

Mississippi

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Waters

Mississippi



Fiscal Year Ended June 30, 2010

Department of Finance and Administration

Post Office Box 267
Jackson, MS 39205

Kevin J. Upchurch
Executive Director



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HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR



January 25, 2011

To the Members of the Legislature and Citizens of Mississippi:

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

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

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

As this report shows, this is not business as usual. We must continue working to move Mississippi forward through smart policies that create jobs and foster economic growth. Despite the current economic conditions, I'm optimistic about our future because I know that with strong leadership and good policies, we can give our children and grandchildren a greater opportunity than my generation ever dreamed.

Sincerely,

A handwritten signature in 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



January 25, 2011

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

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2010 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

Mississippi's economy has turned the corner and the recovery is taking hold. Payroll employment has been rising slowly, retail sales improving, and General Fund tax collections in the first half of FY 2011 have been above year-ago levels.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Eighty-two percent of wage and salary employment in Mississippi is in service-providing industries, with the remaining 18% in the goods-producing industries of manufacturing, construction and natural resources/mining. Despite the dominance of services, goods-producing industries, and manufacturing in particular, are crucial to the State's economy. In the U.S. as a whole, manufacturing provides 9% of total jobs, but in Mississippi the figure is 14%.

Manufacturing also sustains many of the State's service jobs in transportation, business services, finance and agriculture. Within manufacturing, which employs 136,500 workers, the percentage of employees in furniture and in wood products is more than twice the corresponding percentage for the U.S. These industries, along with food products, account for 37% of manufacturing employment, versus 19% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 35% of manufacturing employment here.

The largest employers in the service-providing sectors, each employing more than 100,000 persons, are: local government, retail trade, health care and social assistance, and accommodation and food services.

Long-term Financial Planning

The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches \$40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. In fiscal year 2010, the Account had the required \$40,000,000 balance. Therefore, 50% of unencumbered ending cash totaling \$26,523,000 was deposited into the Account.

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

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

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

Major Initiatives

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

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

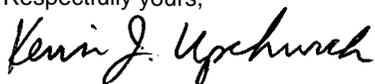
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the twenty-third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully yours,



Kevin J. Upchurch

Mississippi

Officials of State Government

Executive Branch

Governor

Haley Barbour

Lieutenant Governor

Phil Bryant

Secretary of State

Delbert Hosemann

State Auditor

Stacey Pickering

State Treasurer

Tate Reeves

Attorney General

Jim Hood

**Commissioner of Agriculture
and Commerce**

Lester Spell, Jr.

Commissioner of Insurance

Mike Chaney

Transportation Commissioners

Dick Hall

Wayne Brown

Bill Minor

Public Service Commissioners

Brandon Presley

Lynn Posey

Leonard Bentz

State Fiscal Officer

Kevin J. Upchurch

Legislative Branch

Speaker of the House of Representatives

William J. McCoy

Speaker Pro Tempore

of the House of Representatives

J. P. Compretta

President Pro Tempore of the Senate

Billy Hewes

Secretary of Senate

Tressa Guynes

Clerk of the House of Representatives

Don Richardson

Legislative Budget Office

Lee Lindell, Director

Joint Legislative Committee on

Performance Evaluation and
Expenditure Review

Max K. Arinder, Director

Judicial Branch

Supreme Court of Mississippi**Chief Justice**

William L. Waller, Jr.

Presiding Justices

George C. Carlson, Jr.

James E. Graves, Jr.

Justices

Jess H. Dickinson

Michael K. Randolph

Ann H. Lamar

James W. Kitchens

David A. Chandler

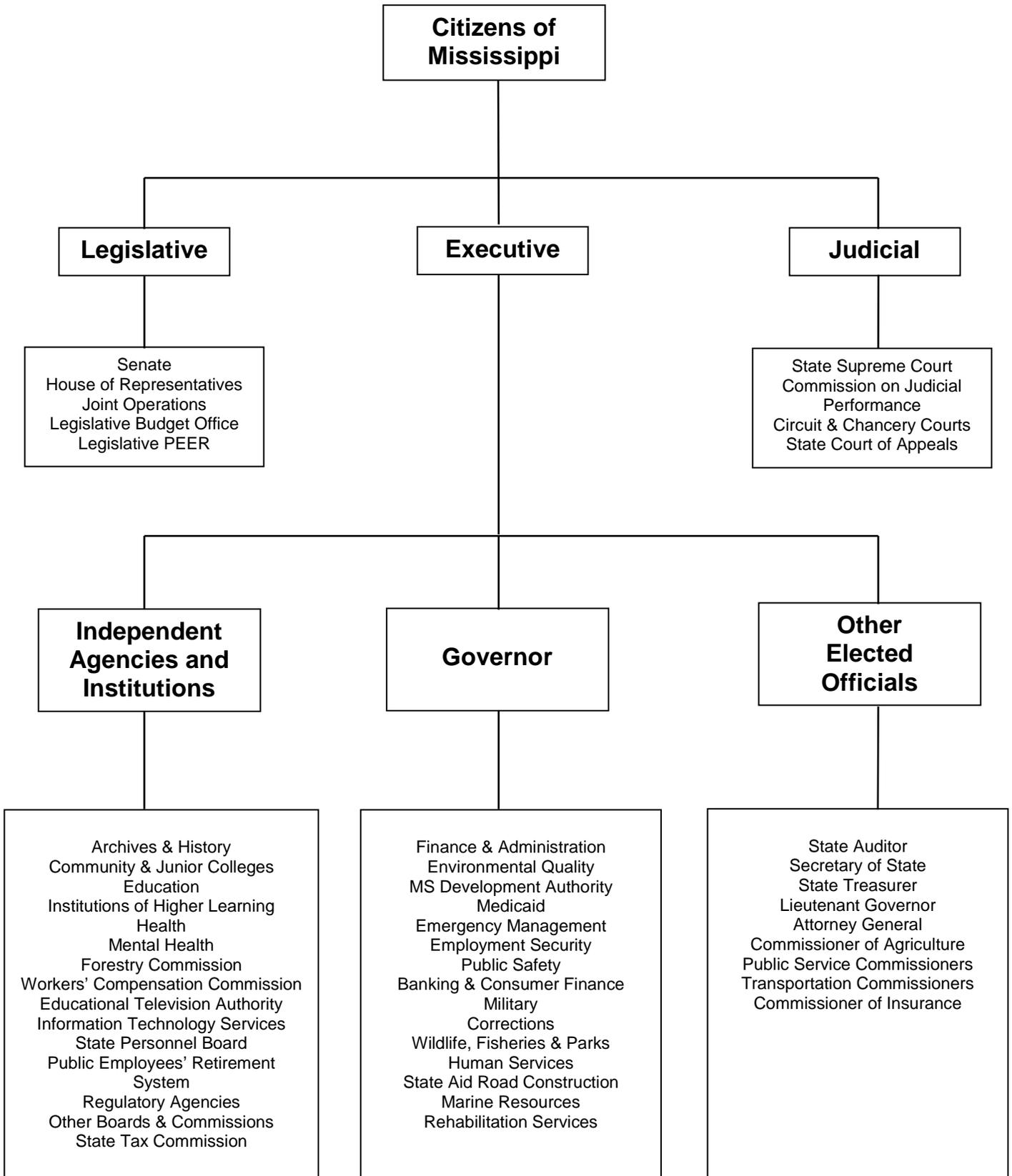
Randy G. Pierce

Clerk of the Supreme Court

Kathy Gillis

Mississippi

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director

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

■ Government-wide Financial Statements

● Governmental Activities

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 6% and 30%, respectively, of the assets and revenues of the Governmental Activities;

● Business-type Activities

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and AbilityWorks, Inc. within the Department of Rehabilitation Services which, in the aggregate, represent 58% and 12%, respectively, of the assets and revenues of the Business-type Activities;

● Component Units

- the Universities and the nonmajor component units.

■ Fund Financial Statements

● Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid, the Department of Corrections and the Department of Wildlife, Fisheries and Parks which represent 21% and 32%, respectively, of the assets and revenues of the General Fund;

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

all of which represent 94% and 66%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2011 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The introductory section, the supplementary information - combining and individual fund financial statements and supporting schedules and the statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information - combining and individual fund financial statements and supporting schedules has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections listed in the accompanying table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



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

Jackson, Mississippi
January 25, 2011

Management's Discussion and Analysis

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2010. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

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

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

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Mississippi

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Unemployment Compensation Fund, the Port Authority at Gulfport Fund, and the Prepaid Affordable College Tuition Fund are presented separately as major funds, with the nonmajor enterprise funds combined into a single column. The internal service funds are presented in a single column on the proprietary fund statements as well. The nine nonmajor enterprise funds and the three internal service funds are presented in detail in the combining financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Because these resources are not available to support the State's own programs, fiduciary funds are not reported in the government-wide financial statements. The State's fiduciary activities are presented in a statement of fiduciary net assets and a statement of changes in fiduciary net assets, with related combining financial statements. These funds, which include pension trust funds, private-purpose trust funds, and agency funds, are reported using the accrual basis of accounting.

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

This report also contains the following required supplementary information (RSI): the Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds and the Schedule of Funding Progress for pension trust funds and for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following the RSI.

Mississippi

Government-wide Financial Analysis

Net Assets

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

The largest share of net assets, 91.9 percent, consists of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets invested in capital assets, net of related debt, increased \$441,321,000 from the previous year. Additions to construction in progress and infrastructure for roads, highways, bridges, and building projects provided the majority of the governmental activities' increase of \$428,391,000. Most of the business-type activities' increase of \$12,930,000 was the result of additions to construction in progress for the continued restoration of the Port Authority at Gulfport after Hurricane Katrina. Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 8.6 percent of total net assets. The remaining negative balance represents unrestricted net assets of \$65,164,000 as of the close of the year. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of \$202,455,000 in business-type activities may be used to meet ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009 *	2010	2009	2010	2009 *
Current and other assets	\$ 5,692,267	\$ 5,538,514	\$ 976,753	\$ 1,116,237	\$ 6,669,020	\$ 6,654,751
Capital assets	12,575,641	12,067,402	243,208	225,453	12,818,849	12,292,855
Total Assets	18,267,908	17,605,916	1,219,961	1,341,690	19,487,869	18,947,606
Deferred outflows	58,072	45,760			58,072	45,760
Noncurrent liabilities	4,427,301	3,992,647	330,080	308,452	4,757,381	4,301,099
Other liabilities	2,102,362	2,390,407	46,109	31,074	2,148,471	2,421,481
Total Liabilities	6,529,663	6,383,054	376,189	339,526	6,905,852	6,722,580
Net assets:						
Invested in capital assets, net of related debt	11,408,744	10,980,353	208,101	195,171	11,616,845	11,175,524
Restricted	655,192	625,174	433,216	614,988	1,088,408	1,240,162
Unrestricted	(267,619)	(336,905)	202,455	192,005	(65,164)	(144,900)
Total Net Assets	\$ 11,796,317	\$ 11,268,622	\$ 843,772	\$ 1,002,164	\$ 12,640,089	\$ 12,270,786

* As restated in Note 2 to the financial statements.

Mississippi

Changes in Net Assets

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

Changes in Net Assets (amounts expressed in thousands)

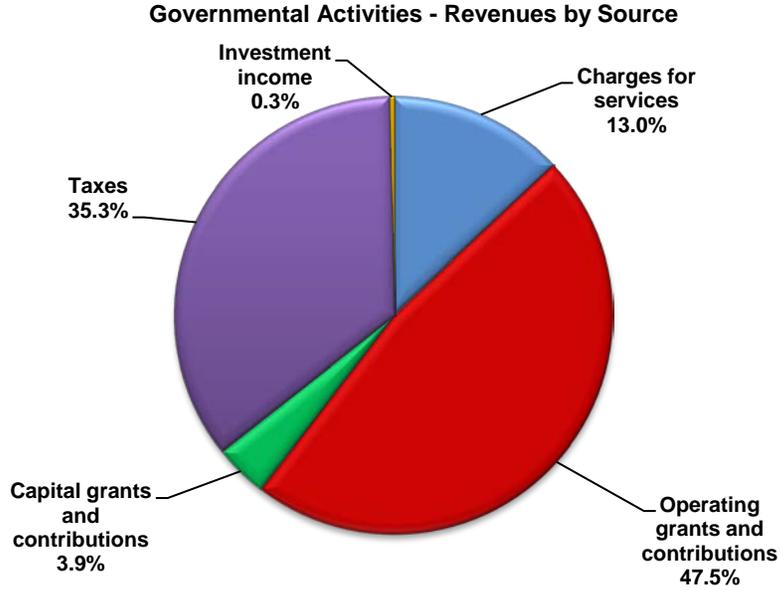
	Governmental Activities		Business-type Activities		Total	
	2010	2009 *	2010	2009	2010	2009 *
Revenues:						
Program Revenues:						
Charges for services	\$ 2,130,293	\$ 2,023,686	\$ 158,178	\$ 165,072	\$ 2,288,471	\$ 2,188,758
Operating grants and contributions	7,795,111	6,847,036	382,141	141,038	8,177,252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

* As restated in Note 2 to the financial statements.

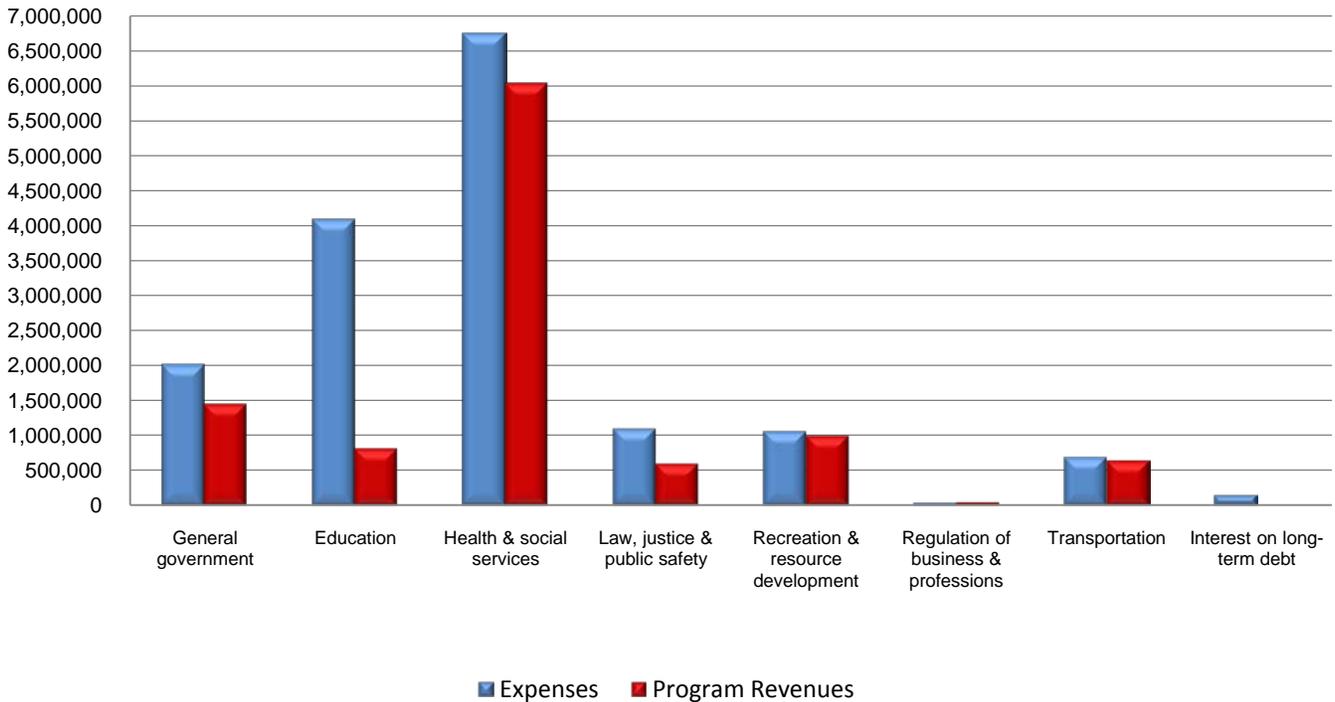
Mississippi

Governmental Activities

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



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

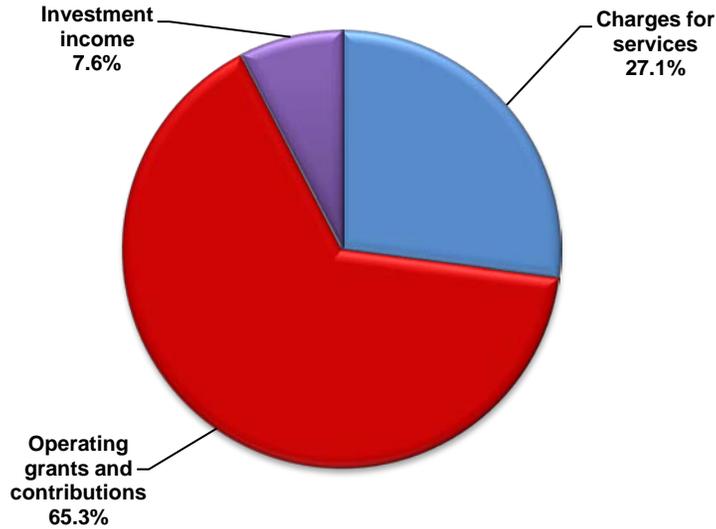


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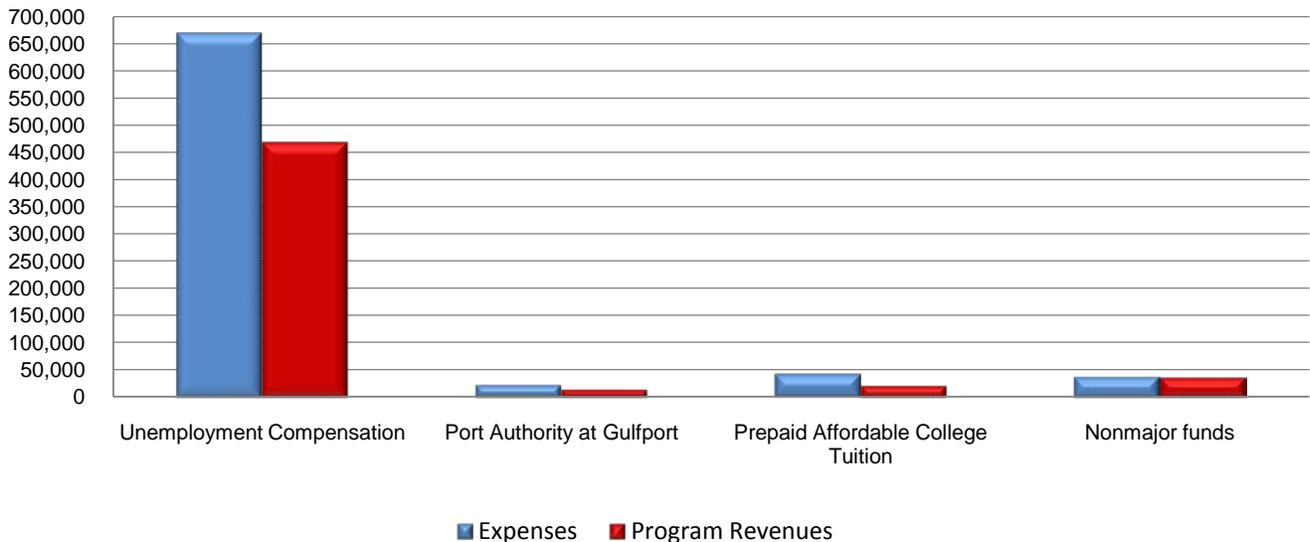
Business-type Activities

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

Business-type Activities - Revenues by Source



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



Mississippi

Financial Analysis of the State's Individual Funds

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

Governmental Funds

The governmental funds reported combined fund balances of \$3,717,815,000 as of June 30, 2010, an increase of \$278,144,000 over the prior year. Of this total amount, \$2,821,741,000 or 75.9 percent constituted unreserved fund balance. A portion of the unreserved balance, \$2,296,963,000, was not available for new spending because it was designated through internally imposed limitations for specific purposes such as debt service, road and highway construction, future capital projects, and health care.

The General Fund is the chief operating fund of the State. The General Fund increased \$519,195,000 from the prior year to an ending fund balance of \$2,708,794,000, despite a \$264,014,000 drop in sales and use tax and individual income tax revenues. Sales tax revenues declined as consumer spending slowed on lumber, building materials, and related construction services, as well as automotive purchases. The decrease in individual income tax revenues is a result of the weakened economy and the rise in unemployment. A temporary increase in ARRA federal match rates continued to provide more revenue. This combined with the federal share of rising health and social services costs resulted in additional federal funds of \$1,040,409,000. Within health and social services, Medicaid experienced an increase in medical service claims payments as the number of recipients grew and health care costs continued to climb. In addition, Human Services saw an increase in benefits provided and participation in the Supplemental Nutrition Assistance Program.

Proprietary Funds

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

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

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

General Fund Budgetary Highlights

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

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

Mississippi

Capital Assets and Debt Administration

Capital Assets

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

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

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

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

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

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

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

Capital Assets, Net of Depreciation

(amounts expressed in thousands)

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

* As restated in Note 8 to the financial statements

Mississippi

Debt Administration

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

Mississippi has a rating of "AA" from Standard and Poor's, a division of The McGraw Hill Companies, "AA+" from Fitch IBCA Inc., and "Aa2" from Moody's Investors Service. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and its potential for future economic diversification.

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2010, the State had established a constitutional legal debt limit of \$12,451,109,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 13 to the financial statements.

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

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

Economic Factors and Next Year's Budget

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

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

Request for Information

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

Mississippi

Basic Financial Statements

Mississippi

Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

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

(Continued on Next Page)

Mississippi

Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

(Continued from Previous Page)

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

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

Mississippi

Statement of Activities

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

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

General revenues:

Taxes:

Sales and use

Gasoline and other motor fuel

Individual income

Corporate income and franchise

Insurance

Other

Investment income

Other

Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions
and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets

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

Mississippi

Governmental Funds

Balance Sheet

June 30, 2010 (Expressed in Thousands)

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

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

Mississippi

Governmental Funds

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

June 30, 2010 (Expressed in Thousands)

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

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds (excluding amounts for internal
service funds' capital assets that are reported in the internal service funds'
net reconciling item below):

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

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

Some of the State's revenues will be collected after year-end but are not
available soon enough to pay for the current period's expenditures and
therefore are deferred in the funds. 177,877

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

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

Internal service funds are used by management to charge the costs of
certain activities, such as insurance and telecommunications, to individual
funds. The assets and liabilities of the internal service funds are included
in governmental activities in the statement of net assets. 150,588

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

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

Mississippi

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

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

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

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

Mississippi

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

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

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

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

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

Capital outlay	\$ 975,061	
Depreciation expense	<u>(409,627)</u>	565,434

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

In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (63,481)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

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

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

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

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

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

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

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

Enterprise Funds

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

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

(Continued from Previous Page)

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

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

Enterprise Funds

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

Mississippi

Proprietary Funds

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

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

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

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

Enterprise Funds

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

Mississippi

Proprietary Funds

Statement of Cash Flows

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

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

Enterprise Funds

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

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Cash Flows

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

(Continued from Previous Page)

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

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

Enterprise Funds

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

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

Mississippi

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2010 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	\$ 489	\$ 55	\$ 12,262
Cash and cash equivalents	313,739	484	34,907
Investments, at fair value:			
Short-term securities	24,816	6,046	
Debt securities	4,354,015	27,329	
Equity securities	12,046,082	44,780	
Private equity	92,287		
Absolute return strategy	14,870		
Real estate investments	767,184	4,204	
Asset allocation fund	44,884		
Fixed rate and variable	509,152		
Life insurance contracts	365	17,124	
Securities lending:			
Short-term securities	2,403,196		
Debt securities	1,674,596		
Receivables, net:			
Employer contributions	53,055		
Employee contributions	34,587		
Investment proceeds	180,686		
Interest and dividends	67,597	56	
Other	1,786	39	409
Commodity inventory			466
Capital assets:			
Land	508		
Other capital assets, net	14,879		
Total Assets	<u>22,598,773</u>	<u>100,117</u>	<u>\$ 48,044</u>
Liabilities			
Warrants payable	255	2	\$ 6,584
Accounts payable and accruals	240,468	136	20,170
Due to other governments			1,154
Due to other funds	24		
Amounts held in custody for others	1,138		20,136
Obligations under securities lending	4,082,776		
Total Liabilities	<u>4,324,661</u>	<u>138</u>	<u>\$ 48,044</u>
Net Assets			
Held in trust for pension benefits and trust beneficiaries	<u>\$ 18,274,112</u>	<u>\$ 99,979</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, 2010 (Expressed in Thousands)

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

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

Mississippi

Component Units

Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

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

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

Mississippi

Component Units

Statement of Activities

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

Functions/ 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	\$ 2,747,615	\$ 1,315,514	\$ 555,541	\$ 56,380	\$ (820,180)	\$	\$ (820,180)
Nonmajor	35,113	28,655	25,493	1,686		20,721	20,721
Total	\$ 2,782,728	\$ 1,344,169	\$ 581,034	\$ 58,066	(820,180)	20,721	(799,459)
General revenues:							
					91,419	1,300	92,719
					171,880	3,614	175,494
					761,080		761,080
					18,617		18,617
					1,042,996	4,914	1,047,910
					222,816	25,635	248,451
					3,466,249	219,177	3,685,426
					\$ 3,689,065	\$ 244,812	\$ 3,933,877

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

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Notes to the Financial Statements

June 30, 2010

Note 1 - Significant Accounting Policies

The significant accounting policies applicable to the State of Mississippi are described below.

- A. Basis of Presentation** - The accompanying financial statements of the State have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.
- B. Financial Reporting Entity** - For GAAP financial reporting purposes, the State's reporting entity includes all funds of the State's various commissions, departments, boards, elected officials, universities, and other organizational units (hereinafter referred to collectively as "agencies"). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following considerations: 1) appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government. GASB provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of a government unit.

As required by GAAP, these financial statements present the primary government and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with that of the primary government. The blended component unit is:

Public Employees' Retirement System of Mississippi - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its five pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2010, and their report, dated November 29, 2010, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

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

The State reports the following nonmajor discretely presented component units:

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

Mississippi

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

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

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

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

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

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

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

Mississippi

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

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

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

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

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

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

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

The State reports the following major governmental funds:

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

The State reports the following major enterprise funds:

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

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

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

Mississippi

Additionally, the State reports the following fund types:

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

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

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

- F. Investments** - Investments, including any land or other real estate held as investments by endowments, are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Changes in the fair value of investment derivative instruments, including derivative instruments that are determined to be ineffective as hedges, are reported as investment income in the government-wide Statement of Activities.

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

Mississippi

G. Receivables - Receivables represent amounts due to the State for revenues earned that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as “current” and amounts expected to be collected beyond the next fiscal year are classified as “noncurrent.” Receivables are reported net of allowances for uncollectible accounts where applicable.

H. Interfund Activity - In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

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

I. Interfund Balances - Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities. Fiduciary funds’ receivables and payables have been reclassified to accounts receivable and accounts payable, respectively, on the government-wide Statement of Net Assets.

J. Inventories and Prepaid Items - Inventories of supplies and materials are stated at cost, generally using the first-in, first-out method. Cost of inventories held for use by the Department of Transportation is determined by the weighted average method. Inventories of supplies and materials of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

K. Restricted Assets - Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

L. Capital Assets - Capital assets are reported, net of depreciation, in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their fair market value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or fair market value on the date of donation, software - \$1,000,000, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$5,000, infrastructure - \$100,000, and construction in progress - based on the project’s class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

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

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

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

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

Mississippi

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

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

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

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

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

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

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

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

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

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

Mississippi

Note 2 - Other Accounting Disclosures

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

	Governmental Funds		
	General	Nonmajor Funds	Totals
Fund balances, unreserved - designated:			
Debt service	\$ 245,955	\$ 2,731	\$ 248,686
Disaster recovery		100,570	100,570
Energy programs		6,048	6,048
Future capital projects	513	320,349	320,862
Future loans	116,085	12,614	128,699
Health care		243,229	243,229
Road and highway construction	454,861		454,861
Special treasury accounts	563,274		563,274
Working cash stabilization reserve	230,734		230,734
Total	\$ 1,611,422	\$ 685,541	\$ 2,296,963

- B. **Net Assets Restricted by Enabling Legislation** - The State's net assets restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net assets reports \$1,088,408,000 of restricted net assets, of which \$85,572,000 is restricted by enabling legislation.
- C. **Deficit Net Assets** - At June 30, 2010, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of \$84,753,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts.
- D. **Restatements of Net Assets** - During fiscal year 2010, the State implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The provisions of this standard require the measurement of intangible assets as of the beginning of the reporting period. By recording these capital assets, the net assets within governmental activities were increased.

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

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

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

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

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

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Note 3 - Interfund Transactions

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

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

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

At June 30, 2010, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To							Total
	Primary Government				Component Units			
	General	Internal Service	Unemployment Compensation	Nonmajor Enterprise	Universities	Nonmajor		
Primary Government:								
General	\$	\$	\$	\$	\$ 30,121	\$ 137	\$ 30,258	
Nonmajor Governmental					1,016		1,016	
Internal Service						7	7	
Nonmajor Enterprise					30		30	
Component Units:								
Universities	219	78	86	14			397	
Nonmajor	3	17					20	
Total	\$ 222	\$ 95	\$ 86	\$ 14	\$ 31,167	\$ 144	\$ 31,728	

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

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

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

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

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

During fiscal year 2005, the State Legislature authorized the Health Care Fund to loan \$240,000,000 to the General Fund for funding medical and administrative services provided by the Division of Medicaid. During fiscal year 2010, the legislative provision for repayment was repealed. The interfund loan was reclassified as a permanent transfer to the General Fund from nonmajor governmental funds.

Note 4 - Deposits and Investments

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

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

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

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

Primary Government Deposits (except for the System)

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

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required

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5 1/2 percent primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105 percent of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

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

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

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

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2010, \$30,390,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2010, \$680,000 was uninsured and uncollateralized.

Primary Government Investment Policies (except for the System)

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

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

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

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

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

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

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

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

School district bonds of the State of Mississippi;

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

Highway bonds of the State of Mississippi;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

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Primary Government Investments (except for the System)

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Moody's or Standard and Poor's credit ratings for the primary government's investments as of June 30, 2010 are as follows (amounts expressed in thousands):

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

- B. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2010, the primary government had the following investments and maturities (amounts expressed in thousands):

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

Collateralized mortgage obligations (CMOs) are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations.

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

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

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C. Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2010, is as follows (amounts expressed in thousands):

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

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

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

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

General Fund		
Federal Home Loan Bank	\$ 4,379	20.33%
Nonmajor governmental funds		
Federal Home Loan Bank	\$ 4,878	6.42%

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

System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, where possible, the types of collateral securing deposits are limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2010, the System had no deposits in foreign demand deposit accounts.

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

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State of Mississippi;

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

Highway bonds of the State of Mississippi;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

Mississippi

System Investments

A. Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Board of Trustees has adopted a short-term investment policy which further restricts commercial paper to be of corporations with long-term debt to be rated A or better by Standard and Poor's or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by Standard and Poor's and Moody's, respectively. This applies to all short-term investments. In addition to the short-term investment policy, a policy adopted for the internally-managed short-term account requires that for any amount above the established core of \$30 million, no more than 25 percent may be invested in any issue having a rating lower than AA or A1/P1. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the System. Policy requires that the credit quality of the underlying asset must be rated A or better by Moody's or Standard and Poor's. The lending agent is permitted to purchase only AAA asset-backed securities for the cash collateral fund.

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

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

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

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

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

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

C. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy limits non-U.S. investments to 17.8 percent of total investments. At June 30, 2010, the current position is 21.5 percent. In fiscal year 2010, the System expanded its fixed income allocation into emerging market debt securities, which invest primarily in sovereign government and agency debt securities. The System also expanded its non-U.S. allocation in the area of REITs. The System's exposure to foreign currency risk at June 30, 2010, is as follows (amounts expressed in thousands):

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

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D. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2010, the System had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset backed securities	\$ 522,044	\$ 439,268	\$ 24,835	\$ 17,473	\$ 40,468
Collateralized mortgage obligations	434,212	17,840		19,620	396,752
Commercial paper	2,042,654	2,042,654			
Corporate bonds	2,421,888	302,746	1,366,131	428,717	324,294
Mortgage pass-throughs	476,254	70	1,078	31,796	443,310
Repurchase agreements	361,342	361,342			
Sovereign agencies debt	16,164		3,990	12,174	
Sovereign governments debt	286,919		48,276	130,118	108,525
State and local obligations	60,576		4,638	522	55,416
U.S. Government agency obligations	254,575	18,378	207,245	17,979	10,973
U.S. Treasury obligations	1,464,818	20,629	786,495	399,121	258,573
Yankee/Global bonds	42,716	1,052	20,940	12,677	8,047
Total	\$ 8,384,162	\$ 3,203,979	\$ 2,463,628	\$ 1,070,197	\$ 1,646,358

During fiscal year 2010, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, collateralized mortgage obligations (CMOs) and asset-backed securities (ABS). The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and principal-only (PO) strips, are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at \$6,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held \$434,212,000 in CMOs at June 30, 2010. Of this amount, \$140,000,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the \$522,044,000 in ABS held at June 30, 2010, \$68,000,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2010, the System has invested in \$476,254,000 in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

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

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

F. Securities Lending Transactions - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System’s custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2010, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent on U.S. securities and international securities denominated in the same currency of the loaned security. For international securities that are denominated in a currency other than the currency of the loaned security, 105 percent collateral is required at the initiation of the loan. In the event the collateral fair value on U.S. securities falls to less than 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. In the event the collateral fair value falls below 102 percent for international same-currency transactions or 105 percent for cross-currency transactions, the borrower is required to provide additional collateral. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities’ issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

The maturities of the investments made with cash collateral generally do not match the maturities of the securities lent. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 2 days at June 30, 2010. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, U.S. Government agencies, and asset backed securities. The weighted average effective duration of all collateral investments at June 30, 2010, was 34 days with a weighted average maturity of 34 days.

Securities lent at year end for cash collateral are presented by type; securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were no securities lent for securities collateral as of June 30, 2010. The investments purchased with the cash collateral are presented in the discussion of custodial credit risk, since the custodian, as agent, is the counterparty in acquiring these securities in a separate account for the System.

At year end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System. At June 30, 2010, the aggregate fair value of securities lending holdings, including accrued interest was \$4,078,938,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$3,930,194,000. The value of the collateral pledged by borrowers at year end was \$4,082,776,000.

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Note 5 - Receivables

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

	Governmental Funds				Total Governmental Activities
	General	Nonmajor Funds	Internal Service	Receivables Reclass	
Accounts	\$ 179,346	\$ 28,254	\$ 20	\$ 24	\$ 207,644
Taxes:					
Sales	373,124				373,124
Income	280,142				280,142
Gasoline	45,755				45,755
Other	66,853				66,853
Interest and dividends	9,824	2,223	326		12,373
Other	257				257
Gross receivables	955,301	30,477	346	24	986,148
Allowance for uncollectibles	(240,529)	(10,086)			(250,615)
Receivables, net	\$ 714,772	\$ 20,391	\$ 346	\$ 24	\$ 735,533
Amounts not scheduled for collection in subsequent year	\$ 158,672	\$ 427			\$ 159,099

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

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

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Note 6 - Due From Other Governments

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

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

Note 7 - Loans and Notes Receivable

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

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

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Note 8 - Capital Assets

Primary Government

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

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

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

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

Governmental Activities:

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

Business-type Activities:

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

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

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

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Component Units

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

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

Note 9 - Long-term General Obligation Bonds and Notes

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

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development and capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to currently refund or advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2010, relating to a portion of capital improvement and major economic impact projects pay interest at variable rates. The remaining general obligation debt has fixed rates of interest.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U. S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. The State must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. As of June 30, 2010, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in these funds, the State remains contingently liable for its payment. In accordance with Mississippi state law, the State serves as the guarantor for the general obligation bonds of the Greater Port of Pascagoula. The port is not considered part of the reporting entity; however, if the port's resources are insufficient to make the debt service payments on the outstanding bonds, the deficiency must be paid by the State. As of June 30, 2010, the Port of Pascagoula's outstanding general obligation bonds are \$105,000.

Bond Anticipation Notes

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

Refunding and Defeased Bonds

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

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

In prior years, the State defeased certain outstanding general obligation bonds of the primary government by depositing the net proceeds of refunding bonds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2010, \$328,350,000 of outstanding general obligation bonds (including prior years' refunding) are considered defeased.

Demand Bonds

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

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

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

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

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

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

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

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

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

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

Derivative Instruments

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

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

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

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

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

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

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

Credit Risk - The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparties have credit ratings by at least one nationally recognized statistical rating agency that are within the two highest investment grade categories, and credit ratings by all other nationally recognized statistical rating agencies that are within the three highest grade categories, otherwise the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. Section 31-18-11, Mississippi Code Ann. (1972), also requires that should the credit rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the swap agreements and shall be deposited as directed by the State. Additionally, Section 31-18-11, Mississippi Code Ann. (1972), requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The State is not exposed to credit risk at June 30, 2010, as all swap agreements are in a liability position.

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

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

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

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

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

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

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

* Interest on \$133,415,000 of outstanding general obligation bonds for Major Economic Impact is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with \$89,775,000 of outstanding variable rate general obligation bonds for Capital Improvements where the State pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA swap index. Additionally, interest rate swap agreements have been entered into in connection with \$100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

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

At June 30, 2010, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

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

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Note 10 - Bonds Authorized But Unissued

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

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

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Note 11 - Revenue Bonds and Notes

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

At June 30, 2010, outstanding revenue bonds and notes are (amounts expressed in thousands):

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

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

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

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2010 is \$124,386,000 for governmental activities and \$676,000 for business-type activities. Internal service compensated absences of \$1,275,000 are included in governmental activities. The component units' liability for compensated absences is \$97,116,000, of which \$96,349,000 is for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-N).

B. Pollution Remediation Obligation - As of June 30, 2010, four Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

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

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

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

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

** Interest on \$19,158,000 of outstanding notes payable to accelerate construction of roads and bridges is variable rate and is reset weekly at the New York prime rate plus 2%, never to exceed 13%.

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

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

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

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

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Derivative Instruments

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

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

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

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

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

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

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

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

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

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fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the swap agreements and shall be deposited as directed by the State. Additionally, the swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000.

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

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

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

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

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

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

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

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

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

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

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

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Note 13 - Changes in Long-term Liabilities

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

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

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

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

The current portion of accrued compensated absences is reported in accounts payable and other liabilities and the long-term portion is included in noncurrent other liabilities.

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Note 14 - Short-term Financing

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

	Beginning Balance	Additions	Reductions	Ending Balance
Notes	\$ 0	\$ 10,000	\$ 0	\$ 10,000

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

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	\$ 15,000	\$ 183,000	\$ 198,000	\$ 0

Note 15 - Retirement Plans

Plan Description

A. General

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

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

B. Membership and Benefit Provisions

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

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of credited service (30 years of creditable service for employees who become members of PERS on or after July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service through 25 years, plus 2 1/2 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect an option for a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who entered the System prior to July 1, 2007, benefits vest upon completion of four years of

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membership service. For members who entered the System on or after July 1, 2007, benefits vest upon completion of eight years of membership service. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 55, plus 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2010, the total additional annual payments were \$338,628,000

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

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

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60, plus 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2010, the total additional annual payments were \$6,294,000.

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

Participating employees who retire regardless of age with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66.67 percent of average monthly compensation, except as may otherwise be provided through local and private legislation. Average monthly compensation for the two Municipal Retirement Systems and for the 17 Fire and Police Disability and Relief Systems is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of credited service. MRS also provide certain death and disability benefits. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Annotated (1972) and annual local and private legislation. Statutes may be amended only by the State Legislature.

The retirees and beneficiaries of Municipal plans with provisions for additional payments, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to an additional payment. This payment is equal to the annual percentage change of the Consumer Price Index not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain Municipal plans may adopt an annual adjustment other than one linked to the change in the Consumer Price Index. These additional payments will only be made when funded by the employers. For the year ended June 30, 2010, the total additional annual payments were \$5,048,000.

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

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

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

C. Actuarial Asset Valuation

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2010. An actuarial valuation of MRS is required to be performed at least once in each four-year period as of September 30, with the most recent being September 30, 2009. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

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

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

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

* In addition to 7.25% required by PERS.

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

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

Varies depending on municipality.

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

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

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E. Three-Year Trend Information

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

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

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

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

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

F. Funded Status and Funding Progress

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

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

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

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Note 16 - Other Postemployment Benefits

Plan Description

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

Funding Policy

Employees' premiums are funded by the state and local school districts with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board has the sole authority for setting health insurance premiums for the State and School Employees' Life and Health Insurance Plan.

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

Actuarial Valuation

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

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Note 17 - Commitments

A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2010 are as follows (amounts expressed in thousands):

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

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

B. Contracts

At June 30, 2010, the Department of Transportation had contracts outstanding of approximately \$862,284,000 with performance continuing during fiscal year 2011. Of this amount \$47,897,000 is related to local public agencies, such as planning and development districts, counties and municipalities. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 70 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline taxes.

The State Aid Road Division had contracts of \$51,365,000 outstanding at June 30, 2010 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 33 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of \$106,453,000 at June 30, 2010. These contracts will be paid from capital projects funds.

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

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

The Department of Information Technology Services had contracts outstanding of approximately \$98,784,000 at June 30, 2010. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system. Approximately 90 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by capital projects funds.

Mississippi

Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2009 and 2010 are as follows (amounts expressed in thousands):

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

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

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

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

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

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

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

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

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

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

Mississippi

Note 19 - Contingencies

- A. **Federal Grants** - The State has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the State. The State estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.
- B. **Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the State and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed \$5,691,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the State.
- C. **Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized to provide loan guarantees on behalf of rural businesses for the purpose of promoting business and economic development in rural areas of the state. At June 30, 2010, outstanding MDA loan guarantees totaled \$350,000.

The State of Mississippi has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program on behalf of local governments. The program provides operational funding to help local governments, or other political subdivisions of the State, that have incurred a significant loss in revenue, due to a presidentially declared disaster, that has adversely affected their ability to provide essential governmental services. At June 30, 2010, outstanding Community Disaster loan guarantees totaled \$183,826,000.

- D. **Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately \$2,455,245,000 at June 30, 2010. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 - Endowments

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

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

The net appreciation of investments of donor-restricted endowments available for expenditure approximated \$27,061,000 at June 30, 2010, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Mississippi

Note 21 - Subsequent Events

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of \$256,975,000 from the Working Cash Stabilization Reserve Account and \$124,000,000 from budgetary special funds as of January 25, 2011. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

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

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

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

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

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

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

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

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

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

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

Mississippi

Required Supplementary Information

Mississippi

Required Supplementary Information

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

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

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

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

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

Mississippi

Required Supplementary Information

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

For the Year Ended June 30, 2010

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis. The State's basis of budgeting is the cash basis plus encumbrances. The State has established three budgetary fund groups to account for its budgetary activities and functions. The General Fund group is established to receive and distribute general tax revenues and other general fund revenues and interest generated thereon. The Education Enhancement Fund group is established to receive specific tax revenues to support various educational programs. The Special Fund group is established to receive federal grants, fees, proceeds from the sale of goods and services, taxes levied for specific purposes and interest generated thereon, and to support the functional activities of the agencies that generate such revenues.

General Fund and Education Enhancement Fund original budget revenues represent the General Fund and Education Enhancement Fund revenue estimates adopted by the Legislative Budget Office at the date of sine die adjournment. Special Fund revenue estimates include anticipated revenues during the year and the amount of beginning cash balances on hand at the beginning of the year that are anticipated to be expended for special fund purposes.

Due to the complexity of the State's budget, a separate *Annual Report of Budgetary Basis Expenditures* has been prepared to present final budget to actual comparisons at the legal level of control. This budgetary report is available at the Department of Finance and Administration.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2010 is presented below (amounts expressed in thousands):

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

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2010 (Expressed in Thousands)

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

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

Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2010 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2010 (Expressed in Thousands)

Actuarial 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%
June 30, 2009	0	755,328	755,328	0.0	4,613,682	16.4
June 30, 2010	0	727,711	727,711	0.0	4,470,558	16.3

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Nonmajor Governmental Funds

Nonmajor Governmental Funds Descriptions

Special Revenue Funds

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

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

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

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

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

Capital Projects Fund

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

Permanent Funds

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

Mississippi

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2010 (Expressed in Thousands)

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

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

Mississippi

Nonmajor Governmental Funds

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

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

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

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

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Nonmajor Enterprise Funds

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

Nonmajor Enterprise Funds Descriptions

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

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

Department of Finance and Administration - The **Veterans' Memorial Stadium Commission Fund** accounts for operations of the Veterans' Memorial Stadium in Jackson. Funding is provided by admission fees and concessions. The **Office of Surplus Property Fund** receives and maintains an inventory of surplus federal property and redistributes it to state agencies and departments, counties, municipalities and other eligible donees within the state. Fees are collected from the donees to offset operating costs.

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

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

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

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

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

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

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

Mississippi

Nonmajor Enterprise Funds

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

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

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

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

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

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

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

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

(Continued on Next Page)

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

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

(Continued from Previous Page)

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

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

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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, 2010 (Expressed in Thousands)

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

Mississippi

Internal Service Funds

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

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

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

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

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

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

(Continued on Next Page)

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

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

(Continued from Previous Page)

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

Noncash Capital and Related Financing and Investing Activities

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

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

Fiduciary Funds Descriptions

Pension Trust Funds

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

Agency Funds

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

Mississippi

Pension Trust Funds

Combining Statement of Fiduciary Net Assets

June 30, 2010 (Expressed in Thousands)

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

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

Mississippi

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

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

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

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

Mississippi

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2010 (Expressed in Thousands)

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

Mississippi

Agency Funds

Combining Statement of Changes in Assets and Liabilities

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

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

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Nonmajor Component Units

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

Nonmajor Component Units Descriptions

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

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

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

Mississippi Prison Industries Corporation - The corporation is engaged in the manufacture of cloth related items, printing of forms, periodicals and manuals, and providing service work for manufacturers. Revenue is generated from the charges for goods and services.

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

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

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

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

Mississippi

Nonmajor Component Units

Combining Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

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

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

Mississippi

Nonmajor Component Units

Combining Statement of Activities

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

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

General Revenues

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

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Mississippi

Statistical Section

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

Financial Trends

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

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Revenue Capacity

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

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

Debt Capacity

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

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Demographic and Economic Information

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

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Operating Information

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

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Mississippi

Net Assets by Component

Table 1

Last Nine Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

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

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

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

Mississippi

Changes in Net Assets

Last Nine Fiscal Years

Table 2

Accrual Basis of Accounting (Expressed in Thousands)

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

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

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

\$	(4,861,708)	\$ (5,020,967)	\$ (5,000,316)	\$ (4,501,692)	\$ (4,332,250)
	(71,066)	11,366	(29,285)	(84,034)	(11,797)
\$	<u>(4,932,774)</u>	<u>(5,009,601)</u>	<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 Nine Fiscal Years

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

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

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

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

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

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

³ Recreation and resources development expenses rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

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

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

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

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

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

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

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

⁷ Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

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

Mississippi

Fund Balances of Governmental Funds

Last Nine Fiscal Years

Table 3

Modified Accrual Basis of Accounting (Expressed in Thousands)

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

Note: 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.

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

Mississippi

Changes in Fund Balances of Governmental Funds

Last Nine Fiscal Years

Table 4

Modified Accrual Basis of Accounting (Expressed in Thousands)

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

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

(Continued on Next Page)

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Nine Fiscal Years

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

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

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

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

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

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

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

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

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

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

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

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

⁵ Recreation and resources development expenditures rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

Mississippi

Taxable Sales by Industry

Last Ten Fiscal Years
(Expressed in Thousands)

Table 5

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

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

Source: Mississippi State Tax Commission

Sales Tax Revenue Payers by Industry

Fiscal Years 2009 and 2000

Table 6

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

Notes: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current fiscal year available is fiscal year 2009.

Source: Mississippi State Tax Commission

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

2000

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

Mississippi

Ratios of Outstanding Debt by Type

Last Nine Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

	2010	2009	2008	2007
Governmental Activities				
General Obligation Bonds and Notes ¹	\$ 3,524,006	\$ 3,456,607	\$ 3,452,073	\$ 3,135,232
Limited Obligation Bonds			24,460	47,880
Capital Lease Obligations	13,212	17,231	12,555	18,568
Notes Payable	1,044,352	852,011	882,049	708,028
Certificates of Participation		2,045	2,190	2,330
Total Governmental Activities	4,581,570	4,327,894	4,373,327	3,912,038
Business-type Activities				
General Obligation Bonds	26,476	29,231	32,064	35,084
Revenue Bonds				
Capital Lease Obligations	841	1,636	926	214
Total Business-type Activities	27,317	30,867	32,990	35,298
Total Primary Government	\$ 4,608,887	\$ 4,358,761	\$ 4,406,317	\$ 3,947,336
Amount of Debt Per capita ²	\$ 1,562	\$ 1,478	\$ 1,499	\$ 1,352
Debt as a percentage of Personal Income ³	5.2%	4.9%	4.9%	4.6%
Net General Obligation Bonded Debt⁴				
General Obligation Bonds and Notes ¹	\$ 3,524,006	\$ 3,456,607	\$ 3,452,073	\$ 3,135,232
Less: Debt Service	248,686	197,131	214,647	175,515
Net General Obligation Bonded Debt	\$ 3,275,320	\$ 3,259,476	\$ 3,237,426	\$ 2,959,717
Amount of Net General Obligation Bonded Debt Per capita ²	\$ 1,110	\$ 1,105	\$ 1,101	\$ 1,014
Net General Obligation Bonded Debt as a percentage of Taxable Sales ⁵	7.1%	7.1%	6.8%	6.2%

Notes:

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

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

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

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

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

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

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

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

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

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

Mississippi

Legal Debt Margin

Last Ten Fiscal Years
(Expressed in Thousands)

Table 8

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

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

Legal Debt Margin Calculation for Fiscal Year 2010:

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

Notes:

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
2009	\$ 7,960,862
2008	8,300,739
2007	8,006,244
2006	7,286,841

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

Mississippi

Demographic and Economic Statistics

Last Ten Calendar Years

Table 9

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

Sources:

Mississippi Econometric Model

Mississippi Department of Employment Security

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

Employment by Industry

Most Current Calendar Year and Eight Years Prior

Table 10

(Ranked by Number of Employees)

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

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

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

Source: Mississippi Department of Employment Security

Mississippi

Public School Enrollment

Last Ten Academic Years

Table 11

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

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 12

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

Source: Mississippi State Board for Community and Junior Colleges

University Enrollment

Last Ten Academic Years

Table 13

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

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

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

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

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

Mississippi

Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 14

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

Sources:

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

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

Mississippi

State Government Employees by Function

Last Ten Fiscal Years

Table 15

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

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

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

Mississippi

Operating Indicators by Function

Last Ten Fiscal Years

Table 16

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

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

Sources:

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

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

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

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

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

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

Cover

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

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

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

This report is available on the DFA home page: www.dfa.state.ms.us

State of Mississippi

Single Audit Report

for the Fiscal Year Ended June 30, 2010

MISSISSIPPI



Stacey E. Pickering

State Auditor

Office of the State Auditor



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

March 31, 2011

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, 2010. 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-third 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 2009 Comprehensive Annual Financial Report (CAFR) and
- an unqualified opinion has been rendered on the state's financial statements in 2010.

Mississippi's *Comprehensive Annual Financial Report* for fiscal year 2010 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.

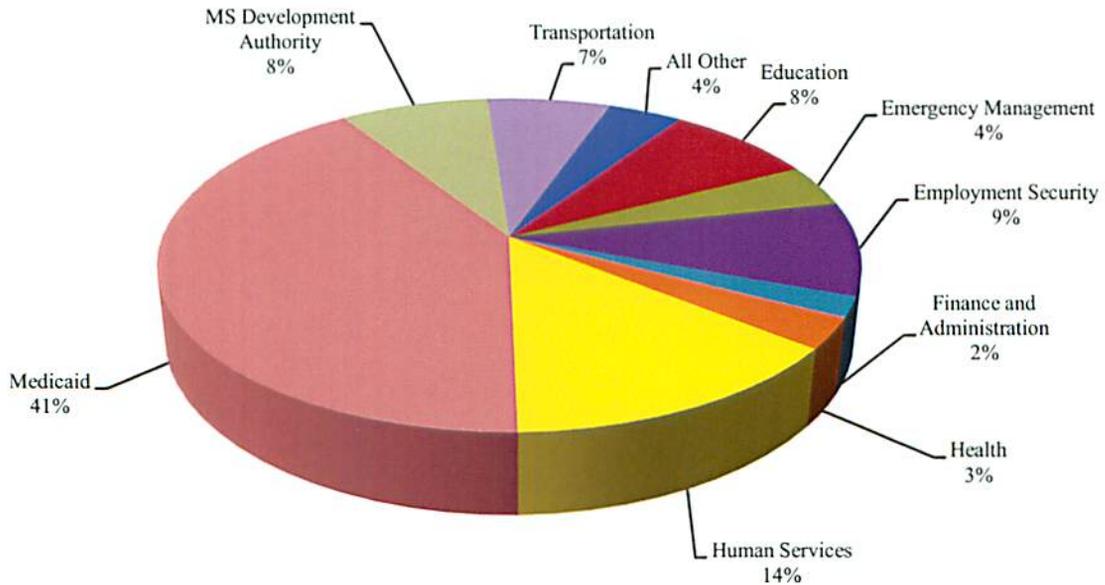
Respectfully submitted

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

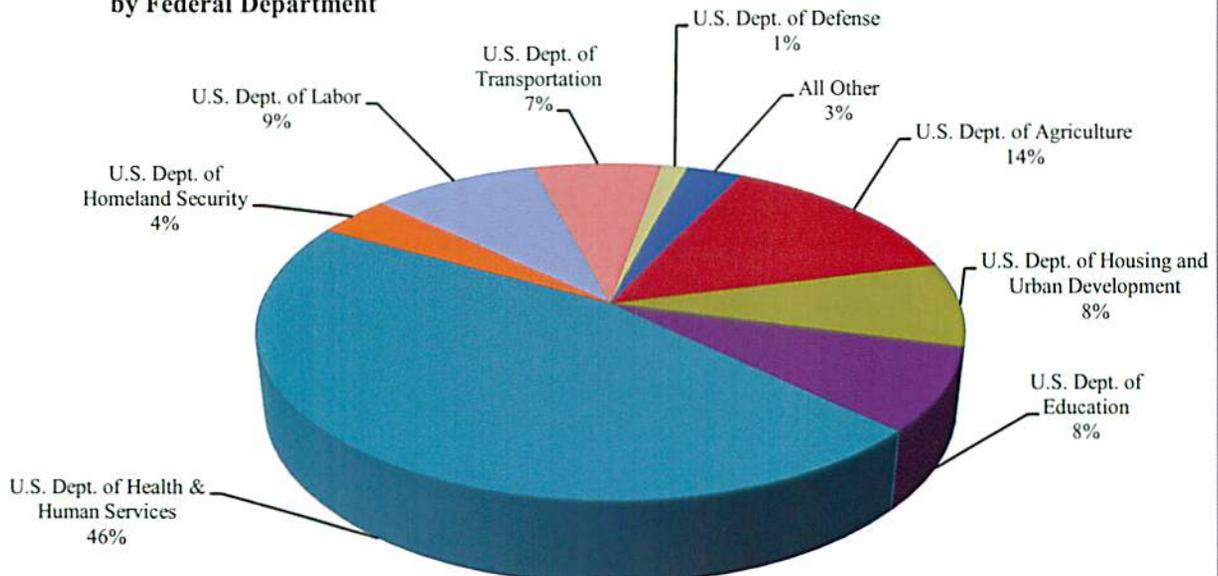
STACEY E. PICKERING
State Auditor

STATE OF MISSISSIPPI

Expenditures of Federal Awards by State Grantee Agency Fiscal Year 2010

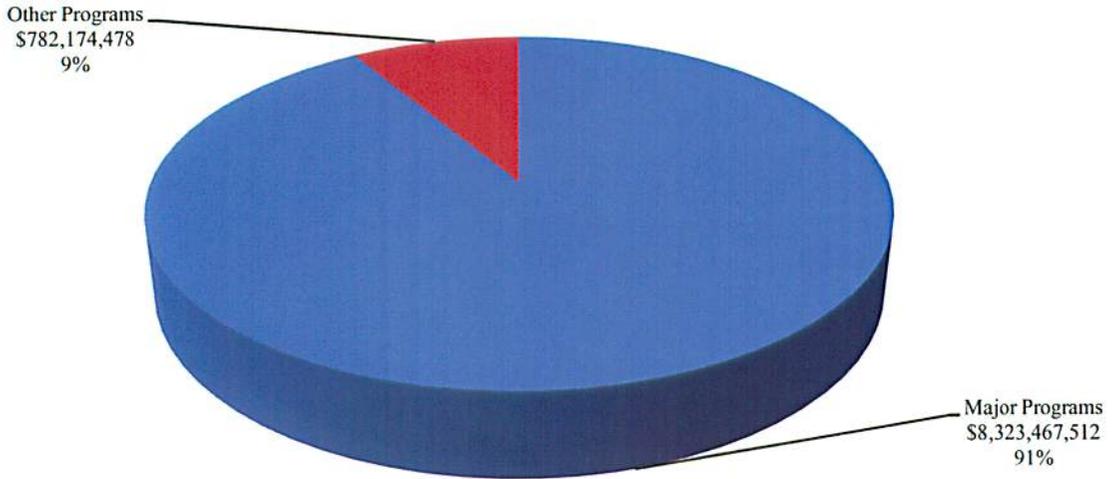


Expenditures of Federal Awards by Federal Department

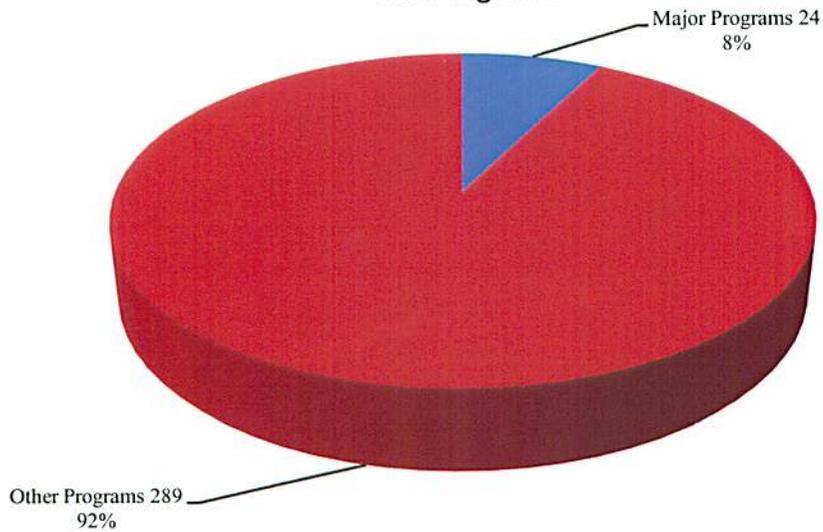


STATE OF MISSISSIPPI Fiscal Year 2010

Percentage of Major Program Assistance
Total Expenditures of Federal Awards \$9,105,641,990

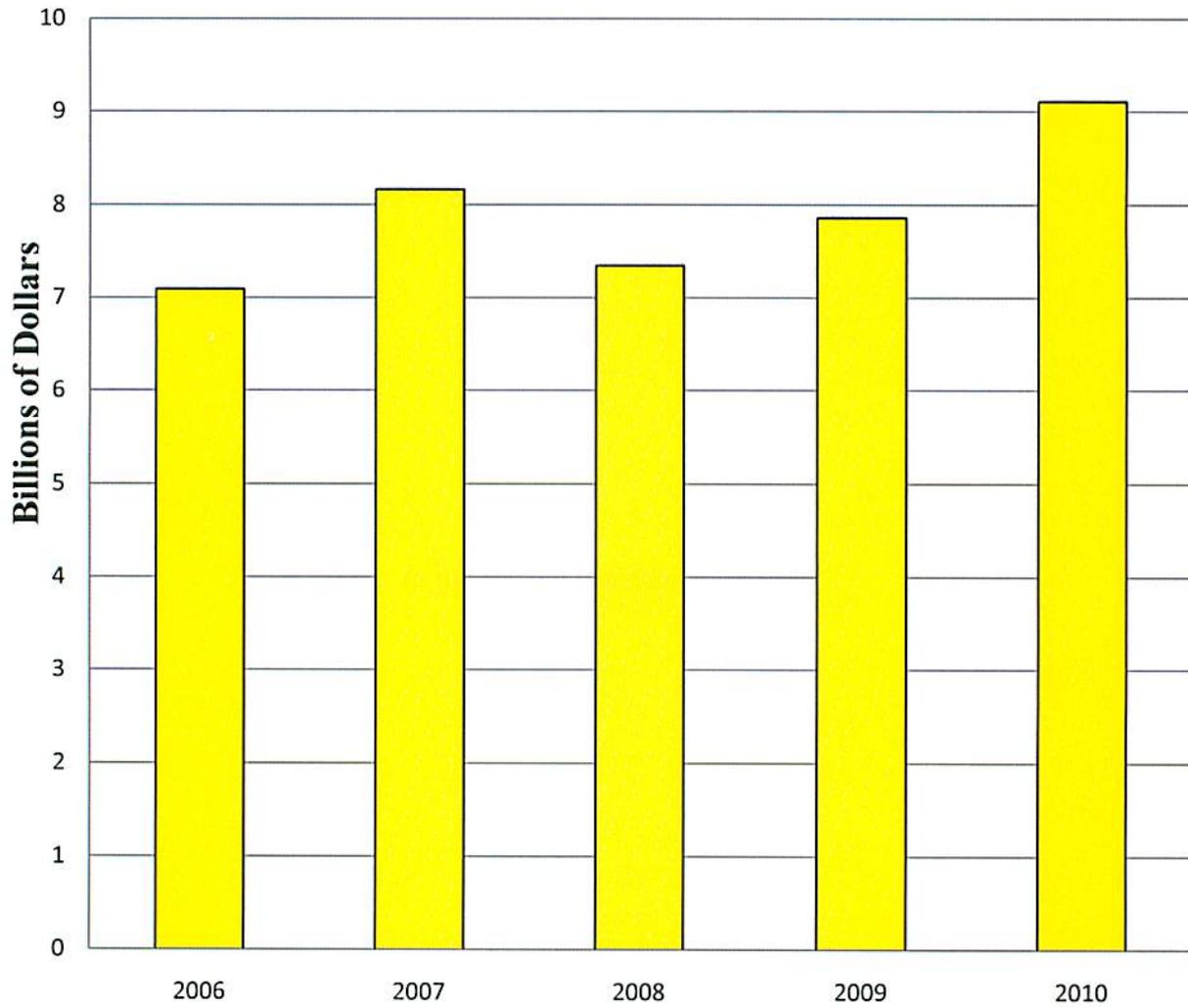


Percentage of Major Program Assistance
313 Programs



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, 2010

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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, 2010, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2011. 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 Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 6% and 30%, respectively, of the assets and revenues of the Governmental Activities;

● Business-type Activities

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and AbilityWorks, Inc. within the Department of Rehabilitation Services which, in the aggregate, represent 58% and 12%, respectively, of the assets and revenues of the Business-type Activities;

● Component Units

- the Universities and the nonmajor component units.

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 2

■ Fund Financial Statements

● Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid, the Department of Corrections and the Department of Wildlife, Fisheries and Parks which represent 21% and 32%, respectively, of the assets and revenues of the General Fund;

● Proprietary Funds

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

● Aggregate Remaining Funds

- selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks;
- the State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;
- nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc. 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 94% and 66%, 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.

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 3

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. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings", we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 - Financial Statement Findings" as items 2010-10, 2010-11 and 2010-12 to be material weaknesses.

We and the other auditors also noted certain matters involving the internal control over financial reporting, which we have reported to management of the applicable state agencies and institutions 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.

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 4

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2010-03 and 2010-12.

We and the other auditors also 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.

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.



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

Jackson, Mississippi
January 25, 2011



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

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. We did not audit the Aquaculture Grants Program, the Disaster Recovery Funds within the Community Development Block Grants/State's Program, the Capitalization Grants for Clean Water State Revolving Funds Program, the Capitalization Grants for Drinking Water State Revolving Funds Program, the Vocational Rehabilitation Cluster, the State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act Program within the State Fiscal Stabilization Fund Cluster, the Children's Health Insurance Program, the Medicaid Cluster, the Disaster Grants - Public Assistance Program, and the Hazard Mitigation Grant 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, provides 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.

Report on Compliance with Requirements
That Could Have a Direct and Material
Effect on Each Major Program and on
Internal Control over Compliance in
Accordance with OMB Circular A-133
Page 2

The scope of this audit did not include testing transactions and records from the major federal programs of the public universities of Mississippi. The audit of those federal programs was conducted in accordance with the provisions of OMB Circular A-133, and a separate report was issued.

In our opinion, the State of Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. We did not test the transactions and records of the major federal programs administered by the state's public universities for compliance with any requirements referred to above to determine the effects of such noncompliance, if any.

The results of our auditing procedures disclosed 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 10-03, 10-04, 10-05, 10-06, 10-10, 10-11 and 10-13.

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 was not designed to identify all deficiencies in the State of Mississippi's internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we and the other auditors identified a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We and the other auditors consider the deficiency in internal control over compliance described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" as item 10-01 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We 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 10-02, 10-03, 10-04, 10-05, 10-06, 10-07, 10-08, 10-09, 10-10, 10-11 and 10-12 to be significant deficiencies.

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, 2010, and have issued our report thereon dated January 25, 2011. We did not audit the financial statements of:

- Government-wide Financial Statements

- Governmental Activities

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 6% and 30%, respectively, of the assets and revenues of the Governmental Activities;

- Business-type Activities

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and AbilityWorks, Inc. within the Department of Rehabilitation Services, which, in the aggregate, represent 58% and 12%, respectively, of the assets and revenues of the Business-type Activities;

- Component Units

- the Universities and the nonmajor component units.

■ Fund Financial Statements

● Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid, the Department of Corrections and the Department of Wildlife, Fisheries and Parks which represent 21% and 32%, respectively, of the assets and revenues of the General Fund;

● Proprietary Funds

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

● Aggregate Remaining Funds

- selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services, and the Department of Wildlife, Fisheries and Parks;
- The State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;
- nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc. 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 94% and 66%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

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

Report on Compliance with Requirements
That Could Have a Direct and Material
Effect on Each Major Program and on
Internal Control over Compliance in
Accordance with OMB Circular A-133
Page 5

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.



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

Jackson, Mississippi
March 31, 2011 except for the Schedule of Expenditures of Federal Awards, as to which the date is
January 25, 2011.

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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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
<u>OFFICE OF NATIONAL DRUG CONTROL POLICY</u>			
07.UN	High Intensity Drug Trafficking Area	Narcotics	1,303,126
TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY			1,303,126
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Agriculture and Commerce / Animal Health / Wildlife, Fisheries and Parks	1,087,722
10.086	ARRA – Aquaculture Grants Program	Agriculture and Commerce	15,842,206
10.163	Market Protection and Promotion	Agriculture and Commerce	27,000
10.169	Specialty Crop Block Grant Program	Agriculture and Commerce	92,352
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	Agriculture and Commerce	1,913,550
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Health	90,664,111
10.558	Child and Adult Care Food Program	Education	35,520,524
10.560	State Administrative Expenses for Child Nutrition	Education	2,620,106
10.565	Commodity Supplemental Food Program	Health	436,537
10.579	ARRA – Child Nutrition Discretionary Grants Limited Availability	Education	1,636,219
10.580	Supplemental Nutrition Assistance Program, Outreach/ Participation Program	Human Services	92,084
10.582	Fresh Fruit and Vegetable Program	Education	988,628
10.664	Cooperative Forestry Assistance	Agriculture and Commerce / Forestry Commission	6,028,345
10.688	ARRA – Recovery Act of 2009: Wildland Fire Management	Forestry Commission	155,075
10.861	Public Television Station Digital Transition Grant Program	Educational Television	77,739
10.902	Soil and Water Conservation	Soil & Water Conservation Commission	443,080
10.950	Agricultural Statistics Reports	Agriculture and Commerce	124,368
SUBTOTAL			157,749,646

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, 2010

CFDA Number	Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	SNAP Cluster		
10.551	Supplemental Nutrition Assistance Program (SNAP)	Human Services	826,685,119
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	Human Services	31,806,071
10.561	ARRA – State Administrative Matching Grants for Supplemental Nutrition Assistance Program	Human Services	3,228,302
	Total SNAP Cluster		861,719,492
	Child Nutrition Cluster		
10.553	School Breakfast Program (SBP)	Education	53,385,891
10.555 @	National School Lunch Program (NSLP)	Education	161,990,841
10.556	Special Milk Program for Children (SMP)	Education	4,498
10.559	Summer Food Service Program for Children (SFSPC)	Education	5,609,087
	Total Child Nutrition Cluster		220,990,317
	Emergency Food Assistance Cluster		
10.568	Emergency Food Assistance Program (Administrative Costs)	Human Services	763,824
10.568	ARRA – Emergency Food Assistance Program (Administrative Costs)	Human Services	327,087
10.569 @	Emergency Food Assistance Program (Food Commodities)	Human Services	6,767,449
	Total Emergency Food Assistance Cluster		7,858,360
	Schools and Roads Cluster		
10.665	Secure Payments for States and Counties Containing Federal Lands	Treasury	8,372,945
	Total Schools and Roads Cluster		8,372,945
	TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,256,690,760
	U.S. DEPARTMENT OF COMMERCE		
11.407	Interjurisdictional Fisheries Act of 1986	Marine Resources	115,225
11.419	Coastal Zone Management Administration Awards	Marine Resources	1,089,547
11.420	Coastal Zone Management Estuarine Research Reserves	Marine Resources	835,220
11.434	Cooperative Fishery Statistics	Marine Resources	86,203
11.463	Habitat Conservation	Marine Resources	199,741

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
11.472	Unallied Science Program	Marine Resources	34,990
11.473	Coastal Services Center	Environmental Quality/ Marine Resources	569,395
11.558	ARRA – State Broadband Data and Development Grant Program	Governor's Office	751,617
TOTAL U.S. DEPARTMENT OF COMMERCE			3,681,938
<u>U.S. DEPARTMENT OF DEFENSE</u>			
12.002	Procurement Technical Assistance For Business Firms	MS Development Authority	675,022
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environmental Quality	151,061
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Military Department	87,001,276
12.402	National Guard Special Military Operations and Projects	Military Department	2,353,694
12.404	National Guard Civilian Youth Opportunities	Military Department	3,288,968
12.405	National Guard Drug Interdiction and Counter Drug Activities	Military Department	234,312
12.UN1	Teacher and Teacher's Aide Placement Assistance Program	Education	168,244
12.UN2	Wildlife Mitigation Projects (Passed-through from the U.S. Army Corps of Engineers). Identifying number assigned by the pass-through entity-TTWW-10-MS-WL, DACW-38-3-06-155, DACW-38-91-H-0007, DACW-38- 3-09-176.	Wildlife, Fisheries and Parks	1,868,343
TOTAL U.S. DEPARTMENT OF DEFENSE			95,740,920
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
14.231	Emergency Shelter Grants Program	MS Development Authority	1,420,801
14.239	Home Investment Partnerships Program	MS Development Authority	14,754,246
14.241	Housing Opportunities for Persons with AIDS	Health	1,279,167
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program	MS Development Authority	2,457,371
SUBTOTAL			19,911,585
14.218	CDBG – Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants	MS Development Authority	11,859,801

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
	Total CDBG – Entitlement Grants Cluster		11,859,801
14.228	CDBG – State-Administered Small Cities Program Cluster Community Development Block Grants/State's Program	MS Development Authority	709,177,110
14.255	ARRA – Community Development Block Grants/State's Program	MS Development Authority	3,946,052
	Total CDBG – State-Administered Small Cities Program Cluster		713,123,162
	TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		744,894,548
	<u>U.S. DEPARTMENT OF THE INTERIOR</u>		
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	Environmental Quality	130,986
15.252	Abandoned Mine Land Reclamation (AMLR) Program	Environmental Quality	30,239
15.426	Coastal Impact Assistance Program (CIAP)	Marine Resources	7,065,754
15.615	Cooperative Endangered Species Conservation Fund	Wildlife, Fisheries and Parks	84,938
15.616	Clean Vessel Act	Marine Resources	81,445
15.622	Sportfishing and Boating Safety Act	Marine Resources	11,396
15.632	Conservation Grants Private Stewardship for Imperiled Species	Wildlife, Fisheries and Parks	535
15.633	Landowner Incentive Program	Wildlife, Fisheries and Parks	984,779
15.634	State Wildlife Grants	Wildlife, Fisheries and Parks	912,277
15.808	U.S. Geological Survey Research and Data Collection	Environmental Quality	6,712
15.810	National Cooperative Geologic Mapping Program	Environmental Quality	96,854
15.904	Historic Preservation Fund Grants-In-Aid	Archives and History	5,192,642
15.916	Outdoor Recreation Acquisition, Development and Planning	Wildlife, Fisheries and Parks	776,122
15.928	Civil War Battlefield Land Acquisition Grants	Archives and History	578,400
15.UN1	Conduct Southeastern Indian Basketry Symposium	Archives and History	19,500
	SUBTOTAL		15,972,579
15.605	Fish and Wildlife Cluster Sport Fish Restoration Program	Marine Resources/Wildlife, Fisheries and Parks	4,027,306

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
15.611	Wildlife Restoration	Wildlife, Fisheries and Parks	4,484,121
	Total Fish and Wildlife Cluster		8,511,427
TOTAL U.S. DEPARTMENT OF THE INTERIOR			24,484,006
<u>U.S. DEPARTMENT OF JUSTICE</u>			
16.017	Sexual Assault Services Formula Program	Public Safety	26,540
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	Public Safety	15-
16.523	Juvenile Accountability Block Grants	Public Safety	524,051
16.527	Supervised Visitation, Safe Havens for Children	Human Services	3,947
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	Public Safety	267,682
16.543	Missing Children's Assistance	Attorney General	236,755
16.548	Title V Delinquency Prevention Program	Public Safety	76,306
16.554	National Criminal History Improvement Program (NCHIP)	Public Safety	21
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	Public Safety	286,868
16.575	Crime Victim Assistance	Public Safety	5,641,088
16.576	Crime Victim Compensation	Attorney General	470,000
16.579	Edward Byrne Memorial Formula Grant Program	Public Safety	504
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	Supreme Court	60,819
16.588	Violence Against Women Formula Grants	Public Safety	1,917,191
16.588	ARRA – Violence Against Women Formula Grants	Public Safety	213,694
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, And Stalking Assistance Program	Public Safety	237,063
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	Attorney General	567,409
16.593	Residential Substance Abuse Treatment for State Prisoners	Public Safety	296,310
16.606	State Criminal Alien Assistance Program	Corrections	28,976
16.609	Community Prosecution and Project Safe Neighborhoods	Public Safety	142,956

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
16.710	Public Safety Partnership and Community Policing Grants	Public Safety	613,796
16.727	Enforcing Underage Drinking Laws Program	Public Safety	337,199
16.738	Edward Byrne Memorial Justice Assistance Grant Program	Public Safety	6,370,859
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	Corrections	325,589
16.744	Anti-Gang Initiative	Public Safety	206,830
16.746	Capital Case Litigation	Attorney General	100,000
16.750	Support for Adam Walsh Act Implementation Grant Program	Public Safety	25,787
16.751	Edward Byrne Memorial Competitive Grant Program	Attorney General	20,781
16.800	ARRA – Recovery Act - Internet Crimes against Children Task Force Program (ICAC)	Attorney General	66,255
16.801	ARRA – Recovery Act - State Victim Assistance Formula Grant Program	Public Safety	21,684
16.803	ARRA – Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	Public Safety	494,387
16.810	ARRA – Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	Attorney General	79,289
16.UN	Domestic Cannabis Eradication/Suppression Program	Narcotics	1,458,956
16.UN3	Developing and Enhancing Prescription Drug Monitoring Programs	Pharmacy Board	153,799
16.UN4	Federal Asset Forfeitures	Public Safety	1,021,976
TOTAL U.S. DEPARTMENT OF JUSTICE			22,295,352
 <u>U.S. DEPARTMENT OF LABOR</u>			
17.002	Labor Force Statistics	Employment Security	817,890
17.005	Compensation and Working Conditions	Health	21,390
17.225 #	Unemployment Insurance	Employment Security	616,441,076
17.225 #	ARRA – Unemployment Insurance	Employment Security	81,030,428
17.235	Senior Community Service Employment Program	Human Services	1,355,651
17.235	ARRA – Senior Community Service Employment Program	Human Services	201,852
17.245	Trade Adjustment Assistance	Employment Security	1,817,003

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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 FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
17.261	WIA Pilots, Demonstrations, and Research Projects	Employment Security	457,112
17.268	H-1B Job Training Grants	Employment Security	3,166,473
17.271	Work Opportunity Tax Credit Program (WOTC)	Employment Security	225,240
17.273	Temporary Labor Certification for Foreign Workers	Employment Security	74,539
17.504	Consultation Agreements	Health	10,656
17.505	OSHA Data Initiative	Health	12,997
17.600	Mine Health and Safety Grants	Environmental Quality	44,830
SUBTOTAL			705,677,137
17.207	Employment Service Cluster Employment Service	Employment Security	6,773,434
17.207	ARRA – Employment Service	Employment Security	2,235,333
17.801	Disabled Veterans' Outreach Program (DVOP)	Employment Security	674,436
17.804	Local Veterans' Employment Representative Program (LVER)	Employment Security	1,077,004
Total Employment Service Cluster			10,760,207
17.258	WIA Cluster WIA Adult Program	Employment Security	23,479,861
17.258	ARRA – WIA Adult Program	Employment Security	9,367,482
17.259	WIA Youth Activities	Employment Security	12,885,794
17.259	ARRA – WIA Youth Activities	Employment Security	11,002,606
17.260	WIA Dislocated Workers	Arts Commission / Employment Security	27,464,185
17.260	ARRA – WIA Dislocated Workers	Employment Security	8,470,587
Total WIA Cluster			92,670,515
TOTAL U.S. DEPARTMENT OF LABOR			809,107,859
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
20.217	Motor Carrier Safety	Public Safety	785,079
20.218	National Motor Carrier Safety	Public Safety	2,146,380

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
20.232	Commercial Driver License State Programs	Public Safety	270,864
20.237	Commercial Vehicle Information Systems and Networks	Transportation	1,992,014
20.2NA	Fatal Analysis Reporting System	Public Safety	65,136
20.313	Railroad Research and Development	Transportation	136,548
20.505	Federal Transit Metropolitan Planning Grants	Transportation	292,600
20.509	Formula Grants for Other Than Urbanized Areas	Transportation	9,390,026
20.509	ARRA – Formula Grants for Other Than Urbanized Areas	Transportation	5,594,228
20.700	Pipeline Safety Program Base Grants	Public Service Commission	476,581
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	Emergency Management	241,427
SUBTOTAL			21,390,883
20.205	Highway Planning and Construction Cluster Highway Planning and Construction	Transportation	389,560,057
20.205	ARRA – Highway Planning and Construction	Transportation	223,746,201
20.219	Recreational Trails Program	Wildlife, Fisheries And Parks	1,044,994
Total Highway Planning and Construction Cluster			614,351,252
20.500	Federal Transit Cluster Federal Transit – Capital Investment Grants	Transportation	322,567
Total Federal Transit Cluster			322,567
20.513	Transit Services Programs Cluster Capital Assistance Program for Elderly Persons and Persons with Disabilities	Transportation	712,851
20.516	Job Access – Reverse Commute Program	Transportation	114,292
Total Transit Services Programs Cluster			827,143
20.600	Highway Safety Cluster State and Community Highway Safety	Public Safety	13,816,982
Total Highway Safety Cluster			13,816,982
 TOTAL U.S. DEPARTMENT OF TRANSPORTATION			650,708,827

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
<u>APPALACHIAN REGIONAL COMMISSION</u>			
23.002	Appalachian Area Development	MS Development Authority	855,563
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	Education/ MS Development Authority	448,012
TOTAL APPALACHIAN REGIONAL COMMISSION			1,303,575
<u>GENERAL SERVICES ADMINISTRATION</u>			
39.003 @	Donation of Federal Surplus Personal Property	Finance and Administration	2,871,141
39.011	Election Reform Payments	Secretary of State	54,787
TOTAL GENERAL SERVICES ADMINISTRATION			2,925,928
<u>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</u>			
45.024	Promotion of the Arts Grants to Organizations and Individuals	Archives and History	91,112
45.025	Promotion of the Arts Partnership Agreements	Arts Commission	883,354
45.025	ARRA – Promotion of the Arts Partnership Agreements	Arts Commission	276,199
45.310	Grants to States	Library Commission	2,151,436
45.313	Laura Bush 21 st Century Librarian Program	Library Commission	35,466
TOTAL NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			3,437,567
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>			
64.124	All-Volunteer Force Educational Assistance	Veterans Affairs Board	120,722
64.203	State Cemetery Grants	Veterans Affairs Board	517,089
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			637,811
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
66.032	State Indoor Radon Grants	Health	91,809
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Quality	583,214
66.040	State Clean Diesel Grant Program	Environmental Quality	183,285
66.040	ARRA – State Clean Diesel Grant Program	Environmental Quality	1,178,593

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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 FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality	294,193
66.432	State Public Water System Supervision	Health	1,209,334
66.433	State Underground Water Source Protection	Oil and Gas Board	105,700
66.454	Water Quality Management Planning	Environmental Quality	128,144
66.454	ARRA – Water Quality Management Planning	Environmental Quality	136,438
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality	5,915,996
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality	15,786,023
66.460	Nonpoint Source Implementation Grants	Environmental Quality	5,295,165
66.463	Water Quality Cooperative Agreements	Environmental Quality	61,976
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Health	8,107,473
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds	Health	9,823,254
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	Health	311,138
66.472	Beach Monitoring and Notification Program Implementation Grants	Environmental Quality	309,319
66.474	Water Protection Grants to the States	Health	78,266
66.475	Gulf of Mexico Program	Environmental Quality/ Marine Resources	531,789
66.511	Office of Research and Development Consolidated Research/Training/Fellowships	Environmental Quality	6,625
66.600	Environmental Protection Consolidated Grants for the Insular Areas – Program Support	Environmental Quality	56,763
66.605	Performance Partnership Grants	Environmental Quality	7,282,996
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Quality	66,374
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	Agriculture and Commerce	453,272
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	Environmental Quality	102,971
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Environmental Quality	252,896
66.708	Pollution Prevention Grants Program	Environmental Quality	62,669

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
66.709	Multi-Media Capacity Building Grants for States and Tribes	Environmental Quality	25,836
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Quality	219,365
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Quality	791,290
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environmental Quality	1,679,484
66.805	ARRA – Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environmental Quality	1,280,739
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	Environmental Quality	143,179
66.817	State and Tribal Response Program Grants	Environmental Quality	73,873
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	Environmental Quality	162,305
TOTAL ENVIRONMENTAL PROTECTION AGENCY			62,791,746
<u>U.S. DEPARTMENT OF ENERGY</u>			
81.041	State Energy Program	MS Development Authority	258,214
81.041	ARRA – State Energy Program	MS Development Authority	3,475,032
81.042	Weatherization Assistance for Low-Income Persons	Human Services	2,225,257
81.042	ARRA – Weatherization Assistance for Low-Income Persons	Human Services	16,000,871
81.117	ARRA – Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	MS Development Authority	27,529
81.119	State Energy Program Special Projects	MS Development Authority	199,412
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	MS Development Authority	9,545
81.127	ARRA – Energy Efficient Appliance Rebate Program (EEARP)	MS Development Authority	1,251,793
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	MS Development Authority	803,749
81.UN1	Petroleum Violation Escrow – Stripper Well	Treasury	179,309
81.UN5	Petroleum Violation Escrow – State Escrow	Treasury	50
81.UN7	DOE Salmon Site	Environmental Quality	1,083
TOTAL U.S. DEPARTMENT OF ENERGY			24,431,844

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
U.S. DEPARTMENT OF EDUCATION			
84.002	Adult Education – Basic Grants to States	Bd for Community and Junior Colleges	6,207,273
84.011	Migrant Education State Grant Program	Education	1,237,354
84.013	Title I Program for Neglected and Delinquent Children	Education	263,210
84.048	Career and Technical Education – Basic Grants to States	Education	14,889,311
84.144	Migrant Education - Coordination Program	Education	27,413
84.184	Safe and Drug-Free Schools and Communities National Programs	Education	370,094
84.185	Byrd Honors Scholarships	Education	414,750
84.186	Safe and Drug-Free Schools and Communities State Grants	Education / Public Safety	3,033,678
84.187	Supported Employment Services for Individuals with Significant Disabilities	Rehabilitation Services	294,600
84.213	Even Start State Educational Agencies	Education	454,492
84.224	Assistive Technology	Rehabilitation Services	437,844
84.243	Tech-Prep Education	Education	1,670,833
84.265	Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	Rehabilitation Services	87,379
84.286	Ready to Teach	Educational Television	148,602
84.287	Twenty-First Century Community Learning Centers	Education	13,067,778
84.293	Foreign Language Assistance	Education	1,661
84.295	Ready-To-Learn Television	Educational Television	43,260
84.298	State Grants for Innovative Programs	Education	127,757
84.305	Education Research, Development and Dissemination	Education	85,756
84.323	Special Education – State Personnel Development	Education	763,134
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	Education	141,120
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	Education	301,358
84.357	Reading First State Grants	Education	11,414,413
84.358	Rural Education	Education	4,547,759
84.365	English Language Acquisition Grants	Education	1,574,074

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
84.366	Mathematics and Science Partnerships	Education	2,453,679
84.367	Improving Teacher Quality State Grants	Education	36,153,263
84.369	Grants for State Assessments and Related Activities	Education	4,122,599
84.938	Hurricane Education Recovery	Education	3,516,703
SUBTOTAL			107,851,147
Title 1, Part A Cluster			
84.010	Title I Grants to Local Educational Agencies	Education	175,254,881
84.389	ARRA – Title 1 Grants to Local Educational Agencies, Recovery Act	Education	54,574,911
Total Title 1, Part A Cluster			229,829,792
Special Education Cluster (IDEA)			
84.027	Special Education-Grants to States (IDEA, Part B)	Education	109,462,020
84.173	Special Education Preschool Grants (IDEA, Preschool)	Education	3,758,940
84.391	ARRA – Special Education Grants to States (IDEA, Part B), Recovery Act	Education	38,989,549
84.392	ARRA – Special Education - Preschool Grants (IDEA, Preschool), Recovery Act	Education	1,160,895
Total Special Education Cluster (IDEA)			153,371,404
Trio Cluster			
84.044	TRIO Talent Search	Education	393,650
Total Trio Cluster			393,650
Vocational Rehabilitation Cluster			
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	Rehabilitation Services	44,366,184
84.390	ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	Rehabilitation Services	7,019,264
Total Vocational Rehabilitation Cluster			51,385,448
Early Intervention Services (IDEA) Cluster			
84.181	Special Education - Grants for Infants and Families	Health	3,555,376
84.393	ARRA – Special Education - Grants for Infants and Families, Recovery Act	Health	1,963,262

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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 FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
84.394	State Fiscal Stabilization Fund Cluster ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act (Education Stabilization Fund)	Finance and Administration	195,253,703
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	Finance and Administration	20,971,203
	Total State Fiscal Stabilization Fund Cluster		216,224,906
	TOTAL U.S. DEPARTMENT OF EDUCATION		771,818,278
	<u>NATIONAL ARCHIVES AND RECORDS ADMINISTRATION</u>		
89.003	National Historical Publications and Records Grants	Archives and History	24,760
	TOTAL NATIONAL ARCHIVES AND RECORDS ADMINISTRATION		24,760
	<u>ELECTIONS ASSISTANCE COMMISSION</u>		
90.401	Help America Vote Act Requirements Payments	Secretary of State	289,717
	TOTAL ELECTIONS ASSISTANCE COMMISSION		289,717
	<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	Health	111,851
93.010	Community-Based Abstinence Education (CBAE)	Human Services	285,601
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Human Services	39,871
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	Human Services	108,329
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	Human Services	147,174
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	Human Services	243,276
93.052	National Family Caregiver Support, Title III, Part E	Human Services	1,320,307
93.069	Public Health Emergency Preparedness	Health	22,070,346
93.070	Environmental Public Health and Emergency Response	Health	364,250
93.071	Medicare Enrollment Assistance Program	Human Services	49,685
93.103	Food and Drug Administration - Research	Health	585

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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 FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Mental Health	2,010,370
93.110	Maternal and Child Health Federal Consolidated Programs	Health	58,186
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health	842,509
93.127	Emergency Medical Services for Children	Health	147,730
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	Health	100,210
93.136	Injury Prevention and Control Research and State and Community Based Programs	Health	495,109
93.150	Projects for Assistance in Transition from Homelessness (PATH)	Mental Health	318,865
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	Health	323,430
93.217	Family Planning Services	Health	5,710,421
93.235	Abstinence Education Program	Human Services	171,761-
93.236	Grants for Dental Public Health Residency Training	Health	155,605
93.241	State Rural Hospital Flexibility Program	Health	484,956
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	Mental Health	3,379,083
93.251	Universal Newborn Hearing Screening	Health	89,059
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	Health	6,895,791
93.301	Small Rural Hospital Improvement Grant Program	Health	443,169
93.414	ARRA – ARRA - State Primary Care Offices	Health	43,017
93.556	Promoting Safe and Stable Families	Human Services	7,009,261
93.563	Child Support Enforcement	Human Services	16,792,100
93.563	ARRA – Child Support Enforcement	Human Services	10,363,454
93.566	Refugee and Entrant Assistance State Administered Programs	Human Services	993,371
93.568	Low-Income Home Energy Assistance	Human Services	42,424,292
93.585	Empowerment Zones Program	MS Development Authority	529,631-
93.586	State Court Improvement Program	Supreme Court	486,851
93.597	Grants to States for Access and Visitation Programs	Human Services	83,783

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See accompanying Notes to the Schedules of Expenditures of Federal Awards.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
93.599	Chafee Education and Training Vouchers Program (ETV)	Human Services	311,028
93.603	Adoption Incentive Payments	Human Services	16,950
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Mental Health	786,974
93.643	Children's Justice Grants to States	Human Services	268,326
93.645	Child Welfare Services State Grants	Human Services	3,374,165
93.658	Foster Care Title IV-E	Human Services	12,683,263
93.658	ARRA – Foster Care Title IV-E	Human Services	680,430
93.659	Adoption Assistance	Human Services	5,534,453
93.659	ARRA – Adoption Assistance	Human Services	447,462
93.667	Social Services Block Grant	Human Services	62,592,666
93.669	Child Abuse and Neglect State Grants	Human Services	1,793,714
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	Health	1,113,129
93.674	Chafee Foster Care Independence Program	Human Services	832,282
93.717	ARRA – ARRA - Preventing Healthcare-Associated Infections	Health	30,290
93.723	ARRA – ARRA - Prevention and Wellness – State, Territories and Pacific Islands	Health	80,059
93.725	ARRA – ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	Human Services	1,364
93.767	Children's Health Insurance Program	Medicaid	152,510,700
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	Human Services / Medicaid	2,442,640
93.789	Alternatives to Psychiatric Residential Treatment Facilities for Children	Medicaid	9,828,163
93.793	Medicaid Transformation Grants	Medicaid	84,301
93.889	National Bioterrorism Hospital Preparedness Program	Health	5,015,244
93.913	Grants to States for Operation of Offices of Rural Health	Health	134,487
93.917	HIV Care Formula Grants	Health	13,149,788
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	Education	641,112
93.940	HIV Prevention Activities Health Department Based	Health	2,640,340

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health	486,828
93.945	Assistance Programs for Chronic Disease Prevention and Control	Health	9,414
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health	146,654
93.958	Block Grants for Community Mental Health Services	Mental Health	3,908,637
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Mental Health	14,483,615
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	Health	1,372,077
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	Health	1-
93.991	Preventive Health and Health Services Block Grant	Health	1,137,438
93.994	Maternal and Child Health Services Block Grant to the States	Health	9,570,647
SUBTOTAL			431,799,144
Aging Cluster			
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	Human Services	2,384,031
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	Human Services	5,172,735
93.053	Nutrition Services Incentive Program	Human Services	1,308,783
93.705	ARRA – ARRA - Aging Home-Delivered Nutrition Services for States	Human Services	257,114
93.707	ARRA – ARRA - Aging Congregate Nutrition Services for States	Human Services	391,063
Total Aging Cluster			9,513,726
Immunization Cluster			
93.268 @	Immunization	Health	40,175,555
93.712	ARRA – ARRA - Immunization	Health	58,655
Total Immunization Cluster			40,234,210
TANF Cluster			
93.558	Temporary Assistance for Needy Families (TANF) State Programs	Human Services	76,086,145

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
93.714	ARRA – ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	Human Services	6,922,185
93.716	ARRA – ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	Human Services	6,782,034
	Total TANF Cluster		89,790,364
	CSBG Cluster		
93.569	Community Services Block Grants	Human Services	10,851,263
93.710	ARRA – ARRA - Community Services Block Grants	Human Services	11,613,644
	Total CSBG Cluster		22,464,907
	CCDF Cluster		
93.575	Child Care and Development Block Grant	Human Services	49,432,553
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	24,798,320
93.713	ARRA – ARRA - Child Care and Development Block Grant	Human Services	21,718,245
	Total CCDF Cluster		95,949,118
	Head Start Cluster		
93.600	Head Start	Governor's Office	175,000
	Total Head Start Cluster		175,000
	Medicaid Cluster		
93.778	Medical Assistance Program (Medicaid)	Medicaid	3,181,932,997
93.778	ARRA – Medical Assistance Program (Medicaid)	Medicaid	352,586,356
93.775	State Medicaid Fraud Control Units	Attorney General	1,912,337
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health/Medicaid	4,926,309
	Total Medicaid Cluster		3,541,357,999
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		4,231,284,468
	<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>		
94.004	Learn and Serve America School and Community Based	Education	227,454

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>		<u>Federal Expenditures Distributions/ Issuances</u>
	Programs		
94.007	Program Development and Innovation Grants	Education	113,589
94.013	Volunteers in Service to America	Human Services	31,897
	SUBTOTAL		372,940
94.016	Foster Grandparent/Senior Companion Cluster Senior Companion Program	Human Services	167,091
	Total Foster Grandparent/Senior Companion Cluster		167,091
	TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		540,031
	<u>SOCIAL SECURITY ADMINISTRATION</u>		
96.008	Social Security – Work Incentives Planning and Assistance Program	Rehabilitation Services	332,068
	SUBTOTAL		332,068
96.001	Disability Insurance/SSI Cluster Social Security - Disability Insurance (DI)	Rehabilitation Services	30,014,505
	Total Disability Insurance/SSI Cluster		30,014,505
	TOTAL SOCIAL SECURITY ADMINISTRATION		30,346,573
	<u>DEPARTMENT OF HOMELAND SECURITY</u>		
97.012	Boating Safety Financial Assistance	Wildlife, Fisheries and Parks	2,524,866
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	Emergency Management	2,226
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	Emergency Management	222,534
97.029	Flood Mitigation Assistance	Emergency Management	25,278
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Emergency Management	291,029,235
97.039	Hazard Mitigation Grant	Emergency Management	31,880,131
97.041	National Dam Safety Program	Environmental Quality	199,547
97.042	Emergency Management Performance Grants	Public Safety	4,480,572

(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, 2010

<u>CFDA Number</u>	<u>Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
97.043	State Fire Training Systems Grants	State Fire Academy 14,368
97.044	Assistance to Firefighters Grant	Insurance 4,872
97.045	Cooperating Technical Partners	Environmental Quality 3,883,856
97.070	Map Modernization Management Support	Environmental Quality 143,319
97.077	Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection	Transportation 84,407
97.080	Information Analysis Infrastructure Protection (IAIP) and Critical Infrastructure Monitoring and Protection	Emergency Management 19,297,180
97.082	Earthquake Consortium	Emergency Management 7,318
97.089	Real ID Program	Public Safety 1,661,374
SUBTOTAL		355,461,083
Homeland Security Cluster		
97.067	Homeland Security Grant Program	Public Safety 11,441,273
Total Homeland Security Cluster		11,441,273
TOTAL DEPARTMENT OF HOMELAND SECURITY		366,902,356
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 9,105,641,990

EXPLANATION OF FOOTNOTE REFERENCE:

Program Number with UN denotes unknown CFDA numbers.

Programs which expended funds under the American Recovery and Reinvestment Act of 2009 are identified using "ARRA" in front of the program name.

The total expenditures for CFDA No. 17.225 include state expenditures of \$287,441,750 and federal expenditures of \$410,029,754.

@ 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, 2010

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	Federal Expenditures/ Distributions/ Issuances
<u>Agriculture and Commerce</u>		
U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	474,354
10.086	ARRA – Aquaculture Grants Program	15,842,206
10.163	Market Protection and Promotion	27,000
10.169	Specialty Crop Block Grant Program	92,352
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	1,913,550
10.664	Cooperative Forestry Assistance	100,000
10.950	Agricultural Statistics Reports	124,368
Total U.S. DEPARTMENT OF AGRICULTURE		18,573,830
ENVIRONMENTAL PROTECTION AGENCY		
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	453,272
TOTAL Agriculture and Commerce		19,027,102
<u>Animal Health</u>		
U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	556,081
TOTAL Animal Health		556,081
<u>Archives and History</u>		
U.S. DEPARTMENT OF THE INTERIOR		
15.904	Historic Preservation Fund Grants-In-Aid	5,192,642
15.928	Civil War Battlefield Land Acquisition Grants	578,400
15.UN1	Conduct Southeastern Indian Basketry Symposium	19,500
Total U.S. DEPARTMENT OF THE INTERIOR		5,790,542
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.024	Promotion of the Arts Grants to Organizations and Individuals	91,112
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION		
89.003	National Historical Publications and Records Grants	24,760
TOTAL Archives and History		5,906,414

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, 2010

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
<u>Arts Commission</u>		
	U.S. DEPARTMENT OF LABOR	
17.260	WIA Dislocated Workers	576
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
45.025	Promotion of the Arts Partnership Agreements	883,354
45.025	ARRA – Promotion of the Arts Partnership Agreements	276,199
	Total NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	1,159,553
	TOTAL Arts Commission	1,160,129
<u>Attorney General</u>		
	U.S. DEPARTMENT OF JUSTICE	
16.543	Missing Children's Assistance	236,755
16.576	Crime Victim Compensation	470,000
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	567,409
16.746	Capital Case Litigation	100,000
16.751	Edward Byrne Memorial Competitive Grant Program	20,781
16.800	ARRA – Recovery Act - Internet Crimes against Children Task Force Program (ICAC)	66,255
16.810	ARRA – Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	79,289
	Total U.S. DEPARTMENT OF JUSTICE	1,540,489
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.775	State Medicaid Fraud Control Units	1,912,337
	TOTAL Attorney General	3,452,826
<u>Bd for Community and Junior Colleges</u>		
	U.S. DEPARTMENT OF EDUCATION	
84.002	Adult Education - Basic Grants to States	6,207,273
	TOTAL Bd for Community and Junior Colleges	6,207,273
<u>Corrections</u>		
	U.S. DEPARTMENT OF JUSTICE	
16.606	State Criminal Alien Assistance Program	28,976
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	325,589
	Total U.S. DEPARTMENT OF JUSTICE	354,565

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
TOTAL Corrections		354,565
<hr/>		
<u>Education</u>		
U.S. DEPARTMENT OF AGRICULTURE		
10.553	School Breakfast Program (SBP)	53,385,891
10.555 @	National School Lunch Program (NSLP)	161,990,841
10.556	Special Milk Program for Children (SMP)	4,498
10.558	Child and Adult Care Food Program	35,520,524
10.559	Summer Food Service Program for Children (SFSPC)	5,609,087
10.560	State Administrative Expenses for Child Nutrition	2,620,106
10.579	ARRA – Child Nutrition Discretionary Grants Limited Availability	1,636,219
10.582	Fresh Fruit and Vegetable Program	988,628
Total U.S. DEPARTMENT OF AGRICULTURE		261,755,794
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U.S. DEPARTMENT OF DEFENSE		
12.UN1	Teacher and Teacher's Aide Placement Assistance Program	168,244
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APPALACHIAN REGIONAL COMMISSION		
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	276,418
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U.S. DEPARTMENT OF EDUCATION		
84.010	Title I Grants to Local Educational Agencies	175,254,881
84.011	Migrant Education State Grant Program	1,237,354
84.013	Title I Program for Neglected and Delinquent Children	263,210
84.027	Special Education-Grants to States (IDEA, Part B)	109,462,020
84.044	TRIO Talent Search	393,650
84.048	Career and Technical Education – Basic Grants to States	14,889,311
84.144	Migrant Education - Coordination Program	27,413
84.173	Special Education Preschool Grants (IDEA, Preschool)	3,758,940
84.184	Safe and Drug-Free Schools and Communities National Programs	370,094
84.185	Byrd Honors Scholarships	414,750
84.186	Safe and Drug-Free Schools and Communities State Grants	2,266,862
84.196	Education of Homeless Children and Youth	716,162
84.213	Even Start State Educational Agencies	454,492
84.243	Tech-Prep Education	1,670,833
84.287	Twenty-First Century Community Learning Centers	13,067,778
84.293	Foreign Language Assistance	1,661
84.298	State Grants for Innovative Programs	127,757
84.305	Education Research, Development and Dissemination	85,756
84.318	Education Technology State Grants (Enhancing Education through Technology Program)	2,381,448
84.323	Special Education – State Personnel Development	763,134
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	141,120

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	301,358
84.336	Teacher Quality Partnership Grants	77,974
84.357	Reading First State Grants	11,414,413
84.358	Rural Education	4,547,759
84.365	English Language Acquisition Grants	1,574,074
84.366	Mathematics and Science Partnerships	2,453,679
84.367	Improving Teacher Quality State Grants	36,153,263
84.369	Grants for State Assessments and Related Activities	4,122,599
84.372	Statewide Data Systems	24,761
84.377	School Improvement Grants	3,203,654
84.386	ARRA – Education Technology State Grants, Recovery Act (Enhancing Education through Technology Program)	25,041
84.387	ARRA – Education of Homeless Children and Youth, Recovery Act	377,636
84.388	ARRA – School Improvement Grants, Recovery Act	7,589
84.389	ARRA – Title I Grants to Local Educational Agencies, Recovery Act	54,574,911
84.391	ARRA – Special Education Grants to States (IDEA, Part B), Recovery Act	38,989,549
84.392	ARRA – Special Education – Preschool Grants (IDEA, Preschool), Recovery Act	1,160,895
84.938	Hurricane Education Recovery	3,516,703
Total U.S. DEPARTMENT OF EDUCATION		490,274,484
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	641,112
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.004	Learn and Serve America School and Community Based Programs	227,454
94.007	Program Development and Innovation Grants	113,589
Total CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		341,043
TOTAL Education		753,457,095
<u>Educational Television</u>		
U.S. DEPARTMENT OF AGRICULTURE		
10.861	Public Television Station Digital Transition Grant Program	77,739
U.S. DEPARTMENT OF EDUCATION		
84.286	Ready to Teach	148,602
84.295	Ready-to-Learn Television	43,260
Total U.S. DEPARTMENT OF EDUCATION		191,862

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
	TOTAL Educational Television	269,601
	<u>Emergency Management</u>	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	241,427
	DEPARTMENT OF HOMELAND SECURITY	
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	2,226
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	222,534
97.029	Flood Mitigation Assistance	25,278
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	291,029,235
97.039	Hazard Mitigation Grant	31,880,131
97.080	Information Analysis Infrastructure Protection (IAIP) and Critical Infrastructure Monitoring and Protection	19,297,180
97.082	Earthquake Consortium	7,318
	Total DEPARTMENT OF HOMELAND SECURITY	342,463,902
	TOTAL Emergency Management	342,705,329
	<u>Employment Security</u>	
	U.S. DEPARTMENT OF LABOR	
17.002	Labor Force Statistics	817,890
17.207	Employment Service	6,773,434
17.207	ARRA – Employment Service	2,235,333
17.225 #	Unemployment Insurance	616,441,076
17.225 #	ARRA – Unemployment Insurance	81,030,428
17.245	Trade Adjustment Assistance	1,817,003
17.258	WIA Adult Program	23,479,861
17.258	ARRA – WIA Adult Program	9,367,482
17.259	WIA Youth Activities	12,885,794
17.259	ARRA – WIA Youth Activities	11,002,606
17.260	WIA Dislocated Workers	27,463,609
17.260	ARRA – WIA Dislocated Workers	8,470,587
17.261	WIA Pilots, Demonstrations, and Research Projects	457,112
17.268	H-1B Job Training Grants	3,166,473
17.271	Work Opportunity Tax Credit Program (WOTC)	225,240
17.273	Temporary Labor Certification for Foreign Workers	74,539
17.801	Disabled Veterans' Outreach Program (DVOP)	674,436
17.804	Local Veterans' Employment Representative Program (LVER)	1,077,004
	Total U.S. DEPARTMENT OF LABOR	807,459,907
	TOTAL Employment Security	807,459,907

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
<u>Environmental Quality</u>		
U.S. DEPARTMENT OF COMMERCE		
11.473	Coastal Services Center	310,541
U.S. DEPARTMENT OF DEFENSE		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	151,061
U.S. DEPARTMENT OF THE INTERIOR		
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	130,986
15.252	Abandoned Mine Land Reclamation (AMLR) Program	30,239
15.808	U.S. Geological Survey Research and Data Collection	6,712
15.810	National Cooperative Geologic Mapping Program	96,854
Total U.S. DEPARTMENT OF THE INTERIOR		264,791
U.S. DEPARTMENT OF LABOR		
17.600	Mine Health and Safety Grants	44,830
ENVIRONMENTAL PROTECTION AGENCY		
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	583,214
66.040	State Clean Diesel Grant Program	183,285
66.040	ARRA – State Clean Diesel Grant Program	1,178,593
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	294,193
66.454	Water Quality Management Planning	128,144
66.454	ARRA – Water Quality Management Planning	136,438
66.458	Capitalization Grants for Clean Water State Revolving Funds	5,915,996
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds	15,786,023
66.460	Nonpoint Source Implementation Grants	5,295,165
66.463	Water Quality Cooperative Agreements	61,976
66.472	Beach Monitoring and Notification Program Implementation Grants	309,319
66.475	Gulf of Mexico Program	318,910
66.511	Office of Research and Development Consolidated Research/Training/Fellowships	6,625
66.600	Environmental Protection Consolidated Grants for the Insular Areas – Program Support	56,763
66.605	Performance Partnership Grants	7,282,996
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	66,374
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	102,971
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	252,896
66.708	Pollution Prevention Grants Program	62,669
66.709	Multi-Media Capacity Building Grants for States and Tribes	25,836
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	219,365
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	791,290
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,679,484

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
66.805	ARRA – Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,280,739
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	143,179
66.817	State and Tribal Response Program Grants	73,873
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	162,305
	Total ENVIRONMENTAL PROTECTION AGENCY	42,398,621
	U.S. DEPARTMENT OF ENERGY	
81.UN7	DOE Salmon Site	1,083
	DEPARTMENT OF HOMELAND SECURITY	
97.041	National Dam Safety Program	199,547
97.045	Cooperating Technical Partners	3,883,856
97.070	Map Modernization Management Support	143,319
	Total DEPARTMENT OF HOMELAND SECURITY	4,226,722
	TOTAL Environmental Quality	47,397,649
	<u>Finance and Administration</u>	
	GENERAL SERVICES ADMINISTRATION	
39.003 @	Donation of Federal Surplus Personal Property	2,871,141
	U.S. DEPARTMENT OF EDUCATION	
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	195,253,703
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	20,971,203
	Total U.S. DEPARTMENT OF EDUCATION	216,224,906
	TOTAL Finance and Administration	219,096,047
	<u>Forestry Commission</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.664	Cooperative Forestry Assistance	5,928,345
10.688	ARRA – Recovery Act of 2009: Wildland Fire Management	155,075
	Total U.S. DEPARTMENT OF AGRICULTURE	6,083,420
	TOTAL Forestry Commission	6,083,420
	<u>Governor's Office</u>	
	U.S. DEPARTMENT OF COMMERCE	
11.558	ARRA – State Broadband Data and Development Grant Program	751,617

(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, 2010

<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	
93.600	Head Start	175,000
	TOTAL Governor's Office	926,617
	<u>Health</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	90,664,111
10.565	Commodity Supplemental Food Program	436,537
	Total U.S. DEPARTMENT OF AGRICULTURE	91,100,648
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
14.241	Housing Opportunities for Persons with AIDS	1,279,167
	U.S. DEPARTMENT OF LABOR	
17.005	Compensation and Working Conditions	21,390
17.504	Consultation Agreements	10,656
17.505	OSHA Data Initiative	12,997
	Total U.S. DEPARTMENT OF LABOR	45,043
	ENVIRONMENTAL PROTECTION AGENCY	
66.032	State Indoor Radon Grants	91,809
66.432	State Public Water System Supervision	1,209,334
66.468	Capitalization Grants for Drinking Water State Revolving Funds	8,107,473
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds	9,823,254
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	311,138
66.474	Water Protection Grants to the States	78,266
	Total ENVIRONMENTAL PROTECTION AGENCY	19,621,274
	U.S. DEPARTMENT OF EDUCATION	
84.181	Special Education - Grants for Infants and Families	3,555,376
84.393	ARRA – Special Education - Grants for Infants and Families, Recovery Act	1,963,262
	Total U.S. DEPARTMENT OF EDUCATION	5,518,638
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	111,851

(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, 2010

CFDA Number	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
93.069	Public Health Emergency Preparedness	22,070,346
93.070	Environmental Public Health and Emergency Response	364,250
93.103	Food and Drug Administration - Research	585
93.110	Maternal and Child Health Federal Consolidated Programs	58,186
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	842,509
93.127	Emergency Medical Services for Children	147,730
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	100,210
93.136	Injury Prevention and Control Research and State and Community Based Programs	495,109
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	323,430
93.217	Family Planning Services	5,710,421
93.236	Grants for Dental Public Health Residency Training	155,605
93.241	State Rural Hospital Flexibility Program	484,956
93.251	Universal Newborn Hearing Screening	89,059
93.268 @	Immunization	40,175,555
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	6,895,791
93.301	Small Rural Hospital Improvement Grant Program	443,169
93.414	ARRA – ARRA - State Primary Care Offices	43,017
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,113,129
93.712	ARRA – ARRA - Immunization	58,655
93.717	ARRA – ARRA - Preventing Healthcare-Associated Infections	30,290
93.723	ARRA – ARRA - Prevention and Wellness – State, Territories and Pacific Islands	80,059
93.777	State Survey and Certification of Health Care Providers and Suppliers	2,241,727
93.889	National Bioterrorism Hospital Preparedness Program	5,015,244
93.913	Grants to States for Operation of Offices of Rural Health	134,487
93.917	HIV Care Formula Grants	13,149,788
93.940	HIV Prevention Activities Health Department Based	2,640,340
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	486,828
93.945	Assistance Programs for Chronic Disease Prevention and Control	9,414
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	146,654
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	1,372,077
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	1-
93.991	Preventive Health and Health Services Block Grant	1,137,438
93.994	Maternal and Child Health Services Block Grant to the States	9,570,647
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		115,698,555
TOTAL Health		233,263,325

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
<u>Human Services</u>		
U.S. DEPARTMENT OF AGRICULTURE		
10.551	Supplemental Nutrition Assistance Program (SNAP)	826,685,119
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	31,806,071
10.561	ARRA – State Administrative Matching Grants for Supplemental Nutrition Assistance Program	3,228,302
10.568	Emergency Food Assistance Program (Administrative Costs)	763,824
10.568	ARRA – Emergency Food Assistance Program (Administrative Costs)	327,087
10.569 @	Emergency Food Assistance Program (Food Commodities)	6,767,449
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	92,084
Total U.S. DEPARTMENT OF AGRICULTURE		869,669,936
U.S. DEPARTMENT OF JUSTICE		
16.527	Supervised Visitation, Safe Havens for Children	3,947
U.S. DEPARTMENT OF LABOR		
17.235	Senior Community Service Employment Program	1,355,651
17.235	ARRA – Senior Community Service Employment Program	201,852
Total U.S. DEPARTMENT OF LABOR		1,557,503
U.S. DEPARTMENT OF ENERGY		
81.042	Weatherization Assistance for Low-Income Persons	2,225,257
81.042	ARRA – Weatherization Assistance for Low-Income Persons	16,000,871
Total U.S. DEPARTMENT OF ENERGY		18,226,128
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.010	Community-Based Abstinence Education (CBAE)	285,601
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	39,871
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	108,329
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	147,174
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,384,031
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	5,172,735
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	243,276
93.052	National Family Caregiver Support, Title III, Part E	1,320,307
93.053	Nutrition Services Incentive Program	1,308,783
93.071	Medicare Enrollment Assistance Program	49,685
93.235	Abstinence Education Program	171,761-

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
93.556	Promoting Safe and Stable Families	7,009,261
93.558	Temporary Assistance for Needy Families (TANF) State Programs	76,086,145
93.563	Child Support Enforcement	16,792,100
93.563	ARRA – Child Support Enforcement	10,363,454
93.566	Refugee and Entrant Assistance State Administered Programs	993,371
93.568	Low-Income Home Energy Assistance	42,424,292
93.569	Community Services Block Grants	10,851,263
93.575	Child Care and Development Block Grant	49,432,553
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	24,798,320
93.597	Grants to States for Access and Visitation Programs	83,783
93.599	Chafee Education and Training Vouchers Program (ETV)	311,028
93.603	Adoption Incentive Payments	16,950
93.643	Children's Justice Grants to States	268,326
93.645	Child Welfare Services State Grants	3,374,165
93.658	Foster Care Title IV-E	12,683,263
93.658	ARRA – Foster Care Title IV-E	680,430
93.659	Adoption Assistance	5,534,453
93.659	ARRA – Adoption Assistance	447,462
93.667	Social Services Block Grant	62,592,666
93.669	Child Abuse and Neglect State Grants	1,793,714
93.674	Chafee Foster Care Independence Program	832,282
93.705	ARRA – ARRA - Aging Home-Delivered Nutrition Services for States	257,114
93.707	ARRA – ARRA - Aging Congregate Nutrition Services for States	391,063
93.710	ARRA – ARRA - Community Services Block Grants	11,613,644
93.713	ARRA – ARRA - Child Care and Development Block Grant	21,718,245
93.714	ARRA – ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	6,922,185
93.716	ARRA – ARRA - Temporary Assistance for Needy Families (TANF) Supplemental Grants	6,782,034
93.725	ARRA – ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	1,364
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	654,488
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	386,597,449
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	
94.013	Volunteers in Service to America	31,897
94.016	Senior Companion Program	167,091
	Total CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	198,988
	TOTAL Human Services	1,276,253,951

Insurance
DEPARTMENT OF HOMELAND SECURITY

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
97.044	Assistance to Firefighters Grant	4,872
TOTAL Insurance		4,872
 <u>Library Commission</u>		
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.310	Grants to States	2,151,436
45.313	Laura Bush 21st Century Librarian Program	35,466
Total NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		2,186,902
TOTAL Library Commission		2,186,902
 <u>Marine Resources</u>		
U.S. DEPARTMENT OF COMMERCE		
11.407	Interjurisdictional Fisheries Act of 1986	115,225
11.419	Coastal Zone Management Administration Awards	1,089,547
11.420	Coastal Zone Management Estuarine Research Reserves	835,220
11.434	Cooperative Fishery Statistics	86,203
11.463	Habitat Conservation	199,741
11.472	Unallied Science Program	34,990
11.473	Coastal Services Center	258,854
Total U.S. DEPARTMENT OF COMMERCE		2,619,780
 U.S. DEPARTMENT OF THE INTERIOR		
15.426	Coastal Impact Assistance Program (CIAP)	7,065,754
15.605	Sport Fish Restoration Program	313,963
15.616	Clean Vessel Act	81,445
15.622	Sportfishing and Boating Safety Act	11,396
Total U.S. DEPARTMENT OF THE INTERIOR		7,472,558
 ENVIRONMENTAL PROTECTION AGENCY		
66.475	Gulf of Mexico Program	212,879
TOTAL Marine Resources		10,305,217
 <u>Medicaid</u>		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.767	Children's Health Insurance Program	152,510,700
93.777	State Survey and Certification of Health Care Providers and Suppliers	2,684,582
93.778	Medical Assistance Program (Medicaid)	3,181,932,997
93.778	ARRA – Medical Assistance Program (Medicaid)	352,586,356

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,788,152
93.789	Alternatives to Psychiatric Residential Treatment Facilities for Children	9,828,163
93.793	Medicaid Transformation Grants	84,301
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		3,701,415,251
TOTAL Medicaid		3,701,415,251
<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)	2,010,370
93.150	Projects for Assistance in Transition from Homelessness (PATH)	318,865
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	3,379,083
93.630	Developmental Disabilities Basic Support and Advocacy Grants	786,974
93.958	Block Grants for Community Mental Health Services	3,908,637
93.959	Block Grants for Prevention and Treatment of Substance Abuse	14,483,615
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		24,887,544
TOTAL Mental Health		24,887,544
<u>Military Department</u>		
U.S. DEPARTMENT OF DEFENSE		
12.401	National Guard Military Operations and Maintenance (O&M) Projects	87,001,276
12.402	National Guard Special Military Operations and Projects	2,353,694
12.404	National Guard Civilian Youth Opportunities	3,288,968
12.405	National Guard Drug Interdiction and Counter Drug Activities	234,312
Total U.S. DEPARTMENT OF DEFENSE		92,878,250
TOTAL Military Department		92,878,250
<u>MS Development Authority</u>		
U.S. DEPARTMENT OF DEFENSE		
12.002	Procurement Technical Assistance For Business Firms	675,022
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.218	Community Development Block Grants/Entitlement Grants	11,859,801
14.228	Community Development Block Grants/State's Program	709,177,110
14.231	Emergency Shelter Grants Program	1,420,801
14.239	Home Investment Partnerships Program	14,754,246

(concluded)

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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
14.255	ARRA – Community Development Block Grants/State's Program	3,946,052
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program	2,457,371
	Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	743,615,381
	APPALACHIAN REGIONAL COMMISSION	
23.002	Appalachian Area Development	855,563
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	171,594
	Total APPALACHIAN REGIONAL COMMISSION	1,027,157
	U.S. DEPARTMENT OF ENERGY	
81.041	State Energy Program	258,214
81.041	ARRA – State Energy Program	3,475,032
81.117	ARRA – Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	27,529
81.119	State Energy Program Special Projects	199,412
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	9,545
81.127	ARRA – Energy Efficient Appliance Rebate Program (EEARP)	1,251,793
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	803,749
	Total U.S. DEPARTMENT OF ENERGY	6,025,274
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.585	Empowerment Zones Program	529,631-
	TOTAL MS Development Authority	750,813,203
	<u>Narcotics</u>	
	OFFICE OF NATIONAL DRUG CONTROL POLICY	
07.UN	High Intensity Drug Trafficking Area	1,303,126
	U.S. DEPARTMENT OF JUSTICE	
16.UN	Domestic Cannabis Eradication/Suppression Program	1,458,956
	TOTAL Narcotics	2,762,082
	<u>Oil and Gas Board</u>	
	ENVIRONMENTAL PROTECTION AGENCY	
66.433	State Underground Water Source Protection	105,700
	TOTAL Oil and Gas Board	105,700

(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, 2010

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
<u>Pharmacy Board</u>		
U.S. DEPARTMENT OF JUSTICE		
16.UN3	Developing and Enhancing Prescription Drug Monitoring Programs	153,799
TOTAL Pharmacy Board		153,799
<u>Public Safety</u>		
U.S. DEPARTMENT OF JUSTICE		
16.017	Sexual Assault Services Formula Program	26,540
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	15-
16.523	Juvenile Accountability Block Grants	524,051
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	267,682
16.548	Title V Delinquency Prevention Program	76,306
16.554	National Criminal History Improvement Program (NCHIP)	21
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	286,868
16.575	Crime Victim Assistance	5,641,088
16.579	Edward Byrne Memorial Formula Grant Program	504
16.588	Violence Against Women Formula Grants	1,917,191
16.588	ARRA – Violence Against Women Formula Grants	213,694
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	237,063
16.593	Residential Substance Abuse Treatment for State Prisoners	296,310
16.609	Community Prosecution and Project Safe Neighborhoods	142,956
16.710	Public Safety Partnership and Community Policing Grants	613,796
16.727	Enforcing Underage Drinking Laws Program	337,199
16.738	Edward Byrne Memorial Justice Assistance Grant Program	6,370,859
16.744	Anti-Gang Initiative	206,830
16.750	Support for Adam Walsh Act Implementation Grant Program	25,787
16.801	ARRA – Recovery Act - State Victim Assistance Formula Grant Program	21,684
16.803	ARRA – Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	494,387
16.UN4	Federal Asset Forfeitures	1,021,976
Total U.S. DEPARTMENT OF JUSTICE		18,722,777
U.S. DEPARTMENT OF TRANSPORTATION		
20.217	Motor Carrier Safety	785,079
20.218	National Motor Carrier Safety	2,146,380
20.232	Commercial Driver License State Programs	270,864
20.2NA	Fatal Analysis Reporting System	65,136
20.600	State and Community Highway Safety	13,816,982
Total U.S. DEPARTMENT OF TRANSPORTATION		17,084,441

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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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	U.S. DEPARTMENT OF EDUCATION	
84.186	Safe and Drug-Free Schools and Communities State Grants	766,816
	DEPARTMENT OF HOMELAND SECURITY	
97.042	Emergency Management Performance Grants	4,480,572
97.067	Homeland Security Grant Program	11,441,273
97.089	Real ID Program	1,661,374
	Total DEPARTMENT OF HOMELAND SECURITY	17,583,219
	TOTAL Public Safety	54,157,253
	<u>Public Service Commission</u>	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.700	Pipeline Safety Program Base Grants	476,581
	TOTAL Public Service Commission	476,581
	<u>Rehabilitation Services</u>	
	U.S. DEPARTMENT OF EDUCATION	
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	44,366,184
84.169	Independent Living State Grants	117,024
84.177	Independent Living Services for Older Individuals Who Are Blind	312,004
84.187	Supported Employment Services for Individuals with Significant Disabilities	294,600
84.224	Assistive Technology	437,844
84.265	Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	87,379
84.390	ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	7,019,264
	Total U.S. DEPARTMENT OF EDUCATION	52,634,299
	SOCIAL SECURITY ADMINISTRATION	
96.001	Social Security - Disability Insurance (DI)	30,014,505
96.008	Social Security - Work Incentives Planning and Assistance Program	332,068
	Total SOCIAL SECURITY ADMINISTRATION	30,346,573
	TOTAL Rehabilitation Services	82,980,872
	<u>Secretary of State</u>	
	GENERAL SERVICES ADMINISTRATION	
39.011	Election Reform Payments	54,787
	ELECTIONS ASSISTANCE COMMISSION	
90.401	Help America Vote Act Requirements Payments	289,717

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	TOTAL Secretary of State	344,504
	<u>Soil & Water Conservation Commission</u>	
10.902	U.S. DEPARTMENT OF AGRICULTURE Soil and Water Conservation	443,080
	TOTAL Soil & Water Conservation Commission	443,080
	<u>State Fire Academy</u>	
97.043	DEPARTMENT OF HOMELAND SECURITY State Fire Training Systems Grants	14,368
	TOTAL State Fire Academy	14,368
	<u>Supreme Court</u>	
16.580	U.S. DEPARTMENT OF JUSTICE Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	60,819
93.586	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES State Court Improvement Program	486,851
	TOTAL Supreme Court	547,670
	<u>Transportation</u>	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.205	Highway Planning and Construction	389,560,057
20.205	ARRA – Highway Planning and Construction	223,746,201
20.237	Commercial Vehicle Information Systems and Networks	1,992,014
20.313	Railroad Research and Development	136,548
20.500	Federal Transit – Capital Investment Grants	322,567
20.505	Federal Transit Metropolitan Planning Grants	292,600
20.509	Formula Grants for Other Than Urbanized Areas	9,390,026
20.509	ARRA – Formula Grants for Other Than Urbanized Areas	5,594,228
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	712,851
20.516	Job Access – Reverse Commute Program	114,292
	Total U.S. DEPARTMENT OF TRANSPORTATION	631,861,384
97.077	DEPARTMENT OF HOMELAND SECURITY Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection	84,407

(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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	TOTAL Transportation	631,945,791
	<u>Treasury</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.665	Secure Payments for States and Counties Containing Federal Lands	8,372,945
	U.S. DEPARTMENT OF ENERGY	
81.UN1	Petroleum Violation Escrow – Stripper Well	179,309
81.UN5	Petroleum Violation Escrow – State Escrow	50
	Total U.S. DEPARTMENT OF ENERGY	179,359
	TOTAL Treasury	8,552,304
	<u>Veterans Affairs Board</u>	
	U.S. DEPARTMENT OF VETERANS AFFAIRS	
64.124	All-Volunteer Force Educational Assistance	120,722
64.203	State Cemetery Grants	517,089
	TOTAL Veterans Affairs Board	637,811
	<u>Wildlife, Fisheries and Parks</u>	
	U.S. DEPARTMENT OF AGRICULTURE	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	57,287
	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-TTWW-10-MS-WL, DACW-38-3-06-155, DACW-38-91-H-0007, DACW-38-3-09-176.	1,868,343
	U.S. DEPARTMENT OF THE INTERIOR	
15.605	Sport Fish Restoration Program	3,713,343
15.611	Wildlife Restoration	4,484,121
15.615	Cooperative Endangered Species Conservation Fund	84,938
15.632	Conservation Grants Private Stewardship for Imperiled Species	535
15.633	Landowner Incentive Program	984,779
15.634	State Wildlife Grants	912,277
15.916	Outdoor Recreation Acquisition, Development and Planning	776,122
	Total U.S. DEPARTMENT OF THE INTERIOR	10,956,115
	U.S. DEPARTMENT OF TRANSPORTATION	
20.219	Recreational Trails Program	1,044,994
	DEPARTMENT OF HOMELAND SECURITY	
97.012	Boating Safety Financial Assistance	2,524,866

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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, 2010

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Federal Expenditures Distributions/ Issuances</u>
	TOTAL Wildlife, Fisheries and Parks	16,451,605
	TOTAL EXPENDITURES OF FEDERAL AWARDS:	<u>\$ 9,105,641,990</u>

EXPLANATION OF FOOTNOTE REFERENCE:

Program Number with UN denotes unknown CFDA numbers.

Programs which expended funds under the American Recovery and Reinvestment Act of 2009 are identified using "ARRA" in front of the program name.

The total expenditures for CFDA No. 17.225 include state expenditures of \$287,441,750 and federal expenditures of \$410,029,754.

@ 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, 2010**

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, immunizations 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, 2010, federal expenditures, distributions or issuances totaled \$9,105,641,990. This established the threshold for Type A programs as those with federal expenditures, distributions or issuances which exceeded \$27,316,926. For the fiscal year 2010 audit, there were 24 programs with expenditures exceeding the Type A threshold. Of these 24 programs, five Type A programs were identified as low risk. Risk assessments of Type B programs were performed until five high risk Type B programs were identified. Therefore for fiscal year 2010, twenty four federal award programs, comprising 19 high risk Type A programs and five 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 accounted for by the major component unit, Universities, within the component units section of the financial statements, for the year ended June 30, 2010. 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, 2011.
- 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, 2010, 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.

- 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.

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

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 \$2,871,141. 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, 2010, as charges for sales and services of \$1,423,000. 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 include disbursements made for grants and new loans totaling \$1,078,581. 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, 2010, the outstanding loan balance for the program totaled \$6,485,697.
- 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	\$ 287,441,750
Federal Portion	<u>410,029,754</u>
Total	<u>\$ 697,471,504</u>

- 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, 2010, was \$348,902,474. Total disbursements for new loans for the year ended June 30, 2010, totaled \$18,201,948. Administrative costs associated with the program for the year ended June 30, 2010, totaled \$1,407,901.
- 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, 2010, was \$116,927,713.

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

Total disbursements for new loans made during fiscal year 2010 totaled \$31,325,508. Administrative costs associated with the program for the year ended June 30, 2010, totaled \$1,794,107.

G. State Aid Road Construction is a division of the Mississippi Department of Transportation (MDOT). Federal financial assistance in the amount of \$41,709,021 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:

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

- *CFDA 10.555 — National School Lunch Program received \$161,990,841 including cash assistance and noncash assistance. Cash assistance totaled \$146,019,306 and noncash assistance totaled \$15,971,535.*
- *CFDA 93.268 — Immunization Grants received \$40,175,555 including cash assistance and noncash assistance. Cash assistance totaled \$2,969,683 and noncash assistance totaled \$37,205,872.*

I. Contingencies.

The State of Mississippi 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.

J. The State of Mississippi's major federal programs for the year ended June 30, 2010, were based on federal expenditures/distributions/issuances and risk assessments as defined in Note 2:A. Those programs are as follows:

CFDA Number	Program Name
10.086*	ARRA – Aquaculture Grants Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.560*	State Administration Expenses for Child Nutrition

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

	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program
10.561	ARRA – State Administrative Matching Grants for Supplemental Nutrition Assistance Program
	Child Nutrition Cluster:
10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.556	Special Milk Program for Children (SMP)
10.559	Summer Food Service Program for Children (SFSPC)
	CDBG – State-Administered Small Cities Program Cluster:
14.228	Community Development Block Grants/State’s program (State Administered Small Cities Program)
14.255	ARRA – Community Development Block Grants/State’s program (State Administered Small Cities Program)
	Unemployment Insurance
17.225	Unemployment Insurance
17.225	ARRA – Unemployment Insurance
	WIA Cluster:
17.258	WIA Adult Program
17.258	ARRA – WIA Adult Program
17.259	WIA Youth Activities
17.259	ARRA – WIA Youth Activities
17.260	WIA Dislocated Workers
17.260	ARRA – WIA Dislocated Workers
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.205	ARRA – Highway Planning and Construction
20.219	Recreational Trails Program
	Capitalization Grants for Clean Water State Revolving Funds
66.458*	Capitalization Grants for Clean Water State Revolving Funds
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds
	Capitalization Grants for Drinking Water State Revolving Funds
66.468*	Capitalization Grants for Drinking Water State Revolving Funds
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds
	Weatherization Assistance for Low-Income Persons
81.042*	Weatherization Assistance for Low-Income Persons
81.042	ARRA – Weatherization Assistance for Low-Income Persons
	Title I, Part A Cluster
84.010	Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)
84.389	ARRA – Title I Grants to Local Educational Agencies, Recovery Act

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

	Special Education Cluster:
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)
84.391	ARRA – Special Education Grants to States (IDEA, Part B), Recovery Act
84.392	ARRA – Special Education – Preschool Grants (IDEA Preschool), Recovery Act
	Vocational Rehabilitation Cluster:
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.390	ARRA - Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act
	State Fiscal Stabilization Fund Cluster:
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act
93.667	Social Services Block Grant
93.767	Children’s Health Insurance Program
	Immunization Cluster:
93.268	Immunization
93.712	ARRA – ARRA – Immunization
	TANF Cluster:
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.714	ARRA – ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
93.716	ARRA – ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants
	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
93.713	ARRA – ARRA – Child Care and Development Block Grant
	Medicaid Cluster:
93.778	Medical Assistance Program (Medicaid)
93.778	ARRA – Medical Assistance Program (Medicaid)
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant

*Type B 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, 2010

PART 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? X yes ___no
- Significant deficiencies identified? ___yes X none reported

Noncompliance material to financial statements noted?

X yes ___no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? X yes ___no
- Significant deficiencies identified? X 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 for which a separate report was issued.

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

X 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
10.086*	ARRA – Aquaculture Grants Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.560*	State Administration Expenses for Child Nutrition
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program
10.561	ARRA – State Administrative Matching Grants for Supplemental Nutrition Assistance Program
	Child Nutrition Cluster:
10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.556	Special Milk Program for Children (SMP)
10.559	Summer Food Service Program for Children (SFSPC)
	CDBG – State-Administered Small Cities Program Cluster:
14.228	Community Development Block Grants/State's program (State Administered Small Cities Program)
14.255	ARRA – Community Development Block Grants/State's program (State Administered Small Cities Program)
17.225	Unemployment Insurance
17.225	ARRA – Unemployment Insurance
	WIA Cluster:
17.258	WIA Adult Program
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17.259	WIA Youth Activities
17.259	ARRA – WIA Youth Activities
17.260	WIA Dislocated Workers
17.260	ARRA – WIA Dislocated Workers

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

	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.205	ARRA – Highway Planning and Construction
20.219	Recreational Trails Program
66.458*	Capitalization Grants for Clean Water State Revolving Funds
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds
66.468*	Capitalization Grants for Drinking Water State Revolving Funds
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81.042*	Weatherization Assistance for Low-Income Persons
81.042	ARRA – Weatherization Assistance for Low-Income Persons
	Title 1, Part A Cluster:
84.010	Title I Grants to Local Educational Agencies (Title 1, Part A of the ESEA)
84.389	ARRA – Title 1 Grants to Local Educational Agencies, Recovery Act
	Special Education Cluster:
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)
84.391	ARRA – Special Education Grants to States (IDEA, Part B), Recovery Act
84.392	ARRA – Special Education – Preschool Grants (IDEA Preschool), Recovery Act
	Vocational Rehabilitation Cluster:
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.390	ARRA - Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act
	State Fiscal Stabilization Fund Cluster:
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
	Immunization Cluster:
93.268	Immunization
93.712	ARRA – ARRA – Immunization

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

TANF Cluster:

- 93.558 Temporary Assistance for Needy Families (TANF) State Programs
- 93.714 ARRA – ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
- 93.716 ARRA – ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants

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
- 93.713 ARRA – ARRA – Child Care and Development Block Grant

Medicaid Cluster:

- 93.778 Medical Assistance Program (Medicaid)
- 93.778 ARRA – Medical Assistance Program (Medicaid)
- 93.775 State Medicaid Fraud Control Units
- 93.777 State Survey and Certification of Health Care Providers and Suppliers
- 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
- 97.039 Hazard Mitigation Grant

*Type B Program

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

\$27,316,926

Auditee qualified as low-risk auditee?

 yes x no

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, 2010

PART 2 – FINANCIAL STATEMENT FINDINGS

Introduction

This part of the Schedule of Findings and Questioned Costs presents audit findings classified as material weaknesses and instances of material noncompliance 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. Each finding has one of the following designations:

- **Material Weakness** – A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the state's financial statements will not be prevented, or detected and corrected on a timely basis.
- **Material Noncompliance** – Matters coming to the auditor's attention relating to the state's compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts.

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**CFDA/Finding
Number**

Finding and Recommendation

EDUCATION

Material Weakness

2010-10

A Program of Information Technology Governance Should Be Implemented at the Mississippi Department of Education

Finding:

Information Technology (IT) governance is the leadership and organizational structures and processes that ensure an organization's IT investments sustain and extend business strategies and objectives. IT governance decision-making frameworks and processes help define how all IT investment decisions will be made, where accountability lies for those decisions and the ongoing management of IT investments and technology standards.

Policies, procedures, and standards define IT organizational behavior and uses of technology. They are a part of the written record that defines how the IT organization performs services that support the organization. Policy documents should be developed and ratified by IT management. IT policies typically cover topics such as security processes, risk management, roles and responsibilities, development practices, operational practices, incident management, project management and vulnerability management.

During our review, we found the Mississippi Department of Education to be deficient in policy, procedures and standards regarding:

- Risk Assessments
- Security
- Vulnerability Management
- Identity and Access Management
- Compliance Management
- Continuity of Operations
- Documentation

Recommendation:

We recommend the Mississippi Department of Education establish governance through an IT steering committee that will be responsible for setting long-term IT strategy and ensure that IT processes will effectively meet the agency's business needs. Additionally, we recommend the agency implement a program of IT governance that will address change management, quality management, security management, documentation requirements, performance optimization and establish an effective organizational structure and clear statements of roles and responsibilities.

**CFDA/Finding
Number**

Finding and Recommendation

EDUCATION

Material Weakness

2010-11

A Formal Information Security Policy Should Be Implemented

Finding:

Since our 2003 audit, the Office of the State Auditor (OSA) has communicated the need for the Mississippi Department of Education to implement a formal Information Security Policy or Enterprise Security Plan. This finding also relates to finding 2010-10 in this report, as a strong security stance is a function of a strong Information Technology (IT) Governance process.

The lack of a formal Information Security Policy has led to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

During 2009, the *Mississippi State Enterprise Security Policy* was substantially updated and strengthened and requires all state agencies to have a written information security plan, conduct a security risk analysis, implement a data classification scheme, and provide for periodic external security reviews.

Recommendation:

Practices outlined in the *Mississippi State Enterprise Security Policy* are typical of appropriate standards for any moderate sized IT organization. While full compliance with all facets of the policy may be an economic challenge for the Mississippi Department of Education, beginning steps to become compliant with the policy are necessary. We recommend the agency create a plan of compliance with industry standards and State policy to ensure progress towards a more robust documented information security plan.

**Finding
Number**

Finding and Recommendation

EMPLOYMENT SECURITY

Material Weakness

Material Noncompliance

2010-12

Controls Should Be Strengthened to Ensure Accounting Records are Complete and Accurate, GAAP Reporting Packages are Properly Prepared, and Contribution Rates are Accurately Calculated

Finding:

Subsection 25.00.00 of the *Mississippi Agency Accounting Policy and Procedures* (MAAPP) Manual requires each state agency to maintain a complete and accurate set of financial records. Once a transaction has occurred it is necessary to record the transaction promptly in the accounting/financial records. Subsection 3.50.20 of the manual further requires that financial transactions should be recorded in self-balancing groups of accounts through the double entry method of accounting. This technique embodies the inherent control features of the accounting equation. It follows that the sum of all debit entries in the accounting records must equal the sum of all credit entries, and the records are thereby self-balanced. In addition, Subsection 27.30.10 of the manual requires each state agency to prepare a GAAP reporting package which provides accounting and reporting information for financial statement presentation in the *Comprehensive Annual Financial Report* for the State.

During testwork performed to ensure transactions were recorded promptly in the accounting/financial records and to verify the propriety of the fiscal year 2010 GAAP reporting package prepared by the Mississippi Department of Employment Security (MDES) for Fund 8191, we noted the following problems.

- The payments of federal income taxes on benefit claims for state unemployment compensation (UI) along with the Emergency Extended Unemployment Compensation (EEUC) and the Federal Additional Compensation (FAC) federal programs are disbursed from the benefit payment checking account. The agency erroneously recorded the UI payments, which totaled \$12,481,548, in the accounting records to the trust fund account and not correctly to the benefit payment checking account. Also, when the agency was recording the transactions which totaled the \$12,481,548, they failed to include the July 2009 transactions of \$1,232,464. In addition, the agency did not record the EEUC and the FAC payments, which totaled \$17,566,404, as a disbursement from the benefit payment checking account in the accounting records.
- The agency failed to record deposits made to the benefit payment checking account totaling \$9,171,179 in the accounting records.
- The agency improperly requested and received reimbursement twice for EEUC expenses in the amount of \$14,155,668. The agency subsequently repaid these federal funds. However, these transactions were not recorded in the accounting records.

- The agency prepared an accrual adjustment for the GAAP reporting package to record the allowance for uncollectible benefit overpayments recovery receivable account and the corresponding expense account. This adjustment was overstated by \$8,874,626. Another adjustment was made to correct the overstatement; however, the agency incorrectly adjusted a revenue account instead of the correct expense account. This resulted in revenue being overstated and expenses being understated by the \$8,874,626.
- Instances were noted in which the agency reimbursed other states twice for unemployment compensation benefits paid by the other states for former employees of the State of Mississippi who were currently residing in their state in the amount of \$5,538,299. The agency subsequently was repaid by the other states; however, the agency failed to properly reduce the expense account for the repayment in the accounting records. In addition, the agency failed to properly record in the accounting records the amount of \$2,009,290 for reimbursements due from other states for benefits paid by the state on behalf of the other states.
- When recording the September 2009 expense for state unemployment compensation benefit claims, the agency overstated the claims amount by \$3,285,898.
- The agency's accounting records for the entire fiscal year were not self-balancing. The sum of all debit entries in the accounting records did not equal the sum of all credit entries. As a result, a balancing entry was required to be made to the benefit claims expense account in order for the financial statements to balance.
- A prior year audit finding documented that the agency received and expended federal funds which were not recorded in the accounting records. In the current year, the agency also received and expended federal funds which were not recorded in the accounting records as revenues and expenses. The federal funds received and expended in the current year which were not recorded totaled \$356,140,438.
- A prior year audit finding documented that cash received from benefit overpayment recovery collections was not recorded in the accounting records or the GAAP reporting package. In the current year, the agency prepared an adjustment for the GAAP package to record the \$6,270,093 of cash received from the benefit overpayment recovery collections in the financial statements; however, the agency did not record the cash received in the accounting records.
- Prior period audit adjustments which affected an asset account had not been properly posted by the agency in the accounting records so that beginning balances for the current year would be proper.
- Adjustments were made to the GAAP reporting package for which supporting documentation was not available to substantiate the amounts recorded.

- Per Section 71-5-355, Miss. Code. Ann. (1972), the unemployment contribution assessment tax for each eligible employer shall be the sum of two rates: the employer's individual rate, plus a general experience rate. The general experience rate used to calculate each employer's contribution tax was determined to be overstated for the tax year beginning January 1, 2010 and ending December 31, 2010. This overstatement of the general experience rate resulted in overcharges to the employers in the amount of \$15,259,108.
- The agency did not prepare monthly bank reconciliations between the bank statements and the accounting records for the fiscal year.

As a result of problems noted above, audit adjustments were proposed and made by management to properly state the current year financial statements.

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. Failure to properly record transactions in the accounting records and properly prepare the GAAP reporting package resulted in misstatements on the agency's financial statements which required additional audit time to correct. Also, good internal control procedures require the reconciliations of monthly bank statements with the financial records. Failure to timely reconcile bank statements with the financial records could result in errors or fraud occurring without being detected in a timely manner and incorrect balances being recorded on the financial statements.

Recommendation:

We recommend the Mississippi Department of Employment Security (MDES) strengthen controls to ensure all recognized accounting events or transactions are accurately recorded in the accounting records. The agency should ensure its accounting records are self-balanced, the sum of all debit entries equaling the sum of all credit entries (double entry procedure). Also, the GAAP reporting package should be carefully reviewed by supervisory personnel to ensure accuracy. Any prior period audit adjustments which affect an asset account should be reflected in the current year beginning balance for the account in the accounting records. In addition, MDES should strengthen controls to ensure that employer contribution taxes are properly calculated. We further recommend the agency implement procedures to ensure bank accounts are properly reconciled to the accounting records. Differences on these reconciliations should be investigated and resolved in a timely manner.

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**Finding
Number**

Finding and Recommendation

TREASURY

Material Noncompliance

2010-03

Investment Ratios Should Be Maintained in Accordance with State Law

Finding:

Section 27-105-33, Miss. Code Ann. (1972) establishes guidelines for use in the maintenance of the state's investment pool portfolio. The law also states that at no time shall funds invested in United States Government agency, United States Government instrumentality, or United States Government sponsored enterprise obligations exceed 50 percent of all monies invested with maturities 30 days or longer. Testwork at the State Treasury Department revealed the total of United States Government agency, instrumentality, and government sponsored enterprise obligations exceeded 50 percent of total relevant investments for 12 of the 12 dates selected for testwork (one per month). The actual investment percentages for dates tested ranged from approximately 89 to 91 percent, resulting in investments in U.S. Government agency, instrumentality, and government sponsored enterprise obligations of \$718 million up to \$1 billion in excess of statutory limits. Failure to maintain investment ratios in the state's investment pool portfolio within the required percentages resulted in violation of state law.

Recommendation:

We recommend the State Treasury Department ensure the state's investment pool be maintained in accordance with Section 27-105-33 d. (iii), Miss. Code Ann. (1972). Agency personnel should periodically review the investment pool portfolio for compliance with state law and adjust the portfolio if required. This review should be documented as evidenced by the signature and date of the reviewer.

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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, 2010

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:

- **Material Weakness** – *A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.*
- **Significant Deficiency** – *A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.*
- **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, 2010

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U. S. DEPARTMENT OF AGRICULTURE

CFDA/Finding
Number

Finding and Recommendation

EDUCATION

ALLOWABLE COSTS/COST PRINCIPLES

*Significant Deficiency
Immaterial Noncompliance*

10.560

State Administrative Expenses for Child Nutrition

Federal Award Number and Year: FLS09-SAE – 2009 /FLS10-SAE – 2010

Questioned Costs: \$19,060

10-11

Controls Should Be Strengthened to Ensure Employee Compensation Costs are Charged to the Proper Program

Finding:

The *Code of Federal Regulations* (7 CFR 235.6(b)) requires that allowable costs be determined in accordance with the Office of Management and Budget (OMB) Circular A-87. OMB Circular A-87 requires that amounts charged to grant programs for compensation of employees relate to time devoted and identified specifically to the performance of the award.

During our audit of the Mississippi Department of Education, we reviewed the appropriateness of compensation charged directly to the State Administrative Expenses for Child Nutrition program. We selected 34 employees for testing and noted one employee out of 34 for which compensation of \$19,060 was improperly disbursed from the State Administrative Expenses for Child Nutrition award. The employee was linked to an incorrect organizational code during payroll setup, allowing the improper charge to occur.

Good internal controls require adequate controls be in place to ensure only allowable costs are charged to a federal grant award. Without adequate controls in place, the agency charged costs in violation of federal regulations, resulting in questioned costs.

Upon notification by the auditor, agency personnel corrected the error prior to year-end close.

**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

Recommendation:

We recommend the Mississippi Department of Education strengthen controls over the review of employee compensation costs charged to the State Administrative Expenses for Child Nutrition program to ensure compliance with federal regulations. Payroll setup for each employee should be reviewed to ensure employee salaries are distributed from the proper source. Compensation charged to the program should be reviewed monthly to ensure all charges relate to time devoted and identified specifically to the performance of the award.

EDUCATION

PROCUREMENT AND SUSPENSION AND DEBARMENT

Significant Deficiency

10.560

State Administrative Expenses for Child Nutrition

Federal Award Number and Year: FLS09-SAE - 2009 / FLS10-SAE - 2010

10-12

Controls Should Be Strengthened over Procurement and Suspension and Debarment Requirements Prior to Entering into Contracts

Finding:

The Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* states non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties who are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods and services which are expected to equal or exceed \$25,000 or meet other specified criteria detailed in the *Code of Federal Regulations* (2 CFR 180.220). The Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* further states when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System* (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity (2 CFR section 180.300).

**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 suspension and debarment compliance requirement at the Mississippi Department of Education, we tested all 5 contracts with parties who provided goods or services equal to or greater than \$25,000 under the State Administrative Expenses for Child Nutrition program in fiscal year 2010. We noted one instance, or 20 percent, in which the agreement with the contractor did not include any assurances related to the suspension and debarment requirement. In addition, the agency could not provide any documented certification from the contracted party or evidence of verification through the EPLS.

Failure to comply with Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* suspension and debarment requirements could result in distribution of federal funds to an entity who has been excluded from participation in federal programs by authorities. It should be noted we queried EPLS and did not find any evidence the contracted party was suspended or debarred.

Recommendation:

We recommend the Mississippi Department of Education strengthen controls to ensure procurement contracts are not entered into with parties who have been suspended or debarred. All contracts exceeding \$25,000 should include a clause or condition requiring the contracted party to comply with the suspension and debarment regulations. Further, we recommend the agency perform and document a search of the *Excluded Parties List System* annually to ensure the suspension and debarment contract provision has not been violated.

HEALTH

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

10.557
 93.268

Special Supplemental Nutrition Program for Women, Infants, and Children
 Immunization

Federal Award Number and Year: Various

10-02

Controls over the Time Study System Should Be Strengthened

Finding:

The *Code of Federal Regulations* (7 CFR 3016.22 for the Special Supplemental Nutrition Program for Women, Infants, and Children [WIC] and 45 CFR 92.22 for the Immunization program) requires that allowable costs be determined in accordance with the Office of Management and Budget (OMB) Circular A-87. OMB

**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

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 (MSDH) 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 personnel 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 during the year to compute relative values. The agency uses the relative values to allocate the cost of services provided by nurses, nurse practitioners and doctors to the various programs. 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 salaries supported by time study forms used in the time study system and the actual amounts charged for payroll for each program per the Statewide Payroll and Human Resource System (SPAHRs) in order to determine the salaries charged to the federal program were reasonable and to ensure the program was not overcharged. If necessary, an adjustment to decrease the amounts charged for payroll to the amount supported by the time study data is made yearly.

During testwork on the time study system, we reviewed 93 time study forms to ensure data entered into the time study system was input correctly. The following errors were noted.

- Two instances were noted in which the program codes, activity codes, hours, and minutes on the time study form did not agree to the input on the raw time report.
- One instance was noted in which the activity code was not listed on the time study form; however, one was assigned on the raw time report. There was no documentation supporting the change to the raw time report.

Audit testwork 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 2010 in a timely manner. The relative value data for

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

fiscal year 2010 will be used when completing the time study for fiscal year 2011. Services and time charged from the patient encounter forms was only entered for the month of July 2009; none were input for the months of August 2009 through June 2010 until January 2011.

We also reviewed the reconciliation between the time study calculations and SPAHRS and noted the following errors.

- A reporting category not related to the WIC program which had expenditures totaling \$9,410 was included on the WIC reconciliation. It appears the inclusion of this reporting category had an immaterial effect on the reconciliation.
- WIC salaries and fringe benefits processed in September 2009 totaling \$3,123 and Immunization program salaries and fringe benefits processed in July 2010 totaling \$136 were not included on the reconciliation; however, it appears this had an immaterial effect on the reconciliations.

Review of the relative value process revealed the following problems.

- Eight instances were noted in which values on the “Relative Value Table” report could not be traced to the “Average Time and Associated Relative Value” report. Including these values to allocate nurses, nurse practitioners and doctors’ time appeared to have an immaterial effect on the total time study amounts allocated to the Immunization and WIC programs.
- One instance was noted in which it appeared the values on the “Relative Value Table” report could not be traced to the “Average Time and Associated Relative Value” report. However, agency personnel stated these values were keyed under the wrong service code. Upon review of the correct service code stated by agency personnel, these values were present. Therefore, the values had been included on the “Relative Value Table” report twice. Including these values twice to allocate nurses, nurse practitioners and doctors’ time appeared to have an immaterial effect on the total time study amounts allocated to the Immunization and WIC programs.
- We noted five instances in which the “Relative Value Table” report did not include values which were reported on the “Average Time and Associated Relative Value” report and we could not determine why these values were not included on the “Relative Value Table” report.

Good internal controls dictate that adequate procedures are in place to ensure time study and relative value data is entered accurately and promptly. Good internal controls also dictate reconciliations between the time study system and SPAHRS are accurate. Inadequate controls over the time study system could hinder the agency’s ability to manage federal funds effectively and to comply 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 AGRICULTURE (continued)

**CFDA/Finding
 Number**

Finding and Recommendation

Furthermore, failure to input time study data correctly could result in misallocation of federal funds.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls over the time study system to ensure all information is reliable and accurate. Information included on the time study forms and patient encounter forms should be accurately and promptly entered to the time study system to ensure that personnel costs are properly calculated. In addition, the time study reconciliations should be reviewed for accuracy and this review should be documented.

HEALTH

ELIGIBILITY

*Significant Deficiency
 Immaterial Noncompliance*

10.557

Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: 5MS700704, 2009
 5MS700704, 2010

Questioned Costs: Not Determined

10-03

Controls over Participant Eligibility Determination Process Should Be Strengthened

Finding:

The *Code of Federal Regulations (CFR)* (7 CFR 246.7 for the Special Supplemental Nutrition Program for Women, Infants, and Children [WIC]) states the following criteria must be met for an infant, child, or pregnant, postpartum, or breastfeeding woman to be eligible to receive WIC benefits: reside within the jurisdiction of the state; meet income criteria; and meet nutritional risk criteria. Federal regulations further explain the income criteria are: gross income less than 185 percent of the Federal income guidelines; certified as eligible to receive food stamps; certified as eligible to receive Temporary Assistance for Needy Families (TANF) assistance; or certified eligible to receive Medicaid.

The Mississippi State Department of Health (MSDH) issues a State Policy and Procedure Manual for the WIC program each year. The WIC Policy and Procedure Manual states WIC eligibility can only be determined by a physician, nutritionist, nurse, or lactation specialist who has completed the required training. The certifying professional must ensure the WIC application is correctly completed and required documentation is entered in the medical record before signing the certification form and the food prescription authorization (FPA). The WIC Policy and Procedure

**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

Manual states applicants must provide written proof of identification, residency, and income at each WIC certification and recertification appointment. WIC staff must verify proof and document the type of proof shown on the “Financial Status” form or the “Household Members Income Certification/Consent for Services” form. Verification of participation in Medicaid, food stamps, or the TANF program is required in the medical record (i.e. copy of HDX, Medifax, Envision, letter of eligibility).

During our review of participant eligibility, we reviewed participant files at five county health clinics for a total of 185 participant files reviewed. We noted the following problems during testwork.

- One instance was noted in which income documented on the “Household Members Income Certification/Consent for Services” form indicated the participant did not meet eligibility requirements; however, the participant was certified as eligible for WIC benefits. Income reported exceeded income criteria and the participant was not Medicaid, food stamps, or TANF eligible. Upon notification by the auditor, the agency sent a “Notice of Ineligibility/Termination” form to the participant.
- Nine instances were noted in which Medicaid eligibility documentation was not in the participant’s file for the WIC certification date.
- Five instances were noted in which the “Financial Status” form and the “Household Members Income Certification/Consent for Services” form did not indicate the type of documentation used to verify income. The participant was not identified as receiving Medicaid, food stamps, or TANF assistance, but the participant was certified or recertified.
- Five instances were noted in which the participant’s income was not documented on the WIC application.
- Two instances were noted in which income reported on the “Household Members Income Certification/Consent for Services” form did not agree to income on the WIC application.
- One instance was noted in which the “Household Members Income Certification/Consent for Services” form did not indicate the type of documentation used to verify income at the time of certification. Subsequently, Medicaid documentation was on file indicating the participant was receiving Medicaid at the time of certification.
- One instance was noted in which the certifying professional did not sign the FPA.

**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

- One instance was noted in which the “Household Members Income Certification/Consent for Services” form was not signed by the participant.
- One instance was noted in which the proof of residence documentation reviewed was not indicated on the “Household Members Income Certification/Consent for Services” form.

Good internal controls dictate that adequate procedures be in place to ensure compliance with federal and state regulations for determining participant eligibility. Failure to ensure federal and state regulations for determining participant eligibility are followed could result in ineligible clients being certified as eligible and receiving WIC benefits causing questioned costs for the program.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls over the Special Supplemental Nutrition Program for Women, Infants, and Children participant eligibility determination process. The agency should ensure compliance with income criteria when determining participant eligibility. In addition, adequate documentation of participant eligibility should be maintained in the participant file and required signatures should be obtained.

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, 2009 (10/1/2008-9/30/2009)

Questioned Costs: \$694,140

10-04

Controls Should Be Strengthened to Ensure Compliance with Period of Availability Requirements for the WIC Program

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 not later than 90 days after the end of the funding period.

**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 103 payment vouchers, 42 journal vouchers and five refund 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.

- Five instances were noted in which expenditures totaling \$147,791 were incurred after the period of availability. In all five instances, costs were incurred after the end of the grant period of September 30, 2009 and were not obligated by the end of the grant period. These expenditures should have been paid with federal fiscal year 2010 funds instead of federal fiscal year 2009 funds.
- Thirteen instances were noted in which federal fiscal year 2009 expenditures totaling \$545,468 were not paid within 90 days after the end of the federal fiscal year.
- Three instances were noted in which expenditures totaling \$881 were incurred after the period of availability and were not paid within 90 days after the end of the federal fiscal year 2009. These expenditures were not obligated by the end of the grant period of September 30, 2009 and should have been paid with federal fiscal year 2010 funds instead of federal fiscal year 2009 funds.

Good internal controls require that adequate procedures 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.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls to ensure compliance with period of availability requirements for expenditures for the 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 AGRICULTURE (continued)

**CFDA/Finding
 Number**

Finding and Recommendation

HUMAN SERVICES

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA – Weatherization Assistance for Low-Income Persons
93.558	Temporary Assistance for Needy Families (TANF) State Programs
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
93.713	ARRA – Child Care and Development Block Grant
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.716	ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants

Federal Award Number and Year: Various

10-08 **Controls over the Cost Allocation Process Should Be Strengthened**

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the Department of Health and Human Services stipulate that MDHS administer the grants in compliance with the *Code of Federal Regulations* (45 CFR Part 92.22). Furthermore, the Department of Agriculture and the Department of Energy stipulate that MDHS administer their grants in compliance with the *Code of Federal Regulations* (7 CFR 3016.22 and 10 CFR 600.222), respectfully . These parts of the federal regulations stipulate that allowable costs should be determined in accordance with Office of Management and Budget (OMB) Circular A-87. OMB Circular A-87, Attachment A, requires the distribution of joint costs related to a grant program to be supported by a cost allocation plan.

The Mississippi Department of Human Services has developed a cost allocation system which is used to identify, measure and allocate all costs to each of the programs administered by the department. MDHS has established reporting category codes for all costs that require an allocation of the costs to more than one program. At the end of each quarter, cost pools are allocated using the allocation base described in the cost allocation plan for each cost pool. Each basis used in the cost

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

allocation system is assigned a base code. During our review of the cost allocation system, we noted the following problems.

The cost pools' basis type/base codes for two of the 95 cost pools used in the cost allocation system did not agree to the cost allocation plan. As a result, costs charged to the programs for these cost pools were not properly calculated in accordance with the plan.

- Two instances in which costs were charged to cost pools that were not included in the Cost Allocation Plan approved by the United States Department of Health and Human Services.

Good internal controls would dictate that adequate controls be in place to ensure that amounts entered into the cost allocation system are accurate and reliable. Inadequate controls over the cost allocation system could hinder the agency's ability to manage federal funds effectively and to comply with federal regulations. Costs charged to a cost pool in error or a cost pool not approved by the federal grantor agency could result in questioned costs. The effects of the errors noted could not readily be determined by the auditors.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls over the review of computations and data used in the cost allocation process to ensure accurate distribution of costs to federal programs.

HUMAN SERVICES

SUBRECIPIENT MONITORING

Significant Deficiency

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA – Weatherization Assistance for Low-Income Persons
93.558	Temporary Assistance for Needy Families (TANF) State Programs
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
93.713	ARRA – Child Care and Development Block Grant

**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

93.714 ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program

93.716 ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants

Federal Award Number and Year: Various

10-09

Controls over Subrecipient Monitoring Should Be Strengthened

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the Department of Health and Human Services stipulate that MDHS administer the grants in compliance with the *Code of Federal Regulations* (45 CFR Part 92.26). Furthermore, the Department of Agriculture and the Department of Energy stipulate that MDHS administer their grants in compliance with the *Code of Federal Regulations* (7 CFR 3016.26 and 10 CFR 600.226), respectfully. These parts of the federal regulations stipulate that audits shall be made in accordance with the Office of Management and Budget (OMB) Circular A-133.

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 subrecipient expending \$500,000 or more in federal awards during the subrecipient’s fiscal year. The reports are due to the primary recipient within nine months after the end of the subrecipient’s fiscal year end. 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. MDHS has developed an audit tracking system to indicate the subrecipients for which an audit should be received and to document follow-up procedures.

The Mississippi Department of Human Services and other entities provided \$500,000 or more of federal financial assistance to multiple subrecipients through a variety of federal programs during fiscal year 2008. Testwork performed during the fiscal year 2010 audit on subrecipient audits received and reviewed by the agency for subrecipient audit year 2008 revealed the following problems.

- Twenty three instances in which the audit report and/or audit information form was not submitted timely. The reminder letters requesting submission of the audit reports were dated September 30, 2009, which was approximately three to six months after the due date for most of the 2008 audit reports.

**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

- Twenty one instances in which the report spreadsheet from the audit tracking system did not document the dates of corrective actions or that a management decision had been issued. Therefore, it could not be determined that the agency had ensured the subrecipient took appropriate and timely corrective action. Also, in one instance, audit report findings were not included on the spreadsheet for proper tracking and disposition.
- Eleven instances in which the subrecipient's data collection form and reporting package could not be located on the Federal clearinghouse website as submitted. OMB A-133 requires that once an audit is complete a data collection form and a reporting package shall be submitted by the auditee to the Federal clearinghouse designated by OMB. OMB established that the pass-through entity is responsible for ensuring that its subrecipients' have met the audit requirements of OMB A-133.

Failure to maintain accurate and complete records hampers the efficient completion of monitoring procedures by agency personnel. Also, without adequate controls over the submission of subrecipient audit reports and prompt follow-up of audit findings, the agency could fail to comply with federal requirements and not detect noncompliance by subrecipients in a timely manner.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls to ensure subrecipient audit reports are received in a timely manner. The appropriate funding division within the agency should be notified of any subrecipient audit findings and should resolve these findings within six months of receipt of the report by the agency. We further recommend the agency ensure the audit tracking report spreadsheet contains all pertinent information to document the agency complied with OMB A-133 audit requirements.

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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 HOUSING AND URBAN DEVELOPMENT

**CFDA/Finding
 Number**

Finding and Recommendation

PORT OF GULFPORT

DAVIS-BACON ACT

Immaterial Noncompliance

14.228

Community Development Block Grants/State's Program

Federal Award Number and Year: R115-06-02

10-13

Procedures Should Be Established to Ensure Compliance with Grant Requirements

Finding:

In September 2009, a Disaster Recovery Division (DRD) was established by the Mississippi State Port Authority at Gulfport and staffed with a Director and a three person staff. The DRD assumed all responsibilities for HUD/CDBG Disaster Recovery Grant compliance requirements. In April 2010, a contract was entered into by the Authority with a construction management company to oversee the Authority's port restoration project that included the compliance requirement to obtain and review weekly certified payrolls from contractors and subcontractors on this project. However, pursuant to the grant agreement, the Authority is the subgrantee and is responsible for ensuring that the construction management company performs such duties to ensure grant compliance requirements are met. Prior to the April contract, certified payrolls were obtained weekly by the Authority's contracted engineering consulting firm through an ongoing contract for engineering services contract. Per review of certified payrolls received, weekly reports were properly received and reviewed prior to the newly executed construction management contract in April 2010. Subsequent to the April 2010 executed contract, certified payrolls were obtained and reviewed monthly only by the construction management company, with the construction contractors monthly pay applications, rather than weekly as required.

Department of Labor (DOL) regulations 29 CFR Sections 5.5 and 5.6 require that contractors and subcontractors submit certified payrolls to a subgrantee weekly for construction projects financed by federal funds. Failure to obtain weekly payrolls for verification with current wage rates could allow contractors or subcontractors to pay workers less than the required minimum wage rate without being detected timely. There are no questioned costs associated with the finding.

**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 _____

Recommendation:

We recommend that the construction manager responsible for obtaining the certified payrolls be reminded of the requirement to obtain certified payrolls on a weekly basis and that the Authority establish procedures to ensure that construction manager adheres to all grant requirements.

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

DAVIS-BACON ACT

*Significant Deficiency
Immaterial Noncompliance*

20.205
20.205

Highway Planning and Construction
ARRA - Highway Planning and Construction

Federal Award Number and Year: Various

Questioned Costs: Not Determined

10-10

Controls over Davis-Bacon Act Requirements Should Be Strengthened

Finding:

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). Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractors or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL 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).

The Standard Operating Procedures (S.O.P. rule number SA II-2-10) established by the Mississippi Department of Transportation - Office of State Aid Road Construction (OSARC) require contractors and subcontractors working on a federal aid project to submit to OSARC a copy of each weekly payroll, the "Weekly Summary of Wage Rates" (CAD-880) and the "Weekly Statement of Compliance" (CAD 881). The Standard Operating Procedures further require OSARC to check each payroll submitted for compliance with payment of pre-determined wage rates. In the event a payroll sheet contains an error regarding wage rates, the payroll should be returned to the contractor or subcontractor for correction and re-submission. Along with the re-submitted payroll, OSARC requires a written affidavit from the laborer, or laborers, stating the proper payment has been tendered.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Part 3 – Federal Award Findings and Questioned Costs (continued)**

U. S. DEPARTMENT OF TRANSPORTATION (concluded)

**CFDA/Finding
Number**

Finding and Recommendation

For fiscal year 2010, we selected 138 payrolls in order to verify submission and review of payroll documentation. Of the 138 payrolls tested, 32 were from projects financed by provisions of the American Recovery & Reinvestment Act of 2009 (ARRA). All selected payrolls were submitted and were initialed by the OSARC designated reviewer indicating no problems. However, one employee was paid less than the minimum hourly wage rate per the individual project's Supplement to Form FHWA-1273 for seven of the 138 payrolls tested. Two of the seven payrolls with identified errors were for projects financed by ARRA.

Failure to ensure proper wage rates were paid by contractors and subcontractors resulted in non-compliance with the Davis-Bacon Act and OSARC S.O.P. SA II-2-10.

Recommendation:

We recommend the Mississippi Department of Transportation - Office of State Aid Road Construction strengthen controls over Davis-Bacon Act Requirements. The agency should ensure each weekly payroll is properly reviewed for compliance with minimum hourly wage rates. We further recommend the agency investigate the errors noted by the auditors ensuring the prevailing wage rates are properly remitted.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Part 3 – Federal Award Findings and Questioned Costs (continued)**

ENVIRONMENTAL PROTECTION AGENCY

**CFDA/Finding
Number**

Finding and Recommendation

HEALTH

REPORTING

Material Weakness

66.468
66.468

Capitalization Grants for Drinking Water State Revolving Funds
ARRA – Capitalization Grants for Drinking Water State Revolving Funds

Federal Award Number and Year: Various

10-01

Controls Should Be Implemented to Ensure the Schedule of Expenditures of Federal Awards Is Properly Prepared

Finding:

The Drinking Water Systems Improvements Revolving Loan Fund's internal control over financial reporting of federal expenditures failed to properly identify the amount of federal expenditures accrued at year-end resulting in a material overstatement of federal program expenditures and revenues. The errors noted required audit adjustments to be proposed to, and approved by, management to properly state the Schedule of Expenditures of Federal Awards and the fund's financial statements.

Recommendation:

We recommend the Drinking Water Systems Improvements Revolving Loan Fund Director and Finance/Administrative Coordinator implement procedures that will improve internal controls over the financial reporting of federal expenditures and revenues for the fund to ensure the fund's financial statements and Schedule of Expenditures of Federal Awards are properly stated.

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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 ENERGY

**CFDA/Finding
 Number**

Finding and Recommendation

HUMAN SERVICES

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA – Weatherization Assistance for Low-Income Persons
93.558	Temporary Assistance for Needy Families (TANF) State Programs
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
93.713	ARRA – Child Care and Development Block Grant
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.716	ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants

Federal Award Number and Year: Various

10-08 Controls over the Cost Allocation Process Should Be Strengthened

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the Department of Health and Human Services stipulate that MDHS administer the grants in compliance with the *Code of Federal Regulations* (45 CFR Part 92.22). Furthermore, the Department of Agriculture and the Department of Energy stipulate that MDHS administer their grants in compliance with the *Code of Federal Regulations* (7 CFR 3016.22 and 10 CFR 600.222), respectfully . These parts of the federal regulations stipulate that allowable costs should be determined in accordance with Office of Management and Budget (OMB) Circular A-87. OMB Circular A-87, Attachment A, requires the distribution of joint costs related to a grant program to be supported by a cost allocation plan.

The Mississippi Department of Human Services has developed a cost allocation system which is used to identify, measure and allocate all costs to each of the programs administered by the department. MDHS has established reporting category codes for all costs that require an allocation of the costs to more than one program. At the end of each quarter, cost pools are allocated using the allocation base described in the cost allocation plan for each cost pool. Each basis used in the cost

**STATE OF MISSISSIPPI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Part 3 – Federal Award Findings and Questioned Costs (continued)**

U. S. DEPARTMENT OF ENERGY (continued)

**CFDA/Finding
 Number**

Finding and Recommendation

allocation system is assigned a base code. During our review of the cost allocation system, we noted the following problems.

- The cost pools' basis type/base codes for two of the 95 cost pools used in the cost allocation system did not agree to the cost allocation plan. As a result, costs charged to the programs for these cost pools were not properly calculated in accordance with the plan.
- Two instances in which costs were charged to cost pools that were not included in the Cost Allocation Plan approved by the United States Department of Health and Human Services.

Good internal controls would dictate that adequate controls be in place to ensure that amounts entered into the cost allocation system are accurate and reliable. Inadequate controls over the cost allocation system could hinder the agency's ability to manage federal funds effectively and to comply with federal regulations. Costs charged to a cost pool in error or a cost pool not approved by the federal grantor agency could result in questioned costs. The effects of the errors noted could not readily be determined by the auditors.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls over the review of computations and data used in the cost allocation process to ensure accurate distribution of costs to federal programs.

HUMAN SERVICES

SUBRECIPIENT MONITORING

Significant Deficiency

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA - Weatherization Assistance for Low-Income Persons
93.558	Temporary Assistance for Needy Families (TANF) State Programs
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
93.713	ARRA – Child Care and Development Block Grant

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Part 3 – Federal Award Findings and Questioned Costs (continued)

U. S. DEPARTMENT OF ENERGY (continued)

**CFDA/Finding
Number**

Finding and Recommendation

93.714 ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.716 ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants

Federal Award Number and Year: Various

10-09 **Controls over Subrecipient Monitoring Should Be Strengthened**

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the Department of Health and Human Services stipulate that MDHS administer the grants in compliance with the *Code of Federal Regulations* (45 CFR Part 92.26). Furthermore, the Department of Agriculture and the Department of Energy stipulate that MDHS administer their grants in compliance with the *Code of Federal Regulations* (7 CFR 3016.26 and 10 CFR 600.226), respectfully. These parts of the federal regulations stipulate that audits shall be made in accordance with the Office of Management and Budget (OMB) Circular A-133.

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 subrecipient expending \$500,000 or more in federal awards during the subrecipient's fiscal year. The reports are due to the primary recipient within nine months after the end of the subrecipient's fiscal year end. 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. MDHS has developed an audit tracking system to indicate the subrecipients for which an audit should be received and to document follow-up procedures.

The Mississippi Department of Human Services and other entities provided \$500,000 or more of federal financial assistance to multiple subrecipients through a variety of federal programs during fiscal year 2008. Testwork performed during the fiscal year 2010 audit on subrecipient audits received and reviewed by the agency for subrecipient audit year 2008 revealed the following problems.

- Twenty three instances in which the audit report and/or audit information form was not submitted timely. The reminder letters requesting submission of the audit reports were dated September 30, 2009, which was approximately three to six months after the due date for most of the 2008 audit reports.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Part 3 – Federal Award Findings and Questioned Costs (continued)**

U. S. DEPARTMENT OF ENERGY (concluded)

**CFDA/Finding
Number**

Finding and Recommendation

- Twenty one instances in which the report spreadsheet from the audit tracking system did not document the dates of corrective actions or that a management decision had been issued. Therefore, it could not be determined that the agency had ensured the subrecipient took appropriate and timely corrective action. Also, in one instance, audit report findings were not included on the spreadsheet for proper tracking and disposition.
- Eleven instances in which the subrecipient's data collection form and reporting package could not be located on the Federal clearinghouse website as submitted. OMB A-133 requires that once an audit is complete a data collection form and a reporting package shall be submitted by the auditee to the Federal clearinghouse designated by OMB. OMB established that the pass-through entity is responsible for ensuring that its subrecipients' have met the audit requirements of OMB A-133.

Failure to maintain accurate and complete records hampers the efficient completion of monitoring procedures by agency personnel. Also, without adequate controls over the submission of subrecipient audit reports and prompt follow-up of audit findings, the agency could fail to comply with federal requirements and not detect noncompliance by subrecipients in a timely manner.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls to ensure subrecipient audit reports are received in a timely manner. The appropriate funding division within the agency should be notified of any subrecipient audit findings and should resolve these findings within six months of receipt of the report by the agency. We further recommend the agency ensure the audit tracking report spreadsheet contains all pertinent information to document the agency complied with OMB A-133 audit 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

CFDA/Finding
Number

Finding and Recommendation

HEALTH

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

10.557
93.268

Special Supplemental Nutrition Program for Women, Infants, and Children
Immunization

Federal Award Number and Year: Various

10-02

Controls over the Time Study System Should Be Strengthened

Finding:

The *Code of Federal Regulations* (7 CFR 3016.22 for the Special Supplemental Nutrition Program for Women, Infants, and Children [WIC] and 45 CFR 92.22 for the Immunization program) requires that allowable costs be determined in accordance with the Office of Management and Budget (OMB) Circular A-87. 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 (MSDH) 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 personnel 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 during the year to compute relative values. The agency uses the relative values to allocate the cost of services provided by nurses, nurse practitioners and doctors to the various programs. 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.

**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

Reconciliations are performed between salaries supported by time study forms used in the time study system and the actual amounts charged for payroll for each program per the Statewide Payroll and Human Resource System (SPAHRs) in order to determine the salaries charged to the federal program were reasonable and to ensure the program was not overcharged. If necessary, an adjustment to decrease the amounts charged for payroll to the amount supported by the time study data is made yearly.

During testwork on the time study system, we reviewed 93 time study forms to ensure data entered into the time study system was input correctly. The following errors were noted.

- Two instances were noted in which the program codes, activity codes, hours, and minutes on the time study form did not agree to the input on the raw time report.
- One instance was noted in which the activity code was not listed on the time study form; however, one was assigned on the raw time report. There was no documentation supporting the change to the raw time report.

Audit testwork 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 2010 in a timely manner. The relative value data for fiscal year 2010 will be used when completing the time study for fiscal year 2011. Services and time charged from the patient encounter forms was only entered for the month of July 2009; none were input for the months of August 2009 through June 2010 until January 2011.

We also reviewed the reconciliation between the time study calculations and SPAHRs and noted the following errors.

- A reporting category not related to the WIC program which had expenditures totaling \$9,410 was included on the WIC reconciliation. It appears the inclusion of this reporting category had an immaterial effect on the reconciliation.
- WIC salaries and fringe benefits processed in September 2009 totaling \$3,123 and Immunization program salaries and fringe benefits processed in July 2010 totaling \$136 were not included on the reconciliation; however, it appears this had an immaterial effect on the reconciliations.

**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

Review of the relative value process revealed the following problems.

- Eight instances were noted in which values on the “Relative Value Table” report could not be traced to the “Average Time and Associated Relative Value” report. Including these values to allocate nurses, nurse practitioners and doctors’ time appeared to have an immaterial effect on the total time study amounts allocated to the Immunization and WIC programs.
- One instance was noted in which it appeared the values on the “Relative Value Table” report could not be traced to the “Average Time and Associated Relative Value” report. However, agency personnel stated these values were keyed under the wrong service code. Upon review of the correct service code stated by agency personnel, these values were present. Therefore, the values had been included on the “Relative Value Table” report twice. Including these values twice to allocate nurses, nurse practitioners and doctors’ time appeared to have an immaterial effect on the total time study amounts allocated to the Immunization and WIC programs.
- We noted five instances in which the “Relative Value Table” report did not include values which were reported on the “Average Time and Associated Relative Value” report and we could not determine why these values were not included on the “Relative Value Table” report.

Good internal controls dictate that adequate procedures are in place to ensure time study and relative value data is entered accurately and promptly. Good internal controls also dictate reconciliations between the time study system and SPAHRS are accurate. Inadequate controls over the time study system could hinder the agency’s ability to manage federal funds effectively and to comply with federal regulations. Furthermore, failure to input time study data correctly could result in misallocation of federal funds.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls over the time study system to ensure all information is reliable and accurate. Information included on the time study forms and patient encounter forms should be accurately and promptly entered to the time study system to ensure that personnel costs are properly calculated. In addition, the time study reconciliations should be reviewed for accuracy and this review should be documented.

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

PERIOD OF AVAILABILITY

*Significant Deficiency
 Immaterial Noncompliance*

93.268

Immunization

Federal Award Number and Year: 5H231P422524-04, 2009

Questioned Costs: \$127,696

10-05

Controls Should Be Strengthened over the Immunization Program Period of Availability Requirements

Finding:

The *Code of Federal Regulations* (45 CFR 92.23) 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* (45 CFR 92.23) also states all obligations incurred under the award must be liquidated not later than 90 days after the end of the funding period. During our review of ten payment vouchers and nine journal vouchers for compliance with period of availability requirements for the Immunization program at the Mississippi State Department of Health, we noted the following problems.

- Two instances were noted in which expenditures totaling \$126,831 were not paid within 90 days after the grant year end.
- One instance was noted in which an expenditure totaling \$865 was incurred after the period of availability. Costs were incurred after the end of the grant period of December 31, 2009 and were not obligated by the end of the grant period. This expense should have been paid with grant year 2010 funds instead of grant year 2009 funds.

Good internal controls require that adequate procedures 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 allowable costs for the Immunization program.

**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 State Department of Health strengthen controls to ensure compliance with period of availability requirements for expenditures of the Immunization program. 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 grant year.

HEALTH

**PROGRAM INCOME
 REPORTING**

*Significant Deficiency
 Immaterial Noncompliance*

93.268
 93.712

Immunization
 ARRA-Immunization

Federal Award Number and Year: SMS700704 / 2009 (10/1/2008-9/30/2009)

Questioned Costs: Not Determined

10-06

Controls over the Identification and Reporting of Program Income Should Be Implemented

Finding:

The *United States Code (42 USC 1396s(c)(2)(C))* states grantees providing direct immunization services may generate program income from fees or donations. The *Office of Management and Budget Circular A-133 Compliance Supplement* states the *Financial Status Report (SF-269)* and the *Federal Financial Report (SF-425/SF-425A)* are required reports for the Immunization program. These reports require program income to be reported. Audit procedures performed revealed the Mississippi State Department of Health (MSDH) has policies related to charging for vaccines administered to patients in the various Health Department Clinics, but we also noted that MSDH did not report program income received on the *SF-269* or *SF-425/SF-425A* reports for the Immunization program. In addition, the accounting records did not provide an adequate audit trail to identify program income received. The failure to properly identify and record program income could result in the agency being in noncompliance with program income and federal reporting 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

Recommendation:

We recommend the Mississippi State Department of Health implement controls to identify and record program income received. We further recommend the agency to ensure program income is properly reported on the *SF-269* or *SF-425/SF-425A* reports for each federal program administered by the agency.

HEALTH

REPORTING

Significant Deficiency

93.268
 93.712

Immunization
 ARRA-Immunization

Federal Award Number and Year: 5H23IP422524-07, 2009
 5H23IP422524-07, 2010
 3H23IP422524-07S1, 2010 ARRA

10-07

**Controls over the Preparation of the Schedule of Expenditures of Federal Awards
 Should Be Strengthened**

Finding:

The *Office of Management and Budget Circular A-133 Compliance Supplement* states that after the end of each month, and after the end of each federal fiscal year, that the Centers for Disease Control advises each grantee of the value of all federally funded vaccines that were distributed in lieu of cash directly to the grantee and/or on behalf of the grantee to vaccinating providers located in the grantee's geographical area. It also states that the annual dollar value of federally funded vaccines should be treated by the grantee as a grant expenditure for purposes of determining audit coverage and reporting on the Schedule of Expenditures of Federal Awards.

During our review of the Schedule of Expenditures of Federal Awards at the Mississippi State Department of Health, we noted the expenditures for the in lieu of cash portion of the Immunization program were understated by \$37,205,872. In addition, the expenditures for the in lieu of cash portion of the ARRA-Immunization program were understated by \$281,257. The amount reported as receipts agreed to documentation of vaccines provided in lieu of cash; however, these amounts were not reported as expenditures on the Schedule of Expenditures of Federal Awards for vaccines provided in lieu of cash. These errors resulted in needed changes being made to the Schedule of Expenditures of Federal Awards to correctly state the federal expenditures recorded in the Single Audit Report of the state.

**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 State Department of Health strengthen controls over the preparation of the Schedule of Expenditures of Federal Awards to ensure all vaccines received in lieu of cash are properly presented in the Single Audit Report of the state. Supervisory review should be performed on the Schedule of Expenditures of Federal Awards and documented by initials of the reviewer and date of the review.

HUMAN SERVICES

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

- | | |
|--------|--|
| 10.551 | Supplemental Nutrition Assistance Program (SNAP) |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 10.561 | ARRA – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 81.042 | Weatherization Assistance for Low-Income Persons |
| 81.042 | ARRA – Weatherization Assistance for Low-Income Persons |
| 93.558 | Temporary Assistance for Needy Families (TANF) State Programs |
| 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 |
| 93.713 | ARRA – Child Care and Development Block Grant |
| 93.714 | ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program |
| 93.716 | ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants |

Federal Award Number and Year: Various

10-08 Controls over the Cost Allocation Process Should Be Strengthened

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the Department of Health and Human Services stipulate that MDHS administer the grants in compliance with the *Code of Federal Regulations* (45 CFR Part 92.22). Furthermore, the Department of Agriculture and the Department of Energy stipulate that MDHS administer their grants in compliance with the *Code of Federal Regulations* (7 CFR 3016.22 and 10 CFR 600.222), respectfully. These parts of the federal regulations stipulate that allowable costs should be determined in accordance with Office of Management and Budget (OMB) Circular A-87. OMB Circular A-87, Attachment A, requires the distribution of joint costs related to a grant program to be supported by a cost allocation plan.

**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

The Mississippi Department of Human Services has developed a cost allocation system which is used to identify, measure and allocate all costs to each of the programs administered by the department. MDHS has established reporting category codes for all costs that require an allocation of the costs to more than one program. At the end of each quarter, cost pools are allocated using the allocation base described in the cost allocation plan for each cost pool. Each basis used in the cost allocation system is assigned a base code. During our review of the cost allocation system, we noted the following problems.

- The cost pools' basis type/base codes for two of the 95 cost pools used in the cost allocation system did not agree to the cost allocation plan. As a result, costs charged to the programs for these cost pools were not properly calculated in accordance with the plan.
- Two instances in which costs were charged to cost pools that were not included in the Cost Allocation Plan approved by the United States Department of Health and Human Services.

Good internal controls would dictate that adequate controls be in place to ensure that amounts entered into the cost allocation system are accurate and reliable. Inadequate controls over the cost allocation system could hinder the agency's ability to manage federal funds effectively and to comply with federal regulations. Costs charged to a cost pool in error or a cost pool not approved by the federal grantor agency could result in questioned costs. The effects of the errors noted could not readily be determined by the auditors.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls over the review of computations and data used in the cost allocation process to ensure accurate distribution of costs to federal 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>
<u>HUMAN SERVICES</u>	
SUBRECIPIENT MONITORING	
<i>Significant Deficiency</i>	
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
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93.716	ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants

Federal Award Number and Year: Various

10-09 Controls over Subrecipient Monitoring Should Be Strengthened

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the Department of Health and Human Services stipulate that MDHS administer the grants in compliance with the *Code of Federal Regulations* (45 CFR Part 92.26). Furthermore, the Department of Agriculture and the Department of Energy stipulate that MDHS administer their grants in compliance with the *Code of Federal Regulations* (7 CFR 3016.26 and 10 CFR 600.226), respectfully. These parts of the federal regulations stipulate that audits shall be made in accordance with the Office of Management and Budget (OMB) Circular A-133.

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 subrecipient expending \$500,000 or more in federal awards during the subrecipient's fiscal year. The reports are due to the primary recipient within nine months after the end of the subrecipient's fiscal year end. In addition, OMB Circular A-133 requires

**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

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. MDHS has developed an audit tracking system to indicate the subrecipients for which an audit should be received and to document follow-up procedures.

The Mississippi Department of Human Services and other entities provided \$500,000 or more of federal financial assistance to multiple subrecipients through a variety of federal programs during fiscal year 2008. Testwork performed during the fiscal year 2010 audit on subrecipient audits received and reviewed by the agency for subrecipient audit year 2008 revealed the following problems.

- Twenty three instances in which the audit report and/or audit information form was not submitted timely. The reminder letters requesting submission of the audit reports were dated September 30, 2009, which was approximately three to six months after the due date for most of the 2008 audit reports.
- Twenty one instances in which the report spreadsheet from the audit tracking system did not document the dates of corrective actions or that a management decision had been issued. Therefore, it could not be determined that the agency had ensured the subrecipient took appropriate and timely corrective action. Also, in one instance, audit report findings were not included on the spreadsheet for proper tracking and disposition.
- Eleven instances in which the subrecipient's data collection form and reporting package could not be located on the Federal clearinghouse website as submitted. OMB A-133 requires that once an audit is complete a data collection form and a reporting package shall be submitted by the auditee to the Federal clearinghouse designated by OMB. OMB established that the pass-through entity is responsible for ensuring that its subrecipients' have met the audit requirements of OMB A-133.

Failure to maintain accurate and complete records hampers the efficient completion of monitoring procedures by agency personnel. Also, without adequate controls over the submission of subrecipient audit reports and prompt follow-up of audit findings, the agency could fail to comply with federal requirements and not detect noncompliance by subrecipients in a timely manner.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Part 3 – Federal Award Findings and Questioned Costs (concluded)**

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (concluded)

**CFDA/Finding
Number**

Finding and Recommendation

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls to ensure subrecipient audit reports are received in a timely manner. The appropriate funding division within the agency should be notified of any subrecipient audit findings and should resolve these findings within six months of receipt of the report by the agency. We further recommend the agency ensure the audit tracking report spreadsheet contains all pertinent information to document the agency complied with OMB A-133 audit requirements.

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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, 2010**

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, 2010

INDEX LISTED BY FINDING NUMBER

<u>FINDING NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>	<u>PAGE NUMBER</u>
06-05	Finance and Administration	119
08-04	Finance and Administration	119
08-06	Mississippi Development Authority	129
08-08	Health	121
08-09	Health	121
08-10	Health	121
08-13	Human Services	125
08-16	Human Services	125
08-17	Human Services	126
08-20 *a	Health	121
08-21 *a	Health	122
09-01	Human Services	126
09-02	Human Services	126
09-03	Human Services	126
09-04	Human Services	127
09-05	Human Services	127
09-06	Education	117
09-07	Mississippi Development Authority	129
09-08	(not used)	--
09-09 *a	Health	122
09-10	Health	122
09-11	Health	123
09-12	Health	123
09-13	Health	123

*a Management indicates the finding was partially corrected. No finding was considered necessary for the current year based on enhanced procedures put in place by the agency for the current year.

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STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

INDEX LISTED BY STATE GRANTEE AGENCY

<u>STATE GRANTEE AGENCY NAME</u>	<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>
Education	09-06	117
Finance and Administration	06-05	119
Finance and Administration	08-04	119
Health	08-08	121
Health	08-09	121
Health	08-10	121
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Human Services	09-03	126
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Mississippi Development Authority	08-06	129
Mississippi Development Authority	09-07	129

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**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION**
Tom Burnham, Ed.D.
State Superintendent of Education

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2010**

09-06 Controls over Comparability Requirements Should Be Strengthened

CFDA 84.010 Title I Grants to Local Educational Agencies

FULLY CORRECTED

Signed: Tom Burnham
Tom Burnham, State Superintendent of Education

Date: February 24, 2011

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STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR

DEPARTMENT OF FINANCE AND ADMINISTRATION
KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2010

06-05 Transfers from Self-Insurance Funds Should Not Include Federal Funds

93-UN Various

FULLY CORRECTED

Repayment of the FY 2006 transfers and interest has been made to the Department of Health and Human Services. The payment was sent on May 24, 2010 following an additional appropriation from the 2010 Legislative Session. Documentation of the payment is attached.

08-04 Transfers from Self-Insurance Funds Should Not Include Federal Funds

93-UN Various

FULLY CORRECTED

Repayment of the FY 2008 transfers and interest has been made to the Department of Health and Human Services. The payment was sent on May 24, 2010 following an additional appropriation from the 2010 Legislative Session. Documentation of the payment is attached.

Signed: Kevin J. Upchurch
Kevin J. Upchurch
Executive Director

Date: 10-11-10

attachments

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MISSISSIPPI STATE DEPARTMENT OF HEALTH

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2010

08-08 Controls Over Time Study Procedures Should Be Strengthened

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA # 93.268 Immunization Grant

PARTIALLY CORRECTED

Time Study procedures and processes are under new administrative review with emphasis toward automation of the process and required information being entered by the individual at the time of activity.

08-09 Controls Should Be Strengthened Over Davis-Bacon Act

CFDA # 93.667 Social Services Block Grant

NOT VALID Federal determination was made during the appeal process that Davis-Bacon Act requirements did not apply to this grant.

08-10 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

Training will be reinforced by the Accounting Director to ensure that all efforts are made to code expenditures into the proper grant.

08-20 MWITS Application System Reliability Should Be Improved

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

PARTIALLY CORRECTED

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 which will replace MWITS. The Spirit System is a Net/Java application using Smart Client technology supported by a SQL Server database. The Inventory management system will be similar technology, thus ensuring maintainability and increasing the reliability of the system. The current system is not maintainable by OHI.

The schedule for implementing the new systems is attached. The RFP for a QA vendor and the Implementation Contractor were submitted last year; the responses have come in and are being evaluated. We are on track to implement the new systems by February 8, 2013.

08-21 Time Study Data Control Processes Should Be Improved

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA # 93.268 Immunization Grants

PARTIALLY CORRECTED

Time Study procedures and processes are under new administrative review with emphasis toward automation of the process and required information being entered by the individual at the time of activity.

09-09 Controls Over PHEP and HHP Sub Recipient Monitoring Should Be Strengthened

CFDA # 93.069 Public Health Emergency Preparedness
CFDA # 93.889 National Bioterrorism Hospital Preparedness Program

PARTIALLY CORRECTED

Sub Recipient Monitoring tool was reviewed by Office of Emergency Management for accuracy and sent to all funded programs. A training session was held with all MSDH areas that were funded with Office of Emergency Management sub-grants. The contract section has worked in conjunction with other areas to ensure that all problems have been addressed.

09-10 Controls Over Time Study Procedures Should Be Strengthened

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA # 93.069 Public Health Emergency Preparedness
CFDA # 93.889 National Bioterrorism Hospital Preparedness Program

PARTIALLY CORRECTED

Time Study procedures and processes are under new administrative review with emphasis toward automation of the process and required information being entered by the individual at the time of activity.

09-11 Controls Should Be Strengthened Over Davis-Bacon Act

CFDA # 93.667 Social Services Block Grant

NOT VALID

Federal determination was made during the appeal process that Davis-Bacon Act requirements did not apply to this grant.

09-12 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

Training will be reinforced by the Accounting Director to ensure that all efforts are made to code expenditures into the proper grant.

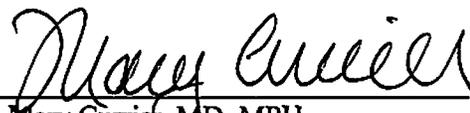
09-13 Controls Over the Preparation of the Schedule of Expenditures of Federal Awards Will Be Strengthened

CFDA # 93.268 Immunization Grants

PARTIALLY CORRECTED

Supervisor and Office Director will review.

Signed: _____


Mary Currier, MD, MPH
State Health Officer

Date: 2/16/2011

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STATE OF MISSISSIPPI
HALEY REEVES BARBOUR, GOVERNOR
DEPARTMENT OF HUMAN SERVICES
DON THOMPSON
EXECUTIVE DIRECTOR

February 18, 2011

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 ended June 30, 2010.

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2010

08-13 Agency Should Ensure Compliance with Davis-Bacon Act

93.667 Social Services Block Grant

FULLY CORRECTED

08-16 Federal Financial Reports Should Agree with Accounting Records

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

FULLY CORRECTED

08-17 Controls over Sub Recipients Monitoring Should Be Strengthened

- 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

FULLY CORRECTED

09-01 Controls Over Cost Allocation Should Be Strengthened

- 93.558 Temporary Assistance for Needy Families
- 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

In order to close the pool, it had to be reopened to remove the cost. During this process additional costs were charged to the pool. While the correction process was taking place, additional cost came in, thus making it necessary to go through the correction process again. The correction process is complete once the actual cost allocation quarterly process has taken place. Steps have been taken to help ensure that additional cost will not be entered during the correction process.

09-02 Controls Over Cash Management Should Be Strengthened

- 93.667 Social Services Block Grant

FULLY CORRECTED

09-03 Agency Should Ensure Compliance with the Davis-Bacon Act

- 93.667 Social Services Block Grant

FULLY CORRECTED

09-04 Federal Financial Reports Should Agree with Accounting Records

93.558 Temporary Assistance for Needy Families
93.667 Social Services Block Grant

FULLY CORRECTED

09-05 Controls over Sub Recipients Monitoring Should Be Strengthened

93.558 Temporary Assistance for Needy Families
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

FULLY CORRECTED

Signed: 
Donald Thompson, Executive Director

Date: 2/18/11

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STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
GRAY SWOOPE
EXECUTIVE DIRECTOR

Summary Schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2010

June 15, 2010

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:

08-06 Controls Over Subrecipient Monitoring Should Be Strengthened.

CDFA 14.228 – Community Development Block Grant/State's Program and Non-Entitlement Grants to Hawaii

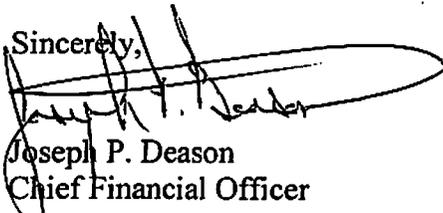
Status:
(b) (1) Fully Corrected

09-07 Controls over Reporting Requirement Should Be Strengthened

CDFA 14.228 – Community Development Block Grants/State's Program

Status: (b)(1) Fully Corrected

Sincerely,


Joseph P. Deason
Chief Financial Officer

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III. MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS



STATE OF MISSISSIPPI

**MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2010
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**

Tom Burnham, Ed.D.
State Superintendent of Education

June 18, 2010

INFORMATION SYSTEMS MANAGEMENT REPORT FINDINGS

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 June 7, 2010 correspondence, the Department of Education is providing the following responses and corrective action plans for the Information Systems Audit findings.

AUDIT FINDING

2010-10 MDE MIS Should Implement a Program of IT Governance

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 has engaged a IT consulting firm to review and report on the Information Technology controls and governance of the Office of Management Information Systems (MIS) with the objective of creating a framework for IT governance for MIS, to include formal policies, procedures and accountability methods. MDE MIS staffing has been improved by hiring an IT professional with a background in governance.

MDE is implementing a MIS Steering Committee to provide direction and accountability to its IT Processes. The first meeting of this committee will be on or about July 20, 2010.

Name of the contact person responsible for the corrective action:

John O. Gilbert, CPA, Deputy State Superintendent
Office of Educational Accountability

B. Anticipated completion date for corrective action:

MDE expects the initial evaluation of the MIS governance process to be complete and implementation of the governance framework to begin about December 31, 2010.

2010-11 MDE MIS Should Implement a Formal Information Security Policy

Response:

We concur with the finding and recommendation

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

MDE MIS with the assistance of our IT consulting and security advisors is reviewing current policies, practices and activities relating to information security. MDE will create a complete information security policy and program to comply with the State of Mississippi Enterprise Security Policy requirements, and any applicable laws and regulations as necessary.

B. Name of the contact person responsible for the corrective action.

John O. Gilbert, CPA, Deputy State Superintendent
Office of Educational Accountability

C. Anticipated completion date for corrective action:

MDE has begun this process and will formalize a MIS security policy on or about December 31, 2010.

Sincerely,



Tom Burnham
State Superintendent of Education



STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION

Tom Burnham, Ed.D.
State Superintendent of Education

SINGLE AUDIT FINDINGS

March 24, 2010

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 18, 2011, 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, 2010:

AUDIT FINDINGS:

10.560 State Administrative Expenses for Child Nutrition

10-11 Controls Should be Strengthened to Ensure Employee Compensation Costs are charged to the Proper Program

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 Accounting has corrected the issue in the payroll system and strengthened controls to ensure that the errors of this kind do not happen in the future.

B. Name of the contact person responsible for corrective action:

James Hart, Director of Office of Accounting

C. Anticipated completion date for corrective action:

Procedures have been implemented.

10.560 State Administrative Expenses for Child Nutrition

10-12 Controls Should be Strengthened over Procurement and Suspension and Debarment Requirements Prior to Entering into Contracts

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 Child Nutrition is verifying that the suspension and debarment supplement is part of the contract.

B. Name of the contact person responsible for corrective action:

Scott Clements, Director of the Office of Child Nutrition

Should you have any questions or need additional information, do not hesitate to contact me.

Sincerely,



Tom Burnham
State Superintendent of Education



MISSISSIPPI DEPARTMENT *of* EMPLOYMENT SECURITY

OFFICE OF THE GOVERNOR

LES RANGE

EXECUTIVE DIRECTOR

Financial Audit Findings

March 10, 2011

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 Mississippi Department of Employment Security appreciates this opportunity to submit responses to the financial audit finding for the year ended June 30, 2010 for Fund 8191.

Audit Findings:

Finding 2010-12 – Controls Should Be Strengthened to Ensure Accounting Records are Complete and Accurate, GAAP Reporting Packages are Properly Prepared, and Contribution Rates are Accurately Calculated

Response: MDES accepts this finding and agrees that strengthened controls and supervisory review are necessary to fairly present the financial position of MDES for each fiscal year end.

Corrective Action Plan:

- A. In June, 2010 MDES contracted with a highly regarded local CPA firm to assist us in strengthening controls regarding reconciliation processes. Training has been conducted, supervisory reviews established and processes documented to ensure accounting events or transactions are properly recorded in the accounting records. A remediation plan for general experience rate charges to employers is under development.

Page 2
March 10, 2011

Corrective Action Plan (continued):

- B. Contracts – Guy Martin – Business Manager and Jackie Turner – Director,
Office of Comptroller.
- C. Currently in place.
- D. N/A

Sincerely,

A handwritten signature in blue ink, appearing to read "Les Range". The signature is fluid and cursive, with a large, sweeping "L" and "R".

Mr. Les Range
Executive Director

LR:tp



MISSISSIPPI STATE DEPARTMENT OF HEALTH

March 18, 2011

SINGLE AUDIT FINDINGS

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 2010.

AUDIT FINDINGS:

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds

10-01: **REPORTING**
Controls Should Be Implemented to Ensure the Schedule of Expenditures of Federal Awards Is Properly Prepared.

The agency concurs with this finding. The agency has contracted with a CPA with experience in consolidated statewide financial statement preparation to come in and train the staff on the correct methods of reporting transactions. Also, the reports will be more closely reviewed by management before they are submitted.

Sincerely,

Mary Currier, MD, MPH
State Health Officer

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MISSISSIPPI STATE DEPARTMENT OF HEALTH

March 21, 2011

SINGLE AUDIT FINDINGS

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 (MSDH) for the Fiscal Year ended 2010.

AUDIT FINDINGS:

10-02: ALLOWABLE COSTS/ COST PRINCIPLES

CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants, and Children
CFDA #93.268 Immunization

Federal Award Number and Year: Various

Controls over Time Study Procedures Should Be Strengthened

The agency concurs with this finding. Office of Health Informatics will establish specified time frames (dates) for all time sheets to be received and data entered into the system. Office of Health Informatics will meet with the appropriate functional area managers to outline expectations and coordinate time study form flow. To meet these time frames, additional resources (data entry clerks) will be employed as necessary.

During the data entry process the Time Study supervisor will pull a sampling of forms and perform an internal quality assurance audit. The results will be published and forwarded to the appropriate functional manager if corrective action is required. A trend sheet will be published and forwarded to all managers.

MSDH is also reviewing an enterprise employee time and attendance program with the capability to record a breakdown of an individual's daily activities by minutes. Such an application will detail the actual times for each program an individual is involved in for cost accounting.

10-03: ELIGIBILITY

CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: SMS700704, 2009
SMS700704, 2010

Controls over Participants Eligibility Process Should Be Strengthened

The agency concurs with this finding. All WIC clerical and certifying staff will receive more training regarding the eligibility determination process. A state-wide training is currently being planned for the coming months and each district and non-profit will ensure that all WIC staff attend. Special emphasis will be placed on following the WIC Policy/Procedure guidelines to ensure compliance with federal and state regulations for determining participant eligibility which will ensure only clients that meet all stated criteria receive WIC services. WIC Central Office monitors will pay special attention to income criteria when in the field and any findings will be reported to the district administrators.

10-04: PERIOD OF AVAILABILITY

CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Award Number and Year: SMS700704, 2009
(10/1/2008-9/30/2009)

Controls Should Be Strengthened to Ensure Compliance with Period of Availability Requirements for the WIC Program

The agency concurs that there were eight instances of expenditures incurred after the period of availability paid with federal fiscal year 2009 funds instead of federal fiscal year 2010 funds. However, we do not concur that there were thirteen instances in which federal fiscal year 2009 expenditures were not paid within 90 days after the end of the federal fiscal year.

Per Otis Spears, USDA Deputy Director, Grants Management, MSDH is correct in using 120 days after the end of the federal fiscal year or to coincide with the submission of the FNS-798 final report due in early February. We have documentation of this in an e-mail.

The state FY 2010 audit finding was a repeat finding from the state FY 2009 finding. The state auditors have conducted consecutive audits of FY 2009 and FY 2010 beginning in November of 2009. Due to the timing of the two audits, there was no chance to implement corrective action after the FY 2009 findings.



STATE OF MISSISSIPPI
HALEY REEVES BARBOUR, GOVERNOR
DEPARTMENT OF HUMAN SERVICES
DON THOMPSON
EXECUTIVE DIRECTOR

SINGLE AUDIT FINDINGS

March 25, 2011

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 2010:

AUDIT FINDINGS:

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

- | | |
|--------|--|
| 10.551 | Supplemental Nutrition Assistance Program (SNAP) |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 81.042 | Weatherization Assistance for Low-Income Persons |
| 93.558 | Temporary Assistance for Needy Families (TANF) |
| 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
93.713 ARRA - Child Care Development Block Grant
93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.716 ARRA- Temporary Assistance for Needy Families (TANF) Supplemental Grants

Federal Award Number and Year: Various

10-08 Controls over Cost Allocation Should be Strengthened

Response:

The Mississippi Department of Human Services agrees that controls over the review of computations and data used in the cost allocation process to ensure accurate distribution of costs to federal programs should be strengthened.

Corrective Action Plan:

The Mississippi Department of Human Services has corrected all of the listed issues. All established policies and procedures are being adhered to. A routine review of the cost allocation plan is done during the quarterly cost allocation process. This is also done anytime during the quarter as situations arise, although corrections to the cost allocation tables are only made during the quarterly cost allocation process.

This task was completed by Tommy Brumfield.

SUBRECIPIENT MONITORING

Significant Deficiency

10.551 Supplemental Nutrition Assistance Program (SNAP)
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
81.042 Weatherization Assistance for Low-Income Persons
93.558 Temporary Assistance for Needy Families (TANF) State Programs
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
- 93.713 ARRA- Child Care Development Block Grant
- 93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
- 93.716 ARRA- Temporary Assistance for Needy Families (TANF) Supplemental Grants

Federal Award Number and Year: Various

10-09 Controls over Sub Recipients Monitoring Should Be Strengthened

Response:

The Mississippi Department of Human Services concurs with the recommendation to strengthen controls to ensure subrecipient audit reports are received in a timely manner.

Corrective Action Plan:

The Agency will issue an initial notice letter to all subrecipients with subgrants active during the state fiscal year within 60 days from the end of the state fiscal year. A reminder letter will be issued by the end of February of the following year (prior to the earliest due date) to any subrecipients that have not submitted an audit report, if required, or the Subgrantee Audit Information Form to document that an audit is not required.

The Agency has revised its procedures for reviewing audit reports to include specific identification of audit findings and assignment of responsibility for resolving the findings to the funding division that awarded the subgrants in the Subgrantee Audit Tracking System. The transmittal memorandum will require that the funding division provide written documentation to the Office of Monitoring that the funding division has issued a management decision on the audit findings within six months from receipt of the audit report. And, once a clearance letter is received from the funding division, the Subgrantee Audit Tracking System will be updated to indicate the date the audit findings were cleared by the funding division.

The Agency will revise the initial notice letter and reminder letter to specifically state that the subgrantee is responsible for submitting the data collection form and reporting package directly to the Federal clearinghouse.

Mr. J. Win Girod, Director MDHS, Division of Program Integrity - Office of Monitoring, is the contact person. The corrective actions will be implemented for FY 2010 subrecipient audits and should be completed by June 30, 2011.

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 Earl D. Walker of the Division of Budgets and Accounting at 601-359-4690.

Respectfully,



Don Thompson
Executive Director

DT:EDW:dd

Pc: Mark Smith
Richard Berry
Richard Harris
Earl D. Walker



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
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CORRECTIVE ACTION PLAN FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SINGLE AUDIT FOR FISCAL YEAR ENDING JUNE 30, 2010

Finding 10-13:

Certified payrolls were not submitted weekly by the construction contractor.

Management Comments and Corrective Action Plan

Appropriate procedures were in place and were being adhered to for certifying contractor and subcontractor payrolls on a weekly basis prior to April 2010. Between the advent of employing additional Department of Restoration staff and the engagement of a new firm for Construction Management, a variance in adherence to these procedures occurred. Upon notification of the variance, management immediately mandated that the original procedures be reinstated. In addition, certified payrolls were no longer allowed to be attached to and included with monthly pay applications. All certified payrolls are being submitted to the Construction Manager on a weekly basis and will be maintained in files in the possession of the Construction Manager.

The Director of the Department of Restoration is requiring the Program Manager to follow up weekly to be sure the Construction Manager is following the required procedures. Physical inspection of the Certified Payroll files is being conducted no less than monthly by both the Department of Restoration and the Authority's Program Manager.

Donald R. Allee
Executive Director & CEO

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**OFFICE OF
STATE AID ROAD CONSTRUCTION**

MISSISSIPPI DEPARTMENT OF TRANSPORTATION
P. O. BOX 1850
JACKSON, MISSISSIPPI 39215-1850

*J. Brooks Miller, Sr., P.E.
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Jackson, Mississippi 39216
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SINGLE AUDIT FINDINGS

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

March 23, 2011

Dear Mr. Pickering:

This letter is in response to the Single Audit Management Report dated March 17, 2011 regarding the June 30, 2010 audit of the Office of State Aid Road Construction. We respectfully submit our response and corrective action plan for the finding listed below.

AUDIT FINDINGS:

Davis-Bacon Act

*Significant Deficiency
Immaterial Noncompliance*

<u>CFDA Number</u>	<u>Program Name</u>
20.205	Highway Planning and Construction
20.205	ARRA – Highway Planning and Construction

<u>Finding Number</u>	<u>Finding Recommendation</u>
10-10	Controls over Davis-Bacon Act Requirements Should Be Strengthened

RESPONSE:

The OSARC designated reviewer responsible for the payroll reports in question was temporarily assigned to this function. This individual was trained on Davis-Bacon Act requirements and compliance, however, had no experience in this area. Failure to thoroughly adhere to compliance guidelines as instructed resulted in the identified errors.

The Office of State Aid Road Construction concurs with the Office of the State Auditor's finding and recommendations regarding controls over Davis-Bacon Act requirements.

CORRECTIVE ACTION PLAN:

a.

1. The function of designated reviewer has been reassigned to an employee with extensive knowledge and experience regarding Davis-Bacon Act requirements.
2. Responsible staff attended a NHI training course on Contract Administration and Davis-Bacon compliance requirements.
3. Management held a meeting with responsible staff to discuss ways to strengthen controls over Davis-Bacon Act requirements.
4. A Davis-Bacon Act requirement checklist will be implemented in the weekly payroll review process.
5. The errors noted by the auditors are being investigated to ensure that the prevailing wage rates are properly remitted.

b. Persons responsible for the corrective action plan:

1. Dan Jordan – Director of Administrative Services
2. John Bond – Director of Contract Administration
3. Kimberly Peyton – Designated Reviewer
4. Sandy Mohr – Final Reviewer

c. Steps 1, 2, and 3 above have been completed as of the date of this letter. Steps 4 and 5 are anticipated to be completed by April 30, 2011.

Sincerely,



J. Brooks Miller, Sr.
State Aid Engineer



**STATE OF MISSISSIPPI
TREASURY DEPARTMENT**

**TATE REEVES
STATE TREASURER**

**POST OFFICE BOX 138
JACKSON, MISSISSIPPI 39205
TELEPHONE (601) 359-3800**

March 14, 2011

**Honorable Stacey Pickering
State Auditor, State of Mississippi
8th Floor, Woolfolk Building
Jackson, Mississippi 39201**

Dear Mr. Pickering:

We have reviewed the financial audit findings in reference to our fiscal year 2010 audit. Listed below are our responses and plan for corrective action:

AUDIT FINDING 2010-03: Investment Ratios Should be Maintained in Accordance with State Law

Response: We do not concur with the audit finding. We fundamentally disagree with the application of the 50 percent limitation to certain Agency securities.

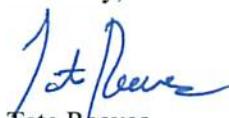
Corrective Action: Under the conservatorship put in place on September 7, 2008, FNMA and FHLMC are being run by the Federal Housing Finance Agency. The US Treasury's actions on September 7th included the institution of Preferred Stock Purchase Agreements, which are the foundation of the direct financial support of the US government to the agencies. The Treasury secretary's speech highlighted the additional security and clarity that these agreements provide to debt holders of FNMA and FHLMC. There were other steps that provided additional security to the debt holders through the provision of greater market stability, but the Purchase Agreements are, in our view, the most important and direct source of financial support. Because FNMA and FHLMC are congressionally chartered, only Congress can effect a permanent change in the status of the companies – either making them entirely public or entirely private. That is a matter that has yet to be determined, although it has been taken up in Congress recently. Reform will likely occur in some form over the next couple of years, and we will see what ultimately becomes of FNMA and FHLMC. The point put forth by Treasury is that what we know today is that the debt is for all

intents and purposes fully supported by the US government, and therefore the debt of FNMA and FHLMC held in the portfolio should not be included in the 50 percent calculation. There is not an explicit legal guarantee, and there will not be – partly because of the balance sheet effects on the US as a whole and partly because of the congressional charters of these companies, to say nothing of the precedent set by the US assuming a public/private entity's debt. But the net result of the conservatorship is financial support of the companies, which includes support to pay its debt obligations and amounts to a guarantee from the federal government on the debt. Hopefully, some clarity will be given by Congress with regard to FNMA and FHLMC, at which time, we will review the status of the Agencies and act appropriately to ensure the safety and security of taxpayer dollars.

Treasury does not believe it is in the best interests of the taxpayers to liquidate FNMA and FHLMC holdings in favor of Treasuries to lower the allocation to Agencies due to the large losses in income to the portfolio that would result from such a rebalancing. The allocation to FNMA and FHLMC securities does not represent additional risk vis-à-vis Treasuries to the State or the taxpayers but does offer meaningfully higher yields.

If you have any question, please call Liz Welch, Deputy Treasurer at 359-3600.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tate Reeves", written in a cursive style.

Tate Reeves
State Treasurer

IV. INDICES



STATE OF MISSISSIPPI

INDEX OF FINANCIAL STATEMENT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (by finding number)

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>
2010-03	71	Treasury
2010-10	65	Education
2010-11	66	Education
2010-12	67	Employment Security

MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS (by State agency)

Education: Page 133

Employment Security: Page 137

Treasury: Page 153

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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, 2010**

1. Office of National Drug Control Policy: None
2. U.S. Department of Agriculture: Pages 75-87
3. U.S. Department of Commerce: None
4. U.S. Department of Defense: None
5. U.S. Department of Housing and Urban Development: Pages 89-90
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: Pages 91-92
10. Appalachian Regional Commission: None
11. General Services Administration: None
12. National Foundation on the Arts and the Humanities: None
13. U.S. Department of Veterans Affairs: None
14. Environmental Protection Agency: Page 93
15. U.S. Department of Energy: Pages 95-98
16. U.S. Department of Education: None
17. National Archives and Records Administration: None
18. Elections Assistance Commission: None
19. U.S. Department of Health and Human Services: Pages 99-109
20. Corporation for National and Community Service: None
21. Social Security Administration: None
22. Department of Homeland Security: None

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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, 2010

1. Agriculture and Commerce: None
2. Animal Health: None
3. Archives and History: None
4. Arts Commission: None
5. Attorney General: None
6. Board for Community and Junior Colleges: None
7. Corrections: None
8. Education: Page 75
9. Educational Television: None
10. Emergency Management: None
11. Employment Security: None
12. Environmental Quality: None
13. Finance and Administration: None
14. Forestry Commission: None
15. Governor's Office: None
16. Health: Pages 77, 93, 99
17. Human Services: Pages 84, 95, 105
18. Insurance: None
19. Library Commission: None
20. Marine Resources: None
21. Medicaid: None
22. Mental Health: None
23. Military Department: None
24. Mississippi Development Authority: None
25. Narcotics: None
26. Oil and Gas Board: None
27. Pharmacy Board: None
- ** Port of Gulfport: Page 89
28. Public Safety: None
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 91
36. Treasury: None
37. Veterans Affairs Board: None
38. Wildlife, Fisheries and Parks: None

** The Port of Gulfport, a state agency, received federal funds which were transferred from other state agencies. For this reason, the Port of Gulfport does not appear on the Schedule of Expenditures of Federal Awards. The finding on page 89 relates to funds received from the Mississippi Development Authority through the CDBG program from the U.S. Department of Housing and Urban Development.

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, 2010

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>
10-01	93	Health
10-02	77, 99	Health
10-03	80	Health
10-04	82	Health
10-05	102	Health
10-06	103	Health
10-07	104	Health
10-08	84, 95, 105	Human Services
10-09	86, 97, 107	Human Services
10-10	91	State Aid Road
10-11	75	Education
10-12	76	Education
10-13	89	Port of Gulfport

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STATE OF MISSISSIPPI

**INDEX OF MANAGEMENT RESPONSES TO FEDERAL AWARD FINDINGS
AND CORRECTIVE ACTION PLANS
LISTED BY STATE GRANTEE AGENCY
FOR THE YEAR ENDED JUNE 30, 2010**

1. Agriculture and Commerce: None
2. Animal Health: None
3. Archives and History: None
4. Arts Commission: None
5. Attorney General: None
6. Board for Community and Junior Colleges: None
7. Corrections: None
8. Education: Page 135
9. Educational Television: None
10. Emergency Management: None
11. Employment Security: None
12. Environmental Quality: None
13. Finance and Administration: None
14. Forestry Commission: None
15. Governor's Office: None
16. Health: Page 139
17. Human Services: Page 145
18. Insurance: None
19. Library Commission: None
20. Marine Resources: None
21. Medicaid: None
22. Mental Health: None
23. Military Department: None
24. Mississippi Development Authority: None
25. Narcotics: None
26. Oil and Gas Board: None
27. Pharmacy Board: None
- ** Port of Gulfport: Page 149
28. Public Safety: None
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 151
36. Treasury: None
37. Veterans Affairs Board: None
38. Wildlife, Fisheries and Parks: None

** The Port of Gulfport, a state agency, received federal funds which were transferred from other state agencies. For this reason, the Port of Gulfport does not appear on the Schedule of Expenditures of Federal Awards. The response and corrective action plan on page 149 relates to funds received from the Mississippi Development Authority through the CDBG program from the U.S. Department of Housing and Urban Development.

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V. ACKNOWLEDGMENTS



ACKNOWLEDGMENTS

REPORT PREPARED BY:

Stacey E. Pickering, State Auditor
Patrick S. Dendy, CPA, Deputy State Auditor
William R. Doss, CPA, Director, Financial and Compliance Audit Division
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Many thanks to the following managers, supervisors and field staff of the Office of the State Auditor for their efforts in gathering information contained in this Single Audit Report:

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Special thanks to Jacqueline Thomas and Janet Wilson for their help in processing this report.

We would also like to thank staff members of the Bureau of Financial Reporting, Department of Finance and Administration, for their assistance with this report through compilation of the Schedule of Expenditures of Federal Awards.

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