
20.500	Federal Transit Capital Investment Grants	11,546
20.505	Federal Transit Metropolitan Planning Grants	277,907
20.509	Formula Grants for Other Than Urbanized Areas	7,644,375
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	842,855
20.514	Public Transportation Research	9,935
	Total U.S. DEPARTMENT OF TRANSPORTATION	704,820,380
	APPALACHIAN REGIONAL COMMISSION	
23.002	Appalachian Area Development	100,000
	TOTAL Transportation	704,920,380
	<u>Treasury</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.665	Schools and Roads Grants to States	9,796,442
	U.S. DEPARTMENT OF ENERGY	
81.UN1	Petroleum Violation Escrow	163,177
	TOTAL Treasury	9,959,619
	<u>Veterans Affairs Board</u>	
	U.S. DEPARTMENT OF VETERANS AFFAIRS	
64.124	All-Volunteer Force Educational Assistance	139,792

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	TOTAL Veterans Affairs Board	139,792
	<u>Wildlife, Fisheries and Parks</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	66,143
10.029	Avian Influenza Indemnity Program	33,059
	Total U.S. DEPARTMENT OF AGRICULTURE	99,202
	U.S. DEPARTMENT OF DEFENSE	
12.UN2	Wildlife Mitigation Projects (Passed-through from the U.S.Army Corps of Engineers. Identifying number assigned by the pass-through entity-DACW01-3-91-543, DACW01-3-91-500, DACW01-3-92-411, DACW01-3-92-410, DACW-38-91-H-010 and DACW-38-91-H-007	2,190,659
	U.S. DEPARTMENT OF THE INTERIOR	
15.605	Sport Fish Restoration Program	9,414,699
15.611	Wildlife Restoration	971,258
15.612	Rare and Endangered Species Conservation	288,034
15.916	Outdoor Recreation Acquisition, Development and Planning	1,084,588
	Total U.S. DEPARTMENT OF THE INTERIOR	11,758,579
	U.S. DEPARTMENT OF TRANSPORTATION	
20.219	Recreational Trails Program	2,055,566
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.586	State Court Improvement Program	178,045
	DEPARTMENT OF HOMELAND SECURITY	
97.012	Boating Safety Financial Assistance	1,420,745
	TOTAL Wildlife, Fisheries and Parks	17,702,796

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2008

<u>CFDA</u> <u>Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal</u> <u>Expenditures</u> <u>Distributions/</u> <u>Issuances</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS:	\$ 7,346,444,826

EXPLANATION OF FOOTNOTE REFERENCE:

Program Number with UN denotes unknown CFDA numbers.

The total expenditures for CFDA No. 17.225 include state expenditures of \$149,670,190 and federal expenditures of \$24,974,386.

@ Denotes federal programs with noncash benefits.

(concluded)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

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Notes to the Schedules of Expenditures of Federal Awards



STATE OF MISSISSIPPI

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1: PURPOSE OF THE SCHEDULES

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a schedule of expenditures of federal awards showing total federal awards expended for each individual federal program as identified in the *Catalog of Federal Domestic Assistance* (CFDA). To comply with this requirement, the Department of Finance and Administration required each state agency to prepare and submit a schedule of expenditures of federal awards. Information contained in these schedules was combined by the Department of Finance and Administration to form the accompanying schedules of expenditures of federal awards. Federal programs which have not been assigned a CFDA number have been identified.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation - The information in the accompanying schedules of expenditures of federal awards is presented in accordance with OMB Circular A-133. The Schedule of Expenditures of Federal Awards by Federal Department presents a summary of federal awards expended by federal department and CFDA number. The Schedule of Expenditures of Federal Awards by State Grantee Agency presents federal awards expended by recipient agencies of the State of Mississippi.
- Federal Financial Assistance - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, direct appropriations or other assistance. Accordingly, nonmonetary federal assistance, including food commodities and surplus property, is included in federal financial assistance and, therefore, is reported on the schedules of expenditures of federal awards. Federal financial assistance does not include direct federal cash assistance to individuals or procurement contracts used to buy goods or services from vendors.
 - Major Programs - The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish a risk-based approach to determine which federal programs are major based on certain expenditure thresholds and risk criteria. According to the state's Single Audit Report for the fiscal year ended June 30, 2008, federal expenditures, distributions or issuances totaled \$7,346,444,826. This established the threshold for Type A programs as those whose federal expenditures, distributions or issuances exceed \$22,039,334. For the fiscal year 2008 audit, seven Type A programs were identified as low risk. Risk assessments of Type B programs were performed until seven high risk Type B programs were identified. Twenty-five federal award programs, comprising 18 high risk Type A programs and seven high risk Type B programs, were audited as major programs for the State of Mississippi.

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

- *Catalog of Federal Domestic Assistance* - The *Catalog of Federal Domestic Assistance* (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA number) which is reflected in the accompanying schedules.

- B. Reporting Entity - The accompanying schedules include all federal programs administered by the State of Mississippi, except for the programs of the Mississippi Authority for Educational Television, the programs of the Port Authority at Gulfport and for those programs accounted for by the major component unit, Universities, within the component units section of the financial statements, for the year ended June 30, 2008. The Mississippi Authority for Educational Television and the Port Authority at Gulfport engaged other auditors to perform audits in accordance with OMB Circular A-133, and separate reports were issued. Expenditures of federal awards provided to the state's public universities and related entities were audited by other auditors in accordance with statutory requirements and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and a separate report is scheduled to be issued by March 31, 2009.
- C. Basis of Accounting - Federal programs included in the accompanying schedules are accounted for in the state's governmental and proprietary funds. Governmental funds are accounted for by using the current financial resources measurement focus and the modified accrual basis of accounting and proprietary funds by using the economic resources measurement focus and the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Amounts reflected as distributions in the accompanying schedules for donated federal surplus property are based on an estimated average fair market value of 23.3 percent of the original acquisition cost as assigned by the federal government. The amounts reflected in the financial statements of the State of Mississippi for the fiscal year ended June 30, 2008, for distributed surplus property are valued at the handling and shipping costs, which more closely approximate fair market value at the date of the transfer of the surplus property to the State of Mississippi.

The value of food commodity distributions within the National School Lunch Program on the accompanying schedules was calculated using the U.S. Department of Agriculture, Food and Nutrition Service commodity price list in effect at the date of distribution.

The state issues food stamp benefits in electronic form, and benefits are recognized as expenditures when recipients use the benefits.

STATE OF MISSISSIPPI
Notes to Schedules of Expenditures of Federal Awards (continued)

- D. Expenditures and Expenses - Certain transactions relating to expenditures of federal awards may appear in records of more than one state grantee agency. To avoid duplication and the overstatement of the aggregate level of federal awards expended by the State of Mississippi, the following policies have been adopted:
1. When monies are received by one state grantee agency and redistributed (expended) to another state grantee agency (i.e., a pass-through of funds by the primary recipient state grantee agency to a subrecipient state grantee agency), the federal financial assistance will be reflected in the primary receiving/expending state grantee agency's accounts.
 2. Purchases of services between state grantee agencies using federal monies will be recorded as *expenditures* or *expenses* on the purchasing agency's records and as *revenues* for services rendered on the providing agency's records. Therefore, the expenditure of federal awards is attributed to the purchasing agency, which is the primary receiving/expending state grantee agency.

NOTE 3: OTHER

- A. All federal expenditures/distributions/issuances included in the accompanying schedules represent assistance received directly from the federal government, unless otherwise noted. Federal financial assistance received indirectly from the federal government (i.e., passed-through from entities outside of the State of Mississippi) is noted parenthetically.
- B. The accompanying schedules of expenditures of federal awards include distributions of donated surplus personal property (CFDA 39.003) of \$1,554,007. These distributions were valued based on an estimated average fair market value of 23.3 percent of the original acquisition cost assigned by the federal government. These distributions were reported in the financial statements of the State of Mississippi for the year ended June 30, 2008, as charges for sales and services of \$826,000. The amount was based upon handling and shipping costs at the date of transfer to the state.
- C. Expenditures reflected in the CFDA 14.228 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii include disbursements made for grants and new loans totaling \$4,513. Program income generated by the program in previous years was used to make these grants and new loan payments. In subsequent years, the program income generated from the repayment of loans will be deposited into a revolving loan fund to be redistributed to the local governments under CFDA 14.228 for program activities. At June 30, 2008, the outstanding loan balance for the program totaled \$7,387,847.
- D. The Unemployment Insurance program (CFDA 17.225) is administered through a unique federal-state partnership that was founded upon federal law, but implemented through state law. For the purposes of presenting the expenditures of this program in the accompanying schedules of expenditures of federal awards, both state and federal funds have been considered federal awards expended as denoted with an # to the right of the CFDA number. The breakdown of the state and federal portions of the total program expenditures is as follows:

State Portion	\$ 149,670,190
Federal Portion	<u>24,974,386</u>
Total	\$ <u>174,644,576</u>

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

- E. Expenditures reflected in CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds - include loans to local governments for developing or constructing water treatment facilities. The funding source for these loans includes federal grant funds and state funds. In subsequent years, local governments will be required to repay these funds to the Mississippi Department of Environmental Quality. When received, these funds will be redistributed to local governments through new loans for additional water treatment facility projects. The outstanding loan balance for the year ended June 30, 2008, was \$342,392,538. Total disbursements for new loans for the year ended June 30, 2008, totaled \$33,541,548. Administrative costs associated with the program for the year ended June 30, 2008, totaled \$1,305,037.

- F. Expenditures reflected in CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Funds - include loans to counties, municipalities and other tax exempt water systems organizations for construction of new water systems, the expansion or repair of existing water systems, and/or the consolidation of new or existing water systems. The funding source for these loans includes federal grant funds and state funds. In subsequent years, the entities will be required to repay these funds to the Mississippi Department of Health. When received, these funds will be used to make new loans for the program activities. The outstanding loan balance for the year ended June 30, 2008, was \$89,319,738. Total disbursements for new loans made during fiscal year 2008 totaled \$10,065,981. Administrative costs associated with the program for the year ended June 30, 2008, totaled \$1,107,330.

- G. State Aid Road Construction is a division of the Mississippi Department of Transportation (MDOT). Federal financial assistance in the amount of \$44,811,771 related to State Aid Road Construction is included on the schedules of expenditures of federal awards under Transportation Department program 20.205 - Highway Planning and Construction.

- H. Noncash Assistance.

The State of Mississippi participated in several federal programs in which noncash benefits were provided through the state to eligible program participants. These noncash benefits programs are identified on the schedules of expenditures of federal awards with an @ to the right of the CFDA number. A listing of these programs follows:

<u>CFDA Number</u>	<u>Program Name</u>
10.555	National School Lunch Program (Food Donation)
10.569	Emergency Food Assistance Program (Food Commodities)
39.003	Donation of Federal Surplus Personal Property
93.268	Immunization Grants

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

- *CFDA 10.555 — National School Lunch Program received \$142,924,594 including cash assistance and noncash assistance. Cash assistance totaled \$129,045,745 and noncash assistance totaled \$13,878,849.*
- *CFDA 93.268 — Immunization Grants received \$35,888,784 including cash assistance and noncash assistance. Cash assistance totaled \$2,722,012 and noncash assistance totaled \$33,166,772.*

I. The State of Mississippi's major federal programs for the year ended June 30, 2008, were based on federal expenditures/distributions/issuances and risk assessments as defined in Note 2:A. Those programs are as follows:

<u>CFDA Number</u>	<u>Program Name</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
12.402	National Guard Special Military Operations and Projects
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
16.579	Edward Byrne Memorial Formula Grant Program
16.738	Edward Byrne Memorial Justice Assistance Grant Program
	WIA Cluster:
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
	Highway Planning Cluster:
20.205	Highway Planning and Construction
	Highway Safety Cluster:
20.600	State and Community Highway Safety
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.938	Hurricane Education Recovery
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance

STATE OF MISSISSIPPI
Notes to Schedules of Expenditures of Federal Awards (concluded)

CCDF Cluster:

93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care
and Development Fund

93.667 Social Services Block Grant
93.767 State Children's Insurance Program
93.779 Centers for Medicare and Medicaid Services (CMS) Research,
Demonstrations and Evaluations

Medicaid Cluster:

93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers
93.778 Medical Assistance Program

Homeland Security Cluster:

97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program

97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.087 Alternative Housing Pilot Program

Schedule of Findings and Questioned Costs
Part 1 – Summary of Auditor’s Results



STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

PART 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs:

Unqualified for all major programs except for: the state's public universities, the Mississippi Authority for Educational Television, and the Port Authority at Gulfport, for which separate reports were issued; and, the following programs, for which a qualified opinion was issued - the allowable costs/cost principles and eligibility compliance requirements of the Homeowner's Assistance Grant Program within the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, which were audited by the Office of the Inspector General of the U. S. Department of Housing and Urban Development, for which a separate report will be issued; and, the Social Services Block Grant.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

yes no

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results (continued)

Identification of major programs:

CFDA Number	Program Name
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
12.402	National Guard Special Military Operations and Projects
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
16.579	Edward Byrne Memorial Formula Grant Program
16.738	Edward Byrne Memorial Justice Assistance Grant Program
	WIA Cluster:
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
	Highway Planning Cluster:
20.205	Highway Planning and Construction
	Highway Safety Cluster:
20.600	State and Community Highway Safety
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.938	Hurricane Education Recovery
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results (concluded)

Medicaid Cluster:

- 93.775 State Medicaid Fraud Control Units
- 93.777 State Survey and Certification of Health Care Providers and Suppliers
- 93.778 Medical Assistance Program

Homeland Security Cluster:

- 97.004 State Domestic Preparedness Equipment Support Program
- 97.067 Homeland Security Grant Program

- 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
- 97.087 Alternative Housing Pilot Program

Dollar threshold used to distinguish between
Type A and Type B programs:

\$22,039,334

Auditee qualified as low-risk auditee?

yes no

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Schedule of Findings and Questioned Costs

Part 2 – Financial Statement Findings



STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

PART 2 - FINANCIAL STATEMENT FINDINGS

Introduction

This part of the Schedule of Findings and Questioned Costs presents findings classified as significant deficiencies and instances of noncompliance or other matters that are related to the financial statements and are required to be reported in accordance with *Government Auditing Standards*.

Findings are arranged in order by state agency with material weaknesses listed first. Each finding has one of the following designations:

- **Significant Deficiency** - Matters coming to the auditor's attention relating to a control deficiency, or a combination of control deficiencies, in the design or operation of the internal control over financial reporting that, in the auditor's judgement, could adversely affect the state's ability to initiate, authorize, record, process, or report financial data in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the state's general purpose financial statements that is more than inconsequential will not be prevented or detected by the state's internal control.
- **Material Weakness** - A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the general purpose financial statements will not be prevented or detected by the state's internal control.

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STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

PART 2 – FINANCIAL STATEMENT FINDINGS

**Finding
Number**

Finding and Recommendation

EMPLOYMENT SECURITY

Material Weakness

2008-15

Financial Statements Should Be Prepared in Accordance with Generally Accepted Accounting Principles

Finding:

The Mississippi Department of Employment Security (MDES) is responsible for the collection of unemployment contribution assessment taxes from each liable employer. Sections 600.01 and 600.02 of the *Unemployment Insurance Regulations* require employers to report wages to MDES for each calendar quarter in which wages were paid and contribution assessment taxes would be payable. Contribution taxes are due and payable on or before the last day of the month immediately following the calendar quarter ended. If an employer fails to make and file a report, Section 71-5-365, Miss. Code Ann. (1972), authorizes MDES to determine an amount of contribution taxes due from the employer based on information available. The formula developed and used by MDES to calculate the contribution taxes due for employers who failed to file and have not filed in previous quarters is an estimate since the employer has not properly reported wages paid for employment. The estimates are calculated using categories of business types and average characteristics of those types and are computer generated.

The tax liens receivable account and the corresponding revenue account were recorded on the financial statements using estimated contribution taxes. A comparison of prior accounting estimates for contribution assessment taxes with subsequent collections was made to assess the reasonableness of these estimates. Based on testwork performed, it appeared that a significant amount of tax liens receivable recorded using estimated taxes would not be received. The agency's method/formula of calculating the estimate using the average number of workers and wages in the same industry code would tend to skew the estimate to be overstated for small employers with the same industry code as a larger employer (i.e., small business with same industry code as Wal-Mart).

A prior year audit finding recommended that MDES develop a new formula that would yield a more accurate estimate of tax liens receivable for financial statement purposes. During the 2008 fiscal year, MDES developed a new formula in which a computer edit automatically caps all estimated taxes in the computer system at \$1,000 per calendar quarter. The agency subsequently identified all estimated taxes in the tax lien receivable system for employers who had not filed in previous quarters and applied the new formula. The estimated taxes for these employers in the system were capped at \$1,000 per calendar quarter. This resulted in a significant reduction in the tax liens receivable. The agency made an adjustment to tax liens receivable and the corresponding Unemployment Insurance Premiums revenue account to correct this error on its current year's financial statements (2008 GAAP reporting package).

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

However, a significant portion of the error had occurred in prior years. Because such amounts were a product of errors from a prior period, they are not properly included as part of the results of operations of the current period. Instead, such adjustments should be reported as a direct adjustment of the beginning of the year net assets to restate that amount to what it would have been had the error not occurred.

Therefore, an audit adjustment of approximately \$35,478,000 was proposed and made by management to properly state the current year financial statements and reflect as a restatement of the beginning net assets of the Unemployment Compensation Fund for the prior year.

Generally accepted accounting principles (GAAP) require that agencies provide accounting and reporting information which makes it possible to present fairly the financial position and the results of operation of the agency. In addition, good internal controls dictate policies and procedures be developed and followed to ensure net receivables (receivable account net of the recorded allowance for uncollectible account) recorded on the financial statements are valid transactions and are estimated to be collectible. MDES had established internal control procedures to review estimated taxes for reasonableness and make adjustments to reduce obviously excessive estimates. However, agency personnel had not been performing the review. The discontinuation of this procedure by the agency caused the tax liens receivable amount per agency records to be significantly misstated for financial statement purposes.

Recommendation:

We recommend the Mississippi Department of Employment Security (MDES) strengthen controls to ensure the financial statements are properly presented in accordance with generally accepted accounting principles (GAAP). The GAAP reporting package should be carefully reviewed by supervisory personnel to ensure that the financial statements are properly presented. We further recommend MDES develop procedures to ensure internal controls established by the agency over the tax liens receivable system to detect and prevent errors are operating effectively. MDES personnel should ensure the computer system is properly computing and capping the estimates for contribution taxes in accordance with written policies and procedures. Evidence that this procedure has been performed should be documented and reviewed by supervisory personnel to ensure estimated taxes appear reasonable.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

EMPLOYMENT SECURITY

Material Weakness

2008-16

Controls over Receivables Should Be Strengthened

Finding:

The Mississippi Department of Employment Security (MDES) is responsible for the collection of unemployment contribution assessment taxes from each liable employer. Contribution taxes are due and payable on or before the last day of the month immediately following the calendar quarter ended. The agency's tax liens receivable system accounts for contribution taxes due and payable from employers. If an employer fails to make and file a report (UI-2 report), MDES estimates the contribution taxes due from the employer based on information available.

Testwork was performed to determine the propriety of amounts recorded as due from employers per the receivable system. Twenty five employer accounts covering a total of 42 quarters were selected from the agency's "List of Receivables" for testing. Testwork on these accounts revealed the following problems.

- The taxes due in the system for nine employers (representing 12 quarters) that had not filed a report timely were based on calculated estimates. Subsequently the employers, although late, filed a UI-2 report and made a full or partial payment. The receivable was reduced by the payment received; however, the receivable was not adjusted to account for any difference between the actual amount due and the estimated amount due in the system. The agency does not have a mechanism in place to ensure estimates are reversed and actual amounts are recorded. This resulted in the receivables being overstated by \$1,505,406.
- Four employers with taxes due as a result of calculated estimates were determined not to be liable. The employer did not have employees in the state or was no longer in operation per in house memos from MDES field representatives and staff, therefore, would not be liable for any taxes. This resulted in the receivables being overstated by \$796,919.
- Twenty three of the employers (representing 40 quarters) had a "P" flag on the delinquent quarter. The Employer Accounts and Status Units in the Tax Department have the ability to go into the DCI (Delinquent Contribution Inquiry) file and "P" flag an employer's account to prevent a first notice of delinquency from being mailed to the employer. This flag usually occurs when the staff has questions about the validity of an employer's liability, the existence of the business, etc... A log is not maintained to document why the file was flagged so further investigation into the account to determine if the flag should be removed is not completed.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

In light of the agency's new methodology for estimating the taxes due for delinquent accounts, a review of the list of receivables was made to ensure the agency had subsequently identified and applied the new formula for estimating taxes to all applicable receivable accounts. It was determined the new formula had not been applied to all of the appropriate accounts resulting in receivables being overstated by \$2,733,573.

The list of receivables also included amounts related to the agency's collection of workforce enhancement contribution assessment taxes of the Workforce Enhancement Training Fund. The agency erroneously included receivable amounts for workforce enhancement taxes on the financial statements for the Unemployment Compensation Fund. This resulted in the receivable for tax liens and the corresponding revenue account for the Unemployment Compensation Fund being overstated by approximately \$1,401,000.

As a result of the problems noted, audit adjustments totaling approximately \$6,437,000 were proposed and made by management.

Good internal controls require adequate supervisory review procedures be in place to ensure receivables are proper. Inadequate controls over receivables hinders the agency's ability to properly maintain a reliable and reasonable list of receivables for daily operation and for reporting purposes. In addition, the absence of a log to document the accounts that have been "P" flagged and their resolution could make it possible for non-existent or non-liable employer accounts to be repeatedly assessed each quarter for several years and result in receivables being overstated for reporting purposes.

Recommendation:

We recommend the Mississippi Department of Employment Security establish adequate supervisory review procedures to ensure a proper and reasonable receivable system is maintained in accordance with the policies and procedures established by the agency. We further recommend the agency develop a mechanism to ensure if an actual receivable amount is subsequently determined that the estimated receivable amount in the system be reversed and the actual amount recorded. A log should be maintained to document the employer accounts that are flagged to prevent notices of delinquency to the employers. The log should receive a supervisory review to ensure a resolution of each account's propriety is determined. The agency should also ensure that receivables for workforce enhancement contribution assessment taxes are reported on the financial statements of the Workforce Enhancement Training Fund and not on the Unemployment Compensation Fund.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

PORT OF GULFPORT

Significant Deficiency

2008-21

Controls Should Be Strengthened over the Payroll Bank Account

Finding:

During testwork performed at the Mississippi State Port Authority at Gulfport, we noted the payroll bank account reconciliation was being performed by an employee who was also an authorized signer on payroll checks and performs interbank transfers. We also noted the reconciliation was not reviewed and approved. Proper internal controls over cash processes required segregation of duties with regard to bank reconciliations. Lack of segregation of duties could result in misappropriation of assets.

Recommendation:

We recommend that, due to the sensitivity of payroll information, the payroll bank account be reconciled by the Human Resources Officer, and that the Deputy Director of Finance and Administration review and approved the reconciliations.

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STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

TAX COMMISSION

Significant Deficiency

2008-12

Legacy Application Systems Maintenance Procedures Should Be Improved

Finding:

Proper controls on program changes are important to maintain assurances that only program changes authorized by management are placed into production. This principle is supported by COBIT A16 Manage Changes which states, "All changes, including emergency maintenance and patches, relating to infrastructure and applications within the production environment are formally managed in a controlled manner."

One of the key systems reviewed at the Mississippi State Tax Commission (MSTC) was the Legacy sales tax application. This application is considered a significant revenue processing application of the State of Mississippi.

Our review of the program maintenance procedures of the Legacy sales tax application indicated that application program changes are to be authorized through a manually documented change request process, where the request is filed with the Help Desk or Delivery Systems Manager and passed to the Legacy Lead Programmer who may in turn assign it to a Legacy Systems Programmer/Analyst. This is accomplished via the completion of a "Programming Service Request" form.

Our examination of a sample of these forms indicated that there were weaknesses in the approval documentation for program changes. We noted in many cases that authorization signatures were not present to indicate approval of initiation of all changes, to evidence completion of quality assurance work, and final approvals by management were not present to authorize the move of the completed change into production.

Additionally, we found significant weaknesses in physical and logical system controls to protect the application system from unauthorized changes, and enforce segregation of duties for application programmers.

At MSTC, the Legacy Sales Tax program source code is stored in a Partitioned Data Set (PDS) dataset in the IBM mainframe. Although this PDS was protected from modification except by the Legacy analysts, it is an open directory structure which maintains no history of source code version, and provides no significant controls of version number or history of check-out.

The most significant logical control for a sound program change control environment is the protection of the production object code libraries from unauthorized modification. Modified code should only be moved into production libraries via a documented procedure with approval. Programmers should not be allowed to directly place a program into production. Programmers should not be allowed to also

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

Through the Resource Access Control Facility (RACF), Legacy application programmers had been granted full access authority to all Legacy program libraries including source and production code, and application data files. Additionally, a number of Legacy programmers also have the RACF “special” attribute which allows them to grant access to other individuals. No methods were implemented to control access for after hours changes.

Recommendation:

We recommend the Mississippi State Tax Commission review and evaluate the adequacy of the program change process surrounding the Legacy application systems, especially including the Legacy sales tax application. In the evaluation of controls surrounding the Legacy sales tax application, MSTC should implement best practice program change controls that would include the following practices:

- Achieve a higher segregation of duties in the programming process of Legacy applications.
- Provide for sign-off where appropriate for assignment and completion of program change steps.
- Provide for separate quality assurance from the person which made the changes.
- Limit moves of completed code changes into production by a separate group.
- Limit the ability to grant privileges in RACF only to a RACF administrator.
- Limit RACF authority of Legacy programmers to just what is needed to accomplish day to day duties.
- Restricting programmer’s access to production data or production code.
- Eliminate RACF grant authority from Legacy programmers.
- Create RACF tracked emergency fix-ID’s separate from normal task ID’s.
- Reinstate PANVALET (or a better) change control system for Legacy Source Libraries.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

TAX COMMISSION

Significant Deficiency

2008-13

Audit Trails Should Exist for All STARS System Events

Finding:

The Agency Audit Section of the Office of the State Auditor (OSA) requested that we review the “work-list” from the “submissions” process of the STARS application. STARS is an application system of the Mississippi State Tax Commission (MSTC) which processes tax withholding information from employers. STARS has application segments in several places beginning with the workstation that captures the work. During the input or submissions process to STARS, certain error events may cause the system to suspend the submission of the transaction until it is repaired by MSTC. Until the actual transaction posts to the STARS application account, the record of the submission is held in the work-list queue. Once resolved, the submission posts into the STARS taxpayer account and since work-list is a real-time process, the work-list record disappears.

Since this process is real-time, the work-list is ever changing, with new items being added and old items being resolved during the course of the business day. Therefore only the current contents of the work-list may be captured via running a real-time snapshot report. This creates a problem with auditing the work-list activities, and reviewing of the effectiveness of system edits, in that a record of audit evidence is not maintained if the action takes place before the activity is posted to the taxpayer account.

To follow best practices for application systems, STARS should have been designed to journal any actions taken to correct submission deficiencies and correct work-list actions. An audit trail of any adjustments to any system’s data including input corrections should always be created and maintained. Best practices in accounting as exemplified in Section 404 of Sarbanes-Oxley suggest that organizations adhere to the principle that all changes to financial data is recorded and monitored.

Recommendation:

We recommend that the Mississippi State Tax Commission, in reviewing for any renovations or replacement system for STARS, to include system specification criteria to require the application to maintain full audit trails of any changes/corrections to financial system data.

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STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (continued)

**Finding
Number**

Finding and Recommendation

TAX COMMISSION

Significant Deficiency

2008-14

MSTC Should Implement RACF Security for Legacy Application Systems CICS

Finding:

The Mississippi State Tax Commission (MSTC) has a group of core applications which process on the IBM mainframe named the "Legacy Systems," including the state Sales Tax application system. Although quite old in design, this application processes a significant portion of the revenue for the State of Mississippi. The on-line services of these applications use IBM's customer information control system (CICS), which is a proven transaction processing method. However, CICS does not provide for security policy enforcement, or even user validation. Often in these early applications, the terminal was often hardwired to the mainframe computer and generally few terminals with CICS capability even existed. Therefore, initially control risks were limited. As the number of users and networks became more widespread, security became more demanding. To help control security requirements, IBM created the resource access control facility (RACF) system in 1976 to secure mainframe systems. This became the security standard for all CICS applications beginning in the early 1980's.

Our review of the Legacy Sales Tax application indicated that MSTC through the Mississippi Department of Information Technology Services (ITS) is operating the Legacy CICS on-line transaction application without a RACF security interface. Application program defined security levels are controlled from the application program by the logical terminal-ID name. The list of application update capable terminal-ID is hard coded into the application. To effect a change in security, the application system programs must be modified and re-compiled by an application programmer. The application does not monitor activities, or track security violations, and an application user sign-in is not required. Additionally, within MSTC, the terminal-ID logical names are mapped by Novell local area network (LAN) to the physical IP addresses. The MSTC Novell LAN is also not able to track security violations, such as invalid password attempts. Risks exist in the coordination and management of the LAN terminal-ID translation that intended ID's may not be the same as actual, or circumvented.

We were unable to locate any documentation of authorities granted and mapping of terminal ID's to actual users. MSTC has no self audit process of periodic review of access granted. Access is only added or removed upon request or notification of employment changes.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings (concluded)

**Finding
Number**

Finding and Recommendation

CICS should never be allowed to operate without the oversight of the RACF security system. CICS itself, without RACF protection, is extremely vulnerable, and can be subject to random or intentional attacks via CICS system management commands that may be entered if RACF is not there to intervene. Criteria for the requirement of CICS security via RACF can be located in various IBM publications including the IBM Redbook series. Additionally, this control objective is supported by COBIT DS5.3, Identity Management, which states that “all users and their activity on IT systems should be uniquely identifiable. User access rights to systems and data should be in line with defined and documented business needs and job requirements.”

Recommendation:

We recommend the Mississippi State Tax Commission thoroughly investigate the risks associated with non-RACF secured CICS applications. MSTC should begin by documenting its current process and reviewing and maintaining documentation of what authorities are granted to which user terminals and examine this documentation in relation the needs of access of each user.

We also recommend that MSTC reevaluate and adjust its methods for providing screen-level access to the Legacy Sales Tax and any similar Legacy applications to be governed by RACF security. RACF security should be maintained by someone other than the application’s programming group. The agency’s solution should ensure that users are given access that is unique to their needs. It should also allow for routine security maintenance without modifying MSTC Legacy programs. Key CICS management commands should be protected from general usage.

Schedule of Findings and Questioned Costs
Part 3 – Federal Award Findings and
Questioned Costs



STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Introduction

This part of the Schedule of Findings and Questioned Costs presents audit findings required to be reported by Section 510(a) of OMB Circular A-133.

Findings are grouped by federal funding agency and then organized by state agency. Findings within the state agency are listed in order by type of compliance requirement as listed in Section 320 (b) (2) (xii) of OMB Circular A-133.

Each finding has one of the following designations:

- **Significant Deficiency** – Matters coming to the auditor’s attention relating to a control deficiency, or a combination of control deficiencies, in the design or operation of the internal control over compliance that, in the auditor’s judgement, could adversely affect the state’s ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the state’s internal control.
- **Material Weakness** – A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the state’s internal control.
- **Material Noncompliance** – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that in the auditor’s judgement have a direct and material effect on a major federal program.
- **Immaterial Noncompliance** – Conditions representing noncompliance with the provisions of laws, regulations, contracts, or grant agreements, that do not have a direct and material effect on a major federal program.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

PART 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U. S. DEPARTMENT OF AGRICULTURE

CFDA/Finding
Number

Finding and Recommendation

HEALTH

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

10.557

Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: Various

08-08

Controls over Time Study Procedures Should Be Strengthened

Finding:

The *Code of Federal Regulations* (45 CFR 92.22) requires that allowable costs be determined in accordance with the Office of Management and Budget (OMB) Circular A-87 for grant programs administered by the U.S. Department of Health and Human Services. OMB Circular A-87 requires that amounts charged to grant programs for personnel services, regardless of whether treated as direct or indirect costs, be based on documented payrolls. Payrolls are required to be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective are required to be supported by appropriate time distribution records. The method used should produce adequate and equitable distribution of time and effort.

The Mississippi State Department of Health has implemented a time study system for allocating salaries and fringe benefits to the various programs administered by the agency. The time study is based on time and effort reporting forms completed by agency employees for one week of each month. In addition, the time spent by nurses, nurse practitioners and physicians in the various health clinics for health services performed is recorded on patient encounter forms one week in the year to compute relative values. The agency uses the relative values to estimate the cost of services for the various program areas. The agency budgets personnel costs to the respective programs for the forthcoming year based on the majority of time a person spent on a single program in the prior year. Reconciliations are performed between current actual time and effort reports and the actual amounts charged per payroll records for each program in order to determine if the salaries charged to the federal program were reasonable and the program was not overcharged. An adjustment to decrease/increase the amounts charged for payroll to the amount supported by the time study data is made yearly

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

During our review of the time study system, we selected 60 employees from the Special Supplemental Nutrition Program for Women, Infants and Children and from the Immunization Program. We tested four weeks of time reports for each employee, for a total of 240 time reports for fiscal year 2008. The following problems were noted.

- Three instances occurred on the weekly time and effort reports in which total hours calculated were incorrect; therefore, data entered into the time report computer file was incorrect.
- Four instances were noted in which the information from the time and effort reports was entered incorrectly into the time report computer file.

Audit testwork also revealed that while the agency collected the patient encounter forms and data necessary to compute the relative values for services performed, all the data was not entered for fiscal year 2008. The relative value data for fiscal year 2008 will be used when completing the time study for fiscal year 2009. Services and time charged from the patient encounter forms were only entered for July and August 2007, partially entered for September 2007, and none were input for October 2007 through June 2008. Upon notification by the auditor, the agency entered the patient encounter forms into the system to compute the correct relative values. We tested 60 patient encounter forms to determine the effect on costs charged to federal programs, and we noted the following problems:

- Six instances in which the data on the patient encounter forms were not completely entered into the relative value computer file; and,
- Four instances in which time was incorrectly input into the relative value computer file from the patient encounter form.

Good internal controls would dictate that adequate controls be in place to ensure the amounts entered into the time study system are accurate and reliable. Inadequate controls over the time study system could hinder the agency's ability to manage federal funds effectively and to comply with federal regulations.

Recommendation:

We recommend the Mississippi State Department of Health strengthen internal controls over the time study system to ensure all information is reliable and accurate. Information included on the time and effort reports and patient encounter forms should be accurately and promptly entered to the time study system to ensure that personnel costs are properly calculated.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

HEALTH

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: Various

08-20 MWITS Application System Reliability Should Be Improved

Finding:

During the State Fiscal Year 2008 scope of our review, the Mississippi WIC Inventory Tracking System (MWITS) at the Mississippi State Department of Health (MSDH) did not provide reliable services due to significant intermittent failures in data replication from December 2007 to September 2008; therefore, central MSDH MWITS reports could not be reliably utilized.

Recently, improvements made by MSDH Informatics Department in both procedures and infrastructure appear to have improved the MWITS replication reliability issue. Also, as a compensating factor, the MSDH Accounting Department has developed manual methods and spreadsheets which we believe somewhat compensates for the lack of system integrity, but is highly inefficient.

We also noted some unexplained random errors occur in WIC warehouse data processing which adds to the confusion created by this application system. This and other issues continue to surface, which are often irresolvable with the current software package because the application is in object code only form and therefore, is not reasonably changeable by the MSDH Informatics Department staff.

Management has indicated that MSDH is in the process of attempting to acquire a replacement system.

Recommendation:

We recommend that MSDH continue with implementation of a replacement or improvement of the MWITS application. Otherwise, MSDH continues with the possible risks of system failure and loss of control of information, improper disclosure of information, and risks of HIPAA and/or U.S. Department of Agriculture regulation non-compliance.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

HEALTH

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

10.557

Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: Various

08-21

Time Study Data Control Processes Should Be Improved

Finding:

For fiscal year 2008, testwork was performed by auditors of the EDP Audit Section of the Office of the State Auditor on data related to the Time Study process at the Mississippi State Department of Health for the period ended June, 2008. Agency personnel had previously stated the Time Study data was complete. During our February 2009 testwork, it was noted that the data input into the Time Study process was incomplete. Specifically, the "time spent on encounters data" which is used in building relative value tables for the next budget period had not been fully input. At the time of our fieldwork, agency personnel were unaware of this exception, or had not acted timely to resolve this exception.

Failure to maintain control over data could cause the Time Study process to yield invalid information to support the next fiscal year budget process. Lack of a systematic data input and error repair process could lead to poor quality results as any corrections to errors located would have to be made months later when information is difficult to obtain.

Standards for data control are outlined in COBIT DS11.1, which states, "Establish arrangements that source documents expected from the business are received, and all data received from the business are processed."

Recommendation:

We recommend that the Mississippi State Department of Health Informatics Department develop more detailed process standards for Time Study which includes data control procedures that require a documented process for logging the status of each step of Time Study from the beginning data to the completion of the cycle.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF AGRICULTURE (continued)

CFDA/Finding
Number

Finding and Recommendation

HEALTH

PERIOD OF AVAILABILITY

Significant Deficiency

Immaterial Noncompliance

10.557

Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: 5MS700704 / 2007(10/01/2006-
9/30/2007) 5MS700704 / 2008
(10/1/2007-9/30/2008)

Questioned Costs: \$18,868

08-10

Controls Should Be Strengthened to Ensure Compliance with Period of Availability Requirements

Finding:

The *Code of Federal Regulations* (CFR 3016.23(a)) states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period. The *Code of Federal Regulations* (CFR 3016.23(b)) also states all obligations incurred under the award must be liquidated no later than 90 days after the end of the funding period. During our review of 40 payment vouchers and 25 journal vouchers, for a total of 65 transactions, for compliance with period of availability requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at the Mississippi State Department of Health, we noted the following problems.

- Ten instances in which transactions were incurred after the period of availability. In all ten instances, costs were incurred after the end of the grant period of September 30, 2007, and were not obligated by the end of the grant period. These expenses should have been paid with federal fiscal year 2008 funds instead of federal fiscal year 2007 funds.
- Three instances in which transactions were not paid within the 90 day period after the end of the federal fiscal year.

Good internal controls require adequate controls be in place to ensure only obligations occurring during the period of availability are charged to the program during the grant period. Without adequate controls in place, the agency may charge costs in violation of federal regulations which could result in questioned costs. It should be noted that costs incurred after the obligation period ended and costs paid after the 90 day time limitation were valid costs for the WIC Program. These problems appear to be caused by human error in coding the expenditures with the wrong reporting categories.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF AGRICULTURE (concluded)

CFDA/Finding
Number

Finding and Recommendation

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls to ensure compliance with period of availability requirements for expenditures for Special Supplemental Nutrition Program for Women, Infants, and Children grant funds. As part of the review process for expenditures, the reporting categories should be verified to ensure the expenditure is paid from the proper grant award and paid within the period allowed after the end of the federal fiscal year.

STATE OF MISSISSIPPI
 Schedule of Findings and Questioned Costs
 Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

<u>CFDA/Finding Number</u>	<u>Finding and Recommendation</u>
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MISSISSIPPI DEVELOPMENT AUTHORITY

SUBRECIPIENT MONITORING

Significant Deficiency

14.228	Community Development Block Grants/State’s program and Non-Entitlement Grants to Hawaii
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Federal Award Number and Year: Various

08-06	<u>Controls over Subrecipient Monitoring Should Be Strengthened</u>
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Finding:

The *Code of Federal Regulations* (24 CFR Part 570.492) requires the Mississippi Development Authority (MDA) to conduct reviews and audits, including on-site reviews, of units of general local government as may be necessary or appropriate to determine program compliance for the Community Development Block Grants/State’s program and Non-Entitlement Grants for Hawaii (CDBG). The MDA has developed monitoring procedures which require an on-site visit to take place at least twice during the life of the project to ensure compliance with all applicable federal regulations. MDA has a tracking mechanism in place to ensure all projects are properly identified and monitored. Checklists are used during the on-site monitoring review to provide guidance and to document a review was performed.

Subrecipient on-site monitoring testwork performed on 25 projects which closed during fiscal year 2008 revealed the following weaknesses.

- One instance, or 4 percent, in which the “Compliance Review” form, which documents supervisory review and approval of the monitoring visit and forms prepared by MDA monitors, for the second monitoring visit was not in the contract file. However, a monitoring letter had been sent to the subrecipient including the monitoring report.
- Seven instances, or 28 percent, in which several pertinent questions on the monitoring checklist were not answered. Even though these questions were not answered on the checklist, the supervisor responsible for reviewing the checklist signed off on the “Compliance Review” form indicating review and approval.
- One instance, or 4 percent, in which the “Compliance Review” form” was not signed/initialed by appropriate personnel. However, a monitoring letter had been sent to the subrecipient including the monitoring report.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (concluded)

CFDA/Finding
Number

Finding and Recommendation

- The *Code of Federal Regulations* (24 CFR 570.603) requires the CDBG program to comply with labor standards in accordance with the Davis Bacon Act. For two instances, it was noted the "Labor Standards Monitoring" checklist, was not completed.

Also, audit procedures performed on monitoring workpapers to ensure the tracking mechanism was functioning correctly revealed that eight out of 85 new projects for fiscal year 2008 were not included on the "Monthly Grants Management Report". In addition, three out of 60 subrecipients selected for allowable cost testwork were not included on the report. The "Monthly Grantee Management Report" is the tracking document used by MDA to ensure all recipients receive an on-site monitoring review and to document the date the review was completed.

Good internal controls dictate a supervisory review be performed on monitoring workpapers to ensure completeness and propriety. Good internal controls also dictate supervisory personnel ensure the monitoring tracking document is properly prepared to ensure the required inspections are performed by agency personnel. Failure to ensure the propriety of the monitoring inspection tracking document could result in nonperformance of the required inspections. Without effective supervisory review procedures, potential subrecipient noncompliance could occur and not be detected.

Recommendation:

We recommend the Mississippi Development Authority strengthen existing internal controls for subrecipient on-site monitoring. Greater care should be taken during the supervisory review process to ensure the completeness of monitoring files. We further recommend the agency ensure the on-site monitoring tracking document is properly prepared to ensure all subrecipients are identified and monitored for compliance with federal regulations.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF TRANSPORTATION

CFDA/Finding
Number

Finding and Recommendation

STATE AID ROAD

SUBRECIPIENT MONITORING

Significant Deficiency

20.205

Highway Planning and Construction

Federal Award Number and Year: Various

08-07

Controls over Subrecipient Monitoring Should Be Strengthened

Finding:

The Office of Management and Budget (OMB) Circular A-133 requires the pass-through entity (primary recipient of federal funds) to determine whether subrecipients have met the appropriate audit requirements. This includes ensuring receipt of an audit report from each recipient expending \$500,000 or more in federal awards during the subrecipient's fiscal year. The audits are due to the primary recipient within nine months after the end of the subrecipient's fiscal year. In addition, OMB Circular A-133 requires the primary recipient to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and to ensure the subrecipient took appropriate and timely corrective action.

The Mississippi Department of Transportation – Office of State Aid Road Construction provided \$500,000 or more of federal financial assistance to ten subrecipients during fiscal year 2006. The audit reports for these subrecipients were not obtained and reviewed by agency personnel. After we brought this to management's attention, agency personnel obtained the audit reports and we noted three of the audit reports had findings related to the Highway Planning and Construction program.

Recommendation:

We recommend the Mississippi Department of Transportation – Office of State Aid Road Construction strengthen controls to ensure subrecipient audit reports are obtained and reviewed in a timely manner. In addition, we recommend the agency follow up on audit findings within a timely manner to ensure the subrecipient took appropriate corrective action.

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STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF EDUCATION

CFDA/Finding
Number

Finding and Recommendation

EDUCATION

MATCHING, LEVEL OF EFFORT, EARMARKING

Significant Deficiency

84.010

Title I Grants to Local Educational Agencies

Federal Award Number and Year: S010A040027A, 2007

08-01

Controls over Maintenance of Effort Requirements Should Be Strengthened

Finding:

Local educational agencies (LEAs) participating in the Title I Grants to Local Educational Agencies program are required to comply with a 90 percent maintenance of effort requirement related to per pupil expenditures provided by non-federal funds. The Mississippi Department of Education (SDE) utilizes a spreadsheet to capture appropriate information for use in ensuring compliance by the LEAs with the maintenance of effort compliance requirement. Policies and procedures put in place by the SDE state that the spreadsheet should be prepared by the School Finance Office and the Office of Federal Financial Management should then review the spreadsheet and determine whether LEAs have met the maintenance of effort requirements.

While performing testwork related to the maintenance of effort requirements for the Title I Grants to Local Education Agencies program, we noted the agency had incorrectly calculated the percentage of change relating to per pupil expenditures by school district between the 2005 school year and the 2006 school year. It appears a cell formula was incorrectly set up to calculate the change between years. We also noted the spreadsheet used for calculating the change in per pupil expenditures was not reviewed by supervisory personnel.

Failure to adequately review the spreadsheet and accurately determine the change in per pupil expenditures between the two school years could result in failure on the part of the agency to correctly identify school districts which fail to meet the maintenance of effort requirement. However, it should be noted that after the error was noted by auditors, the spreadsheet was recalculated. The only school districts which failed to meet the maintenance of effort requirement had properly obtained a waiver from the United States Department of Education therefore it appears the LEAs are in compliance with the maintenance of effort requirement.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF EDUCATION (continued)

**CFDA/Finding
Number**

Finding and Recommendation

Recommendation:

We recommend the Mississippi Department of Education strengthen controls over the review of maintenance of effort requirement for the Title I Grants to Local Educational Agencies program and ensure formulas utilized on the calculated spreadsheet are correct. We further recommend the spreadsheet receive a documented supervisory review.

EDUCATION

MATCHING, LEVEL OF EFFORT, EARMARKING

Significant Deficiency

84.010

Title I Grants to Local Educational Agencies

Federal Award Number and Year: S010A070024A, 2007

08-02

Controls over the Earmarking Requirement Should Be Strengthened

Finding:

Under provisions of the Title I Grants to Local Educational Agencies, the local educational agencies (LEAs) identified for school improvement activities must provide choice-related transportation under section 1116(b)(1)(E) and/or supplemental educational services under section 1116(e) of the Elementary and Secondary Education Act [20 USC 6316(b) and (e)]. The LEA must spend an amount equal to 20 percent of its allocation under subpart 2 of Part A to provide such transportation and supplemental services, unless a lesser amount is needed to satisfy all requests. Of this amount, the LEA must spend a minimum of an amount equal to five percent of its subpart 2 allocation on choice-related transportation and a minimum of an amount equal to five percent of its subpart 2 allocation for supplemental educational services. It may spend the remaining ten percent for either or both activities. The state educational agency (SEA) is responsible for ensuring the LEAs remain in compliance with earmarking requirements. As a means of ensuring that LEAs comply with the earmarking requirement, the Mississippi Department of Education – Office of Innovative Support requires each LEA identified for school improvement activities to complete a Consolidated Federal Program Application each year documenting the program allocations and budgets.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF EDUCATION (concluded)

**CFDA/Finding
Number**

Finding and Recommendation

During our testwork of the earmarking requirement, we noted three instances in which the amount of funds allocated by an LEA identified for school improvement was below the 20 percent required allocation for Choice-Related Transportation and Supplemental Education Services. However, there was no documentation to support an allocation of less than 20 percent.

Good internal controls require the agency to have adequate control procedures in place to ensure compliance with federal regulations. Failure to properly monitor each LEA for compliance with the earmarking requirement could result in noncompliance with federal regulations and jeopardize continued funding under the Title I Grants to Local Educational Agencies program.

Recommendation:

We recommend the Mississippi Department of Education – Office of Innovative Support (MDE-OIS) strengthen control procedures to ensure the local educational agencies identified for school improvement activities are in compliance with earmarking requirements. For instances in which a LEA fails to allocate at least 20 percent of funds for Choice-Related Transportation and Supplemental Education Services, documentation should be obtained that a lesser amount was sufficient to satisfy all requests for transportation services.

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STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA/Finding
Number

Finding and Recommendation

FINANCE AND ADMINISTRATION

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.UN

Various

Federal Award Number and Year: Various
Questioned Costs: To be determined

08-04

Transfers from Self-Insurance Funds Should Not Include Federal Funds

Finding:

Senate Bill 2777 General Laws of Mississippi 2007 Regular Legislative Session, directed the State Treasurer to transfer to the Budget Contingency Fund, monies from various funds. Included in this list was the following self-insurance fund and the respective amount that was transferred:

Fund 3080 Tort Claims Fund (\$1,500,000).

As directed in the approved legislation, the Department of Finance and Administration processed this transfer during the month of November 2007. Section 25d(5) of Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments states, "Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer."

Contributions from some of the agencies which participate in this self-insurance reserve fund are partially funded with monies drawn from various federal government grant sources. As such, the federal percentage of contributions related to this transfer from this self-insurance reserve fund should be repaid to the federal government as required under Section 25d(5) of OMB Circular A-87.

Recommendation:

The Department of Finance and Administration should review the activity of this self-insurance fund and make a determination as to what amount should be refunded to the federal government, as required by OMB Circular A-87.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

HEALTH

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

93.268

Immunization Grants

Federal Award Number and Year: Various

08-08

Controls over Time Study Procedures Should Be Strengthened

Finding:

The *Code of Federal Regulations* (45 CFR 92.22) requires that allowable costs be determined in accordance with the Office of Management and Budget (OMB) Circular A-87 for grant programs administered by the U.S. Department of Health and Human Services. OMB Circular A-87 requires that amounts charged to grant programs for personnel services, regardless of whether treated as direct or indirect costs, be based on documented payrolls. Payrolls are required to be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective are required to be supported by appropriate time distribution records. The method used should produce adequate and equitable distribution of time and effort.

The Mississippi State Department of Health has implemented a time study system for allocating salaries and fringe benefits to the various programs administered by the agency. The time study is based on time and effort reporting forms completed by agency employees for one week of each month. In addition, the time spent by nurses, nurse practitioners and physicians in the various health clinics for health services performed is recorded on patient encounter forms one week in the year to compute relative values. The agency uses the relative values to estimate the cost of services for the various program areas. The agency budgets personnel costs to the respective programs for the forthcoming year based on the majority of time a person spent on a single program in the prior year. Reconciliations are performed between current actual time and effort reports and the actual amounts charged per payroll records for each program in order to determine if the salaries charged to the federal program were reasonable and the program was not overcharged. An adjustment to decrease/increase the amounts charged for payroll to the amount supported by the time study data is made yearly.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

During our review of the time study system, we selected 60 employees from the Special Supplemental Nutrition Program for Women, Infants and Children and from the Immunization Program. We tested four weeks of time reports for each employee, for a total of 240 time reports for fiscal year 2008. The following problems were noted.

- Three instances occurred on the weekly time and effort reports in which total hours calculated were incorrect; therefore, data entered into the time report computer file was incorrect.
- Four instances were noted in which the information from the time and effort reports was entered incorrectly into the time report computer file.

Audit testwork also revealed that while the agency collected the patient encounter forms and data necessary to compute the relative values for services performed, all the data was not entered for fiscal year 2008. The relative value data for fiscal year 2008 will be used when completing the time study for fiscal year 2009. Services and time charged from the patient encounter forms were only entered for July and August 2007, partially entered for September 2007, and none were input for October 2007 through June 2008. Upon notification by the auditor, the agency entered the patient encounter forms into the system to compute the correct relative values. We tested 60 patient encounter forms to determine the effect on costs charged to federal programs, and we noted the following problems:

- Six instances in which the data on the patient encounter forms were not completely entered into the relative value computer file; and,
- Four instances in which time was incorrectly input into the relative value computer file from the patient encounter form.

Good internal controls would dictate that adequate controls be in place to ensure the amounts entered into the time study system are accurate and reliable. Inadequate controls over the time study system could hinder the agency's ability to manage federal funds effectively and to comply with federal regulations.

Recommendation:

We recommend the Mississippi State Department of Health strengthen internal controls over the time study system to ensure all information is reliable and accurate. Information included on the time and effort reports and patient encounter forms should be accurately and promptly entered to the time study system to ensure that personnel costs are properly calculated.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

HEALTH

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

93.268

Immunization Grants

Federal Award Number and Year: Various

08-21

Time Study Data Control Processes Should Be Improved

Finding:

For fiscal year 2008, testwork was performed by auditors of the EDP Audit Section of the Office of the State Auditor on data related to the Time Study process at the Mississippi State Department of Health for the period ended June, 2008. Agency personnel had previously stated the Time Study data was complete. During our February 2009 testwork, it was noted that the data input into the Time Study process was incomplete. Specifically, the "time spent on encounters data" which is used in building relative value tables for the next budget period had not been fully input. At the time of our fieldwork, agency personnel were unaware of this exception, or had not acted timely to resolve this exception.

Failure to maintain control over data could cause the Time Study process to yield invalid information to support the next fiscal year budget process. Lack of a systematic data input and error repair process could lead to poor quality results as any corrections to errors located would have to be made months later when information is difficult to obtain.

Standards for data control are outlined in COBIT DS11.1, which states, "Establish arrangements that source documents expected from the business are received, and all data received from the business are processed."

Recommendation:

We recommend that the Mississippi State Department of Health Informatics Department develop more detailed process standards for Time Study which includes data control procedures that require a documented process for logging the status of each step of Time Study from the beginning data to the completion of the cycle.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

<u>CFDA/Finding Number</u>	<u>Finding and Recommendation</u>
	<u>HEALTH</u>
	DAVIS-BACON ACT
	<i>Significant Deficiency</i>
93.667	Social Services Block Grant Federal Award Number and Year: G-0601 MSSOSR, 2006
08-09	<u>Controls Should Be Strengthened over Davis-Bacon Act Requirements</u> <i>Finding:</i> The Mississippi State Department of Health received pass-through funding from the Social Services Block Grant (SSBG) program administered by the Mississippi Department of Human Services. The Mississippi State Department of Health (MSDH) has contracted with lower tier subrecipients to award the SSBG funds for restoration of health care functions and construction and repair work on facilities related to damage from Hurricane Katrina. Each lower tier subrecipient executed a sub-grant agreement with the MSDH. The sub-grant agreement requires the subrecipient to comply with all applicable federal, state, and local laws, rules, and regulations. However, we noted compliance with the Davis-Bacon Act was not included in this list of standard assurances. Non-federal entities are required to include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the U. S. Department of Labor regulations (29 CFR Part 5), "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction". These regulations include a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). The Davis-Bacon Act requires all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by federal assistance funds be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U. S. Department of Labor (40 USC 3141-3144, 3146, and 3147).

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

There were a total of 26 sub-grant agreements under the SSBG Katrina restoration grant awards. We reviewed all 26 sub-grant agreements and found 17 which included construction or repairs for which the Davis-Bacon Act would apply. In addition to the omission of a statement of compliance with the Davis-Bacon Act being noted in the 17 sub-grant agreements, there was no other evidence found to indicate any other communication of applicability of the Davis-Bacon Act to the subrecipients. Good internal controls require that all subrecipients be made aware of Davis-Bacon Act requirements. Without required assurances regarding compliance with Davis-Bacon Act requirements in the sub-grant agreements, non-compliance with the requirements of the Davis-Bacon Act could occur and not be promptly detected.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls over compliance with the Davis-Bacon Act by modifying its standard sub-grant agreements to include assurances regarding compliance with Davis-Bacon Act requirements. We further recommend the agency add addendums to existing agreements to notify subrecipients of the applicability of the Davis-Bacon Act requirements.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

HEALTH

SUBRECIPIENT MONITORING

Significant Deficiency

93.667

Social Services Block Grant

Federal Award Number and Year: G-0601 MSSOSR, 2006

08-11

Controls over Monitoring Subrecipient Audit Requirements Should Be Strengthened

Finding:

Testwork performed at the Mississippi State Department of Health over the Social Services Block Grant federal program revealed the agency did not have procedures in place to monitor subrecipient audit requirements. The Office of Management and Budget (OMB) Circular A-133 requires the pass-through entity to determine whether subrecipients have met the appropriate audit requirements. This includes ensuring receipt of an audit report from each subrecipient expending \$500,000 or more in federal awards during the subrecipient's fiscal year. The audit reports are due to the primary recipient within nine months after the end of the subrecipient's fiscal year. In addition, OMB Circular A-133 requires the primary recipient to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and to ensure the subrecipient took appropriate and timely corrective action. Without adequate controls over subrecipient audit requirements, the agency could fail to detect and follow-up on internal control deficiencies and noncompliance by subrecipients in a timely manner.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls over subrecipient audits by identifying which Social Services Block Grant subrecipients expended \$500,000 or more in federal awards during the subrecipient's fiscal year. In addition, the agency should ensure subrecipients have the required audits completed and sent to the agency within nine months after the end of the subrecipient's fiscal year. The agency also should issue a management decision on audit findings within six months after receipt of the subrecipient's audit report to ensure the subrecipient takes appropriate and timely corrective action on all audit findings.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

<u>CFDA/Finding Number</u>	<u>Finding and Recommendation</u>
	<u>HUMAN SERVICES</u>
	CASH MANAGEMENT
	<i>Significant Deficiency</i>
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant
	Federal Award Number and Year: Various
08-12	<u>Controls over Cash Management Should Be Strengthened</u>
	<i>Finding:</i>
	<p><i>The Code of Federal Regulations (45 CFR Section 92.20) requires that effective controls and accountability must be maintained for all grant and subgrant cash, real and personal property and other assets. While performing testwork on 40 federal cash draws at the Mississippi Department of Human Services, we noted two instances in which there was no supervisory review performed on the draws to ensure they were properly calculated and supported by program costs recorded in the agency accounting records. Agency policies and procedures do not require a supervisory review of federal cash draws be performed when funds are drawn by the Director of Grants Management.</i></p>
	<p>Good internal controls require duties to be properly segregated to prevent both the initiation and authorization of a transaction by a single individual. Adequate controls should be in place to ensure federal funds are not drawn in excess of program costs recorded in the agency records. The failure to properly segregate duties and have a documented independent supervisory review and approval of the federal cash draws could result in errors or fraud occurring and not being detected in a timely manner.</p>
	<i>Recommendation:</i>
	<p>We recommend the Mississippi Department of Human Services strengthen controls over the preparation of federal cash draws by implementing new policies and procedures to ensure that no individuals have the capability to both initiate and approve an entire transaction.</p>

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

HUMAN SERVICES

DAVIS-BACON ACT

Material Weakness

Material Noncompliance

93.667

Social Services Block Grant

Federal Award Number and Year: G-0601MSSORS, 2006

Questioned Costs: \$21,000,000

08-13

Agency Should Ensure Compliance with the Davis-Bacon Act

Finding:

During fiscal year 2006, the Mississippi Department of Human Services-Division of Social Services Block Grant received federal emergency disaster funds (Katrina Funds). Per review of the 2006 annual report for the Social Services Block Grant on the Department of Health and Human Services - Administration for Children and Families website, Mississippi has spent approximately \$21 million in Katrina funds on construction. These funds were used for construction in those areas of the state which were severely damaged by hurricane Katrina.

The Davis-Bacon Act requires all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by federal assistance funds be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U. S. Department of Labor (40 USC 276a to 276a-7). Non-federal entities are required to include in their construction contracts which are subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the U.S Department of Labor regulations (29 CFR Part 5), "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction." This includes a requirement for the contractor and/or lower-tier contractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

The Division of Program Integrity within the Mississippi Department of Human Services was assigned the responsibility and received Katrina Funds to conduct on-site monitoring reviews of the Katrina contracts including the lower-tier contracts for compliance with federal regulations. However, testwork performed on eight (8) contracts that contained construction projects in excess of \$2,000 financed by federal assistance funds during fiscal year 2008 revealed eight instances in which there was no evidence of compliance with the Davis-Bacon Act on file at the agency. There were no monitoring files, copies of the payrolls or statements of certifications available for review at the time of testwork.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

Conversations with and documentation obtained from the Division of Program Integrity staff revealed that no monitoring procedures specific to compliance with the Davis-Bacon Act had been completed on the Katrina contracts as of the date of fieldwork. Thus we were unable to verify compliance with the Davis-Bacon Act.

The failure to verify and document compliance with the Davis-Bacon Act could result in questioned costs and could result in funds due back to the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Human Services implement control procedures to ensure compliance with the Davis-Bacon Act requirements for the Social Services Block Grant (SSBG). We further recommend the agency immediately implement procedures to determine if the subrecipients receiving funding under the SSBG grant complied with Davis-Bacon Act requirements. Documentation of such compliance should be maintained and readily available for audit review.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

HUMAN SERVICES

ELIGIBILITY

Significant Deficiency

93.568

Low-Income Home Energy Assistance

Federal Award Number and Year: G-08B1MSLIEA, 2008

08-14

Controls over Eligibility Determinations Should Be Strengthened

Finding:

The United States Code (42 USC 8624) allows that state grantees of the Low-Income Home Energy Assistance program (LIHEAP) may provide assistance to: (a) households in which one or more individuals are receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, or certain needs-tested veterans benefits; or (b) households with incomes which do not exceed the greater of 150 percent of the State's established poverty level, or 60 percent of the State median income.

The Mississippi Department of Human Services (MDHS)-Division of Community Services (DCS) administers the LIHEAP program. DCS has designated that eligibility determination will be performed by the local administrative agencies that receive subgrant funds. DCS relies upon MDHS's Office of Monitoring to ensure eligibility is properly determined and meets program requirements as part of on-site monitoring visits. The MDHS Subgrantee Manual states on-site reviews for program compliance are required to be conducted at least once during the subgrant period for every MDHS subgrant. Eligibility testwork performed at MDHS revealed that 10 out of the 20 local administrative agencies, or 50 percent, that were granted LIHEAP funds had not received on-site visits from MDHS monitors.

Good internal controls require the agency to have adequate control procedures in place to ensure compliance with federal regulations. Failure to properly monitor each local agency for compliance with eligibility requirements could result in noncompliance with federal regulations. As a result questioned costs could occur and not be detected in a timely manner.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen internal controls over eligibility determinations for the Low - Income Home Energy Assistance program by ensuring eligibility reviews are performed at least once during the subgrant period for each local administrative agency.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

HUMAN SERVICES

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Significant Deficiency
Immaterial Noncompliance

93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award Number and Year: G-0501MSCCDF, 2005 and
G-0601MSCCDF, 2006

Questioned Costs: \$2,410,505

08-15 Agency Should Comply with Period of Availability of Federal Funds Requirements

Finding:

The Child Care and Development Block Grant contains three types of funds; Discretionary, Matching and Mandatory. The *Code of Federal Regulations* (45 CFR 98.60) designates that the Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year. Both the Federal and non-Federal share of the Matching Funds shall be obligated in the fiscal year in which the funds are granted and liquidated no later than the end of the succeeding fiscal year. Mandatory Funds for States requesting Matching Funds shall be obligated in the fiscal year in which the funds are granted and are available until expended. Any funds not liquidated by the end of the applicable liquidation period specified will revert to the Federal government. The *Code of Federal Regulations* (45 CFR 92.3) defines obligations for the grant as the amount of orders placed, contracts and subgrants awarded, goods or services received and similar transactions during a given period that will require payment by the grantee during the same or future period.

During period of availability of federal funds testwork at the Mississippi Department of Human Services, we tested the 2005 Discretionary Funds and the 2006 Matching Funds which have an obligation deadline of September 30, 2006 and a liquidation deadline of September 30, 2007 for compliance. Testwork revealed contracts/subgrants totaling \$1,038,352 were charged to the 2005 Discretionary Fund which were not obligated prior to the deadline of September 30, 2006. The contracts/subgrants had not been awarded as of September 30, 2006. Therefore, these costs charged to the program would not be allowable costs per federal regulations. In addition, it could not be determined if the obligation and liquidation requirements were met on costs totaling \$1,372,153 which were charged to the 2006 Matching Fund.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding
Number

Finding and Recommendation

These costs were charged to the program through an adjustment to the accounting records. Adequate documentation was not available to identify the specific contracts/subgrants related to the costs charged to the program for this adjustment.

Therefore, it could not be determined if these were allowable costs for the program. Federal funds were drawn and received in the amount \$2,410,505 for the above mentioned costs charged to the program.

Good internal controls require that adequate controls be in place to ensure only obligations occurring during the period of availability are charged to the program and to ensure liquidation of all obligations incurred under the award within the liquidation deadline. Without adequate controls in place, the agency may charge costs in violation of federal regulations that would result in questioned costs. Noncompliance with period of availability requirements could effect future funding.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen control procedures to ensure compliance with the Child Care and Development Block Grant period of availability of federal funds requirements. We further recommend the agency contact the federal grantor to determine the necessary corrective action regarding the \$2,410,505 charged inappropriately to the programs.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

<u>CFDA/Finding Number</u>	<u>Finding and Recommendation</u>
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HUMAN SERVICES

REPORTING

Significant Deficiency

93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year: Various

08-16	<u>Federal Financial Reports Should Agree with Accounting Records</u>
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Finding:

The Mississippi Department of Human Services (MDHS) has been designated as the state agency to administer several federal block grants awarded by the U.S. Department of Health and Human Services (Department). The *Code of Federal Regulations* (45 CFR Section 96.30) requires that the State's fiscal and accounting procedures must be sufficient to permit preparation of reports required by statute authorizing the block grant and permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statutes authorizing the block grant. The State is required to report to the Department the total funds obligated and the total funds expended by the grantee during the appropriate statutory periods.

While performing testwork on the Low-Income Home Energy Assistance program, the Child Care and Development Block Grant, the Child Care Development Funds and the Social Services Block Grant at the agency, we noted that the federal financial reports for the programs did not agree with the accounting records for the same time periods. The differences noted were due to adjustments being made to the federal reports but not being posted to the accounting records promptly. These adjustments ranged in amounts from \$560 to \$2,135,000.

Good internal controls dictate a detailed supervisory review of federal reports and comparison of the reports to the accounting records be performed prior to submission to the grantor agency. Failure to ensure the federal reports properly agree to the financial records could result in inaccurate financial information being reported to the grantor agency.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

Recommendation:

We recommend the Mississippi Department of Human Services strengthen internal controls to ensure a detailed supervisory review of the federal financial report and comparison of these reports to the accounting records is performed before the reports are submitted to the grantor agency. Reports submitted to the federal grantor agency should agree with the agency's accounting records. We further recommend the accounting records reflect adjustments made in the federal program area, as appropriate, in a timely manner.

HUMAN SERVICES

SUBRECIPIENT MONITORING

Significant Deficiency

93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year: Various

08-17 **Controls over Subrecipient Monitoring Should Be Strengthened**

Finding:

The *Code of Federal Regulations* (45 CFR Part 92.40, Part 96 and Part 98) designates the Mississippi Department of Human Services (MDHS) for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements, and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity. The MDHS's Division of Program Integrity - Office of Monitoring has developed monitoring procedures that require an on-site visit to take place at least once during the subgrant period to ensure compliance with all applicable federal regulations. MDHS has a tracking mechanism in place to ensure all subgrantees are properly identified and monitored. Monitoring tools/checklists are used during the on-site monitoring review to provide guidance and to document a review was performed. The monitoring workpapers are reviewed and approved by supervisory personnel prior to issuance of a written report to the subgrantees/subrecipients.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

**CFDA/Finding
Number**

Finding and Recommendation

During testwork performed on subrecipient on-site monitoring for 40 subgrantees during fiscal year 2008, we noted the following weaknesses.

- Three instances, or 7.5 percent, in which the monitoring staff failed to properly complete the fiscal monitoring tool. The staff had not documented that costs per the subgrantee's reporting worksheets and the amount of cash requested agreed to the subgrantee's accounting records.
- Two instances, or 5 percent, in which the programmatic monitoring tool was not properly completed.
- Three instances, or 7.5 percent, in which there was no evidence of proper review and approval of the monitoring workpapers.

Also, testwork revealed monitoring visits had not been performed on all of the active subgrants. During fiscal year 2007, approximately 70 of the 460 active subgrants were not monitored and approximately 15 of the 296 subgrants from fiscal year 2006 had not been monitored. In addition, testwork revealed adequate follow-up procedures were not in place to ensure the timely resolution of monitoring findings and questioned costs. Numerous subgrants had unresolved questioned costs for more than one year. Many of these subrecipients continue to receive federal funding.

Good internal controls require monitoring workpapers receive adequate supervisory review to ensure completeness and propriety. The funding divisions rely upon the monitoring procedures to verify compliance with program regulations and to identify potential problem areas that may need to be addressed. The failure to properly monitor the subgrants could allow noncompliance with federal regulations to occur and go undetected resulting in questioned costs.

Recommendation:

We recommend the Mississippi Department of Human Services' Division of Program Integrity - Office of Monitoring strengthen its existing internal controls over subrecipient on-site monitoring. All active subgrants should receive on-site monitoring visits. Any findings or questioned costs noted during the visits/reviews should be followed up on and resolved in a timely manner. Greater care should be taken during the supervisory review process to ensure the completeness of monitoring files.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

<u>CFDA/Finding Number</u>	<u>Finding and Recommendation</u>
	<u>MENTAL HEALTH</u>
	DAVIS-BACON ACT
	<i>Significant Deficiency</i>
93.667	Social Services Block Grant Federal Award Number and Year: G0601MSS0SR, 2006
08-18	<u>Controls Should Be Strengthened over Davis-Bacon Act Requirements</u> <i>Finding:</i> The Mississippi Department of Mental Health receives Social Services Block Grant (SSBG) funds from the Mississippi Department of Human Services. The repair, renovation or construction of real property is not an allowable cost /activities allowed under the regular Social Services Block Grant. However, the Department of Defense Act of 2006 (Public Law 109-148), also known as the Emergency Supplemental Appropriation Act provided \$550 million in Social Services Block Grant funding to address the social and health services (including mental health) needs of individuals, and for the repair, renovation and construction of health facilities (including mental health) affected by the 2005 Gulf Coast hurricane. These funds, commonly referred to as SSBG Katrina Funds, were awarded to the Mississippi Department of Human Services (MDHS) for administration. The Mississippi Department of Mental Health (MDMH) received SSBG Katrina Funds from MDHS, some of which were awarded to subrecipients for the repair, renovation and/or construction of mental health facilities. The Davis-Bacon Act requires all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by federal assistance funds be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U. S. Department of Labor (40 USC 276a to 276a-7). Non-federal entities are required to include in their construction contracts which are subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the U. S. Department of Labor regulations (29 CFR Part 5), "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction". This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). On September 8, 2005, President Bush signed a proclamation suspending the Davis-Bacon Act in the areas seriously affected by the devastation resulting from Hurricane Katrina. This waiver covered all counties in the State of Mississippi. This waiver was to remain in effect until rescinded by the President. This waiver was subsequently rescinded on November 8, 2005. Therefore, the Davis-Bacon Act would apply to the SSBG Katrina Funds at MDMH.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (concluded)

CFDA/Finding
Number

Finding and Recommendation

When testing the requirements of the Davis-Bacon Act at the Mississippi Department of Mental Health, we found that the agency failed to include in its contracts with subrecipients a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations (29 CFR Part 5), "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction."

Good internal control procedures require the inclusion of all applicable federal grant requirements in the lower tier subgrant contracts. Without adequate notification of all grant requirements, the lower tier subgrantees may not comply with federal regulations resulting in the suspension or loss of future federal funding.

Recommendation:

We recommend that the Mississippi Department of Mental Health strengthen controls over lower tier subgrant contracts to ensure compliance with the requirements of the Davis Bacon Act.

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 3 - Federal Award Findings and Questioned Costs (concluded)

U. S. DEPARTMENT OF HOMELAND SECURITY

CFDA/Finding
Number

Finding and Recommendation

PUBLIC SAFETY

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program

Federal Award Number and Year: Various

08-19 Reviews of Subrecipient Reimbursement/Advance Requests Should Be Documented

Finding:

While performing testwork at the Department of Public Safety on the Homeland Security cluster for fiscal year 2008, we noted the agency was not documenting the review of subrecipient reimbursement/advance requests. While it appears the agency has a review process in place, all reviews of requests for reimbursement/advances by subrecipients should be documented. Without documentation of review of the subrecipient's request for reimbursement/advance, there is no adequate audit trail established. Requests for reimbursement/advances could bypass the review process and result in unallowable costs being charged to the grant.

Recommendation:

We recommend that Department of Public Safety ensure the review process is documented. The reviewer should initial the request for reimbursement/advance signaling approval, or an internal log should be kept documenting the date, what is being approved, and who is approving.

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II. SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS



STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Instructions to Management

Each state grantee agency included in the prior year Single Audit Report for the State of Mississippi prepared a summary schedule of prior federal audit findings as required by OMB Circular A-133, Section 315 (b). In order to provide a systematic approach for reporting, agencies were asked to follow the format listed below.

For each prior year federal audit finding, the agency should include the following: (1) finding identification including finding number, finding heading, *Catalog of Federal Domestic Assistance* (CFDA) number and program name, (2) current status, and (3) planned corrective action, if required. These items are discussed below:

- (1) Each finding number, finding heading, CFDA number and program name should be listed in the same sequence as presented in the prior year Single Audit Report.
- (2) The current status should be identified with one of the following terms:
 - a. "Fully Corrected" - All corrective action has been taken.
 - b. "Partially Corrected" - Some, but not all, corrective action has been taken.
 - c. "Not Corrected" - Corrective action has not been taken.
 - d. "Not Valid" - Finding is no longer valid and does not warrant further action.
- (3) Corrective action should be noted for findings that are not identified as "Fully Corrected."
 - a. When audit findings are "Partially Corrected" or "Not Corrected," describe the planned corrective action as well as any partial corrective action taken.
 - b. When audit findings are "Not Valid," describe the reasons the findings are no longer considered valid or do not warrant further action.

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STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

INDEX LISTED BY FINDING NUMBER

<u>FINDING NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>	<u>PAGE NUMBER</u>
06-01	Mississippi Development Authority	131
06-02 *e	Mississippi Development Authority	131
06-03	Mississippi Development Authority	132
06-04 *f	Mississippi Development Authority	132
06-05 *c	Finance and Administration	123
06-14	Education	121
06-15	Education	121
06-16 *a	Education	121
06-23	Public Safety	135
06-24	Public Safety	135
06-29 *g	Health	125
06-30 *g	Health	125
06-31 *g	Health	125
07-01*b	Education	121
07-02	Education	122
07-03	Education	122
07-04	Military	129
07-05	Military	129
07-06	Public Safety	135
07-07	Public Safety	135
07-08	Public Safety	135
07-09	Public Safety	136
07-10	Mississippi Development Authority	132

STATE OF MISSISSIPPI
Summary Schedule of Prior Federal Audit Findings
Index Listed by Finding Number (concluded)

<u>FINDING NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>	<u>PAGE NUMBER</u>
07-11*e	Mississippi Development Authority	132
07-12	Human Services	127
07-13*d	Human Services	128
07-14	Mississippi Development Authority	133
07-19	Health	126
07-20*g	Health	126
07-21*g	Health	126
07-22*g	Health	126

*a Management indicates the finding was partially corrected. For audits of fiscal years 2007 and 2008, a similar finding was issued in a separate communication.

*b Management indicates this finding was partially corrected. Current year finding 08-02 was written.

*c Management indicates this finding was not corrected and is currently in negotiations with the federal government to determine disposition. Current year finding 08-04 was written for similar problems noted during the current year.

*d Management indicates this finding was partially corrected. Current year finding 08-17 was written for similar problems noted during the current year.

*e Management indicates prior year findings 06-02 and 07-11 were fully corrected; however, current year finding 08-06 was written for problems noted in the current year.

*f Management indicates that prior year finding 06-04 was not corrected; however, testwork performed for fiscal 2007 did not reveal problems and no fiscal year finding was written – the program was not audited for fiscal year 2008.

*g Management indicates these prior year findings were partially corrected. Current year findings were written for recurring problems.

STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

INDEX LISTED BY STATE GRANTEE AGENCY

<u>STATE GRANTEE AGENCY NAME</u>	<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>
Education	06-14	121
Education	06-15	121
Education	06-16	121
Education	07-01	121
Education	07-02	122
Education	07-03	122
Finance and Administration	06-05	123
Health	06-29	125
Health	06-30	125
Health	06-31	125
Health	07-19	126
Health	07-20	126
Health	07-21	126
Health	07-22	126
Human Services	07-12	127
Human Services	07-13	128
Military	07-04	129
Military	07-05	129

STATE OF MISSISSIPPI
Summary Schedule of Prior Federal Audit Findings
Index Listed by State Grantee Agency (concluded)

<u>STATE GRANTEE AGENCY NAME</u>	<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>
Mississippi Development Authority	06-01	131
Mississippi Development Authority	06-02	131
Mississippi Development Authority	06-03	132
Mississippi Development Authority	06-04	132
Mississippi Development Authority	07-10	132
Mississippi Development Authority	07-11	132
Mississippi Development Authority	07-14	133
Public Safety	06-23	135
Public Safety	06-24	135
Public Safety	07-06	135
Public Safety	07-07	135
Public Safety	07-08	135
Public Safety	07-09	136



**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION**

Hank M. Bounds
State Superintendent of Education

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2008**

06-14 Controls over Monitoring Subrecipient Audit Requirements Should Be Strengthened

CFDA 10.558 Child and Adult Care Food Program

FULLY CORRECTED

06-15 Controls over Comparability Requirement Should Be Strengthened

CFDA 84.010 Title I Grants to Local Educational Agencies

FULLY CORRECTED

06-16 Controls over Reporting for Special Test and Provisions Should Be Strengthened

CFDA 84.010 Title I Grants to Local Educational Agencies

PARTIALLY CORRECTED

07-01 Controls over Earmarking Requirement Should Be Established

CFDA 84.010 Title I Grants to Local Educational Agencies

PARTIALLY CORRECTED

07-02 Controls over Monitoring Subrecipient Audit Requirements Should Be Strengthened

CFDA 10.558 Child and Adult Care Food Program

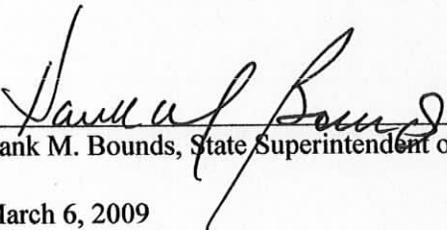
FULLY CORRECTED

07-03 Controls over Comparability Requirement Should Be Strengthened

CFDA 84.010 Title I Grants to Local Educational Agencies

FULLY CORRECTED

Signed:



Hank M. Bounds, State Superintendent of Education

Date: March 6, 2009



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR

DEPARTMENT OF FINANCE AND ADMINISTRATION
J.K. STRINGER, JR.
EXECUTIVE DIRECTOR

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2008

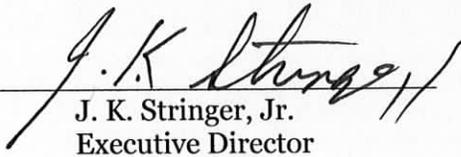
06-05 Transfers from Self-Insurance Funds Should Not Include Federal Funds

93-UN Various

Not Corrected

Based on discussions with the federal DHHS negotiator assigned to the State of Mississippi, it is our understanding that the determination of refunds required by the federal government will be made in conjunction with the review and approval of the applicable year's Statewide Cost Allocation Plan. When the FY 2008 plan is submitted to the federal government, we will provide information about the FY 2006 transfers and begin the negotiation process to determine appropriate action.

Signed: _____


J. K. Stringer, Jr.
Executive Director

Date: _____

NOV 12, 2008

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MISSISSIPPI STATE DEPARTMENT OF HEALTH

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2008**

06-29 Controls over Time Study Procedures Should Be Strengthened

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

CFDA # 93.991 Preventive Health and Health Services Block Grant

PARTIALLY CORRECTED

Time Study procedures and processes are under new administration review with emphasis toward automation of the process and required information being entered by the individual at the time of activity.

06-30 Time Study Allocation System Edits and Processes Should Be Improved

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

CFDA # 93.991 Preventive Health and Health Services Block Grant

PARTIALLY CORRECTED

Time Study procedures and processes are under new administration review with emphasis toward automation of the process and required information being entered by the individual at the time of activity.

06-31 MWITS Application System's Reliability Should Be Improved

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

PARTIALLY CORRECTED

The Mississippi WIC Project team determined that MSDH will be able to accept and transfer the SPIRIT system solution with only minor modifications to the baseline SPIRIT system, to fully satisfy Mississippi's WIC clinical requirements for an automated solution. In addition to the SPIRIT implementation, MSDH will also integrate an Inventory Management solution to

facilitate the Food Distribution requirements. Implementation of this project is to begin October 2009.

07-19 Controls over Payments to Subrecipients Should Be Strengthened

CFDA # 93.667 Social Services Block Grant

FULLY CORRECTED

07-20 Controls over Time Study Procedures Should Be Strengthened

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

PARTIALLY CORRECTED

Time Study procedures and processes are under new administration review with emphasis toward automation of the process and required information being entered by the individual at the time of activity.

07-21 Controls Should Be Strengthened to Ensure Compliance with Period of Availability Requirements

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

PARTIALLY CORRECTED

Due to the volume of transactions processed by the agency, human errors will always occur. However, we will continue efforts to ensure expenditures are paid from the proper grant award.

07-22 MWITS Application System's Reliability Should Be Improved

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

PARTIALLY CORRECTED

The Mississippi WIC Project team determined that MSDH will be able to accept and transfer the SPIRIT system solution with only minor modifications to the baseline SPIRIT system, to fully satisfy Mississippi's WIC clinical requirements for an automated solution. In addition to the SPIRIT implementation, MSDH will also integrate an Inventory Management solution to facilitate the Food Distribution requirements. Implementation of this project is to begin October 2009.

Signed: 
F.E. Thompson, Jr., MD, MPH
State Health Officer

Date: 3/26/08



STATE OF MISSISSIPPI
HALEY REEVES BARBOUR, GOVERNOR
DEPARTMENT OF HUMAN SERVICES
DON THOMPSON
EXECUTIVE DIRECTOR

October 17, 2008

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

The following are our responses and corrective action plans to the prior year audits for the year 2007.

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2008

07-12 Controls over Period of Availability Should be Strengthened

93.667 Social Services Block Grant

FULLY CORRECTED

Stacey Pickering
October 17, 2008
Page 2

07-13 Controls over Sub Recipients Monitoring Should be Strengthened

93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care Development Fund
93.667	Social Services Block Grant

PARTIALLY CORRECTED

The Director of the Office of Monitoring, Division of Program Integrity is reviewing each monitoring instrument as the monitoring reports are submitted for signature to ensure that all pages of each instrument are fully/accurately completed and initialed by the applicable monitoring supervisor.

As of June 30, 2008, the finding was not fully corrected. However, as of the current date, the finding is FULLY CORRECTED.

Signed: 
Donald Thompson, Executive Director

Date: 10-17-08



STATE OF MISSISSIPPI
MILITARY DEPARTMENT

THE ADJUTANT GENERAL'S OFFICE
POST OFFICE BOX 5027
JACKSON, MISSISSIPPI 39296-5027



Summary Schedule of Prior Federal Audit Findings
For the year ended June 30, 2008

07-04: Construction in Progress

CFDA #12.401 National Guard Military Operations and Maintenance (O & M) Projects
CFDA #12.402 National Guard Special Military Operations and Projects

Fully Corrected

07-05: Inventory Valuation and Physical Inventory Count

CFDA #12.401 National Guard Military Operations and Maintenance (O & M) Projects
CFDA #12.402 National Guard Special Military Operations and Projects

Fully Corrected

William L. Freeman Jr.
Major General(MS), Mississippi National Guard
The Adjutant General of Mississippi

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STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
GRAY SWOOPE
EXECUTIVE DIRECTOR

Summary Schedule of Prior Federal Audit Findings

November 14, 2008

Office of the State Auditor
State of Mississippi
Attn: Rob Robertson
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Robertson:

This letter is in response to your request concerning the Summary Schedule of Prior Federal Audit Findings for the Mississippi Development Authority (MDA). Our responses are as follows:

06-01

Controls Over Program Income Should Be Strengthened.

CDFA 14.239 - HOME Investment Partnerships Program

Status:

(b) (1) Audit findings were fully corrected.

Corrective Action Plan:

Corrective action was taken.

06-02

Controls Over Sub-recipient Monitoring Should Be Strengthened.

CDFA 14.228 – Community Development Block Grant/State's Program

Status:

(b) (1) Audit findings were fully corrected.

Corrective Action Plan:

Corrective action was taken from 07-11 Testwork Management Response.

06-03

Controls Over Sub-recipient Monitoring Should Be Strengthened.

CDFA 14.239 – Home Investment Partnerships Program

Status:

(b) (1) Audit findings were full corrected.

Corrective Action Plan:

Corrective action was taken.

06-04

Controls Over Period of Affordability Inspections Should be Strengthened.

CDFA 14.239 – HOME Investment Partnerships Program

Status:

(b) (2) Audit findings have not been corrected.

Corrective Action Plan:

MDA is in the process of reviewing and updating the HOME monitoring Electronic system to insure key attributes of data are captured for each project, and validating that the system functions as it should when identifying projects that are up for review. In the interim, to assure compliance with federal regulation, each HOME program monitor will maintain a manual tickler file to ensure inspections are performed on a timely basis.

Corrective action has not been taken due to the current backlog of financial reconciliations and data interface between Accounting and CSD.

07-10

Controls over Monitoring Sub-recipient Audit Requirements Should be Strengthened

CDFA 14.228 Community Development Block Grant/State's Program

Status:

(b) (1) Audit Findings were fully corrected.

Corrective Action Plan:

Corrective action was taken from 07-10 Testwork Management Response

07-11

Controls Over Sub-recipient Monitoring Should be Strengthened

CDFA 14.228 Community Development Block Grant/Stat's Program

Status:

(b) (1) Audit finding was fully corrected.

Correction Action Plan:
Corrective Action was taken from 07-11 Testwork Management Response.

07-14

Information Technology Applications Internal Audit Report Should Be Complete

CDFA 14.228 Community Development Block Grant/Stat's Program

Status:
(b) (1) Audit finding was fully corrected.

Corrective Action Plan:
As the value of receiving a completed Information Technology Audit Report (ITAR) diminished with the progression and approaching closeout of the programs utilizing the audited applications, MDA Disaster Recovery instead required that Reznick MS compensate the program for the costs of the audit.

The total amount sub-contractor CVP billed Reznick MS for the ITAR was \$595,724.45 (excluding a 7.5% contractual administrative fee applied by Reznick). Reznick MS modified the billings from CVP and split the costs among various categories (e.g., project management, etc.) prior to billing MDA. The end result was a total ITAR cost of \$126,611.24 (\$117,777.90 plus \$8,833.34 administrative fee). MDA credited this amount against Reznick MS invoices. In addition to the credit, Reznick MS provided MDA with a signed affidavit from CVP providing assurance that the entire amount should not have been billed as ITAR fees, that the total cost CVP billed for the ITAR was \$117,777.90 and the remaining amounts were for project management, work orders, and other operational activities.

MDA Disaster Recovery also strengthened controls for the review and approval of vendor invoices to include more stringent scrutiny and documentation standards.

Sincerely,


Gray Swoope
Executive Director

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STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
DEPARTMENT OF PUBLIC SAFETY
STEPHEN B. SIMPSON, COMMISSIONER

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2008

- 06-23 Agency Should Comply with Subrecipient Audit Requirements

CFDA#20.600 State and Community Highway Safety

FULLY CORRECTED
- 06-24 Agency Should Comply with Subrecipient Audit Requirements

CFDA#97.004 State Domestic Preparedness Equipment Support Program

FULLY CORRECTED
- 07-06 Documentation Supporting Allowable Costs Should Be Maintained

CFDA #16.523 Juvenile Accountability Incentive Block Grants
CFDA #16.738 Edward Byrne Memorial Justice Assistance Grant Program

FULLY CORRECTED
- 07-07 Controls over Federal Reimbursement and Reporting Should Be Strengthened

CFDA#20.600 State and Community Highway Safety

FULLY CORRECTED
- 07-08 Agency Should Comply with Subrecipient Audit Requirements

CFDA#20.600 State and Community Highway Safety

FULLY CORRECTED

Summary Schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2008
March 5, 2009
Page Two

07-09 Agency Should Comply with Subrecipient Audit Requirements
CFDA#97.004 State Domestic Preparedness Equipment Support Program
FULLY CORRECTED

Signed: 
Stephen B. Simpson
Commissioner

Date: 3-11-09

III. MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS



STATE OF MISSISSIPPI

**MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2008
Instructions to Management**

In order to provide a systematic approach for agencies to respond to audit findings, the management of each agency was requested to follow the instructions listed below in preparation of the formal response to single audit findings and the corrective action plan.

For each AUDIT FINDING, the agency should include the following: (1) *Catalog of Federal Domestic Assistance* (CFDA) number and program name, (2) type of compliance requirement, (3) audit finding number and finding heading, (4) response, and (5) corrective action plan. These items are discussed below:

1. Each CFDA number and program name should be listed in the same sequence presented in the management letter. The entire finding is not required to be repeated.
2. Each type of compliance requirement should be listed in the same sequence as presented in the management letter.
3. Each audit finding number and finding heading should be listed separately in the same sequence as presented in the management letter. The entire finding is not required to be repeated.
4. Responses of the agency to audit findings should be included directly below each audit finding heading. For each response, the agency should state whether they concur or do not concur with the individual finding and recommendation and the reasons why.
5. After an audit finding heading has been listed along with the corresponding agency response, the plan for corrective action should be listed using the following format:
 - a. Specific steps to be taken to correct situation.
 - b. Name(s) of the contact person(s) responsible for corrective action.
 - c. Anticipated completion date for corrective action.
 - d. Specific reasons why corrective action is not necessary, if applicable.

OMB Circular A-133, Section 400 requires audit findings to be resolved between federal agencies and audited agencies within six months after the receipt of the single audit report by the federal government. Audited agencies should maintain permanent files on all correspondence with the federal government during the audit resolution process. Federal agencies may ask for additional information pertaining to audit findings.

On the following pages, we have compiled the formal response to the findings and recommendations and the corrective action plan of each agency's management.

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**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION**

Hank M. Bounds
State Superintendent of Education

SINGLE AUDIT FINDINGS

March 16, 2009

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Pickering:

In accordance with your correspondence dated March 9, 2009, the Mississippi Department of Education is providing the following responses and corrective action plans for the single audit findings for the fiscal year ended June 30, 2008:

AUDIT FINDINGS:

84.010 Title I Grants to Local Educational Agencies

Matching, Level of Effort, Earmarking

08-01 Controls over Maintenance of Effort Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education - Office of Federal Financial Management has strengthened controls to ensure that the spreadsheet used to calculate Maintenance of Effort for school districts is independently reviewed to ensure data is properly calculated.

B. Name of the contact person responsible for corrective action:

Melba Beasley, Director
Office of Federal Financial Management

C. Anticipated completion date for corrective action:

Procedures have been implemented.

84.010 Title I Grants to Local Educational Agencies

Matching, Level of Effort, Earmarking

08-02 Controls over Earmarking Requirement Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education – Offices of Innovative Support and Federal Financial Management modified the FY08 Consolidated Federal Programs Application to require LEA's to provide specific data on choice related transportation and supplemental service allocations. In addition, LEA's must provide an explanation for allocating amounts less than the 20 percent required set-aside. We will take greater care to ensure that explanations by LEA's, for allocating less than the 20 percent set-aside, are adequate and properly documented.

B. Name of the contact person responsible for corrective action:

Quentin Ransburg, Director
Office of Innovative Support

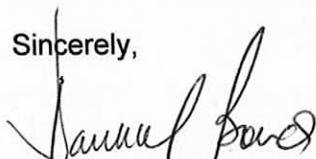
Melba Beasley, Director
Office of Federal Financial Management

C. Anticipated completion date for corrective action:

Procedures have been implemented.

Should you have any questions or need additional information, do not hesitate to contact me.

Sincerely,



Hank M. Bounds
State Superintendent of Education



MISSISSIPPI DEPARTMENT *of* EMPLOYMENT SECURITY

OFFICE OF THE GOVERNOR

Ms TOMMYE DALE FAVRE

EXECUTIVE DIRECTOR

Financial Audit Findings

Stacey Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

February 17, 2009

Dear Mr. Pickering:

The Mississippi Department of Employment Security appreciates this opportunity to submit responses to the audit findings for the year ended June 30, 2008 for Enterprise Fund 8191.

Audit Findings:

Finding 2008-15

Response: MDES agrees that an overstatement of receivables resulted from a lapse of procedures that were in place to prevent excessive assessments from occurring. The condition was identified during 2007 and addressed by the MDES quickly. MDES now has a system to cap assessments at \$1,000 in cases where there is no historical basis (employer has never filed a tax report) for establishing a reasonable assessment.

Corrective Action Plan:

- A. The new procedures are electronic and will be randomly reviewed by supervisory staff in the Tax Department (unit supervisor) each quarter after the assessments are made to ensure that the process is functioning properly. The Tax Department manager will also review this process annually to ensure that the assessments are reasonable.
- B. Contacts for this corrective action are Erin Landrum, Department Chief and Dale Smith, Director, Office of Customer Operations Support.
- C. Currently in place.
- D. N/A

Finding 2008-16

Response: MDES accepts this finding. Proper supervisory reviews and necessary reports are being developed to ensure that delinquent accounts information is properly recorded and

maintained. Each account that is flagged to not receive a delinquent action for a quarter has the flag changed back so the appropriate action will be processed in future quarters.

Corrective Action Plan:

- A. New programs are under development that will provide management/supervisory reports to review occurrences of such events. Supervisory and management staff will periodically review and provide training to staff found deficient in this area. Further, suggested logs are maintained for review to ensure that employer accounts are properly flagged. Financial statement preparation has been modified to ensure proper reporting of receivable amounts.
- B. Contacts for this corrective action are Erin Landrum, Department Chief and Dale Smith, Director, Office of Customer Operations Support.
- C. Workforce Enhancement Training Account receivables have been separated from UI Contributions receivables and are accounted for separately. Necessary reports are under development. Expected completion date is June 2009.
- D. N/A

Sincerely,



Ms. Tommye Dale Favre
Executive Director



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR

DEPARTMENT OF FINANCE AND ADMINISTRATION
KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR

March 19, 2009

SINGLE AUDIT FINDING

Honorable Stacey E. Pickering
State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

The following is our response to the finding and recommendation contained in your Single Audit Management Report dated March 6, 2009.

AUDIT FINDING:

93.UN Various

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

08-04 Transfers from Self-Insurance Funds Should Not Include Federal Funds

Response: We concur with this finding.

Corrective Action Plan:

- A. Based on discussions with the federal DHHS negotiator assigned to the State of Mississippi, it is our understanding that the determination of refunds required by the federal government will be made in conjunction with the review and approval of the applicable year's Statewide Cost Allocation Plan. When the proposed FY 2010 plan is submitted to the federal government, we will submit information about the FY 2008 transfer and begin the negotiation process to determine appropriate action.

Honorable Stacey E. Pickering

Page 2

March 19, 2009

- B. Mrs. Leila Malatesta, Director of the Office of Fiscal Management, will be responsible for coordinating the corrective action.
- C. Final settlement of this issue will depend on review of the state's SWCAP for FY 2010 by the federal cognizant agency and subsequent negotiations with the federal government.
- D. Not applicable.

If you should need additional information concerning this response, please let me know.

Sincerely,



Kevin J. Upchurch

KJU/SPL/jac



MISSISSIPPI STATE DEPARTMENT OF HEALTH

March 20, 2009

SINGLE AUDIT FINDINGS

Honorable Stacey E. Pickering
State Auditor
Office of the State Auditor
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

Enclosed for your review are the responses and corrective action plans for the Single Audit Findings for the Mississippi State Department of Health for the Fiscal Year ended 2008.

AUDIT FINDINGS:

CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants, and Children
CFDA #93.268 Immunization

ALLOWABLE COSTS/ COST PRINCIPLES

08-08 Controls Over Time Study Procedures Should Be Strengthened

MSDH acknowledges that the Time Study Process is a paper and resource intensive, antiquated and outdated approach to the Time Study Process that needs to be replaced.

As a result of the audit the IS Department is in the process of reviewing online data entry systems that will allow the required data to be entered by the individual performing the activity. Three courses of action are currently being reviewed: 1- suitable applications that can be transferred from another state agency, 2- current off the shelf (COTS) programs, 3- develop an application in-house. Below is an estimated timeline for implementation of a Time Study Program Application:

04/30/2009	Determination of course of action 1, 2, or 3
07/31/2009	Q/A testing in selected MSDH county facilities
10/30/2009	Statewide implementation complete

CFDA #93.667 Social Services Block Grant

Federal Award Number and Year: G-601 MSSOSR, 2006

DAVIS-BACON ACT

08-09 Controls Should Be Strengthened over Davis-Bacon Act Requirements

MSDH acknowledges that even though a statement is included in all current sub-grant contracts that require all sub-grantees to comply with all applicable Federal Regulations, compliance with the Davis –Bacon Act is not spelled out.

All current sub-grant contracts will be amended to say that all Federal Regulations, including but not limited to the Davis-Bacon Act must be followed. This statement will be used in new contracts as well.

CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

PERIOD OF AVAILABILITY

08-10 Controls Should Be Strengthened to Ensure Compliance with Period of Availability Requirements

MSDH concurs that even though the costs in question are allowable costs that they are paid outside of the correct grant year.

We will examine the expenditure review procedures to ensure that every possible step is being taken so that expenditures will be reported in the correct grant period.

CFDA #93.667 Social Services Block Grant

SUBRECIPIENT MONITORING

08-11 Controls Over Monitoring Subrecipient Audit Requirements Should Be Strengthened

MSDH does not concur with this finding. Procedures are in place to monitor subrecipient audit requirements.

The responsibility of ensuring audit reports are received from subrecipients and the review of these reports rests with the Office of Internal Audit. During February 2007 a request for audit information was sent to subrecipients as of June 30, 2006. Reports received by staff in the Office of Internal Audit. The next required audit information requests were due to be mailed in February 2008. However, due to the vacancy of the Internal Audit Division Director position, this was not performed. In February 2009, the Office of Internal Audit mailed audit information

Mr. Pickering
March 20, 2009
Page 3

requests based on subrecipients as of June 30, 2008. These reports are reviewed and any additional follow-up is performed as deemed necessary.

If any other information is needed please contact Willie Thompson, Chief Financial Officer at 601-576-7544.

Sincerely,

A handwritten signature in black ink, appearing to read "F. E. Thompson, Jr., MD, MPH". The signature is fluid and cursive, with the initials "F.E." being particularly prominent.

F. E. Thompson, Jr., MD, MPH
State Health Officer



MISSISSIPPI STATE DEPARTMENT OF HEALTH

March 20, 2009

INFORMATION SYSTEMS MANAGEMENT REPORT

Honorable Stacey E. Pickering
State Auditor
Office of the State Auditor
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

The Mississippi State Department of Health (MSDH) has recently (within the past year) experienced some major changes within the top levels of leadership, the State Health Officer, the Chief Administrative Officer, and the Chief Information Officer. MSDH takes the responsibility to protect the integrity of the information and the information gathering processes in its possession seriously and is taking steps to correct those deficiencies discovered in the recent Office of the State Auditor IS Audit. The Health Informatics section is working with upper level management and ITS to develop a comprehensive plan that will meet or exceed IS audit compliance standards.

MSDH welcomes the opportunity to work with the Office of the State Auditor to improve the efficiency of services we provide for the citizens of Mississippi.

AUDIT FINDINGS:

08-20 **Audit Finding** - MSDH Should Improve the MWITS Application Systems Reliability

MSDH Response:

Mississippi WIC acknowledges that MWITS is an antiquated and outdated system that needs to be replaced. MSDH obtained ITS Board approval on February 19, 2009 to issue a Request for Proposal (RFP) to transfer the WIC Spirit System to Mississippi, and implement a new Inventory Management system. We submitted the RFP and Advanced Planning Document Update (APDU) responses to the United States Department of Agriculture (USDA) for approval on March 4, 2009. USDA acknowledged receipt of these documents on March 5, 2009 and noted that we will receive a response within 60 days (by May 4, 2009).

USDA now requires all states to first look at transferring in a State Agency Model (SAM) solution before requesting replacement systems that require ground up development. As a result, the Mississippi WIC Project Team spent extensive time evaluating the Wisconsin ROSIE WIC system and the WIC SPIRIT System, which is currently in production at the Chickasaw Nation in Oklahoma. After extensive evaluations, the Mississippi WIC Project Team determined that MSDH will be able to accept and transfer the SPIRIT System solution with only minor modifications to the baseline SPIRIT System, to fully satisfy Mississippi's WIC clinical requirements for an automated solution. In addition to the SPIRIT implementation, MSDH will also integrate an Inventory Management solution to facilitate the food distribution requirements.

The SPIRIT System is a web based application with Smart Client technology and .NET-Java capability. The SPIRIT System offers complete automation for providing clinical services to WIC participants. It has a guided script that guides the WIC certifier step-by-step through the complete certification process, including appointment scheduling, enrollment, certification, nutrition education, and food prescription assignments.

The SPIRIT System will provide several benefits that will replace manual processes done by MSDH staff today. The most notable benefits are:

- Provides a centralized web-based solution
- Provides complete automation for the WIC certification process
- Provides automated growth charts
- Automatically assigns risk codes based on objective data, such as anthropometric measurements and biochemical measurements to determine WIC eligibility
- Provides online/offline capability with data synchronization capability for satellite clinics
- Automatically creates all USDA Participant Characteristics, CDC Pregnancy Nutrition Surveillance System (PNSS), and CDC Pediatric Nutrition Surveillance System (PedNSS) extracts
- Provides the federally required FNS 798 Financial reports (Participation/Obligations projections)
- Provides caseload management, participation reporting, enrollment reporting, and dual participation investigation
- Provides a large number of canned reports and an adhoc reporting capability to produce customized reports
- Provides electronic signature capture
- Automatically provides Food Instrument "Issuance" data from the WIC Clinical System to the Food Management System
- Automatically provides Food Instrument "Redemption" data from the Food Management System to the WIC Clinical System
- Scans food items in WIC Food Centers using handheld scanners
- Provides the ability for state office distribution staff to track and approve food product orders electronically.

Upon approval from USDA, Mississippi will move forward with releasing the RFPs to implement SPIRIT. Below is the high level timeline for implementing SPIRIT:

05/30/2009	Approval of APDU and both RFPs by USDA
06/02/2009	Release of Q/A RFP by ITS
06/09/2009	Release of IC RFP by ITS
10/01/2009	SPIRIT Project Starts
02/01/2010	Release of Hardware/Software RFP by ITS
04/15/2010	Begin hardware deliveries & installation throughout the State
08/30/2010	SPIRIT Pilot
12/15/2010	Begin Phased Rollout/Implementation of SPIRIT
02/15/2011	Rollout/Implementation Complete

08-21 **Audit Finding** – Time Study Data Control Process Should Be Improved

MSDH Response:

MSDH acknowledges that the Time Study Process is a paper and resource intensive, antiquated and outdated approach to the Time Study Process that needs to be replaced. As a result of the audit, the IS Department is in the process of reviewing online data entry systems that will allow the required data to be entered by the individual performing the activity. Three courses of action currently being reviewed are: 1) suitable applications that can be transferred from another state agency, 2) current off the shelf (COTS) programs, 3) develop an application in-house. Below is an estimated timeline for implementation of a Time Study Program Application:

04/30/2009	Determination of course of action 1, 2, or 3
07/31/2009	Q/A testing in selected MSDH county facilities
10/30/2009	Statewide implementation complete

Sincerely,



F. E. Thompson, Jr., MD, MPH
State Health Officer

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STATE OF MISSISSIPPI
HALEY REEVES BARBOUR, GOVERNOR
DEPARTMENT OF HUMAN SERVICES
DON THOMPSON
EXECUTIVE DIRECTOR

SINGLE AUDIT FINDINGS

March 20, 2009

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

The following are our responses and corrective action plans to the Single Audit Management Report as outlined in the Mississippi Department of Human Services' audit performed for Fiscal Year 2008:

AUDIT FINDINGS:

CASH MANAGEMENT

Significant Deficiency

93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year: Various

08-12 Controls over Cash Management Should be Strengthened

Response:

MDHS acknowledges that on limited occasions duties were not properly segregated which allowed transactions to be initiated and approved by the same person.

Corrective Action Plan:

Beginning October 1, 2008, the Director of Grants Management's supervisor reviews all of the daily draws done by the Grants Management Director when the other Grants Management employee is absent. The Director of Grants Management's supervisor will also review the daily draws when the Grants Management Director is absent. This new procedure will properly isolate duties and allow for independent supervisory review and approval of federal cash draws when employees are absent.

DAVIS –BACON ACT

Material Weakness

Material Noncompliance

93.667 Social Services Block Grant

Federal Award Number and Year: G0601MSSORS, 2006
Questioned Costs: \$21,000,000

08-13 Agency Should Ensure Compliance with the Davis-Bacon Act

Response:

As of June 30, 2008, the finding was not fully corrected. However, the Division of Program Integrity is implementing actions to resolve the finding.

Corrective Action Plan:

The Division of Program Integrity staff developed a monitoring instrument to document monitoring of each subgrant/contract which included funds for construction costs that exceeded \$2,000.00. The Division of Program Integrity, Office of Monitoring hired a new monitoring team leader to supervise monitors who are monitoring SSBG Katrina subgrants/contracts and the new employee reported to work on Monday, March 16, 2009. The employee is being trained to

monitor subgrants and this training will include monitoring for compliance with the Davis-Bacon Act. The monitors are compiling a list of all subgrants/contracts that included construction cost and as soon as the list is complete, the monitors will return to the office of each subgrantee/subcontractor whose SSBG Katrina award included construction costs to monitor for compliance with the Davis-Bacon Act. Documents will be copied and maintained in the offices of the Division of Program Integrity to support monitoring for compliance with the Davis-Bacon Act, and the result of the monitoring. Reports will be issued and tracked until any findings noted are resolved/cleared.

ELIGIBILITY

Significant Deficiency

93.568 Low-Income Home Energy Assistance

Federal Award Number and Year: G-08B1MSLIEA, 2008

08-14 Controls over Eligibility Determinations Should Be Strengthened

Response:

As of June 30, 2008, the finding was fully corrected.

Corrective Action Plan:

The Division of Program Integrity, Office of Monitoring assigned and trained three (3) monitors to determine eligibility of clients and inspect homes that were weatherized with the Low-Income Home Energy Assistance Program (LIHEAP) funds. All subgrants awarded from the LIHEAP funds have been monitored, monitoring reports have been issued and the status of each report is being tracked until all findings are cleared or resolved.

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Significant Deficiency

Immaterial Noncompliance

93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award Number and Year: G-0501MSCCDF, 2005 and
G-0601MSCCDF, 2006

Questioned Costs: \$2,410,505

Response:

The Agency concurs with the finding that the period of availability was not fully considered in its efforts to "maximize" the FY 2005 CCDF Discretionary & 2006 CCDF Matching grants. The agency misinterpreted the common years of obligation and liquidation periods. However, the agency was working in good faith to ensure that federal funds were fully expended during the liquidation period.

Corrective Action Plan:

MDHS has taken measures to make certain that good internal controls are in place to ensure that obligations occurring during the period of availability are charged appropriately to the program. The funding divisions will be reminded before obligation/ liquidation periods end regarding any excess funds and no transfers will be made without their approval. MDHS has contacted our federal grantor and they are working with our agency concerning any questioned cost that resulted from our grant expenditure maximizations.

REPORTING

Significant Deficiency

93.568 Low-Income Home Energy Assistance
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care Development Fund
93.667 Social Services Block Grant

Federal Award Number and Year: Various

08-16 Federal Financial Reports Should Agree with Accounting Records

Response:

MDHS does concur that when federal reports did not agree with the accounting records of the same time frame, it was due to adjustments not being made timely.

Corrective Action Plan:

Internal controls have been strengthened to ensure a more comprehensive supervisory review of the federal financial reports and comparisons of these reports to the accounting records along with any appropriate adjustments. Reports submitted to the federal grantor will agree with the accounting records unless there are pending adjustments, which will be done timely and reflected on any documentation submitted to the grantor.

SUB RECIPIENT MONITORING

Significant Deficiency

93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year: Various

08-17 Controls over Sub Recipients Monitoring Should Be Strengthened

Response:

As of June 30, 2008, the finding was not fully corrected. However, the Division of Program Integrity, Office of Monitoring staff has monitored a large portion of the subgrants that were not monitored when the tracking matrix was audited around May 2008.

Corrective Action Plan:

Also, additional training was provided to the monitoring staff on Monday, March 16, 2009 to 1) stress the importance of ensuring all monitoring work papers are fully and correctly completed; and, 2) to provide other training that was needed by the monitors. All of the monitoring staff, with the exception of one (1) monitor who had prior approved leave, was present during the training. Information presented during this training will be provided to the monitor on leave when he returns to work. The importance of fully completing each work paper as well as the requirement for accuracy was stressed to the entire monitoring staff. This training also addressed the requirement to issue initial monitoring reports and responses to subgrantees within the time frames previously established and to track the status of each report until all findings and/or questioned costs are resolved and/or cleared. The supervisors were also reminded that their job duties include reviewing each work paper for accuracy and ensuring that each work paper/checklist is fully complete before approving and filing in the applicable monitoring file. The number of prior year subgrants not monitored as of March 17, 2009 has been reduced to 12 for SFY 2006, 16 for SFY 2007 and 50 for SFY 2008. Monitoring has been started but not completed on 5 of these subgrants. A matrix has been developed to track prior year subgrants which have not been monitored until all have been monitored. The prior year subgrants are being placed in the monitors schedules. For the first time in several months, all of the monitoring positions, except 1, are currently filled and we are in the process of filling the position. When training for three (3) newly hired monitors is complete, the Division of Program Integrity should have sufficient staff to monitor all of the current year subgrants during the active dates of the subgrant period and monitor prior year subgrants that have not been monitored.

We appreciate the courtesy and professionalism demonstrated by Marilyn Purvis and her field staff throughout the audit. Should you have any questions regarding our responses or corrective action plans, please feel free to contact Peter Boulette of the Division of Budgets and Accounting at 601-359-4690.

Respectfully,



Don Thompson,
Executive Director

DT:PBB:dd

pc:Mark Smith
Richard Berry
Richard Harris
Peter Boulette

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DEPARTMENT OF MENTAL HEALTH

State of Mississippi

1101 Robert E. Lee Building
239 North Lamar Street
Jackson, Mississippi 39201



(601) 359-1288
FAX (601) 359-6295
TDD (601) 359-6230

Edwin C. LeGrand, III - Executive Director

SINGLE AUDIT FINDINGS

March 17, 2009

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

This is in response to your letter of March 10, 2009, entitled "Single Audit Management Report." There is one finding in the nature of a "Significant Deficiency."

Davis Bacon Act

CFDA 93.667; Social Services Block Grant
Federal award no. and year: G-0601MSSOSR, 2006
Finding number 08-18: Controls should be strengthened over Davis Bacon Act requirements.

Briefly stated, the finding is the DMH did not inform lower tier sub-grantees of the requirement to follow provisions of the Davis Bacon Act that require payment of prevailing wages on construction contracts in excess of \$2,000, and we agree with this finding. We did not inform the lower tier sub-grantees compliance was required because we did not know compliance was required, and by the time we did know that compliance was required, all the contracts had been let and many were completed.

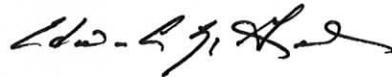
We remain unconvinced that federal law requires compliance with the Davis Bacon Act with respect to this funding, and have requested a review by the cognizant federal agency (Department of Health and Human Services). A copy of that request is enclosed and is incorporated by reference into our response.

Stacey E. Pickering, State Auditor
March 17, 2009
Page 2

Should we award any more sub-grants in excess of \$2000 for construction or repairs to be paid with federal funds before receiving a response to that request, we will make sure that lower tier recipients are informed that Davis Bacon provisions apply. If we receive a response that says Davis Bacon provisions do not apply to this funding source, we will forward that to you. If we receive a response that says Davis Bacon provisions do apply, we will forward that to you as well.

The staff assigned to this audit represented your agency very well. They were very professional in their duties and demeanor, and as unobtrusive as they could be while still doing their jobs. I appreciate very much the role played by you and your staff in ensuring cost effective, efficient use of taxpayer funds.

Sincerely yours,



Edwin C. LeGrand III
Executive Director



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
GRAY SWOOPE
EXECUTIVE DIRECTOR

Single Audit Findings

March 18, 2009

Mr. Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Pickering:

This letter is in response to your letter of March 4, 2009, concerning the Single Audit Findings for the Mississippi Development Authority (MDA) for the fiscal year 2008. We are pleased to note that no reportable conditions were considered to be material weaknesses. Supervisor Review checklists and other controls were implemented during 2008; therefore corrective actions will be most evident in projects funded after this time period. Our responses to the 2 (two) reportable conditions are as follows:

SUBRECIPIENT MONITORING

<u>CFDA</u>	<u>Program Name</u>
14.228	Community Development Block Grant/State's program and Non-Entitlement Grants to Hawaii

08-06 Controls over Subrecipient Monitoring Should Be Strengthened

One instance, or 4 percent, in which the "Compliance Review" form, which documents supervisory review and approval of the monitoring visit and forms prepared by MDA monitors, for the second monitoring visit was not in the contract file. However, a monitoring letter had been sent to the subrecipient including the monitoring report.

Response: The City of Water Valley project file was reviewed by the assigned MDA staff and was complete at the time the file was transmitted for the State Auditor's review. As noted in the finding, a monitoring letter dated January 18, 2007 indicated the monitoring file had the completed compliance review and no findings or concerns were noted.

Corrective

Action Plan: A new system has been initiated to provide stronger assurance of file content during file transfers.

Seven instances or 28 percent in which several pertinent questions on the monitoring checklist were not answered. Even though these questions were not answered on the checklist, the supervisor responsible for reviewing the checklist signed off on the "Compliance Review" form indicating review and approval.

Response: These instances occurred due to a need to strengthen elements of monitoring procedures.

Corrective

Action Plan: The Close-out Package Checklist has been revised for the MDA staff to indicate the project file has been reviewed for completeness. The Bureau Manager has begun a process in which notes are made directly on the Compliance Review Forms that are incomplete or "in question", and then returned to the assigned MDA staff for completion prior to manager approval.

One instance, or 4 percent, in which the "Compliance Review" form was not signed/initialed by appropriate personnel. However, a monitoring letter had been sent to the subrecipient including the monitoring report.

Response: The first monitoring compliance review form missing the signature of the Bureau Manager was an oversight. However, there is a monitoring letter signed by the Bureau Manager and mailed to the subrecipient that indicates no monitoring findings or concerns. Also, a second monitoring was performed and the Compliance Review Form was completed and has all the required signatures.

Corrective

Action Plan: The Close-out Package Checklist has been revised for the MDA staff to indicate that the project file has been reviewed for completeness.

The *Code of Federal Regulations* (24 CFR 570.603) requires the CDBG program to comply with labor standards in accordance with the Davis Bacon Act. For two instances, it was noted the "Labor Standards Monitoring" checklist, was not completed.

Response: Missing signatures of the responsible MDA staff on the Labor Standards Monitoring Checklist was an oversight by the Compliance Officer and Bureau Manager.

Corrective

Action Plan: The Compliance Review Forms have been revised to include the MDA staff signature as an overall responsibility of the monitoring which has been performed.

Oth-03

Controls Over Cash Management Should Be Strengthened

CDFA
14.228 Community Development Block Grants/State's program and Non-Entitlement Grants to Hawaii

Response: MDA concurs Federal funds were received after the average day of clearance specified in the Treasury-State Agreement.

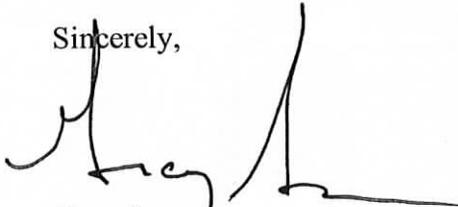
Corrective

Action:

During this time the Grants and Reporting Area was under staffed due to retirement and relocation of staff members. The Grant and Reporting Area are currently fully staffed and measures are in place to prevent delays in the future and to strengthen controls to ensuring federal funds are drawn properly and in compliance with the Treasury-State Agreement.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact John P. Holman at (601) 359-9276.

Sincerely,



Gray Swoope
Executive Director

GS/pj

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MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT

JOHN K. RESTER
Commissioner
LENWOOD S. SAWYER, JR.
Commissioner
JAMES C. SIMPSON, JR.
Commissioner

FRANCES TURNAGE
Commissioner
FRANK WILEM
Commissioner
DONALD R. ALLEE
Executive Director & CEO
www.shipmspa.com

Corrective Action Plan

Fiscal Year Ending June 30, 2008

Finding 2008-21

Due to the sensitivity of payroll information and the limited size of the finance department, the payroll bank reconciliation was being completed by the Deputy Director of Finance and Administration. The reconciliation of the payroll bank account has been assigned to the Human Resources Officer. The review and approval of the reconciliation has been assigned to the Deputy Director of Finance and Administration.

Mary J. Bourdin, CPA

Mary J. Bourdin, CPA
Deputy Director
Finance & Administration

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STATE OF MISSISSIPPI
DEPARTMENT OF PUBLIC SAFETY
OFFICE OF HOMELAND SECURITY

HALEY R. BARBOUR
GOVERNOR

STEPHEN B. SIMPSON
COMMISSIONER

Mississippi Office of the State Auditor
501 N. West Street
Suite 801, Woolfolk Building
Jackson, MS 39201

Re: 2008 Financial Audit Findings

AUDITEE'S CORRECTIVE ACTION PLAN

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2008-01	<p>a. Name of Contact Person Responsible for Corrective Action: Name: Penny Corn, Grants Director Phone number: 601-346-1499</p> <p>b. Response: The agency has already taken steps to eliminate this finding.</p> <p>c. Corrective Action Plan: The Department of Public Safety, Office of Homeland Security has fully corrected this finding by implementing a system that documents the approval for request for reimbursement/ advances by subrecipients. Grant staff personnel have been instructed to stamp all subrecipients request for reimbursement/advance with an "Approved" stamp and to initial and date below the "Approved" stamp.</p>

Signature: 

Title: Commissioner, Mississippi Department of Public Safety

Date: 2/24/09

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Executive Division
Street Address:
1577 Springridge Road
Raymond, Mississippi 39154

www.mstc.state.ms.us



MISSISSIPPI

STATE TAX COMMISSION

Mailing Address:
Post Office Box 22828
Jackson, Mississippi 39225

Telephone: 601-923-7400
FAX: 601-923-7423

January 12, 2009

Stacey E. Pickering, State Auditor
Office of the State Auditor
501 North West Street
Suite 801
Jackson, MS 39201

RE: Information Systems Management Report

Dear Mr. Pickering:

The Mississippi Tax Commission offers the following comments to your limited assessment of the Information Systems (IS) general controls and selected application controls of the agency, including an assessment of the Office of Alcoholic Beverage Control (ABC) of the Mississippi State Tax Commission, as of your report dated November 10, 2008.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROLS:

1. Legacy Application Systems Maintenance Procedures Should Be Improved

Response:

We acknowledge and agree that proper controls on program changes and restricted access to code are important to maintain assurance that only program changes authorized by management are placed into production. Maintenance procedures are currently in place that will continue to be followed and those procedures will be improved where or when possible.

This agency has extremely limited resources to devote to the development, testing and migration of code changes for legacy system maintenance. Further, we have a limited number of technical staff who support our legacy systems prohibiting any segregation of duties.

The Tax Commission has requested funding to replace our dangerously old and outdated legacy systems. If funded, the new product will contain sufficient controls for all updates and maintenance procedures as well as restricting unauthorized access to code.

The Tax Commission will investigate to determine if any RACF changes can be implemented in the interim.

2. Audit Trails Should Exist for All STARS System Events

Response:

We acknowledge and agree that this process is real-time and the work-list is ever changing with new items being added and old items being resolved during the course of the business day. Developing or running a program to create an audit trail of adjustments to data would significantly impact the performance of this system. As a result, only the current contents of the work-list may be captured by running a real-time snapshot report.

As stated above, the Tax Commission has requested funding for a new tax management system to replace all legacy systems, including STARS. This agency will include in the RFP system requirements that the new application should include full audit trails for financial system changes.

3. MSTC Should Implement RACF Security for Legacy Application Systems CICS

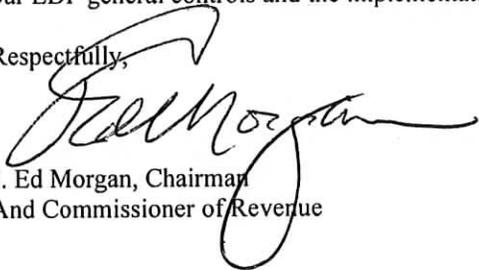
Response:

We acknowledge and agree that MSTC systems should have adequate security; however, with this agency's limited resources, and considering that the MSTC is requesting funding for a new tax management system, a major rewrite of the security for these legacy systems is not feasible.

MSTC will investigate the possibility of changing some of the current RACF procedures, particularly ensuring that agency users have only the access they need.

Our staff is available to furnish any additional information requested or further details concerning this assessment of our EDP general controls and the implementation of suggested changes.

Respectfully,



J. Ed Morgan, Chairman
And Commissioner of Revenue



**OFFICE OF
STATE AID ROAD CONSTRUCTION**

MISSISSIPPI DEPARTMENT OF TRANSPORTATION
P. O. BOX 1850
JACKSON, MISSISSIPPI 39215-1850

*J. Brooks Miller, Sr., P.E.
State Aid Engineer
Tele 601-359-7150
www.msstateaidroad.us*

*412 Woodrow Wilson Ave.
Jackson, Mississippi 39216
Fax 601-359-7141
mail@osarc.state.ms.us*

Single Audit Findings

March 23, 2009

Honorable Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

This letter is in response to your letter of March 9, 2009 concerning the Single Audit Finding for the Office of State Aid Road Construction (OSARC) for the fiscal year ended June 30, 2008. Our response to the significant deficiency is as follows:

08-07

CFDA Number and Program Name
20.205 Highway Planning and Construction
Subrecipient Monitoring

Controls over Subrecipient Monitoring Should Be Strengthened

Response:

OSARC concurs controls need to be strengthened to ensure subrecipient audit reports are obtained and reviewed in a timely manner. If audit findings are found, OSARC should follow up to ensure the subrecipient takes appropriate corrective action.

Corrective Action Plan:

As in the past, OSARC plans to request from the counties the audit reports. However, if they are not sent by the counties, we will pull the audit reports from the State Auditor's website and review them for any audit findings. If findings are included in the audit report, OSARC will request from the county the corrective action plan.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact Daphonie Daniel at (601)359-7133.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Brooks Miller, Sr.", written in a cursive style.

J. Brooks Miller, Sr.
State Aid Engineer

JBM:dd

IV. INDICES



STATE OF MISSISSIPPI

INDEX OF FINANCIAL STATEMENT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (by finding number)

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>
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2008-15	67	Employment Security
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2008-21	71	Port of Gulfport

MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS (by State agency)

Employment Security: Page 141

Port of Gulfport: Page 167

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STATE OF MISSISSIPPI

INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2008

1. Office of National Drug Control Policy: None
2. U.S. Department of Agriculture: Pages 81-86
3. U.S. Department of Commerce: None
4. U.S. Department of Defense: None
5. U.S. Department of Housing and Urban Development: Pages 87-88
6. U.S. Department of the Interior: None
7. U.S. Department of Justice: None
8. U.S. Department of Labor: None
9. U.S. Department of Transportation: Page 89
10. U. S. Department of the Treasury: None
11. Appalachian Regional Commission: None
12. General Services Administration: None
13. National Foundation on the Arts and the Humanities: None
14. U.S. Department of Veterans Affairs: None
15. Environmental Protection Agency: None
16. U.S. Department of Energy: None
17. U.S. Department of Education: Pages 91-93
18. National Archives and Records Administration: None
19. Elections Assistance Commission: None
20. U.S. Department of Health and Human Services: Pages 95-112
21. Corporation for National and Community Service: None
22. Social Security Administration: None
23. Department of Homeland Security: Page 113

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STATE OF MISSISSIPPI

INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY STATE GRANTEE AGENCY
FOR THE YEAR ENDED JUNE 30, 2008

1. Agricultural Aviation Board: None
2. Agriculture and Commerce: None
3. Animal Health: None
4. Archives and History: None
5. Arts Commission: None
6. Attorney General: None
7. Board for Community and Junior Colleges: None
8. Corrections: None
9. Education: Page 91
10. Emergency Management: None
11. Employment Security: None
12. Environmental Quality: None
13. Finance and Administration: Page 95
14. Forestry Commission: None
15. Gaming Commission: None
16. Governor's Office: None
17. Health: Pages 81, 96
18. Human Services: Page 102
19. Library Commission: None
20. Marine Resources: None
21. Medicaid: None
22. Mental Health: Page 111
23. Military Department: None
24. Mississippi Development Authority: Page 87
25. Narcotics: None
26. Oil and Gas Board: None
27. Pharmacy Board: None
28. Public Safety: Page 113
29. Public Service Commission: None
30. Rehabilitation Services: None
31. Secretary of State: None
32. Soil and Water Conservation Commission: None
33. State Fire Academy: None
34. Supreme Court: None
35. Transportation: Page 89
36. Treasury: None
37. Veterans Affairs Board: None
38. Wildlife, Fisheries and Parks: None

Note: If findings and recommendations related to an agency appear on more than one page in a sequence, only the first page is indicated in the above reference.

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STATE OF MISSISSIPPI

INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY FINDING NUMBER
FOR THE YEAR ENDED JUNE 30, 2008

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>
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08-02	92	Education
08-03	-	(not used)
08-04	95	Department of Finance and Administration
08-05	-	(not used)
08-06	87	Mississippi Development Authority
08-07	89	Transportation
08-08	81, 96	Health
08-09	99	Health
08-10	85	Health
08-11	101	Health
08-12	102	Human Services
08-13	103	Human Services
08-14	105	Human Services
08-15	106	Human Services
08-16	108	Human Services
08-17	109	Human Services
08-18	111	Mental Health
08-19	113	Public Safety
08-20	83	Health
08-21	84, 98	Health

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STATE OF MISSISSIPPI

INDEX OF MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS
LISTED BY STATE GRANTEE AGENCY
FOR THE YEAR ENDED JUNE 30, 2008

1. Agricultural Aviation Board: None
2. Agriculture and Commerce: None
3. Animal Health: None
4. Archives and History: None
5. Arts Commission: None
6. Attorney General: None
7. Board for Community and Junior Colleges: None
8. Corrections: None
9. Education: Page 139
10. Emergency Management: None
11. Employment Security: None
12. Environmental Quality: None
13. Finance and Administration: Page 143
14. Forestry Commission: None
15. Gaming Commission: None
16. Governor's Office: None
17. Health: Page 145
18. Human Services: Page 153
19. Library Commission: None
20. Marine Resources: None
21. Medicaid: None
22. Mental Health: Page 161
23. Military Department: None
24. Mississippi Development Authority: Page 163
25. Narcotics: None
26. Oil and Gas Board: None
27. Pharmacy Board: None
28. Public Safety: Page 169
29. Public Service Commission: None
30. Rehabilitation Services: None
31. Secretary of State: None
32. Soil and Water Conservation Commission: None
33. State Fire Academy: None
34. Supreme Court: None
35. Transportation: Page 173
36. Treasury: None
37. Veterans Affairs Board: None
38. Wildlife, Fisheries and Parks: None

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V. ACKNOWLEDGMENTS



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