Mississippi

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

Comprehensive Annual Financial Report 2012

Mississippi

Fiscal Year Ended June 30, 2012

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

Kevin J. Upchurch
Executive Director

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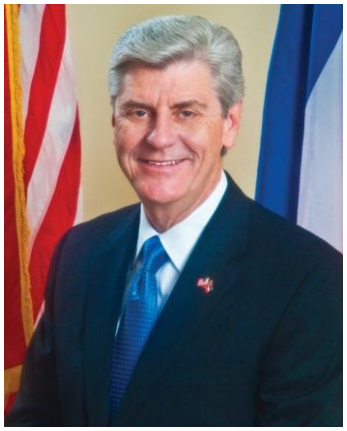
PHIL BRYANT
GOVERNOR

STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR



December 20, 2012

To the Members of the Legislature and Citizens of Mississippi:

As Governor of the State of Mississippi, I present the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2012.

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

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

Sincerely,

Phil Bryant

POST OFFICE BOX 139 · JACKSON, MISSISSIPPI 39205 · TELEPHONE: (601) 359-3150 · FAX (601) 359-3741

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Mississippi

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Introduction

STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION

KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR

December 20, 2012

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

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2012 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Eighty-two percent of the 1.1 million wage and salary workers employed in Mississippi are in service-providing industries, with the remaining 18% in the goods-producing industries of manufacturing, construction and natural resources/mining. Despite the dominance of services, goods-producing industries and manufacturing in particular, are crucial to the State's economy. In the U.S. as a whole, manufacturing provides 9% of total jobs, but in Mississippi the figure is 13%.

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

The largest employers in the service-providing sectors, each employing more than 100,000 persons, are local government, retail trade, health care and social assistance, and accommodation and food services. Business and professional activities employ just over 92,000 persons.

Long-term Financial Planning

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

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

Major Initiatives

Despite tough economic times for the State, the focus remains on education, workforce training and economic development. These areas are paramount to the future success of the State. Education continues to make up approximately 60% of the budgetary general funds. Health care and public safety continue to be of great importance to the citizens of our State. Projects for a new $30 million health lab and a new $40 million state-of-the-art crime lab are near completion and will improve these vital services.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the twenty-fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully yours,

Kevin J. Upchurch

Kevin J. Upchurch

Officials of State Government

Executive Branch

Governor
Phil Bryant

Lieutenant Governor
Tate Reeves

Secretary of State
Delbert Hosemann

State Auditor
Stacey Pickering

State Treasurer
Lynn Fitch

Attorney General
Jim Hood

Commissioner of Agriculture and Commerce
Cindy Hyde-Smith

Commissioner of Insurance
Mike Chaney

Transportation Commissioners
Dick Hall
Tom King
Mike Tagert

Public Service Commissioners
Brandon Presley
Lynn Posey
Leonard Bentz

State Fiscal Officer
Kevin J. Upchurch

Legislative Branch

Speaker of the House of Representatives
Philip Gunn

Speaker Pro Tempore of the House of Representatives
Greg Snowden

President Pro Tempore of the Senate
Terry W. Brown

Secretary of Senate
Liz Welch

Clerk of the House of Representatives
Andrew Ketchings

Legislative Budget Office
Debbie Rubisoff, Director

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

Judicial Branch

Supreme Court of Mississippi

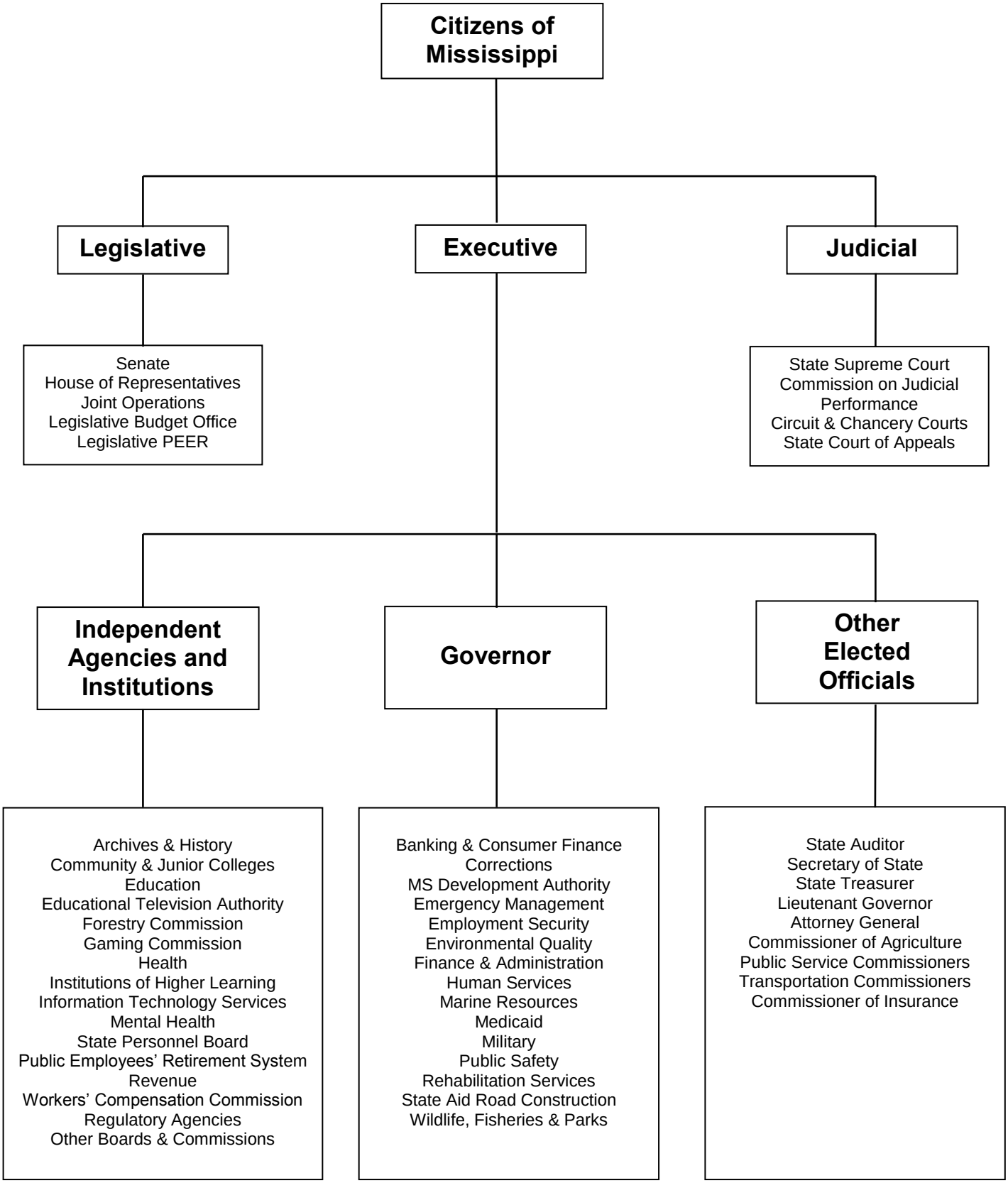
Chief Justice
William L. Waller, Jr.

Presiding Justices
George C. Carlson, Jr.
Jess H. Dickinson

Justices
Michael K. Randolph
Ann H. Lamar
James W. Kitchens
David A. Chandler
Randy G. Pierce
Leslie D. King

Clerk of the Supreme Court
Kathy Gillis

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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

President

Executive Director

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

- Government-wide Financial Statements
  - Governmental Activities
    - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 8% and 38%, respectively, of the assets and revenues of the Governmental Activities;
  - Business-type Activities
    - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board and the Unemployment Compensation Fund which, in the aggregate, represent 96% and 94%, respectively, of the assets and revenues of the Business-type Activities;
  - Component Units
    - the Universities and the nonmajor component units.
- Fund Financial Statements
  - Governmental Funds
    - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Department of Corrections, the Department of Environmental Quality, the

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

- Proprietary Funds

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

- Aggregate Remaining Funds

  – selected nonmajor governmental funds at the Mississippi Emergency Management Agency and the Department of Employment Security;

  – the State Agencies Self-Insured Workers' Compensation Trust Fund and selected funds at the Department of Finance and Administration – Office of Insurance within the Internal Service Fund;

  – nonmajor enterprise funds for the Veterans' Home Purchase Board;

  – the Pension Trust Funds;

  – the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

  all of which represent 97% and 88%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

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

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

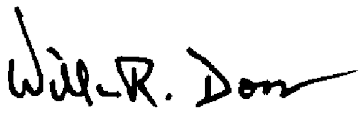
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain

provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The introductory section, the supplementary information - combining and individual fund financial statements and supporting schedules and the statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information - combining and individual fund financial statements and supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of the other auditors, the other supplementary information – combining and individual fund financial statements and supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



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

Jackson, Mississippi
December 20, 2012

Management's Discussion and Analysis

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

Government-wide - The assets of the State exceeded its liabilities at the close of the fiscal year by $14,157,089,000 (reported as "net assets"). Of this amount, a negative $2,904,160,000 was reported as "unrestricted net assets", which means that it would be necessary to convert restricted assets to unrestricted assets if the government's ongoing obligations to citizens and creditors were immediately due and payable. The State had $4,183,888,000 in restricted net assets. Net assets of governmental activities and business-type activities increased by $533,022,000 and $78,358,000, respectively.

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

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

> **Governmental Activities** - The State's basic services are reported here, including general government; education; health and social services; law, justice and public safety; recreation and resource development; regulation of business and professions; and transportation. Taxes and federal grants finance most of these activities.
>
> **Business-type Activities** - The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. State fair and coliseum operations; home mortgage loans to veterans; port facilities; and unemployment compensation services are examples of these activities.

Fund Financial Statements

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

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.

Government-wide Financial Analysis

Net Assets

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

The largest share of net assets, 91 percent, consisted of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Restricted net assets, representing resources that are subject to externally imposed restrictions, comprised 29.6 percent of total net assets, as compared to 28.9 percent in the prior year. The remaining negative balance represented unrestricted net assets of $2,904,145,000. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of $228,423,000 in business-type activities may be used to meet ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

Net Assets
(amounts expressed in thousands)

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

* As restated in Note 2 to the financial statements.

Changes in Net Assets

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

Changes in Net Assets

(amounts expressed in thousands)

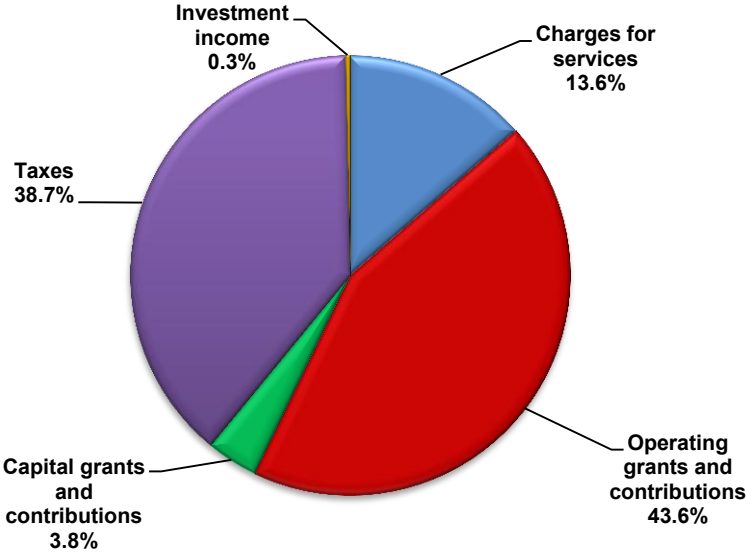
	Governmental Activities		Business-type Activities		Total	
	2012	2011 *	2012	2011 *	2012	2011 *
Revenues:						
Program Revenues:						
Charges for services	$ 2,191,269	$ 2,155,782	$ 339,399	$ 298,208	$ 2,530,668	$ 2,453,990
Operating grants and contributions	7,038,237	7,896,876	244,325	310,704	7,282,562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

* As restated in Note 2 to the financial statements.

Governmental Activities

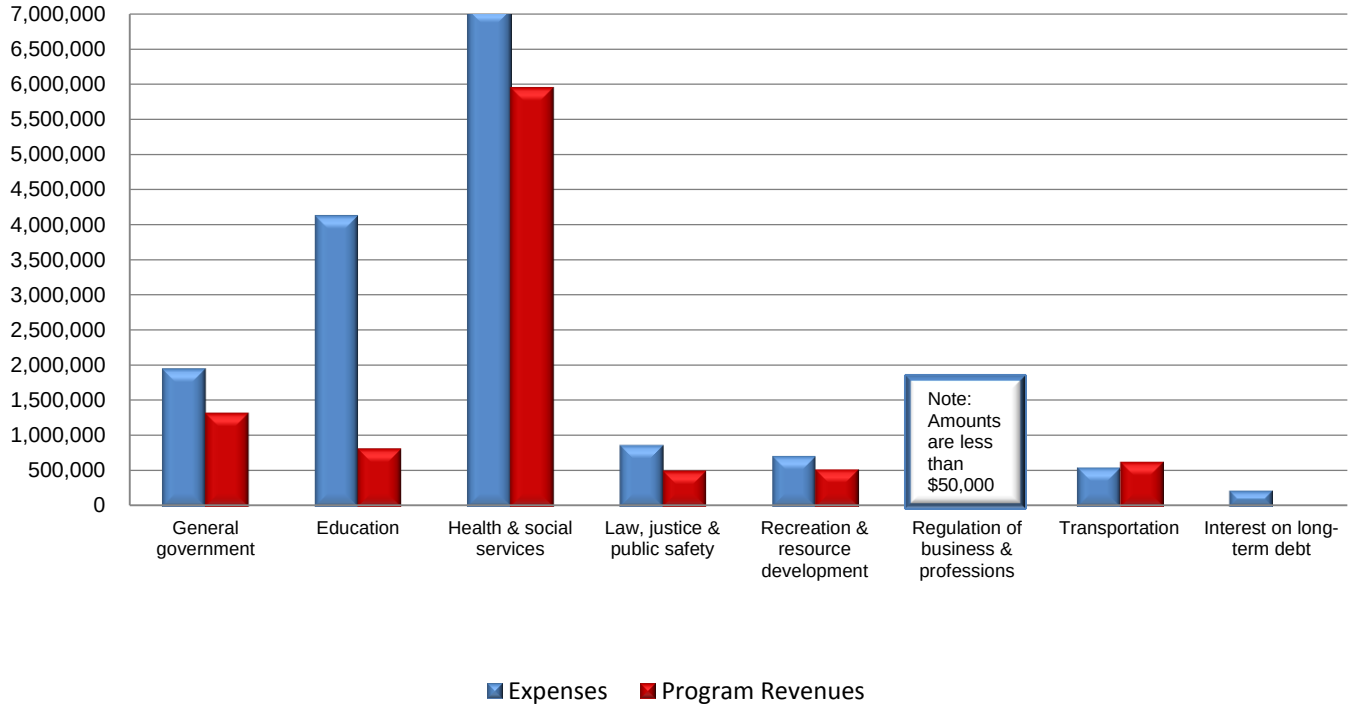
Governmental activities increased the State's net assets by $533,022,000 for fiscal year 2012. The largest source of revenue at 43.6 percent was operating grants and contributions which declined $858,639,000 in comparison to the prior year. Revenues from taxes grew to 38.7 percent of total revenues,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

Governmental Activities - Revenues by Source



Governmental Activities - Expenses and Program Revenues

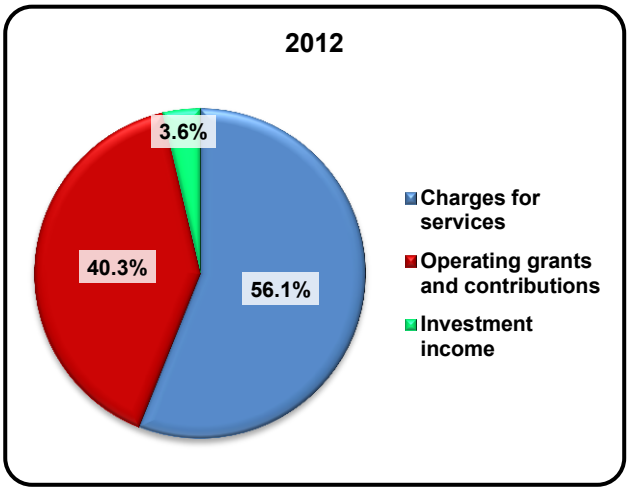
(amounts expressed in thousands)

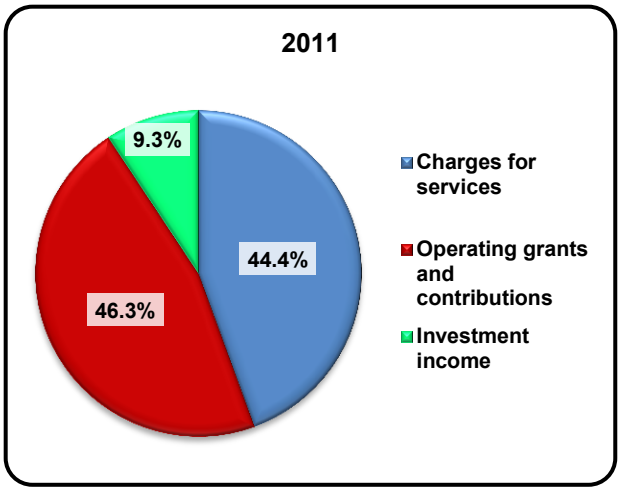


Business-type Activities

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

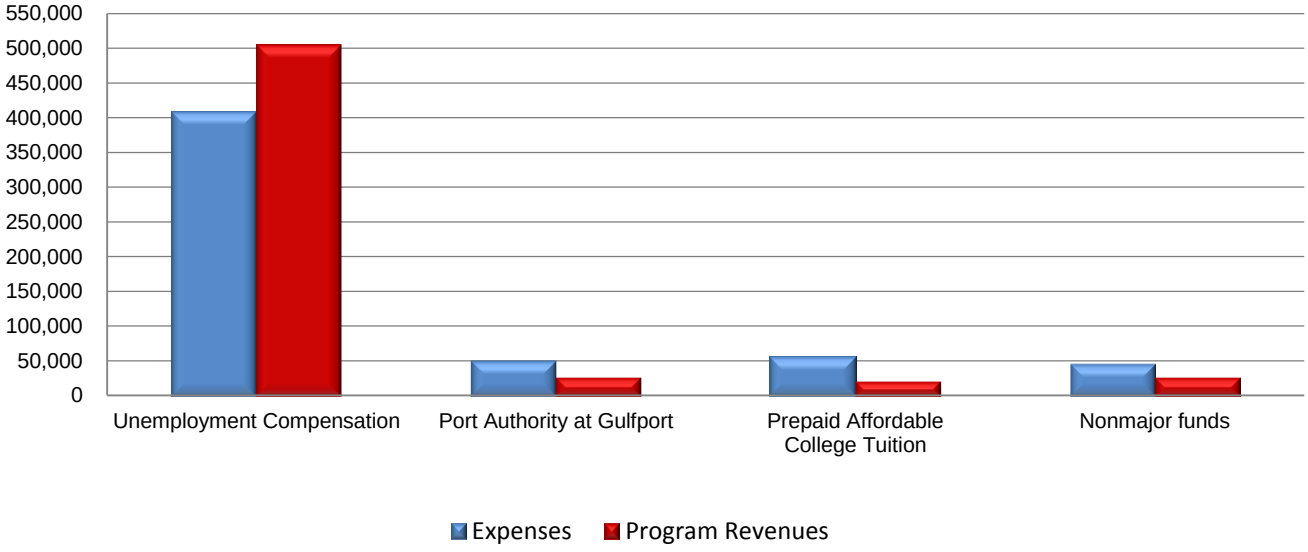
Business-type Activities - Revenues by Source





Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



Financial Analysis of the State's Individual Funds

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

Governmental Funds

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

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

Proprietary Funds

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

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

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

General Fund Budgetary Highlights

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

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

Capital Assets and Debt Administration

Capital Assets

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

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

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

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

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

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

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

Capital Assets, Net of Depreciation
(amounts expressed in thousands)

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

*As restated in Note 8 to the financial statements.

Debt Administration

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

Mississippi has a rating of AA from Standard and Poor's, AA+ from Fitch, and Aa2 from Moody's. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and the potential for future economic diversification.

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2012, the State had established a constitutional legal debt limit of $12,451,109,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 13 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds and notes	$ 4,191,805	$ 3,813,700	$ 20,792	$ 23,426	$ 4,212,597	$ 3,837,126
Notes payable	982,415	1,016,946			982,415	1,016,946
Total	$ 5,174,220	$ 4,830,646	$ 20,792	$ 23,426	$ 5,195,012	$ 4,854,072

Economic Factors and Next Year's Budget

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

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

Request for Information

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

Basic Financial Statements

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

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

(Continued on Next Page)

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

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

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

Statement of Activities

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

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

General revenues:
- Taxes:
  - Sales and use
  - Gasoline and other motor fuel
  - Individual income
  - Corporate income and franchise
  - Insurance
  - Other
- Investment income
- Other
- Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets

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

Governmental Funds

Balance Sheet

June 30, 2012 (Expressed in Thousands)

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

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

Governmental Funds

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

June 30, 2012 (Expressed in Thousands)

Total fund balances for governmental funds		$ 4,334,453
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excluding amounts for internal service funds' capital assets that are reported in the internal service funds' net reconciling item below):		
Software	$ 5,953	
Land	2,074,915	
Buildings	1,959,949	
Land improvements	233,001	
Machinery and equipment	586,976	
Infrastructure	9,115,233	
Construction in progress	4,119,269	
Accumulated depreciation	(4,225,549)	13,869,747
Derivative instruments reported as deferred outflows in governmental activities are not financial resources and therefore are not reported in the funds.		58,115
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		193,328
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds and notes	(4,118,233)	
Capital lease obligations	(16,547)	
Accrued compensated absences	(120,710)	
Pollution remediation obligation	(41,816)	
Notes payable	(957,062)	
Unamortized charges	82,692	
Unamortized premiums	(153,875)	
Claims payable	(3,957)	
Other postemployment benefits payable	(108,636)	
Accrued interest payable	(53,463)	
Derivative instruments	(58,115)	(5,549,722)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		272,373
Net assets of governmental activities		$ 13,178,294

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

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

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

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

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

Governmental Funds

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

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

Net change in fund balances - total governmental funds		$ 70,458
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 1,124,572	
Depreciation expense	(326,115)	798,457
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net income of the internal service funds is reported with governmental activities.		57,707
In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(21,555)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
Premiums on notes and refunding bonds and notes issued	(40,400)	
Bonds and notes issued	(603,030)	
Refunding bonds and notes issued	(123,075)	
Capital leases issued	(9,524)	
Payments of debt principal	290,870	
Payments on refunded bond anticipation notes	19,000	
Payments to refunded bond and note escrow agent	115,002	
Accrued interest payable	475	
Deferred bond and note issuance costs	4,064	(346,618)
Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Donations of equipment	2,616	
Change in claims payable	2,103	
Change in compensated absences	(3,618)	
Change in deferred revenues	(2,225)	
Change in other postemployment benefits payable	(26,424)	
Change in pollution remediation obligation	(2,662)	
Amortization of deferred charges and premiums	4,783	(25,427)
Change in net assets of governmental activities		$ 533,022

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

Proprietary Funds

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

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

Enterprise Funds			
	Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
	$ 42,848	$ 44,104	$ 249,863
	14,490	518,059	117,260
		8,001	1,243
	4,548	112,339	275
		1	
	58	10,694	385
	6,118	29,653	30,434
		208	877
	411	411	
	34	152	
	5,540	5,540	
		17	
	74,047	729,179	400,337
		294,424	31,588
	161,506	161,506	
		89	
		450	
	6,072	79,379	
	32,454	158,595	7,618
		53	
	200,032	694,496	39,206
	$ 274,079	$ 1,423,675	$ 439,543

(Continued on Next Page)

Proprietary Funds

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

(Continued from Previous Page)

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

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

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

Proprietary Funds

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

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

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

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

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

Proprietary Funds

Statement of Cash Flows

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

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

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

(Continued on Next Page)

Proprietary Funds

Statement of Cash Flows

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

(Continued from Previous Page)

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

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ (1,059)	$ 25,612	$ 52,436
1,515	7,830	2,472
528	(11,824)	30
(37)	(425)	(64)
(3,969)	(4,167)	(82)
4	(204)	(98)
26	26	
13	(31)	
8,112	8,112	
546	529	(561)
180	4,436	898
(11)	3,905	(7)
599	(2,427)	33
16	16	9
	36,907	(8,554)
33	(16,125)	(814)
7,555	26,558	(6,738)
$ 6,496	$ 52,170	$ 45,698
8	8	1,259
		1,532
(10,202)	(10,202)	3
	(6,595)	330

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

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

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

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

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

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

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

Component Units

Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

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

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

Component Units

Statement of Activities

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

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

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

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June 30, 2012

Note 1 - Significant Accounting Policies

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

A. Basis of Presentation - The accompanying financial statements of the State have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

B. Financial Reporting Entity - For GAAP financial reporting purposes, the State's reporting entity includes all funds of the State's various commissions, departments, boards, elected officials, universities, and other organizational units (hereinafter referred to collectively as "agencies"). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

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

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

Public Employees' Retirement System of Mississippi - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its five pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2012, and their report, dated November 30, 2012, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

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

The State reports the following nonmajor discretely presented component units:

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

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

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

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

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

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

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

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The State reports the following major governmental fund:

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

The State reports the following major enterprise funds:

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

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

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

Additionally, the State reports the following fund types:

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated service lives of the respective assets. Estimated service lives include 5 to 15 years for software, 40 years for buildings, 20 years for land improvements, 5 to 15 years for machinery and equipment, 3 years for computer equipment, 5 to 15 years for heavy and outdoor equipment, and 3 to 10 years for vehicles. The estimated service life varies from 12 to 50 years for infrastructure, based on the individual asset.

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

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

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

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

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

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

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

P. Net Assets/Fund Balance - The difference between fund assets and liabilities is "Net Assets" on government-wide, proprietary, and fiduciary funds financial statements and "Fund Balance" on governmental funds financial statements. Fund balances of governmental funds are classified as:

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

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

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

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

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

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

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

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

Note 2 - Other Accounting Disclosures

A. Net Assets Restricted by Enabling Legislation - The State's net assets restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net assets reports $4,183,888,000 of restricted net assets, of which $639,278,000 is restricted by enabling legislation.

B. Deficit Net Assets - At June 30, 2012, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of $94,460,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) has deficit net assets of $29,000, which resulted from legally mandated transfers out of net profit from operations.

C. Working Cash Stabilization Reserve Account - The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches $40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. The Account balance, in excess of $40,000,000, may be permanently transferred to the General Fund to cover deficits up to a maximum of $50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5% maximum is again attained. At June 30, 2012, the Account, as reported in the General Fund, has an unassigned fund balance of $99,900,000.

D. Restatement of Net Assets - During fiscal year 2012, a prior period adjustment was made to decrease beginning net assets by $43,286,000 in Governmental Activities and $2,031,000 in Business-type Activities due to a correction of errors related to capital assets. Included in the Governmental Activities change is a decrease of $177,000 for Internal Service funds. The decrease in Business-type Activities is related to Nonmajor Enterprise funds. The restatement of beginning net assets is summarized as follows (amounts expressed in thousands):

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

Note 3 - Interfund Transactions

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

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

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, 2012, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

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

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

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

	Transfer To					
Transfer From	General	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:						
General	$	$ 44,135	$ 617	$ 26,816	$ 12,295	$ 83,863
Nonmajor Governmental	149,351	724		2		150,077
Internal Service	162					162
Proprietary:						
Unemployment Compensation		1,405				1,405
Nonmajor Enterprise	1,194					1,194
Total	$ 150,707	$ 46,264	$ 617	$ 26,818	$ 12,295	$ 236,701

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

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

Note 4 - Deposits and Investments

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

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

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

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

Primary Government Deposits (except for the System)

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

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5.5 percent primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105 percent of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

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

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

Under the criteria established by the Guaranty Pool Board, an approved guaranty pool member must meet the 105 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian). The agreement provides that if a loss to a public depositor in the guaranty pool is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment against other guaranty pool members on a pro rata basis.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2012, $1,001,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2012, $203,000 was uninsured and uncollateralized, and $83,041,000 was uninsured and collateral held by the pledging financial institution's trust department or agent was not in the government's name.

Primary Government Investment Policies (except for the System)

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

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

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

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

U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by U.S. Government, U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise, not to exceed 50 percent of total

investments with maturities of 30 days or longer. During the year, these investments exceeded the limit imposed by the statute. On September 7, 2008, Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) were placed into conservatorship by the U.S. government, lending an additional level of security to these investments. The Agency bonds purchased over and above the statutory limitation were purchased in lieu of Treasury bonds that were offered at substantially lower yields. As Congress debates possible reforms to FHLMC and FNMA, the risk position of the portfolio will continue to be monitored to ensure that funds are invested in a manner consistent with the risk limitations intended by the statute. Whatever identity FHLMC and FNMA assume post-conservatorship will be evaluated in light of the statute and the appropriate limitations to the asset allocation will be imposed; and

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

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

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

School district bonds of the State;

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

Highway bonds of the State;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

Primary Government Investments (except for the System)

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

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

B. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2012, the primary government had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 2,948	$ 1	$ 2,947	$	$
Collateralized mortgage obligations	639,698	734	554	24,617	613,793
Corporate bonds	37,406	3,322	19,465	6,386	8,233
Guaranteed investment contracts	135,573		128,473		7,100
Mortgage pass-throughs	104,358	243	6,765	36,919	60,431
Mutual funds	136,806	90,169	7,533	39,104	
Other pass-through securities	222,796	31	3,413	94,516	124,836
State and local obligations	10,776	943	4,186	1,241	4,406
U.S. Government agency obligations	1,683,413	8,455	1,375,589	292,157	7,212
U.S. Treasury obligations	155,274	6,109	140,089	8,366	710
Zero coupon bonds	3,199		2,261	938	
Total	$ 3,132,247	$ 110,007	$ 1,691,275	$ 504,244	$ 826,721

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

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

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

C. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2012, is as follows (amounts expressed in thousands):

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

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

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

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

Natixis	$ 135,573	69.29%

System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, when possible, the types of collateral securing deposits be limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2012, the System had no deposits in foreign demand deposit accounts.

For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any U.S. bank shall, where possible, be safeguarded and guaranteed by the posting of bonds, notes, and other securities as security by the depository. The System's Board of Trustees has formally adopted a short-term investment policy that requires that the market value of securities guaranteeing the deposits shall at all times be equal to 100 percent of the amount of funds on deposit.

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State;

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

Highway bonds of the State;

Corporate bonds rated by S&P or by Moody's Investors Service;

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the System. Section 25-11-121, Mississippi Code Ann. (1972), allows the System to invest up to ten percent of the total portfolio in real estate only via real estate securities and commingled funds. Direct ownership of real estate assets is prohibited. The portfolio is divided between core commingled and value added real estate fund investments, which directly invest in properties, and in managed portfolios of Real Estate Investment Trusts (REITs). REITs are exchange traded securities that provide indirect exposure to real estate properties and real estate management companies. Fair values of commingled fund properties are based on the most recent independent appraisal values. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually; and

Up to ten percent of the total book value of investments can be types of investments not specifically authorized by this section, if the investments are in the form of a separate account managed by a SEC registered investment advisory firm retained as an investment manager by the Board of Trustees, or a limited partnership, or commingled fund.

System Investments

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

The Moody's or S&P credit ratings for the System's investments as of June 30, 2012 are as follows (amounts expressed in thousands):

	Quality Ratings					
Investment Type	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**	**Ba/BB**	**B/B**
Asset backed securities	$ 820,608	$ 41,159	$ 18,490	$ 18,540	$ 7,633	$ 6,607
Collateralized mortgage obligations	161,307	215,169	56,282	32,469	6,009	13,207
Commercial paper			609,570			
Corporate bonds	44,778	650,850	795,902	673,796	182,514	101,584
Mortgage pass-throughs		561,492				
Repurchase agreements		675,376				
Sovereign agencies debt	15,600	1,345	11,221	2,280	361	
Sovereign governments debt	5,936	16,193	36,670	155,880	98,141	33,986
State and local obligations	765	45,113	46,152	4,715	2,602	
U.S. Government agency obligations	4,011	265,221	1,306			
Yankee/Global bonds	35,477	1,145	5,695	5,701	1,089	
Total	$ 1,088,482	$ 2,473,063	$ 1,581,288	$ 893,381	$ 298,349	$ 155,384

	Quality Ratings							
Investment Type	**Caa/CCC**	**Ca/CC**	**C/C**	**D/D**	**F**	**P**	**WR**	**Not Rated**
Asset backed securities	$ 6,076	$	$ 13	$	$	$	$ 1,184	$
Collateralized mortgage obligations	13,404	1,850	14,984	6,637			280	
Commercial Paper					388,747	109,374		
Corporate bonds	9,334					28,906		1,778
Sovereign governments debt								3,421
State and local obligations								1,586
Yankee/Global bonds								
Total	$ 28,814	$ 1,850	$ 14,997	$ 6,637	$ 388,747	$ 138,280	$ 1,464	$ 6,785

B. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership, and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have $24,460,386,000 in investments at June 30, 2012. Of this amount, $3,600,000,000 was exposed to custodial credit risk. These are cash collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty. This is consistent with the securities lending agreement in place with the custodian.

The fair value of the System's cash collateral securities as of June 30, 2012, consisted of (amounts expressed in thousands):

Investment Type		Fair Value
Commercial paper	$	1,107,690
Repurchase agreements		467,765
Corporate bonds		1,075,186
Asset backed securities		776,013
Sovereign agencies		15,600
U.S. Government agencies		155,520
Total	$	3,597,774

C. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy does not limit foreign currency-denominated investments of the System. The System's exposure to foreign currency risk at June 30, 2012, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities and REITs	Debt Securities	Total Fair Value
Australian dollar	$ (5,291)	$ 172,646	$ 3,221	$ 170,576
Brazilian real	(5,871)	168,320	5,579	168,028
British pound sterling	(1,691)	683,832	3,090	685,231
Canadian dollar	4,287	109,111	3,449	116,847
Chilean peso	1	2,741		2,742
Columbian peso	(6,501)	3,056	6,837	3,392
Czechoslovakia koruna	(1,814)		2,560	746
Danish krone	286	30,684		30,970
Egyptian pound		25,038		25,038
Euro	(13,723)	900,823	28,092	915,192
Hong Kong dollar	747	206,494		207,241
Hungarian forint	(707)	13,800	1,404	14,497
Indian rupee	4	65,306		65,310
Indonesian rupiah	140	52,389		52,529
Israeli shekel	91	14,249		14,340
Japanese yen	2,198	549,388	2,328	553,914
Malaysian ringgit	3	8,563		8,566
Mexican peso	(12,174)	41,500	40,836	70,162
New Taiwan dollar	1,489	77,552		79,041
New Turkish lira	(1,236)	63,308	2,190	64,262
New Zealand dollar	(4,458)	5,679	3,325	4,546
Norwegian krone	(3,365)	65,180	4,721	66,536
Pakistani rupee		11,287		11,287
Peruvian nuevo sol	(1,901)		2,143	242
Philippines peso	9	6,322		6,331
Polish zloty	(820)	4,815	2,010	6,005
Singapore dollar	(3,018)	78,689	3,987	79,658
South African rand	(807)	125,039	1,965	126,197
South Korean won	50	175,002		175,052
Swedish krona	(1,719)	57,534	3,154	58,969
Swiss franc	4,642	186,918		191,560
Thailand baht		33,004		33,004
United Arab Emirates dirham		1,501		1,501
Total	$ (51,149)	$ 3,939,770	$ 120,891	$ 4,009,512

D. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2012, the System had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 920,310	$ 786,403	$ 77,231	$ 18,037	$ 38,639
Collateralized mortgage obligations	521,598	46,593	876	12,885	461,244
Commercial paper	1,107,691	1,107,691			
Corporate bonds	2,489,442	559,409	1,049,114	557,569	323,350
Mortgage pass-throughs	638,012		642	18,927	618,443
Repurchase agreements	675,376	675,376			
Sovereign agencies debt	30,807	15,600	11,811	3,396	
Sovereign governments debt	350,227	7,516	99,781	129,515	113,415
State and local obligations	100,933		4,820	11,970	84,143
U.S. Government agency obligations	270,538	7,908	236,206	9,664	16,760
U.S. Treasury obligations	1,596,052	14,112	655,313	586,841	339,786
Yankee/Global bonds	49,107	10,519	25,584	7,577	5,427
Total	$ 8,750,093	$ 3,231,127	$ 2,161,378	$ 1,356,381	$ 2,001,207

During fiscal year 2012, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, CMOs and ABS. The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at $3,700,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held $521,600,000 in CMOs at June 30, 2012. Of this amount, $181,400,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the $920,300,000 in ABS held at June 30, 2012, $51,000,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2012, the System has invested in $638,000,000 in mortgage pass-through securities issued by the FNMA, FHLMC, and GNMA. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

E. Investment Derivatives - The System's derivatives policy limits foreign currency forwards to no more than 100 percent of the aggregate value of the portfolio securities denominated in the hedged currency. The counterparties of the foreign currency forwards have short term credit ratings of A or better as rated by the nationally recognized statistical rating organizations. The System's general policy requires that the counterparty has a long term credit rating of A or better and a short term credit rating of A1/P1 at a minimum. More specifically, the System's policy requires that all over-the-counter derivatives be rated AA or better by the nationally recognized statistical rating organizations. The counterparties of the to-be-announced securities are rated A or better by the nationally recognized statistical rating organizations. The foreign currency forwards are presented in the foreign currency risk table, and the to-be-announced securities are disclosed in the interest rate risk table by years to maturity. The investment derivative instruments outstanding as of June 30, 2012 are as follows (amounts expressed in thousands):

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

F. Securities Lending Transactions - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2012, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent on U.S. securities and international securities denominated in the same currency of the loaned security. For international securities that are denominated in a currency other than the currency of the loaned security, 105 percent collateral is required at the initiation of the loan. In the event the collateral fair value on U.S. securities falls to less than 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. In the event the collateral fair value falls below 102 percent for international same-currency transactions or 105 percent for cross-currency transactions, the borrower is required to provide additional collateral. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

The maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 6 days at June 30, 2012. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, U.S. and Foreign Government agencies, and ABS. The weighted average effective duration of all collateral investments at June 30, 2012, was 29 days with a weighted average maturity of 29 days.

Securities lent at year end for cash collateral are presented by type. Securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were no securities lent for securities collateral as of June 30, 2012. The investments purchased with the cash collateral are presented in the discussion of custodial credit risk, since the custodian, as agent, is the counterparty in acquiring these securities in a separate account for the System.

At year end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System. At June 30, 2012, the aggregate fair value of securities lending holdings, including accrued interest was $3,599,658,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $3,560,647,000. The value of the collateral pledged by borrowers at year end was $3,596,835,000.

Note 5 - Receivables

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

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

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

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

Note 6 - Due From Other Governments

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

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

Note 7 - Loans and Notes Receivable

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

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

Note 8 - Capital Assets

Primary Government

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

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

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

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

Governmental Activities:		
General government	$	15,693
Education		4,326
Health and social services		15,189
Law, justice and public safety		28,160
Recreation and resources development		9,547
Regulation of business and profession		245
Transportation		252,955
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		2,472
Total depreciation expense - governmental activities	$	328,587
Business-type Activities:		
Port Authority at Gulfport	$	6,315
Other business-type		1,515
Total depreciation expense - business-type activities	$	7,830

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

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

Component Units

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

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

Note 9 - Long-term General Obligation Bonds

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

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development and capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to currently refund or advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2012, relating to a portion of capital improvement and major economic impact projects pay interest at variable rates. The remaining general obligation debt has fixed rates of interest.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U. S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. The State must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. As of June 30, 2012, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in those funds, the State remains contingently liable for its payment.

Refunding and Defeased Bonds

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

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

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

The net proceeds of refunding issues were deposited in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2012, $143,890,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

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

Demand Bonds

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

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

Outstanding General Obligation VRDBs included in long-term debt at June 30, 2012 and selected SBPA terms are:

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

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

If a tender advance occurs under the Capital Improvements 2005 SBPA, interest accrues at the bank's base rate (the prime lending rate minus 1%) for the first 60 days, the bank's prime lending rate for the period from 61 to 89 days after the purchase date, and the bank's prime lending rate plus 1% beginning 90 days after the purchase date. If the tender advance is in default, interest accrues at the bank's prime rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within 90 days of the purchase date, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's prime rate plus 1%. If the take-out agreement is exercised because the entire issue of $39,180,000 of demand bonds cannot be resold, the State will be required to pay monthly installments of $852,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Capital Improvements 2007 SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $43,050,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $5,711,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003A SBPA, interest accrues at the bank's base rate (one-month LIBOR) plus .35%. If the underlying rating on the bonds is decreased by Moody's Investor Service to a rating of "A", the interest rate will increase and become the bank's base rate plus .45%. If the rating from Moody's Investor Service falls below "A", the rate becomes equal to the default rate. If the tender advance is in default, interest accrues at the bank's base rate plus 2%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $111,170,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $14,749,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003B SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $49,995,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $6,633,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003C SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $56,700,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $7,522,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

Derivative Instruments

The State entered into interest rate swap agreements in connection with $182,230,000 of outstanding variable rate debt in order to hedge changes in cash flows. At June 30, 2012, the State had the following pay-fixed interest rate swap derivative instruments reported in governmental activities:

Associated Bonds	Notional Amount	Effective Date	Final Maturity Date	Terms	Counterparty Credit Rating
2003A	$ 25,005,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A/A2/A
2003A	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A/A3/A
2003B	24,995,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A/A2/A
2003B	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A/A3/A
2005	39,180,000	Oct. 2004	Sept. 2025	Pay 4.037%; receive SIFMA swap index	A-/Baa1/A
2007	43,050,000	May 2005	Sept. 2027	Pay 3.980%; receive SIFMA swap index	A-/Baa1/A

Fair Value - The fair values for the swap transactions were determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The fair values were provided by a third party consultant based on information in the Interest Rate Swap Confirmations supplied by the swap counterparties. Based on that information and the swap market conditions prevailing on June 30, 2012, the third party consultant calculated the estimated market value. The fair values may vary throughout the terms of the swap agreements as a result of fluctuations in the applicable market interest rates. The fair value balances at June 30, 2012 and the changes in fair value of derivative instruments reported in governmental activities are:

Associated Bonds	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2012	
		Classification	Amount	Classification	Amount
2003A	$ 25,005,000	Deferred Outflow	$ (5,781,000)	Derivative Instrument	$ (11,972,000)
2003A	25,000,000	Deferred Outflow	(4,706,000)	Derivative Instrument	(9,316,000)
2003B	24,995,000	Deferred Outflow	(5,778,000)	Derivative Instrument	(11,967,000)
2003B	25,000,000	Deferred Outflow	(4,706,000)	Derivative Instrument	(9,316,000)
2005	39,180,000	Deferred Outflow	(2,702,000)	Derivative Instrument	(7,189,000)
2007	43,050,000	Deferred Outflow	(3,615,000)	Derivative Instrument	(8,355,000)

Hedged Debt and Derivative Instrument Payments - The interest and net swap payments shown assume that interest rates at year end will remain unchanged for the term of the bonds and the hedges. As interest rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on long-term general obligation debt reported for the primary government is presented at the end of this note. At June 30, 2012, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Payment	Total
2013	$ 4,015	$ 445	$ 8,252	$ 12,712
2014	4,180	435	8,093	12,708
2015	4,375	424	7,926	12,725
2016	4,550	412	7,753	12,715
2017	4,755	401	7,572	12,728
2018 - 2022	27,085	1,801	34,862	63,748
2023 - 2027	93,440	1,085	22,276	116,801
2028 - 2029	39,830	77	1,705	41,612
	$ 182,230	$ 5,080	$ 98,439	$ 285,749

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

Credit Risk - The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparties have credit ratings by at least one nationally recognized statistical rating agency that are within the two highest investment grade categories, and credit ratings by all other nationally recognized statistical rating agencies that are within the three highest grade categories, otherwise the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. Section 31-18-11, Mississippi Code Ann. (1972), also requires that should the credit rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the swap agreements and shall be deposited as directed by the State. Additionally, Section 31-18-11, Mississippi Code Ann. (1972), requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least $100,000,000. The State is not exposed to credit risk at June 30, 2012, as all swap agreements are in a liability position.

Basis Risk - The swap agreements expose the State to basis risk because the applicable interest rates under the swap agreements are based on LIBOR and the SIFMA swap index, which may differ from the interest rates set by the remarketing agents for the State's variable rate bonds. As of June 30, 2012, the weighted average variable interest rate paid on the bonds was .24919%, while the SIFMA swap index was .18% and one-month LIBOR was .24575%.

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

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

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

Mississippi

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

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

* Interest on $117,865,000 of outstanding general obligation bonds for Major Economic Impact is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with $82,230,000 of outstanding variable rate general obligation bonds for Capital Improvements where the State pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA swap index. Additionally, interest rate swap agreements have been entered into in connection with $100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2012, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

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

Note 10 - Bonds Authorized But Unissued

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

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

Note 11 - Revenue Bonds and Notes

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

At June 30, 2012, outstanding revenue bonds and notes are (amounts expressed in thousands):

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

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

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

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2012 is $121,906,000 for governmental activities and $629,000 for business-type activities. Internal service compensated absences of $1,196,000 are included in governmental activities. The component units' liability for compensated absences is $108,647,000, of which $107,713,000 is for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-N).

B. Pollution Remediation Obligation - As of June 30, 2012, six Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

At June 30, 2012, the primary government's pollution remediation obligation is $41,816,000. This estimate is based on professional judgment, experience, historical cost data, and the use of the expected cash flow technique. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time. Estimated costs will vary due to changes in technology, fluctuation in prices, changes in potential responsible parties, and changes in regulations.

C. Notes Payable - At June 30, 2012, the primary government's outstanding notes payable as presented in governmental activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Utility restoration	$ 139,565	5% - 5.45%	Jul. 2019	$ 189,860
Energy efficiency	16,237	4.15% - 5.73%	Apr. 2026	22,406
Buildings	220,290	2% - 5.37%	Jul. 2031	226,985
Roads and bridges	580,970	2% - 6.59%	Jan. 2040	686,541
Total	957,062			1,125,792
Premiums	32,274			
Deferred Amount on Refunding	(6,921)			
Total Notes Payable, Net	$ 982,415			$ 1,125,792

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

The net proceeds of the refunding issue were deposited into an irrevocable trust to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased notes and related trust account are not included in the financial statements. At June 30, 2012, $57,495,000 of outstanding notes (including prior years' refunding) are considered defeased.

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

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

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

At June 30, 2012, assets recorded under capital leases are as follows (amounts expressed in thousands):

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

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

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

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

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

Note 13 - Changes in Long-term Liabilities

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

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

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The ending balance of governmental activities capital lease obligation includes $1,532,000 of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include $1,197,000 and $1,196,000, respectively, of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund and special revenue funds.

Within the governmental activities, the reduction of $336,616,000 in general obligation bonds and notes includes $93,760,000 in refundings. The reduction of $70,828,000 in notes payable includes $29,725,000 in refundings.

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

Note 14 - Short-term Financing

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

Beginning Balance	Additions	Reductions	Ending Balance
$ 45,000	$ 80,000	$ 125,000	$ 0

Note 15 - Retirement Plans

Plan Description

A. General

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

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

B. Membership and Benefit Provisions

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

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2012, the total annual COLA payments for PERS were $402,515,000.

Mississippi Highway Safety Patrol Retirement System: Membership in MHSPRS is a condition of employment granted upon hiring for all officers of the Mississippi Highway Safety Patrol who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as sworn officers of the highway patrol in the enforcement of the laws of the State. Participating members who withdraw from service at or after age 55 with at least five years of membership service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age, are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.5 percent of average compensation during the four highest consecutive years of earnings, reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. A member who terminates employment from the highway patrol and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A COLA payment is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60, with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2012, the total annual COLA payments for MHSPRS were $7,116,000.

Municipal Retirement Systems: Membership in the two general Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems was granted to all municipal employees, fire fighters, and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. Eligible employees hired after these periods automatically become members of PERS. The Municipal Retirement Systems were all closed to new members by July 1, 1987.

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

The retirees and beneficiaries of MRS plans with provisions for additional payments, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to an additional payment. This payment is equal to the annual percentage change of the Consumer Price Index (CPI) but not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain MRS plans may adopt an annual adjustment other than one linked to the change in the CPI. These additional payments will be made only when funded by the employers. For the year ended June 30, 2012, the total additional annual payments for MRS plans were $5,271,000.

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

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

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

C. Actuarial Asset Valuation

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2012. An actuarial valuation of MRS is required to be performed at least once in each four-year period as of September 30, with the most recent being September 30, 2011. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

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

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

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

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

** In addition to 9% required by PERS.

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

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

\# Varies depending on municipality.

*** Includes fees authorized by the State Legislature, which are reported as other additions in the pension trust funds. Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of $3,500,000 (14.1 percent of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2012 was $3,246,000.

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

E. Three-Year Trend Information

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

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

* Includes fees authorized by the State Legislature that are reported as other additions in the pension trust funds.
** Information furnished for MRS is for the years ended September 30, 2009, 2010, and 2011 respectively.

The annual pension cost was equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met or exceeded the required contributions except for MRS where the percent contributed was 114.4%, 120.8% and 122.7% of the required contributions for the years ended September 30, 2009, 2010, and 2011, respectively. The State makes no contributions to the MRS; therefore, any NPO would belong to the respective municipal entity. For the years ended September 30, 2009, 2010, and 2011, the MRS net pension obligation or net pension asset was not significant.

F. Funded Status and Funding Progress

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

	PERS	MHSPRS	MRS	SLRP
Actuarial Valuation Date	June 30, 2012	June 30, 2012	Sept. 30, 2011	June 30, 2012
Actuarial Value of Assets	$ 19,992,797	$ 268,424	$ 167,604	$ 13,268
Actuarial Accrued Liability (AAL) Entry Age	$ 34,492,873	$ 421,415	$ 363,604	$ 19,537
Unfunded AAL	$ 14,500,076	$ 152,991	$ 196,000	$ 6,269
Percent Funded	58.0%	63.7%	46.1%	67.9%
Annual Covered Payroll	$ 5,857,789	$ 25,670	$ 1,357	$ 6,872
Unfunded AAL as a Percentage of Annual Covered Payroll	247.5%	596.0%	14,443.6%	91.2%

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

Note 16 - Other Postemployment Benefits

Plan Description

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

Funding Policy

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

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his State retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2012, retiree premiums range from $190 to $1,472 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2012. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $46,131,000 is 1.07 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2012 (amounts expressed in thousands):

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

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

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

Funded Status and Funding Progress

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

Actuarial Valuation Date	June 30, 2012
Actuarial Value of Assets	$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	$ 664,738
Unfunded AAL (UAAL)	$ 664,738
Funded Ratio	0.0%
Annual Covered Payroll	$ 4,312,956
UAAL as a Percentage of Annual Covered Payroll	15.4%

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

Actuarial Methods and Assumptions

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

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Projected salary increases**	4.5% - 15.0%
Healthcare cost trend rate*	8.5%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2017
* Includes price inflation at	3.5%
** Includes wage inflation at	4.25%

Note 17 - Commitments

A. Operating Leases

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

Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2012 are as follows (amounts expressed in thousands):

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

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

B. Contracts

At June 30, 2012, the Department of Transportation had contracts outstanding of approximately $880,392,000 with performance continuing during fiscal year 2013. Of this amount $33,795,000 is related to local public agencies, such as planning and development districts, counties and municipalities. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 65 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline taxes.

The State Aid Road Division had contracts of $23,661,000 outstanding at June 30, 2012 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 55 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of $181,358,000 at June 30, 2012. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately $4,708,000 at June 30, 2012. Approximately 74 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately $63,796,000 at June 30, 2012. These contracts were primarily for construction costs related to the port. These contracts will be paid from Port Authority at Gulfport's revenues and federal grants.

The Department of Information Technology Services had contracts outstanding of approximately $86,259,000 at June 30, 2012. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system including enhancements which add broadband data capabilities. Approximately 95 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

C. Encumbrances

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

Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2011 and 2012 are as follows (amounts expressed in thousands):

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

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

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

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

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

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

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

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

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

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

Note 19 - Contingencies

A. **Federal Grants** - The State has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the State. The State estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

B. **Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the State and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed $7,500,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the State.

C. **Loan Guarantees** - The State has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program on behalf of local governments. The program provides operational funding to help local governments, or other political subdivisions of the State, that have incurred a significant loss in revenue, due to a presidentially declared disaster, that has adversely affected their ability to provide essential governmental services. At June 30, 2012, outstanding Community Disaster loan guarantees totaled $50,766,000.

D. **Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately $2,284,308,000 at June 30, 2012. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 - Endowments

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

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

The net appreciation of investments of donor-restricted endowments available for expenditure approximated $37,611,000 at June 30, 2012, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Note 21 - Subsequent Events

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of $33,528,000 from the Working Cash Stabilization Reserve Account and $357,034,000 from budgetary special funds as of December 20, 2012. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

Required Supplementary Information

Required Supplementary Information

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

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

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

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

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

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

For the Year Ended June 30, 2012

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

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2012 is presented below (amounts expressed in thousands):

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

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2012 (Expressed in Thousands)

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

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

Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2012 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2012 (Expressed in Thousands)

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

Supplementary Information

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Nonmajor Governmental Funds Descriptions

Special Revenue Funds

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

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

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

Recreation and Resources Development - accounts for revenues and expenditures related to programs that promote the rice and soybean industries and promote preservation and protection of marine resources.

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

Capital Projects Fund

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

Permanent Funds

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

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2012 (Expressed in Thousands)

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

Capital Projects	Permanent	Totals
$ 405,242	$ 3,394	$ 573,569
	702	32,239
	57,953	138,315
78	301	628
	164	9,035
		19,038
		14,621
		10
$ 405,320	$ 62,514	$ 787,455

$ 98	$	$ 2,482
	48	12,227
18,222		18,222
		3,308
15		21,821
		1,125
		14,541
	416	443
18,335	464	74,169

	54,918	54,918
	5,402	5,402
	694	18,837
		26,257
	1,036	47,059
		49,933
385,039		385,039
1,946		1,946
		121,452
		2,443
386,985	62,050	713,286
$ 405,320	$ 62,514	$ 787,455

Nonmajor Governmental Funds

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

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

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

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

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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 transfers from the General Fund.

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

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

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

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

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

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

Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

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

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

Nonmajor Enterprise Funds

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

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

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

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

Combining Statement of Cash Flows

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

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

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

(Continued on Next Page)

Combining Statement of Cash Flows

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

(Continued from Previous Page)

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

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

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Internal Service Funds

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

Internal Service Funds Descriptions

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

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

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

Internal Service Funds

Combining Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

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

Internal Service Funds

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

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

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

Combining Statement of Cash Flows

For the Year Ended June 30, 2012 (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	$ 5,328	$ 35,109	$ 210,809	$ 251,246
Cash receipts/premiums from customers	62	2,428	577,652	580,142
Cash payments to suppliers for goods and services	(1,849)	(25,561)	(39,297)	(66,707)
Cash payments to employees for services	(3,478)	(9,321)	(1,642)	(14,441)
Cash payments for claims and benefits			(704,544)	(704,544)
Other operating cash receipts		1	1	2
Net Cash Provided by Operating Activities	63	2,656	42,979	45,698
Cash Flows from Noncapital Financing Activities				
Transfers in		345	271	616
Transfers out			(339)	(339)
Net Cash Provided by (Used for) Noncapital Financing Activities		345	(68)	277
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(50)	(1,319)		(1,369)
Proceeds from sale of capital assets	9			9
Net Cash Used for Capital and Related Financing Activities	(41)	(1,319)		(1,360)
Cash Flows from Investing Activities				
Proceeds from sales of investments			9,738	9,738
Purchases of investments			(11,593)	(11,593)
Investment income			3,270	3,270
Net Cash Provided by Investing Activities			1,415	1,415
Net Change in Cash and Cash Equivalents	22	1,682	44,326	46,030
Cash and Cash Equivalents - Beginning	1,691	8,080	311,322	321,093
Cash and Cash Equivalents - Ending	$ 1,713	$ 9,762	$ 355,648	$ 367,123

(Continued on Next Page)

Combining Statement of Cash Flows

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

(Continued from Previous Page)

	Personnel Board	Information Technology Services	Department of Finance and Administration: Risk Management	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	$ 76	$ 477	$ 51,883	$ 52,436
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	72	2,387	13	2,472
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	1	(8)	37	30
Due from other governments	2	(3)	(63)	(64)
Due from other funds	14	(416)	320	(82)
Due from component units	1	(167)	68	(98)
Increase (decrease) in liabilities:				
Warrants payable	(43)	(535)	17	(561)
Accounts payable and other liabilities	(69)	920	47	898
Due to other governments		(3)	(4)	(7)
Due to other funds	9	7	17	33
Due to component units		(3)	12	9
Claims and benefits payable			(8,554)	(8,554)
Unearned revenues			(814)	(814)
Total adjustments	(13)	2,179	(8,904)	(6,738)
Net Cash Provided by Operating Activities	$ 63	$ 2,656	$ 42,979	$ 45,698
Noncash Capital and Related Financing and Investing Activities				
Capital contributions	7	1,252		1,259
Capital lease		1,532		1,532
Gain on disposal of capital assets	3			3
Change in market value of investments			330	330

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Fiduciary Funds

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

Fiduciary Funds Descriptions

Pension Trust Funds

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

Pension Trust Funds

Combining Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

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

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

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

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

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

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

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2012 (Expressed in Thousands)

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

Agency Funds

Combining Statement of Changes in Assets and Liabilities

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

Fund	Assets: Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Commodity Inventory	Total Assets
Local Government Distributive:					
Balance - Beginning	$ 426	$ 232	$ 375	$	$ 1,033
Additions	40,619	256	467		41,342
Deductions	40,370	326	375		41,071
Balance - Ending	675	162	467		1,304
Program:					
Balance - Beginning	6,187	26,009		786	32,982
Additions	2,120	95,782	1	15,082	112,985
Deductions	1,940	66,074		15,372	83,386
Balance - Ending	6,367	55,717	1	496	62,581
Institutional:					
Balance - Beginning		6,840	56		6,896
Additions		25,206	98		25,304
Deductions		25,103	73		25,176
Balance - Ending		6,943	81		7,024
Total - All Agency Funds:					
Balance - Beginning	6,613	33,081	431	786	40,911
Additions	42,739	121,244	566	15,082	179,631
Deductions	42,310	91,503	448	15,372	149,633
Balance - Ending	$ 7,042	$ 62,822	$ 549	$ 496	$ 70,909

Fund	Liabilities: Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Amounts Held In Custody for Others	Total Liabilities
Local Government Distributive:					
Balance - Beginning	$ 27	$	$ 1,006	$	$ 1,033
Additions	35,526	441	1,631		37,598
Deductions	35,452	441	1,434		37,327
Balance - Ending	101	0	1,203		1,304
Program:					
Balance - Beginning	53	20,197	1	12,731	32,982
Additions	1,433	35,762		75,730	112,925
Deductions	1,446	20,478		61,402	83,326
Balance - Ending	40	35,481	1	27,059	62,581
Institutional:					
Balance - Beginning		1,514		5,382	6,896
Additions		905		24,641	25,546
Deductions		969		24,449	25,418
Balance - Ending		1,450		5,574	7,024
Total - All Agency Funds:					
Balance - Beginning	80	21,711	1,007	18,113	40,911
Additions	36,959	37,108	1,631	100,371	176,069
Deductions	36,898	21,888	1,434	85,851	146,071
Balance - Ending	$ 141	$ 36,931	$ 1,204	$ 32,633	$ 70,909

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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.

Nonmajor Component Units

Combining Statement of Net Assets

June 30, 2012 (Expressed in Thousands)

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

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

Nonmajor Component Units

Combining Statement of Activities

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

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

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

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Statistical Section

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

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

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Revenue Capacity
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Debt Capacity
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Demographic and Economic Information
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Operating Information
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Net Assets by Component

Last Ten Fiscal Years **Table 1**

Accrual Basis of Accounting (Expressed in Thousands)

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

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

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

Changes in Net Assets

Last Ten Fiscal Years **Table 2**

Accrual Basis of Accounting (Expressed in Thousands)

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

2008	2007	2006	2005	2004	2003
$ 2,000,778	$ 1,803,339	$ 1,826,995	$ 1,683,021	$ 1,648,142	$ 1,453,788
4,163,587	3,961,573	3,668,314	3,344,598	3,292,951	3,139,812
5,609,247	5,311,270	5,180,153	5,074,151	4,776,214	4,290,392
1,173,359	1,152,359	1,384,238	566,146	549,662	517,753
1,261,268	1,932,646	364,796	423,983	461,243	465,393
36,318	33,192	30,944	30,355	34,269	32,059
643,867	581,446	728,716	531,775	516,130	443,155
196,277	167,233	150,556	150,555	149,764	145,345
15,084,701	14,943,058	13,334,712	11,804,584	11,428,375	10,487,697
143,013	143,348	242,134	138,825	198,147	251,010
12,614	10,349	17,221	14,957	13,879	13,339
40,972	38,391	29,983	33,226	12,253	4,778
34,204	37,559	49,737	45,560	44,194	41,421
230,803	229,647	339,075	232,568	268,473	310,548
$ 15,315,504	$ 15,172,705	$ 13,673,787	$ 12,037,152	$ 11,696,848	$ 10,798,245
$ 1,135,546	$ 1,059,532	$ 944,744	$ 1,041,597	$ 842,566	$ 806,664
27,838	33,991	29,784	24,857	20,925	25,639
507,876	480,944	446,315	465,923	420,116	477,577
100,206	147,360	81,807	76,864	68,089	60,811
85,610	69,949	64,182	60,230	57,470	58,247
39,491	36,173	28,223	32,315	37,170	35,397
40,243	35,192	26,762	29,477	38,299	44,136
6,462,823	7,125,688	6,058,258	4,636,824	4,553,738	4,066,898
795,572	960,369	792,929	415,530	389,686	410,636
9,195,205	9,949,198	8,473,004	6,783,617	6,428,059	5,986,005
100,840	106,256	104,548	158,695	149,726	118,671
22,569	30,166	7,609	21,892	21,578	20,931
21,121	21,343	21,513	19,679	551	1,938
33,522	37,083	40,644	37,604	35,125	31,065
10,069	9,745	93,156	5,905	31,930	53,006
1,838	3,900	539	159	278	903
189,959	208,493	268,009	243,934	239,188	226,514
$ 9,385,164	$ 10,157,691	$ 8,741,013	$ 7,027,551	$ 6,667,247	$ 6,212,519
$ (5,889,496)	$ (4,993,860)	$ (4,861,708)	$ (5,020,967)	$ (5,000,316)	$ (4,501,692)
(40,844)	(21,154)	(71,066)	11,366	(29,285)	(84,034)
$ (5,930,340)	$ (5,015,014)	$ (4,932,774)	$ (5,009,601)	$ (5,029,601)	$ (4,585,726)

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Changes in Net Assets

Last Ten Fiscal Years **Table 2**

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund Balances of Governmental Funds

Last Ten Fiscal Years **Table 3**

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2012	2011
General Fund		
Nonspendable	$ 52,236	$ 52,571
Restricted	3,001,386	2,895,706
Committed	69,044	198,340
Assigned	45,757	110,648
Unassigned	452,744	287,764
Total General Fund	$ 3,621,167	$ 3,545,029
All Other Governmental Funds		
Nonspendable	$ 54,918	$ 54,476
Restricted	534,473	477,449
Committed	123,895	187,041
Total All Other Governmental Funds	$ 713,286	$ 718,966

	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	$ 2,708,794	$ 2,189,599	$ 2,656,334	$ 2,489,586
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	$ 1,009,021	$ 1,250,072	$ 1,280,358	$ 1,314,162

Note: Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement 54 but were not restated for prior years. However, this table has been restated for prior period adjustments.

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

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years **Table 4**

Modified Accrual Basis of Accounting (Expressed in Thousands)

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

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

(Continued on Next Page)

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years **Table 4**

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

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

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

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

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

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

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

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

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

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

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

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

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

Taxable Sales by Industry

Last Ten Fiscal Years
(Expressed in Thousands)

Table 5

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

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

Source: Mississippi Department of Revenue

Sales Tax Revenue Payers by Industry

Fiscal Years 2011 and 2002

Table 6

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

Notes: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current fiscal year available is fiscal year 2011.

Source: Mississippi Department of Revenue

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

2002			
Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
11,145	13.8 %	$ 332,746	15.0 %
7,664	9.5	148,834	6.8
14,921	18.4	441,369	20.1
2,799	3.4	51,045	2.3
5,050	6.2	407,174	18.5
5,274	6.5	131,930	6.0
5,827	7.2	117,751	5.4
21,253	26.2	223,920	10.2
5,590	6.9	117,971	5.4
1,040	1.3	177,356	8.1
384	0.5	7,542	0.3
94	0.1	42,280	1.9
81,041	100.0 %	$ 2,199,918	100.0 %

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years **Table 7**

(Expressed in Thousands, except Per capita)

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

Notes:

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

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

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

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

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

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

Legal Debt Margin

Last Ten Fiscal Years **Table 8**

(Expressed in Thousands)

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

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

Legal Debt Margin Calculation for Fiscal Year 2012:

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

Notes:

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

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

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

Mississippi

Demographic and Economic Statistics

Last Ten Calendar Years **Table 9**

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

Sources:
U.S. Bureau of Economic Analysis
Mississippi Department of Employment Security
U.S. Department of Labor, Bureau of Labor Statistics

Employment by Industry

Most Current Calendar Year and Nine Years Prior **Table 10**
(Ranked by Number of Employees)

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

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

Source: Mississippi Department of Employment Security

Mississippi

Public School Enrollment

Last Ten Academic Years **Table 11**

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

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years **Table 12**

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

Source: Mississippi State Board for Community and Junior Colleges

University Enrollment

Last Ten Academic Years **Table 13**

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

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

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

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

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

Capital Asset Statistics by Function

Last Ten Fiscal Years **Table 14**

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

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

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

State Government Employees by Function

Last Ten Fiscal Years **Table 15**

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

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

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

Operating Indicators by Function

Last Ten Fiscal Years **Table 16**

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

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

Sources:

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

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

Acknowledgements

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

Management

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

Fiscal Analysts

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

Additional assistance

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

Special acknowledgements

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

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

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

Cover

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

State of Mississippi

Single Audit Report

for the Fiscal Year Ended June 30, 2012

Stacey E. Pickering

State Auditor

Office of the State Auditor

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

March 28, 2013

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, 2012. 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-fifth 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 2011 Comprehensive Annual Financial Report (CAFR) and

- an unqualified opinion has been rendered on the state's financial statements in 2012.

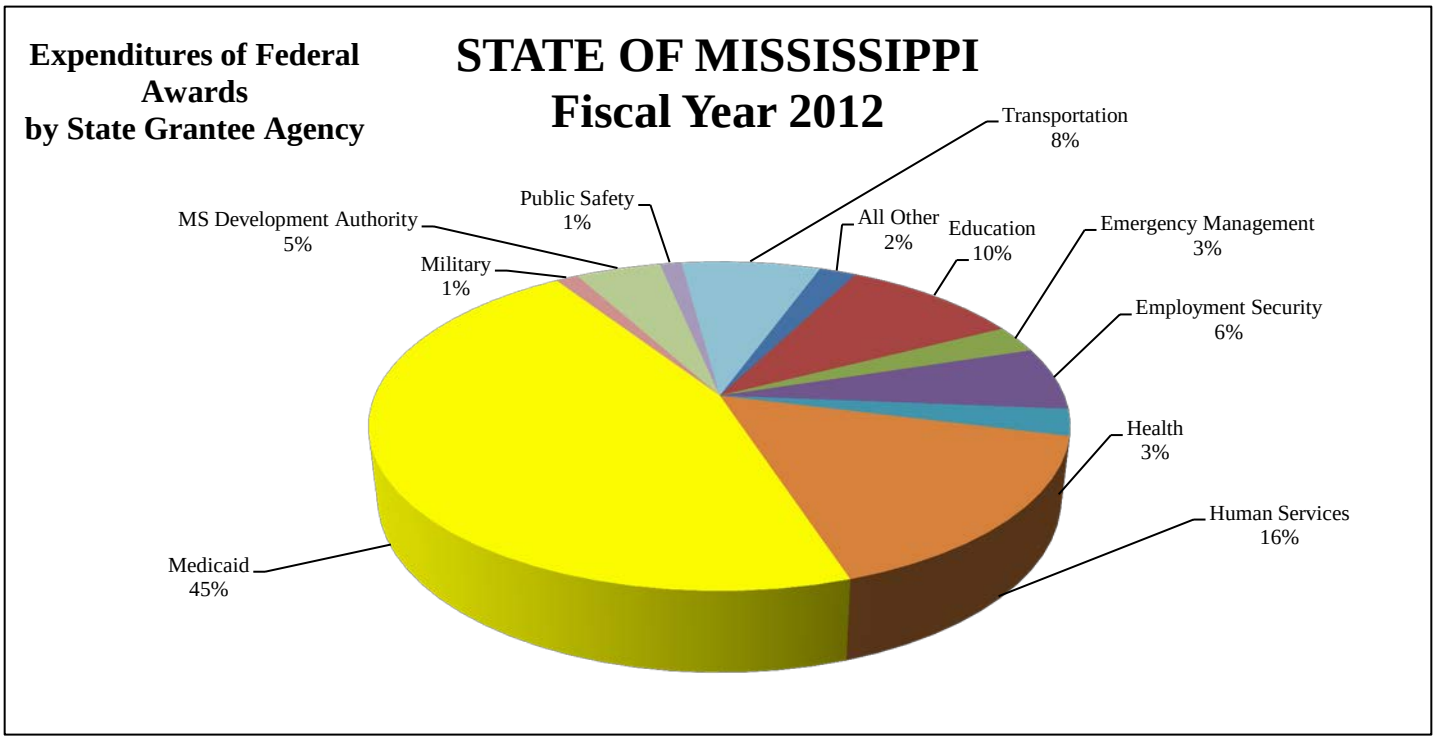
Mississippi's *Comprehensive Annual Financial Report* for fiscal year 2012 and our report thereon, dated December 20, 2012, has been issued under separate cover and is available electronically at http://www.dfa.state.ms.us/ or by writing to the address below:

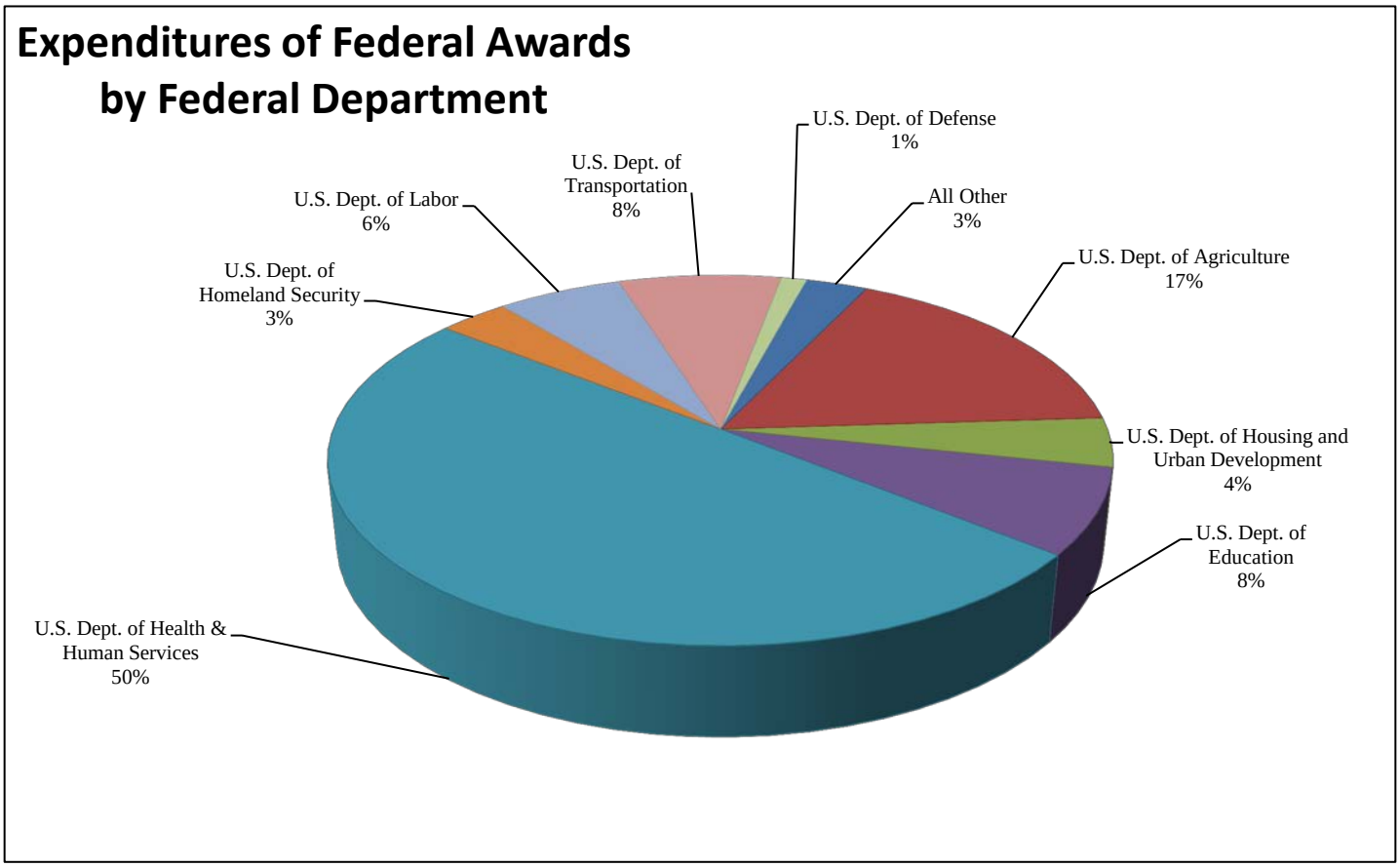
Mississippi Department of Finance and Administration
Attention: Bureau of Financial Reporting
P. O. Box 267
Jackson, MS 39205

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

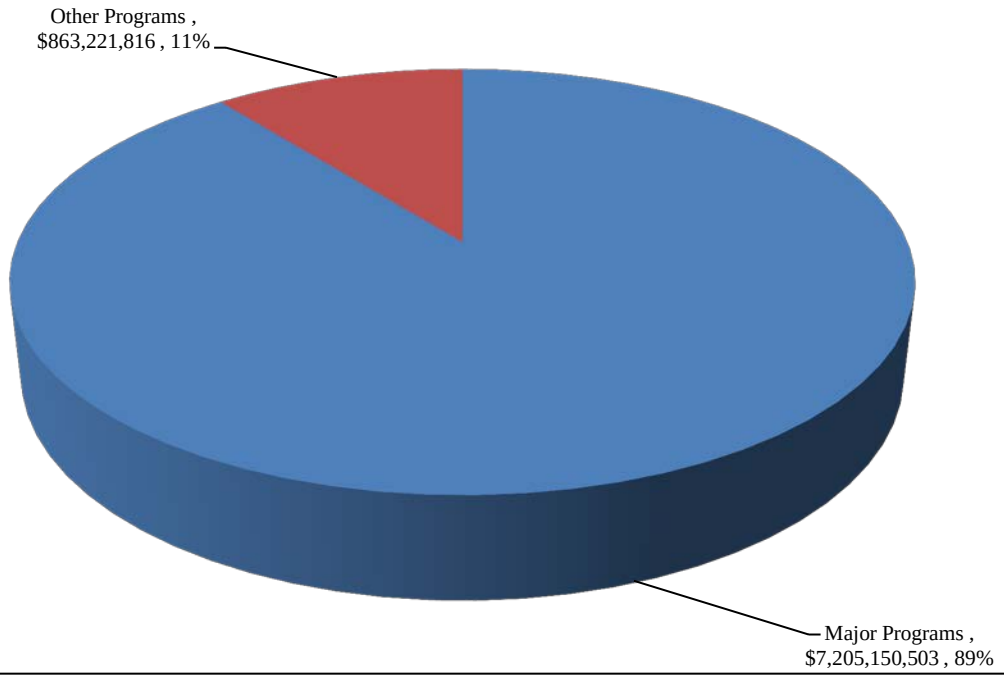
STACEY E. PICKERING
State Auditor


Expenditures of Federal Awards by State Grantee Agency
STATE OF MISSISSIPPI
Fiscal Year 2012
Transportation 8%
Public Safety 1%
MS Development Authority 5%
All Other 2%
Education 10%
Emergency Management 3%
Military 1%
Employment Security 6%
Health 3%
Human Services 16%
Medicaid 45%

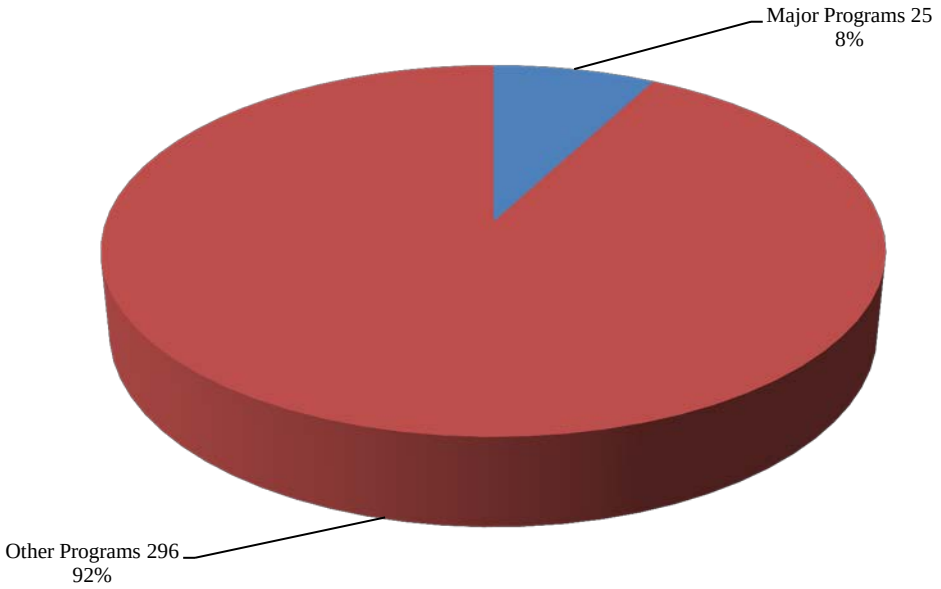

Expenditures of Federal Awards by Federal Department
U.S. Dept. of Defense 1%
U.S. Dept. of Transportation 8%
U.S. Dept. of Labor 6%
All Other 3%
U.S. Dept. of Agriculture 17%
U.S. Dept. of Homeland Security 3%
U.S. Dept. of Housing and Urban Development 4%
U.S. Dept. of Education 8%
U.S. Dept. of Health & Human Services 50%

STATE OF MISSISSIPPI
Fiscal Year 2012

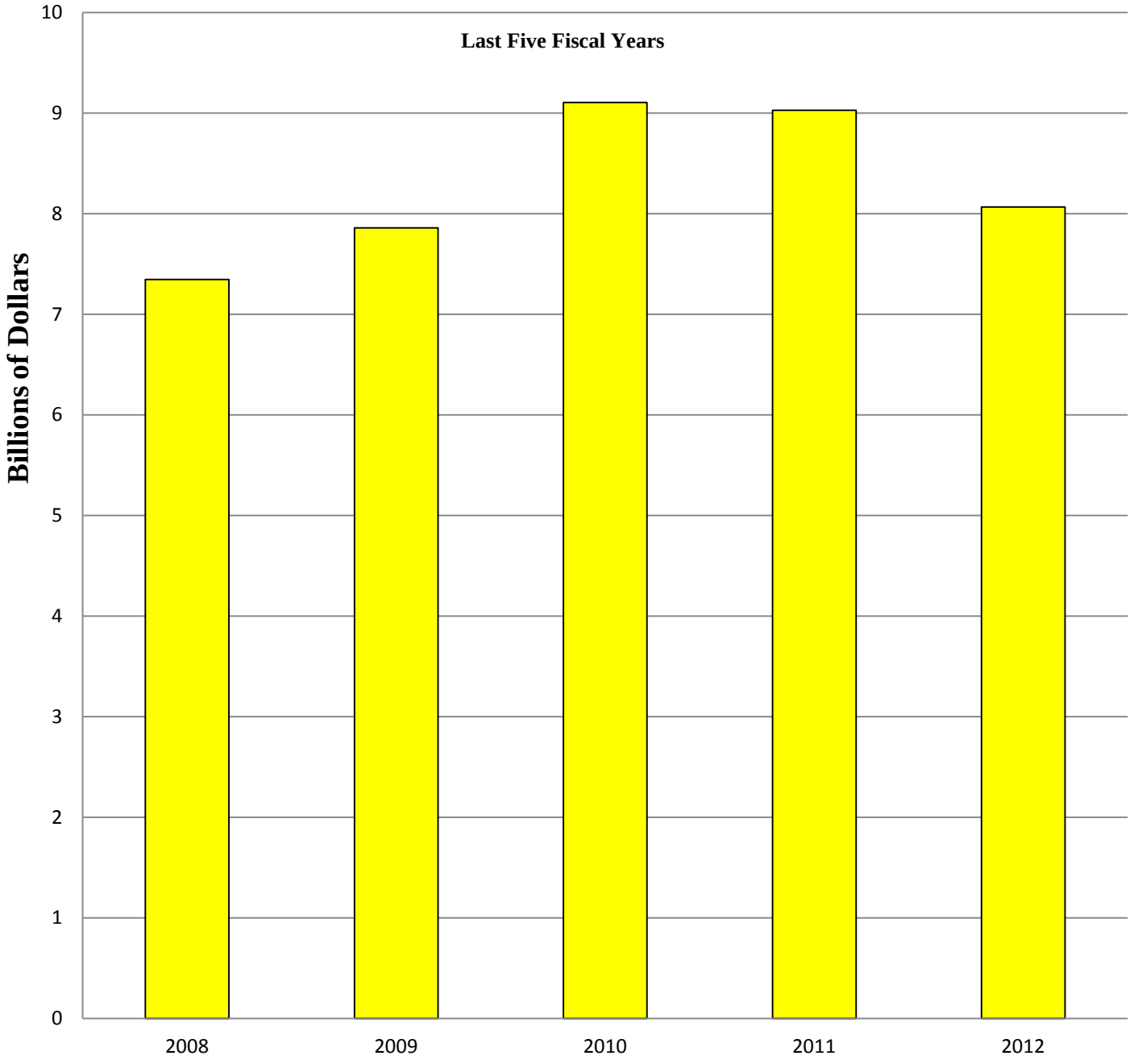
Percentage of Major Program Assistance
Total Expenditures of Federal Awards $8,068,372,319



Percentage of Major Program Assistance
321 Programs



STATE OF MISSISSIPPI
Total Federal Financial Assistance



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STATE OF MISSISSIPPI

SINGLE AUDIT REPORT

For the Year Ended June 30, 2012

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I. AUDIT REPORTING

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

INDEPENDENT AUDITOR'S 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 (the State), as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 20, 2012. 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 Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 8% and 38%, respectively, of the assets and revenues of the Governmental Activities;
  - Business-type Activities
    - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and the Unemployment

Compensation Fund which, in the aggregate, represent 96% and 94%, respectively, of the assets and revenues of the Business-type Activities;

- Component Units

  – the Universities and the nonmajor component units.

- Fund Financial Statements

  - Governmental Funds

    – the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Department of Corrections, the Department of Environmental Quality, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 22% and 33%, respectively, of the assets and revenues of the General Fund;

  - Proprietary Funds

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

  - Aggregate Remaining Funds

    – selected nonmajor governmental funds at the Mississippi Emergency Management Agency and the Department of Employment Security;

    – the State Agencies Self-Insured Workers' Compensation Trust Fund and selected funds at the Department of Finance and Administration – Office of Insurance within the Internal Service Fund;

    – nonmajor enterprise funds for the Veterans' Home Purchase Board;

    – the Pension Trust Funds;

    – the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

    all of which represent 97% and 88%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

Except for the major component unit Universities, this report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these funds or entities.

Internal Control over Financial Reporting

Management of the State of Mississippi is responsible for establishing and maintaining effective 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.

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.

Our and the other auditors' consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We and the other auditors did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as item 2012-13, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

Independent Auditor's 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*

Compliance and Other Matters

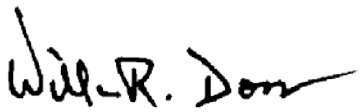
As part of obtaining reasonable assurance about whether the State of Mississippi's financial statements are free of material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could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

The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as item 2012-02.

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
December 20, 2012

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

INDEPENDENT AUDITOR'S 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 AND ON THE SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

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 (the State) 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, 2012. We did not audit the National Guard Military Operations and Maintenance (O&M) Projects, the Disaster Recovery Funds within the Community Development Block Grants/State's Program, the Unemployment Insurance Program, the WIA Cluster, the Recreational Trails Program within the Highway Planning and Construction Cluster, 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 Children's Health Insurance Program, the Medicaid Cluster, the Disability Insurance/SSI Cluster, the Mississippi Interoperable Communications Grant Program, 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.

The State of Mississippi's basic financial statements include the operations of the State's public universities, as a major component unit within the discretely presented component units, which received $991,467,810 in federal awards which is not included in the State's schedule during the year ending June 30, 2012. Our audit, described below, did not include the operations of the public universities because the universities component unit engaged other auditors to perform an audit in accordance with the provisions of OMB Circular A-133.

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.

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.

As described in item 12-04 in the accompanying "Schedule of Findings and Questioned Costs: Part 3 – Federal Award Findings and Questioned Costs," the State of Mississippi did not comply with requirements regarding reporting that are applicable to its TANF Cluster and the CCDF Cluster. Compliance with such requirements is necessary, in our opinion, for the State of Mississippi to comply with the requirements applicable to those programs.

In our opinion, based on our audit and the reports of other auditors, except for the noncompliance described in the preceding paragraph, 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, 2012. 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 also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" as items 12-01, 12-02, 12-03, 12-06 and 12-07.

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 our 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 fourth 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses 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 a 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 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 12-04 and 12-05 to be material weaknesses.

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 12-01, 12-02, 12-03, 12-07 and 12-09 to be significant deficiencies.

We 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, 2012, and have issued our report thereon dated December 20, 2012 which contained an unqualified opinion on those financial statements. We did not audit the financial statements of:

- Government-wide Financial Statements
  - Governmental Activities
    - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 8% and 38%, respectively, of the assets and revenues of the Governmental Activities;

- Business-type Activities
  - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board and the Unemployment Compensation Fund which, in the aggregate, represent 96% and 94%, respectively, of the assets and revenues of the Business-type Activities;

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

■ Fund Financial Statements

- Governmental Funds
  - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Department of Corrections, the Department of Environmental Quality, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 22% and 33%, respectively, of the assets and revenues of the General Fund;

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

- Aggregate Remaining Funds
  - selected nonmajor governmental funds at the Mississippi Emergency Management Agency and the Department of Employment Security;

  - the State Agencies Self-Insured Workers' Compensation Trust Fund and selected funds at the Department of Finance and Administration – Office of Insurance within the Internal Service Fund;

  - nonmajor enterprise funds for the Veterans' Home Purchase Board;

  - the Pension Trust Funds;

  - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

  all of which represent 97% and 88%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

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

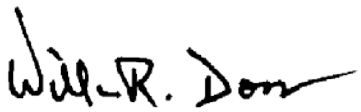
Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on Internal Control over Compliance in Accordance with OMB Circular A-133

The 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.

Our audit and the audits of the other auditors were conducted for the purpose of forming our 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Although not required by OMB Circular A-133, the Schedule of Expenditures of Federal Awards by State Grantee Agency is presented for purposes of additional analysis. The information in the schedules of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 28, 2013 except for the Schedule of Expenditures of Federal Awards, as to which the date is December 20, 2012.

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Schedule of Expenditures of Federal Awards by Federal Department

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STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	OFFICE OF NATIONAL DRUG CONTROL POLICY		
07.UN	High Intensity Drug Trafficking Area	Narcotics	$ 127,694
	TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY		127,694
	U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Agriculture and Commerce / Animal Health / Wildlife, Fisheries and Parks	754,736
10.069	Conservation Reserve Program	Agriculture and Commerce	12,501
10.086	Aquaculture Grants Program (AGP)	Agriculture and Commerce	74,770
10.156	Federal – State Marketing Improvement Program	Agriculture and Commerce	4,060
10.163	Market Protection and Promotion	Agriculture and Commerce	29,843
10.169	Specialty Crop Block Grant Program	Agriculture and Commerce	82,802
10.170	Specialty Crop Block Grant Program – Farm Bill	Agriculture and Commerce	146,003
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	Agriculture and Commerce	1,691,281
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Health	84,108,469
10.558	Child and Adult Care Food Program	Education	39,224,161
10.560	State Administrative Expenses for Child Nutrition	Education	2,878,267
10.565	Commodity Supplemental Food Program	Health	615,534
10.574	Team Nutrition Grants	Education	14,223
10.582	Fresh Fruit and Vegetable Program	Education	1,740,322
10.664	Cooperative Forestry Assistance	Forestry Commission	3,522,756
10.678	Forest Stewardship Program	Forestry Commission	1,087,026
10.680	Forest Health Protection	Agriculture and Commerce	200,000
10.688	ARRA – Recovery Act of 2009: Wildland Fire Management	Forestry Commission	1,410,349
10.861	Public Television Station Digital Transition Grant Program	Educational Television	6,985
10.902	Soil and Water Conservation	Soil & Water Conservation Commission	2,357,313
10.902	ARRA – Soil and Water Conservation	Soil & Water Conservation Commission	908,977
10.950	Agricultural Statistics Reports	Agriculture and Commerce	129,408
	SUBTOTAL		140,999,786

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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	SNAP Cluster		
10.551	Supplemental Nutrition Assistance Program (SNAP)	Human Services	955,684,713
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Human Services	26,236,703
	Total SNAP Cluster		981,921,416
	Child Nutrition Cluster		
10.553	School Breakfast Program (SBP)	Education	57,309,241
10.555 @	National School Lunch Program (NSLP)	Education	168,367,648
10.556	Special Milk Program for Children (SMP)	Education	2,584
10.559	Summer Food Service Program for Children (SFSPC)	Education	6,145,866
	Total Child Nutrition Cluster		231,825,339
	Emergency Food Assistance Cluster		
10.568	Emergency Food Assistance Program (Administrative Costs)	Human Services	772,055
10.569 @	Emergency Food Assistance Program (Food Commodities)	Human Services	4,558,041
	Total Emergency Food Assistance Cluster		5,330,096
	Forest Service Schools and Roads Cluster		
10.665	Schools and Roads - Grants to States	Treasury	8,532,354
	Total Forest Service Schools and Roads Cluster		8,532,354
	TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,368,608,991
	U.S. DEPARTMENT OF COMMERCE		
11.407	Interjurisdictional Fisheries Act of 1986	Marine Resources	81,694
11.419	Coastal Zone Management Administration Awards	Marine Resources	1,484,121
11.420	Coastal Zone Management Estuarine Research Reserves	Marine Resources	186,179
11.434	Cooperative Fishery Statistics	Marine Resources	95,467
11.463	Habitat Conservation	Marine Resources	37,143
11.472	Unallied Science Program	Marine Resources / Wildlife, Fisheries and Parks	166,576
11.473	Coastal Services Center	Environmental Quality / Marine Resources	1,188,263
11.557	ARRA – Broadband Technology Opportunities Program (BTOP)	Governor's Office	24,665,518
11.558	ARRA – State Broadband Data and Development Grant Program	Governor's Office	1,480,139

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
11.805	MBDA Business Center	MS Development Authority	67,003
	SUBTOTAL		29,452,103
	Economic Development Cluster		
11.307	Economic Adjustment Assistance	MS Development Authority	284,037
	Total Economic Development Cluster		284,037
	TOTAL U.S. DEPARTMENT OF COMMERCE		29,736,140
	U.S. DEPARTMENT OF DEFENSE		
12.002	Procurement Technical Assistance For Business Firms	MS Development Authority	502,099
12.106	Flood Control Projects (Passed-through from the U.S. Army Corps of Engineers). Identifying numbers assigned by the pass through entity – DACW01-3-91-0543, DACW38-3-06-155, DACW38-91-H-0007, DACW01-3-92-0411, DACW38-3-09-176, DACW01-3-91-0500, DACW01-3-96-0023, and DACW01-3-92-0410.	Wildlife, Fisheries and Parks	1,922,651
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environmental Quality	139,856
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Military Department / Soil & Water Conservation Commission	90,183,861
12.402	National Guard Special Military Operations and Projects	Military Department	2,533,145
12.404	National Guard ChalleNGe Program	Military Department	4,589,869
12.405	National Guard Drug Interdiction and Counter Drug Activities	Military Department	232,363
12.UN1	Teacher and Teacher's Aide Placement Assistance Program	Education	165,756
	TOTAL U.S. DEPARTMENT OF DEFENSE		100,269,600
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.231	Emergency Shelter Grants Program	MS Development Authority	1,663,855
14.239	Home Investment Partnerships Program	MS Development Authority	12,336,943
14.241	Housing Opportunities for Persons with AIDS	Health	1,326,699
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program	MS Development Authority	3,762,143
	SUBTOTAL		19,089,640
	CDBG – State-Administered CDBG Cluster		

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
14.228	Community Development Block Grants / State's Program	MS Development Authority	329,697,838
14.255	ARRA – Community Development Block Grants / State's Program	MS Development Authority	34,861
	Total CDBG – State-Administered CDBG Cluster		329,732,699
	TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		348,822,339
	U.S. DEPARTMENT OF THE INTERIOR		
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	Environmental Quality	200,127
15.252	Abandoned Mine Land Reclamation (AMLR) Program	Environmental Quality	17,890
15.426	Coastal Impact Assistance Program (CIAP)	Marine Resources	9,690,005
15.615	Cooperative Endangered Species Conservation Fund	Wildlife, Fisheries and Parks	148,300
15.616	Clean Vessel Act	Marine Resources	148,572
15.622	Sportfishing and Boating Safety Act	Marine Resources	187,782
15.630	Coastal Program	Marine Resources	10,075
15.633	Landowner Incentive Program	Wildlife, Fisheries and Parks	295,168
15.634	State Wildlife Grants	Wildlife, Fisheries and Parks	1,109,434
15.657	Endangered Species Conservation – Recovery Implementation Funds	Wildlife, Fisheries and Parks	78,998
15.808	U.S. Geological Survey – Research and Data Collection	Environmental Quality	7,848
15.810	National Cooperative Geologic Mapping Program	Environmental Quality	90,255
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	Environmental Quality	21,117
15.904	Historic Preservation Fund Grants-In-Aid	Archives and History	2,708,343
15.916	Outdoor Recreation – Acquisition, Development and Planning	Wildlife, Fisheries and Parks	253,652
	SUBTOTAL		14,967,566
	Fish and Wildlife Cluster		
15.605	Sport Fish Restoration Program	Marine Resources / Wildlife, Fisheries and Parks	5,037,840
15.611	Wildlife Restoration and Basic Hunter Education	Wildlife, Fisheries and Parks	6,181,984
	Total Fish and Wildlife Cluster		11,219,824
	TOTAL U.S. DEPARTMENT OF THE INTERIOR		26,187,390
	U.S. DEPARTMENT OF JUSTICE		
16.017	Sexual Assault Services Formula Program	Public Safety	181,585

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
16.200	Community Relations Service	Agriculture and Commerce	2,228
16.523	Juvenile Accountability Block Grants	Public Safety	354,253
16.527	Supervised Visitation, Safe Havens for Children	Human Services	566
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	Public Safety	353,384
16.543	Missing Children's Assistance	Attorney General	203,425
16.548	Title V – Delinquency Prevention Program	Public Safety	(93)
16.554	National Criminal History Improvement Program (NCHIP)	Public Safety	296,056
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	Public Safety	984,152
16.575	Crime Victim Assistance	Public Safety	3,662,364
16.576	Crime Victim Compensation	Attorney General	1,889,000
16.579	Edward Byrne Memorial Formula Grant Program	Public Safety	(467)
16.588	Violence Against Women Formula Grants	Public Safety	1,442,721
16.588	ARRA – Violence Against Women Formula Grants	Public Safety	308,672
16.593	Residential Substance Abuse Treatment for State Prisoners	Public Safety	281,616
16.606	State Criminal Alien Assistance Program	Corrections	19,067
16.607	Bulletproof Vest Partnership Program	Public Safety	52,302
16.609	Project Safe Neighborhoods	Public Safety	47,254
16.710	Public Safety Partnership and Community Policing Grants	Public Safety	585,207
16.727	Enforcing Underage Drinking Laws Program	Public Safety	241,827
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	Corrections	168,455
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	Public Safety	245,212
16.750	Support for Adam Walsh Act Implementation Grant Program	Public Safety	158,256
16.751	Edward Byrne Memorial Competitive Grant Program	Attorney General	31,625
16.800	ARRA – Recovery Act – Internet Crimes against Children Task Force Program (ICAC)	Attorney General	145,152
16.801	ARRA – Recovery Act – State Victim Assistance Formula Grant Program	Public Safety	151,651
16.810	ARRA – Recovery Act – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	Attorney General	346,649
16.816	John R. Justice Prosecutors and Defenders Incentive Act	Attorney General	100,000
16.UN	Domestic Cannabis Eradication / Suppression Program	Narcotics	589,887
16.UN4	Federal Asset Forfeitures	Public Safety	68,010
16.UN5	U.S. Marshall Service	Public Safety	86,574
	SUBTOTAL		12,996,590

JAG Program Cluster

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
16.738	Edward Byrne Memorial Justice Assistance Grant Program	Public Safety	2,049,915
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	Public Safety	4,339,733
	Total JAG Program Cluster		6,389,648
	TOTAL U.S. DEPARTMENT OF JUSTICE		19,386,238
	U.S. DEPARTMENT OF LABOR		
17.002	Labor Force Statistics	Employment Security	860,029
17.005	Compensation and Working Conditions	Health	24,026
17.225 #	Unemployment Insurance	Employment Security	439,073,347
17.225 #	ARRA – Unemployment Insurance	Employment Security	765,402
17.235	Senior Community Service Employment Program	Human Services	900,707
17.245	Trade Adjustment Assistance	Employment Security	1,408,063
17.261	WIA Pilots, Demonstrations, and Research Projects	Employment Security	(8,480)
17.271	Work Opportunity Tax Credit Program (WOTC)	Employment Security	65,296
17.273	Temporary Labor Certification for Foreign Workers	Employment Security	105,870
17.277	Workforce Investment Act (WIA) National Emergency Grants	Employment Security	3,064,643
17.505	OSHA Data Initiative	Health	21,571
17.600	Mine Health and Safety Grants	Environmental Quality	58,652
	SUBTOTAL		446,339,126
	Employment Service Cluster		
17.207	Employment Service / Wagner-Peyser Funded Activities	Employment Security	5,562,552
17.801	Disabled Veterans' Outreach Program (DVOP)	Employment Security	440,763
17.804	Local Veterans' Employment Representative (LVER) Program	Employment Security	846,542
	Total Employment Service Cluster		6,849,857
	WIA Cluster		
17.258	WIA Adult Program	Employment Security	31,448,202
17.258	ARRA – WIA Adult Program	Employment Security	181,376
17.259	WIA Youth Activities	Employment Security	128,471
17.259	ARRA – WIA Youth Activities	Employment Security	109,530
17.278	WIA Dislocated Workers	Employment Security	3,804,225
17.278	ARRA – WIA Dislocated Workers	Employment Security	698,821

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	Total WIA Cluster		36,370,625
	TOTAL U.S. DEPARTMENT OF LABOR		489,559,608
	U.S. DEPARTMENT OF TRANSPORTATION		
20.106	Airport Improvement Program	Transportation	28,254
20.217	Motor Carrier Safety	Public Safety	209,276
20.218	National Motor Carrier Safety	Public Safety	4,091,914
20.231	Performance and Registration Information Systems Management	Revenue	72,915
20.232	Commercial Driver's License Program Improvement Grant	Public Safety	74,361
20.237	Commercial Vehicle Information Systems and Networks	Transportation	80,389
20.2NA	Fatal Analysis Reporting System	Public Safety	60,578
20.313	Railroad Research and Development	Transportation	121,714
20.505	Metropolitan Transportation Planning	Transportation	340,355
20.509	Formula Grants for Other Than Urbanized Areas	Transportation	8,348,909
20.509	ARRA – Formula Grants for Other Than Urbanized Areas	Transportation	711,794
20.607	Alcohol Open Container Requirements	Public Safety	7,740,665
20.700	Pipeline Safety Program Base Grant	Public Service Commission	541,109
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	Emergency Management	340,817
	SUBTOTAL		22,763,050
	Highway Planning and Construction Cluster		
20.205	Highway Planning and Construction	Transportation	583,619,249
20.205	ARRA – Highway Planning and Construction	Transportation	11,900,432
20.219	Recreational Trails Program	Wildlife, Fisheries and Parks	970,738
	Total Highway Planning and Construction Cluster		596,490,419
	Federal Transit Cluster		
20.500	Federal Transit – Capital Investment Grants	Port Authority at Gulfport / Transportation	12,560,389
	Total Federal Transit Cluster		12,560,389
	Transit Services Programs Cluster		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	Transportation	1,781,879
20.516	Job Access – Reverse Commute Program	Transportation	283,276
20.521	New Freedom Program	Transportation	31,279

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	Total Transit Services Programs Cluster		2,096,434
	Highway Safety Cluster		
20.600	State and Community Highway Safety	Public Safety	4,321,489
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	Public Safety	73,249
20.602	Occupant Protection Incentive Grants	Public Safety	539,363
20.610	State Traffic Safety Information System Improvement Grants	Public Safety	843,277
	Total Highway Safety Cluster		5,777,378
	TOTAL U.S. DEPARTMENT OF TRANSPORTATION		639,687,670
	APPALACHIAN REGIONAL COMMISSION		
23.002	Appalachian Area Development	MS Development Authority	1,015,277
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	MS Development Authority	252,308
	TOTAL APPALACHIAN REGIONAL COMMISSION		1,267,585
	GENERAL SERVICES ADMINISTRATION		
39.003 @	Donation of Federal Surplus Personal Property	Finance and Administration	981,965
39.011	Election Reform Payments	Secretary of State	8,077
	TOTAL GENERAL SERVICES ADMINISTRATION		990,042
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.025	Promotion of the Arts - Partnership Agreements	Arts Commission	1,143,380
45.129	Promotion to the Humanities – Federal / State Partnership	Educational Television	1,250
45.310	Grants to States	Library Commission	2,251,607
	TOTAL NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		3,396,237
	SMALL BUSINESS ADMINISTRATION		
59.061	State Trade and Export Promotion Pilot Grant Program	MS Development Authority	243,846
	TOTAL SMALL BUSINESS ADMINISTRATION		243,846
	U.S. DEPARTMENT OF VETERANS AFFAIRS		
64.005	Grants to States for Construction of State Home Facilities	Veterans Affairs Board	3,015,927

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
64.124	All-Volunteer Force Educational Assistance	Veterans Affairs Board	120,373
64.203	State Cemetery Grants	Veterans Affairs Board	390,763
	TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS		3,527,063
	ENVIRONMENTAL PROTECTION AGENCY		
66.032	State Indoor Radon Grants	Health	40,803
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Quality	803,098
66.040	State Clean Diesel Grant Program	Environmental Quality	368,607
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality	155,031
66.432	State Public Water System Supervision	Health	1,279,977
66.433	State Underground Water Source Protection	Oil and Gas Board	107,250
66.454	Water Quality Management Planning	Environmental Quality	134,193
66.454	ARRA – Water Quality Management Planning	Environmental Quality	20,190
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality	7,937,432
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality	166,613
66.460	Nonpoint Source Implementation Grants	Environmental Quality	4,197,358
66.461	Regional Wetland Program Development Grants	Environmental Quality	22,988
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Health	6,336,446
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds	Health	286,705
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	Health	(176)
66.472	Beach Monitoring and Notification Program Implementation Grants	Environmental Quality	286,496
66.475	Gulf of Mexico Program	Environmental Quality / Marine Resources	316,758
66.605	Performance Partnership Grants	Agriculture and Commerce / Environmental Quality	7,645,907
66.606	Survey's, Studies, Investigations and Special Purpose Grants	Environmental Quality	52,215
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Quality	221,455
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	Environmental Quality	68,934
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Environmental Quality	380,541
66.708	Pollution Prevention Grants Program	Environmental Quality	61,297
66.709	Multi-Media Capacity Building Grants for States and Tribes	Environmental Quality	152,736
66.802	Superfund State, Political Subdivision, and	Environmental Quality	193,165

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	Indian Tribe Site-Specific Cooperative Agreements		
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Quality	938,368
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environmental Quality	2,418,721
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	Environmental Quality	128,924
	TOTAL ENVIRONMENTAL PROTECTION AGENCY		34,722,032
	U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	MS Development Authority	423,664
81.041	ARRA – State Energy Program	MS Development Authority	13,787,692
81.042	Weatherization Assistance for Low-Income Persons	Human Services	895,627
81.042	ARRA – Weatherization Assistance for Low-Income Persons	Human Services	10,267,836
81.117	ARRA – Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis / Assistance	MS Development Authority	56,632
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	MS Development Authority / Public Service Commission	420,371
81.127	ARRA – Energy Efficient Appliance Rebate Program (EEARP)	MS Development Authority	49,193
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	MS Development Authority	6,975,338
81.136	Long-Term Surveillance and Maintenance	Health	88,372
81.UN1	Petroleum Violation Escrow – Stripper Well	Treasury	552,302
	TOTAL U.S. DEPARTMENT OF ENERGY		33,517,027
	U.S. DEPARTMENT OF EDUCATION		
84.002	Adult Education – Basic Grants to States	Board for Community and Junior Colleges	6,348,139
84.011	Migrant Education – State Grant Program	Education	990,731
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	Education	726,048
84.048	Career and Technical Education – Basic Grants to States	Education	13,130,755
84.144	Migrant Education – Coordination Program	Education	42,897
84.185	Byrd Honors Scholarships	Education	17,250
84.186	Safe and Drug-Free Schools and Communities State Grants	Education / Public Safety	451,814
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	Rehabilitation Services	436,236
84.213	Even Start State Educational Agencies	Education	707,275
84.224	Assistive Technology	Rehabilitation Services	311,408

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
84.243	Tech-Prep Education	Education	267,534
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	Rehabilitation Services	134,990
84.286	Ready to Teach	Educational Television	33,702
84.287	Twenty-First Century Community Learning Centers	Education	17,460,895
84.305	Education Research, Development and Dissemination	Education	52,617
84.323	Special Education – State Personnel Development	Education	838,901
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	Education	204,846
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	Education	124,939
84.358	Rural Education	Education	5,205,257
84.365	English Language Acquisition State Grants	Education	1,480,629
84.366	Mathematics and Science Partnerships	Education	2,613,437
84.367	Improving Teacher Quality State Grants	Education	39,359,075
84.369	Grants for State Assessments and Related Activities	Education	5,409,064
84.371	Striving Readers	Education	55,795
84.410	ARRA – Education Jobs Fund	Finance and Administration	27,042,502
84.938	Hurricane Education Recovery	Education	2,071,988
	SUBTOTAL		125,518,724
	Title 1, Part A Cluster		
84.010	Title I Grants to Local Educational Agencies	Education	206,339,082
84.389	ARRA – Title 1 Grants to Local Educational Agencies, Recovery Act	Education	22,327,307
	Total Title 1, Part A Cluster		228,666,389
	Special Education Cluster (IDEA)		
84.027	Special Education – Grants to States (IDEA, Part B)	Education	123,035,699
84.173	Special Education – Preschool Grants (IDEA, Preschool)	Education	4,132,289
84.391	ARRA – Special Education – Grants to States (IDEA, Part B), Recovery Act	Education	23,889,182
84.392	ARRA – Special Education – Preschool Grants (IDEA, Preschool), Recovery Act	Education	1,569,065
	Total Special Education Cluster (IDEA)		152,626,235
	TRIO Cluster		
84.044	TRIO – Talent Search	Education	317,844
	Total TRIO Cluster		317,844
	Vocational Rehabilitation Cluster		

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Rehabilitation Services	44,471,592
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	Rehabilitation Services	239,571
	Total Vocational Rehabilitation Cluster		44,711,163
	Early Intervention Services (IDEA) Cluster		
84.181	Special Education – Grants for Infants and Families	Health	4,051,174
84.393	ARRA – Special Education – Grants for Infants and Families, Recovery Act	Health	225,285
	Total Early Intervention Services (IDEA) Cluster		4,276,459
	Independent Living State Grants Cluster		
84.169	Independent Living State Grants	Rehabilitation Services	355,952
	Total Independent Living State Grants Cluster		355,952
	Independent Living Services for Older Individuals Who Are Blind Cluster		
84.177	Independent Living Services for Older Individuals Who are Blind	Rehabilitation Services	306,464
	Total Independent Living Services for Older Individuals Who Are Blind Cluster		306,464
	Education of Homeless Children and Youth Cluster		
84.196	Education of Homeless Children and Youth	Education	861,407
84.387	ARRA – Education of Homeless Children and Youth, Recovery Act	Education	197,876
	Total Education of Homeless Children and Youth Cluster		1,059,283
	Educational Technology State Grants Cluster		
84.318	Educational Technology State Grants	Education	1,669,280
84.386	ARRA – Educational Technology State Grants, Recovery Act	Education	2,577,172
	Total Educational Technology State Grants Cluster		4,246,452
	Statewide Data Systems Cluster		
84.372	Statewide Data Systems	Education	703,141
84.384	ARRA – Statewide Data Systems, Recovery Act	Education	2,816,172
	Total Statewide Data Systems Cluster		3,519,313
	Teacher Incentive Fund Cluster		
84.374	Teacher Incentive Fund	Education	1,560,153

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	Total Teacher Incentive Fund Cluster		1,560,153
	School Improvement Grants Cluster		
84.377	School Improvement Grants	Education	7,678,529
84.388	ARRA – School Improvement Grants, Recovery Act	Education	12,781,805
	Total School Improvement Grants Cluster		20,460,334
	State Fiscal Stabilization Fund Cluster		
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act (Education Stabilization Fund)	Finance and Administration	584,483
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	Finance and Administration	21,173,246
	Total State Fiscal Stabilization Fund Cluster		21,757,729
	TOTAL U.S. DEPARTMENT OF EDUCATION		609,382,494
	ELECTIONS ASSISTANCE COMMISSION		
90.401	Help America Vote Act Requirements Payments	Secretary of State	2,363,080
	TOTAL ELECTIONS ASSISTANCE COMMISSION		2,363,080
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.003	Public Health and Social Services Emergency Fund	Mental Health	133,719
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	Health	133,602
93.041	Special Programs for the Aging – Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Human Services	41,669
93.042	Special Programs for the Aging – Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	Human Services	263,109
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	Human Services	158,433
93.048	Special Programs for the Aging – Title IV – and Title II - Discretionary Projects	Human Services	203,544
93.052	National Family Caregiver Support, Title III, Part E	Human Services	1,414,170
93.069	Public Health Emergency Preparedness	Health	7,787,508
93.070	Environmental Public Health and Emergency Response	Health	843,514
93.071	Medicare Enrollment Assistance Program	Human Services	(226)
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	Health	33,815

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	Health	443,867
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Mental Health	3,111,446
93.110	Maternal and Child Health Federal Consolidated Programs	Health	130,623
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health	849,101
93.127	Emergency Medical Services for Children	Health	120,011
93.130	Cooperative Agreements to States / Territories for the Coordination and Development of Primary Care Offices	Health	181,927
93.136	Injury Prevention and Control Research and State and Community Based Programs	Health	387,720
93.150	Projects for Assistance in Transition from Homelessness (PATH)	Mental Health	283,214
93.197	Childhood Lead Poisoning Prevention Projects – State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	Health	47,985
93.217	Family Planning – Services	Health	4,428,087
93.235	Affordable Care Act (ACA) Abstinence Education Program	Human Services	590,869
93.236	Grants to States to Support Oral Health Workforce Activities	Health	1,025,845
93.241	State Rural Hospital Flexibility Program	Health	488,353
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	Mental Health	2,703,624
93.251	Universal Newborn Hearing Screening	Health	101,408
93.283	The Affordable Care Act: Centers for Disease Control and Prevention – Investigations and Technical Assistance	Emergency Management / Health	12,276,024
93.301	Small Rural Hospital Improvement Grant Program	Health	277,337
93.411	ARRA – Equipment to Enhance Training for Health Professionals	Health	228,228
93.414	ARRA – State Primary Care Offices	Health	75,641
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	Human Services	240,366
93.507	PPHF 2012 National Public Health Improvement Initiative	Health	298,289
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	Insurance	754,893
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	Attorney General	142,737
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	Health	176,106
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Insurance	2,605,290

(continued)

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

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
93.539	PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by 2012 Prevention and Public Health Funds	Health	30,735
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	Health	86,551
93.556	Promoting Safe and Stable Families	Human Services	4,605,088
93.563	Child Support Enforcement	Human Services	17,827,266
93.566	Refugee and Entrant Assistance – State Administered Programs	Human Services	1,135,719
93.568	Low-Income Home Energy Assistance	Human Services	42,749,685
93.586	State Court Improvement Program	Supreme Court	391,000
93.597	Grants to States for Access and Visitation Programs	Human Services	166,346
93.599	Chafee Education and Training Vouchers Program (ETV)	Human Services	310,503
93.603	Adoption Incentive Payments	Human Services	90,238
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Mental Health	572,293
93.631	Developmental Disabilities Projects of National Significance	Mental Health	86,771
93.643	Children's Justice Grants to States	Human Services	155,548
93.645	Stephanie Tubbs Jones Child Welfare Services Program	Human Services	3,290,237
93.652	Adoption Opportunities	Human Services	448,141
93.658	Foster Care – Title IV-E	Human Services	15,143,426
93.658	ARRA – Foster Care – Title IV-E	Human Services	1
93.659	Adoption Assistance	Human Services	6,891,316
93.667	Social Services Block Grant	Human Services	22,317,632
93.669	Child Abuse and Neglect State Grants	Human Services	316,242
93.671	Family Violence Prevention and Services / Grants for Battered Women's Shelters – Grants to States and Indian Tribes	Health	1,219,124
93.674	Chafee Foster Care Independence Program	Human Services	762,114
93.717	ARRA – Preventing Healthcare-Associated Infections	Health	86,086
93.719	ARRA – State Grants to Promote Health Information Technology	Governor's Office / Health	5,726,542
93.723	ARRA – Prevention and Wellness – State, Territories and Pacific Islands	Health	1,112,002
93.725	ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program	Human Services	50,945
93.729	ARRA – Health Information Technology and Public Health	Health	485,128
93.767	Children's Health Insurance Program	Medicaid	171,108,409
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	Human Services / Medicaid	823,437

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
93.789	Alternatives to Psychiatric Residential Treatment Facilities for Children	Medicaid	14,571,324
93.791	Money Follows the Person Rebalancing Demonstration	Medicaid	459,454
93.793	Medicaid Transformation Grants	Medicaid	312,054
93.889	National Bioterrorism Hospital Preparedness Program	Health	3,462,244
93.913	Grants to States for Operation of Offices of Rural Health	Health	199,484
93.917	HIV Care Formula Grants	Health	12,111,602
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	Education	613,067
93.940	HIV Prevention Activities – Health Department Based	Health	2,774,849
93.944	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health	809,279
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health	164,669
93.958	Block Grants for Community Mental Health Services	Mental Health	3,928,195
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Mental Health	13,827,917
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants	Health	1,328,221
93.991	Preventive Health and Health Services Block Grant	Health	683,305
93.994	Maternal and Child Health Services Block Grant to the States	Health	9,523,479
	SUBTOTAL		405,739,516
	Aging Cluster		
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	Human Services	4,283,011
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services	Human Services	4,664,137
93.053	Nutrition Services Incentive Program	Human Services	1,597,431
93.705	ARRA – Aging Home-Delivered Nutrition Services for States (Recovery Act)	Human Services	22,489
93.707	ARRA – Aging Congregate Nutrition Services for States (Recovery Act)	Human Services	35,115
	Total Aging Cluster		10,602,183
	Immunization Cluster		
93.268 @	Immunization	Health	43,868,557
93.712	ARRA - Immunization	Health	428,011
	Total Immunization Cluster		44,296,568
	TANF Cluster		
93.558	Temporary Assistance for Needy Families (TANF)	Human Services	62,101,168

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	State Programs		
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	Human Services	468,097
	Total TANF Cluster		62,569,265
	CSBG Cluster		
93.569	Community Services Block Grants	Human Services	12,318,531
	Total CSBG Cluster		12,318,531
	CCDF Cluster		
93.575	Child Care and Development Block Grant	Human Services	41,764,042
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	22,161,471
93.713	ARRA – Child Care and Development Block Grant	Human Services	1,999,858
	Total CCDF Cluster		65,925,371
	Head Start Cluster		
93.600	Head Start	Governor's Office	175,000
93.708	ARRA – Head Start	Human Services	531,208
	Total Head Start Cluster		706,208
	Medicaid Cluster		
93.720	ARRA – State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection (ASC – HAI) Prevention Initiative	Health	31,918
93.778	Medical Assistance Program	Medicaid	3,375,908,134
93.778	ARRA – Medical Assistance Program	Medicaid	64,023,873
93.775	State Medicaid Fraud Control Units	Attorney General	1,959,361
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health/Medicaid	5,370,292
	Total Medicaid Cluster		3,447,293,578
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		4,049,451,220
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.013	Volunteers in Service to America	Human Services	12,994

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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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
	SUBTOTAL		12,994
	Foster Grandparent / Senior Companion Cluster		
94.016	Senior Companion Program	Human Services	162,566
	Total Foster Grandparent / Senior Companion Cluster		162,566
	TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		175,560
	EXECUTIVE OFFICE OF THE PRESIDENT		
95.001	High Intensity Drug Trafficking Areas Program	Narcotics / Public Safety	1,260,179
	TOTAL EXECUTIVE OFFICE OF THE PRESIDENT		1,260,179
	SOCIAL SECURITY ADMINISTRATION		
96.008	Social Security – Work Incentives Planning and Assistance Program	Rehabilitation Services	267,786
	SUBTOTAL		267,786
	Disability Insurance / SSI Cluster		
96.001	Social Security – Disability Insurance (DI)	Rehabilitation Services	30,468,351
	Total Disability Insurance / SSI Cluster		30,468,351
	TOTAL SOCIAL SECURITY ADMINISTRATION		30,736,137
	DEPARTMENT OF HOMELAND SECURITY		
97.001	Mississippi Interoperable Communications Grant	Public Safety	50,001,140
97.012	Boating Safety Financial Assistance	Wildlife, Fisheries and Parks	1,162,338
97.013	State Access to the Oil Spill Liability Trust Fund	Environmental Quality	2,192,836
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	Emergency Management	10,674
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	Emergency Management	283,375
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Emergency Management	166,701,080
97.039	Hazard Mitigation Grant	Emergency Management	37,118,264
97.041	National Dam Safety Program	Environmental Quality	284,815
97.042	Emergency Management Performance Grants	Public Safety	3,850,402
97.043	State Fire Training Systems Grants	State Fire Academy	16,412
97.044	Assistance to Firefighters Grant	Insurance	747,475

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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, 2012

CFDA Number	State Agency/Federal Department/Program Name		Federal Expenditures Distributions/ Issuances
97.045	Cooperating Technical Partners	Environmental Quality	2,049,339
97.055	Interoperable Emergency Communications	Public Safety	261,070
97.056	Port Security Grant Program	Port Authority at Gulfport / Public Safety	810,553
97.078	Buffer Zone Protection Program (BZPP)	Public Safety	563,630
97.082	Earthquake Consortium	Emergency Management	71,076
97.087	Alternative Housing Pilot Program	Emergency Management	4,498,059
97.089	Driver's License Security Grant Program	Public Safety	1,009,330
	SUBTOTAL		271,631,868
	Homeland Security Cluster		
97.067	Homeland Security Grant Program	Agriculture and Commerce / Public Safety	3,322,279
	Total Homeland Security Cluster		3,322,279
	TOTAL DEPARTMENT OF HOMELAND SECURITY		274,954,147
	TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 8,068,372,319

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 $177,838,022 and federal expenditures of $262,000,727.

@ 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

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STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	Agriculture and Commerce	
	U.S. DEPARTMENT OF AGRICULTURE	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	$ 221,602
10.069	Conservation Reserve Program	12,501
10.086	Aquaculture Grants Program (AGP)	74,770
10.156	Federal – State Marketing Improvement Program	4,060
10.163	Market Protection and Promotion	29,843
10.169	Specialty Crop Block Grant Program	82,802
10.170	Specialty Crop Block Grant Program – Farm Bill	146,003
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	1,691,281
10.680	Forest Health Protection	200,000
10.950	Agricultural Statistics Reports	129,408
	Total U.S. DEPARTMENT OF AGRICULTURE	2,592,270
	U.S. DEPARTMENT OF JUSTICE	
16.200	Community Relations Service	2,228
	ENVIRONMENTAL PROTECTION AGENCY	
66.605	Performance Partnership Grants	813,541
	DEPARTMENT OF HOMELAND SECURITY	
97.067	Homeland Security Grant Program	10,000
	TOTAL Agriculture and Commerce	3,418,039
	Animal Health	
	U.S. DEPARTMENT OF AGRICULTURE	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	508,373
	TOTAL Animal Health	508,373
	Archives and History	
	U.S. DEPARTMENT OF THE INTERIOR	
15.904	Historic Preservation Fund Grants-In-Aid	2,708,343
	TOTAL Archives and History	2,708,343

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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	Arts Commission	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
45.025	Promotion of the Arts Partnership Agreements	1,143,380
	TOTAL Arts Commission	1,143,380
	Attorney General	
	U.S. DEPARTMENT OF JUSTICE	
16.543	Missing Children's Assistance	203,425
16.576	Crime Victim Compensation	1,889,000
16.751	Edward Byrne Memorial Competitive Grant Program	31,625
16.800	ARRA – Recovery Act – Internet Crimes against Children Task Force Program (ICAC)	145,152
16.810	ARRA – Recovery Act – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	346,649
16.816	John R. Justice Prosecutors and Defenders Incentive Act	100,000
	Total U.S. DEPARTMENT OF JUSTICE	2,715,851
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	142,737
93.775	State Medicaid Fraud Control Units	1,959,361
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	2,102,098
	TOTAL Attorney General	4,817,949
	Board for Community and Junior Colleges	
	U.S. DEPARTMENT OF EDUCATION	
84.002	Adult Education – Basic Grants to States	6,348,139
	TOTAL Board for Community and Junior Colleges	6,348,139
	Corrections	
	U.S. DEPARTMENT OF JUSTICE	
16.606	State Criminal Alien Assistance Program	19,067
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	168,455
	Total U.S. DEPARTMENT OF JUSTICE	187,522
	TOTAL Corrections	187,522

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	Education	
	U.S. DEPARTMENT OF AGRICULTURE	
10.553	School Breakfast Program (SBP)	57,309,241
10.555 @	National School Lunch Program (NSLP)	168,367,648
10.556	Special Milk Program for Children (SMP)	2,584
10.558	Child and Adult Care Food Program	39,224,161
10.559	Summer Food Service Program for Children (SFSPC)	6,145,866
10.560	State Administrative Expenses for Child Nutrition	2,878,267
10.574	Team Nutrition Grants	14,223
10.582	Fresh Fruit and Vegetable Program	1,740,322
	Total U.S. DEPARTMENT OF AGRICULTURE	275,682,312
	U.S. DEPARTMENT OF DEFENSE	
12.UN1	Teacher and Teacher's Aide Placement Assistance Program	165,756
	U.S. DEPARTMENT OF EDUCATION	
84.010	Title I Grants to Local Educational Agencies	206,339,082
84.011	Migrant Education – State Grant Program	990,731
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	726,048
84.027	Special Education – Grants to States (IDEA, Part B)	123,035,699
84.044	TRIO – Talent Search	317,844
84.048	Career and Technical Education – Basic Grants to States	13,130,755
84.144	Migrant Education – Coordination Program	42,897
84.173	Special Education – Preschool Grants (IDEA, Preschool)	4,132,289
84.185	Byrd Honors Scholarships	17,250
84.186	Safe and Drug-Free Schools and Communities State Grants	468,219
84.196	Education of Homeless Children and Youth	861,407
84.213	Even Start State Educational Agencies	707,275
84.243	Tech-Prep Education	267,534
84.287	Twenty-First Century Community Learning Centers	17,460,895
84.305	Education Research, Development and Dissemination	52,617
84.318	Educational Technology State Grants	1,669,280
84.323	Special Education – State Personnel Development	838,901
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	204,846
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	124,939
84.358	Rural Education	5,205,257
84.365	English Language Acquisition State Grants	1,480,629
84.366	Mathematics and Science Partnerships	2,613,437
84.367	Improving Teacher Quality State Grants	39,359,075
84.369	Grants for State Assessments and Related Activities	5,409,064
84.371	Striving Readers	55,795
84.372	Statewide Data Systems	703,141
84.374	Teacher Incentive Fund	1,560,153

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
84.377	School Improvement Grants	7,678,529
84.384	ARRA – Statewide Data Systems, Recovery Act	2,816,172
84.386	ARRA – Educational Technology State Grants, Recovery Act	2,577,172
84.387	ARRA – Education of Homeless Children and Youth, Recovery Act	197,876
84.388	ARRA – School Improvement Grants, Recovery Act	12,781,805
84.389	ARRA – Title I Grants to Local Educational Agencies, Recovery Act	22,327,307
84.391	ARRA – Special Education – Grants to States (IDEA, Part B), Recovery Act	23,889,182
84.392	ARRA – Special Education – Preschool Grants (IDEA, Preschool), Recovery Act	1,569,065
84.938	Hurricane Education Recovery	2,071,988
	Total U.S. DEPARTMENT OF EDUCATION	503,684,155
	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	613,067
	TOTAL Education	780,145,290
	Educational Television	
	U.S. DEPARTMENT OF AGRICULTURE	
10.861	Public Television Station Digital Transition Grant Program	6,985
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
45.129	Promotion to the Humanities – Federal / State Partnership	1,250
	U.S. DEPARTMENT OF EDUCATION	
84.286	Ready to Teach	33,702
	TOTAL Educational Television	41,937
	Emergency Management	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	340,817
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.283	The Affordable Care Act: Centers for Disease Control and Prevention – Investigations and Technical Assistance	3,691,920
	DEPARTMENT OF HOMELAND SECURITY	
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	10,674
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	283,375
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	166,701,080
97.039	Hazard Mitigation Grant	37,118,264
97.082	Earthquake Consortium	71,076
97.087	Alternative Housing Pilot Program	4,498,059
	Total DEPARTMENT OF HOMELAND SECURITY	208,682,528

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	TOTAL Emergency Management	212,715,265
	Employment Security	
	U.S. DEPARTMENT OF LABOR	
17.002	Labor Force Statistics	860,029
17.207	Employment Service / Wagner-Peyser Funded Activities	5,562,552
17.225 #	Unemployment Insurance	439,073,347
17.225 #	ARRA – Unemployment Insurance	765,402
17.245	Trade Adjustment Assistance	1,408,063
17.258	WIA Adult Program	31,448,202
17.258	ARRA – WIA Adult Program	181,376
17.259	WIA Youth Activities	128,471
17.259	ARRA – WIA Youth Activities	109,530
17.261	WIA Pilots, Demonstrations, and Research Projects	(8,480)
17.271	Work Opportunity Tax Credit Program (WOTC)	65,296
17.273	Temporary Labor Certification for Foreign Workers	105,870
17.277	Workforce Investment Act (WIA) National Emergency Grants	3,064,643
17.278	WIA Dislocated Workers	3,804,225
17.278	ARRA – WIA Dislocated Workers	698,821
17.801	Disabled Veterans' Outreach Program (DVOP)	440,763
17.804	Local Veterans' Employment Representative (LVER) Program	846,542
	Total U.S. DEPARTMENT OF LABOR	488,554,652
	TOTAL Employment Security	488,554,652
	Environmental Quality	
	U.S. DEPARTMENT OF COMMERCE	
11.473	Coastal Services Center	571,411
	U.S. DEPARTMENT OF DEFENSE	
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	139,856
	U.S. DEPARTMENT OF THE INTERIOR	
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	200,127
15.252	Abandoned Mine Land Reclamation (AMLR) Program	17,890
15.808	U.S. Geological Survey – Research and Data Collection	7,848
15.810	National Cooperative Geologic Mapping Program	90,255
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	21,117
	Total U.S. DEPARTMENT OF THE INTERIOR	337,237
	U.S. DEPARTMENT OF LABOR	
17.600	Mine Health and Safety Grants	58,652

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	ENVIRONMENTAL PROTECTION AGENCY	
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	803,098
66.040	State Clean Diesel Grant Program	368,607
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	155,031
66.454	Water Quality Management Planning	134,193
66.454	ARRA – Water Quality Management Planning	20,190
66.458	Capitalization Grants for Clean Water State Revolving Funds	7,937,432
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds	166,613
66.460	Nonpoint Source Implementation Grants	4,197,358
66.461	Regional Wetland Program Development Grants	22,988
66.472	Beach Monitoring and Notification Program Implementation Grants	286,496
66.475	Gulf of Mexico Program	187,666
66.605	Performance Partnership Grants	6,832,366
66.606	Survey's, Studies, Investigations and Special Purpose Grants	52,215
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	221,455
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	68,934
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	380,541
66.708	Pollution Prevention Grants Program	61,297
66.709	Multi-Media Capacity Building Grants for States and Tribes	152,736
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	193,165
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	938,368
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	2,418,721
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	128,924
	Total ENVIRONMENTAL PROTECTION AGENCY	25,728,394
	DEPARTMENT OF HOMELAND SECURITY	
97.013	State Access to the Oil Spill Liability Trust Fund	2,192,836
97.041	National Dam Safety Program	284,815
97.045	Cooperating Technical Partners	2,049,339
	Total DEPARTMENT OF HOMELAND SECURITY	4,526,990
	TOTAL Environmental Quality	31,362,540
	Finance and Administration	
	GENERAL SERVICES ADMINISTRATION	
39.003 @	Donation of Federal Surplus Personal Property	981,965
	U.S. DEPARTMENT OF EDUCATION	
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act (Education Stabilization Fund)	584,483
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	21,173,246
84.410	ARRA – Education Jobs Fund	27,042,502

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	Total U.S. DEPARTMENT OF EDUCATION	48,800,231
	TOTAL Finance and Administration	49,782,196
	Forestry Commission	
	U.S. DEPARTMENT OF AGRICULTURE	
10.664	Cooperative Forestry Assistance	3,522,756
10.678	Forest Stewardship Program	1,087,026
10.688	ARRA – Recovery Act of 2009: Wildland Fire Management	1,410,349
	Total U.S. DEPARTMENT OF AGRICULTURE	6,020,131
	TOTAL Forestry Commission	6,020,131
	Governor's Office	
	U.S. DEPARTMENT OF COMMERCE	
11.557	ARRA – Broadband Technology Opportunities Program (BTOP)	24,665,518
11.558	ARRA – State Broadband Data and Development Grant Program	1,480,139
	Total U.S. DEPARTMENT OF COMMERCE	26,145,657
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.600	Head Start	175,000
93.719	ARRA – State Grants to Promote Health Information Technology	4,744,835
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	4,919,835
	TOTAL Governor's Office.	31,065,492
	Health	
	U.S. DEPARTMENT OF AGRICULTURE	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	84,108,469
10.565	Commodity Supplemental Food Program	615,534
	Total U.S. DEPARTMENT OF AGRICULTURE	84,724,003
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
14.241	Housing Opportunities for Persons with AIDS	1,326,699
	U.S. DEPARTMENT OF LABOR	
17.005	Compensation and Working Conditions	24,026
17.505	OSHA Data Initiative	21,571
	Total U.S. DEPARTMENT OF LABOR	45,597

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	ENVIRONMENTAL PROTECTION AGENCY	
66.032	State Indoor Radon Grants	40,803
66.432	State Public Water System Supervision	1,279,977
66.468	Capitalization Grants for Drinking Water State Revolving Funds	6,336,446
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds	286,705
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	(176)
	Total ENVIRONMENTAL PROTECTION AGENCY	7,943,755
	U.S. DEPARTMENT OF ENERGY	
81.136	Long-Term Surveillance and Maintenance	88,372
	U.S. DEPARTMENT OF EDUCATION	
84.181	Special Education – Grants for Infants and Families	4,051,174
84.393	ARRA – Special Education – Grants for Infants and Families, Recovery Act	225,285
	Total U.S. DEPARTMENT OF EDUCATION	4,276,459
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV / AIDS Demonstration Program	133,602
93.069	Public Health Emergency Preparedness	7,787,508
93.070	Environmental Public Health and Emergency Response	843,514
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	33,815
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	443,867
93.110	Maternal and Child Health Federal Consolidated Programs	130,623
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	849,101
93.127	Emergency Medical Services for Children	120,011
93.130	Cooperative Agreements to States / Territories for the Coordination and Development of Primary Care Offices	181,927
93.136	Injury Prevention and Control Research and State and Community Based Programs	387,720
93.197	Childhood Lead Poisoning Prevention Projects – State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	47,985
93.217	Family Planning – Services	4,428,087
93.236	Grants to States to Support Oral Health Workforce Activities	1,025,845
93.241	State Rural Hospital Flexibility Program	488,353
93.251	Universal Newborn Hearing Screening	101,408
93.268 @	Immunization	43,868,557
93.283	The Affordable Care Act: Centers for Disease Control and Prevention – Investigations and Technical Assistance	8,584,104
93.301	Small Rural Hospital Improvement Grant Program	277,337
93.411	ARRA – Equipment to Enhance Training for Health Professionals	228,228
93.414	ARRA – State Primary Care Offices	75,641
93.507	PPHF 2012 National Public Health Improvement Initiative	298,289
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information	176,106

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	
93.539	PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by 2012 Prevention and Public Health Funds	30,735
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	86,551
93.671	Family Violence Prevention and Services / Grants for Battered Women's Shelters – Grants to States and Indian Tribes	1,219,124
93.712	ARRA – Immunization	428,011
93.717	ARRA – Preventing Healthcare-Associated Infections	86,086
93.719	ARRA – State Grants to Promote Health Information Technology	981,707
93.720	ARRA – State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection (ASC – HAI) Prevention Initiative	31,918
93.723	ARRA – Prevention and Wellness – State, Territories and Pacific Islands	1,112,002
93.729	ARRA – Health Information Technology and Public Health	485,128
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,145,731
93.889	National Bioterrorism Hospital Preparedness Program	3,462,244
93.913	Grants to States for Operation of Offices of Rural Health	199,484
93.917	HIV Care Formula Grants	12,111,602
93.940	HIV Prevention Activities – Health Department Based	2,774,849
93.944	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	809,279
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	164,669
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants	1,328,221
93.991	Preventive Health and Health Services Block Grant	683,305
93.994	Maternal and Child Health Services Block Grant to the States	9,523,479
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	108,175,753
	TOTAL Health	206,580,638
	Human Services	
	U.S. DEPARTMENT OF AGRICULTURE	
10.551	Supplemental Nutrition Assistance Program (SNAP)	955,684,713
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	26,236,703
10.568	Emergency Food Assistance Program (Administrative Costs)	772,055
10.569 @	Emergency Food Assistance Program (Food Commodities)	4,558,041
	Total U.S. DEPARTMENT OF AGRICULTURE	987,251,512
	U.S. DEPARTMENT OF JUSTICE	
16.527	Supervised Visitation, Safe Havens for Children	566

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	U.S. DEPARTMENT OF LABOR	
17.235	Senior Community Service Employment Program	900,707
	U.S. DEPARTMENT OF ENERGY	
81.042	Weatherization Assistance for Low-Income Persons	895,627
81.042	ARRA – Weatherization Assistance for Low-Income Persons	10,267,836
	Total U.S. DEPARTMENT OF ENERGY	11,163,463
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	41,669
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	263,109
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	158,433
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	4,283,011
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services	4,664,137
93.048	Special Programs for the Aging – Title IV – and Title II – Discretionary Projects	203,544
93.052	National Family Caregiver Support, Title III, Part E	1,414,170
93.053	Nutrition Services Incentive Program	1,597,431
93.071	Medicare Enrollment Assistance Program	(226)
93.235	Affordable Care Act (ACA) Abstinence Education Program	590,869
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	240,366
93.556	Promoting Safe and Stable Families	4,605,088
93.558	Temporary Assistance for Needy Families (TANF) State Programs	62,101,168
93.563	Child Support Enforcement	17,827,266
93.566	Refugee and Entrant Assistance – State Administered Programs	1,135,719
93.568	Low-Income Home Energy Assistance	42,749,685
93.569	Community Services Block Grants	12,318,531
93.575	Child Care and Development Block Grant	41,764,042
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	22,161,471
93.597	Grants to States for Access and Visitation Programs	166,346
93.599	Chafee Education and Training Vouchers Program (ETV)	310,503
93.603	Adoption Incentive Payments	90,238
93.643	Children's Justice Grants to States	155,548
93.645	Stephanie Tubbs Jones Child Welfare Services Program	3,290,237
93.652	Adoption Opportunities	448,141
93.658	Foster Care – Title IV-E	15,143,426
93.658	ARRA – Foster Care – Title IV-E	1
93.659	Adoption Assistance	6,891,316
93.667	Social Services Block Grant	22,317,632
93.669	Child Abuse and Neglect State Grants	316,242
93.674	Chafee Foster Care Independence Program	762,114
93.705	ARRA – Aging Home-Delivered Nutrition Services for States (Recovery Act)	22,489

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
93.707	ARRA – Aging Congregate Nutrition Services for States (Recovery Act)	35,115
93.708	ARRA – Head Start	531,208
93.713	ARRA – Child Care and Development Block Grant	1,999,858
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	468,097
93.725	ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program	50,945
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	818,299
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	271,937,238
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	
94.013	Volunteers in Service to America	12,994
94.016	Senior Companion Program	162,566
	Total CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	175,560
	TOTAL Human Services	1,271,429,046
	Insurance	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	754,893
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	2,605,290
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	3,360,183
	DEPARTMENT OF HOMELAND SECURITY	
97.044	Assistance to Firefighters Grant	747,475
	TOTAL Insurance	4,107,658
	Library Commission	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES	
45.310	Grants to States	2,251,607
	TOTAL Library Commission	2,251,607
	Marine Resources	
	U.S. DEPARTMENT OF COMMERCE	
11.407	Interjurisdictional Fisheries Act of 1986	81,694
11.419	Coastal Zone Management Administration Awards	1,484,121
11.420	Coastal Zone Management Estuarine Research Reserves	186,179
11.434	Cooperative Fishery Statistics	95,467
11.463	Habitat Conservation	37,143
11.472	Unallied Science Program	58,525

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
11.473	Coastal Services Center	616,852
	Total U.S. DEPARTMENT OF COMMERCE	2,559,981
	U.S. DEPARTMENT OF THE INTERIOR	
15.426	Coastal Impact Assistance Program (CIAP)	9,690,005
15.605	Sport Fish Restoration Program	601,609
15.616	Clean Vessel Act	148,572
15.622	Sportfishing and Boating Safety Act	187,782
15.630	Coastal Program	10,075
	Total U.S. DEPARTMENT OF THE INTERIOR	10,638,043
	ENVIRONMENTAL PROTECTION AGENCY	
66.475	Gulf of Mexico Program	129,092
	TOTAL Marine Resources	13,327,116
	Medicaid	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.767	Children's Health Insurance Program	171,108,409
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	3,224,561
93.778	Medical Assistance Program	3,375,908,134
93.778	ARRA – Medical Assistance Program	64,023,873
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	5,138
93.789	Alternatives to Psychiatric Residential Treatment Facilities for Children	14,571,324
93.791	Money Follows the Person Rebalancing Demonstration	459,454
93.793	Medicaid Transformation Grants	312,054
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	3,629,612,947
	TOTAL Medicaid	3,629,612,947
	Mental Health	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.003	Public Health and Social Services Emergency Fund	133,719
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	3,111,446
93.150	Projects for Assistance in Transition from Homelessness (PATH)	283,214
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	2,703,624
93.630	Developmental Disabilities Basic Support and Advocacy Grants	572,293
93.631	Developmental Disabilities Projects of National Significance	86,771
93.958	Block Grants for Community Mental Health Services	3,928,195

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
93.959	Block Grants for Prevention and Treatment of Substance Abuse	13,827,917
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	24,647,179
	TOTAL Mental Health	24,647,179
	Military Department	
	U.S. DEPARTMENT OF DEFENSE	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	90,150,738
12.402	National Guard Special Military Operations and Projects	2,533,145
12.404	National Guard ChalleNGe Program	4,589,869
12.405	National Guard Drug Interdiction and Counter Drug Activities	232,363
	Total U.S. DEPARTMENT OF DEFENSE	97,506,115
	TOTAL Military Department	97,506,115
	MS Development Authority	
	U.S. DEPARTMENT OF COMMERCE	
11.307	Economic Adjustment Assistance	284,037
11.805	MBDA Business Center	67,003
	Total U.S. DEPARTMENT OF COMMERCE	351,040
	U.S. DEPARTMENT OF DEFENSE	
12.002	Procurement Technical Assistance For Business Firms	502,099
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
14.228	Community Development Block Grants / State's Program	329,697,838
14.231	Emergency Shelter Grants Program	1,663,855
14.239	Home Investment Partnerships Program	12,336,943
14.255	ARRA – Community Development Block Grants / State's Program	34,861
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program	3,762,143
	Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	347,495,640
	APPALACHIAN REGIONAL COMMISSION	
23.002	Appalachian Area Development	1,015,277
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	252,308
	Total APPALACHIAN REGIONAL COMMISSION	1,267,585
	SMALL BUSINESS ADMINISTRATION	
59.061	State Trade and Export Promotion Pilot Grant Program	243,846

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	U.S. DEPARTMENT OF ENERGY	
81.041	State Energy Program	423,664
81.041	ARRA – State Energy Program	13,787,692
81.117	ARRA – Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis / Assistance	56,632
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	89,630
81.127	ARRA – Energy Efficient Appliance Rebate Program (EEARP)	49,193
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	6,975,338
	Total U.S. DEPARTMENT OF ENERGY	21,382,149
	TOTAL MS Development Authority	371,242,359
	Narcotics	
	OFFICE OF NATIONAL DRUG CONTROL POLICY	
07.UN	High Intensity Drug Trafficking Area	127,694
	U.S. DEPARTMENT OF JUSTICE	
16.UN	Domestic Cannabis Eradication / Suppression Program	589,887
	EXECUTIVE OFFICE OF THE PRESIDENT	
95.001	High Intensity Drug Trafficking Areas Program	1,207,161
	TOTAL Narcotics	1,924,742
	Oil and Gas Board	
	ENVIRONMENTAL PROTECTION AGENCY	
66.433	State Underground Water Source Protection	107,250
	TOTAL Oil and Gas Board	107,250
	Port Authority at Gulfport	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.500	Federal Transit – Capital Investment Grants	12,339,568
	DEPARTMENT OF HOMELAND SECURITY	
97.056	Port Security Grant Program	237,560
	TOTAL Port Authority at Gulfport	12,577,128
	Public Safety	
	U.S. DEPARTMENT OF JUSTICE	
16.017	Sexual Assault Services Formula Program	181,585
16.523	Juvenile Accountability Block Grants	354,253

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	353,384
16.548	Title V – Delinquency Prevention Program	(93)
16.554	National Criminal History Improvement Program (NCHIP)	296,056
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	984,152
16.575	Crime Victim Assistance	3,662,364
16.579	Edward Byrne Memorial Formula Grant Program	(467)
16.588	Violence Against Women Formula Grants	1,442,721
16.588	ARRA – Violence Against Women Formula Grants	308,672
16.593	Residential Substance Abuse Treatment for State Prisoners	281,616
16.607	Bulletproof Vest Partnership Program	52,302
16.609	Project Safe Neighborhoods	47,254
16.710	Public Safety Partnership and Community Policing Grants	585,207
16.727	Enforcing Underage Drinking Laws Program	241,827
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2,049,915
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	245,212
16.750	Support for Adam Walsh Act Implementation Grant Program	158,256
16.801	ARRA – Recovery Act – State Victim Assistance Formula Grant Program	151,651
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	4,339,733
16.UN4	Federal Asset Forfeitures	68,010
16.UN5	U.S. Marshall Service	86,574
	Total U.S. DEPARTMENT OF JUSTICE	15,890,184
	U.S. DEPARTMENT OF TRANSPORTATION	
20.217	Motor Carrier Safety	209,276
20.218	National Motor Carrier Safety	4,091,914
20.232	Commercial Driver's License Program Improvement Grant	74,361
20.2NA	Fatal Analysis Reporting System	60,578
20.600	State and Community Highway Safety	4,321,489
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	73,249
20.602	Occupant Protection Incentive Grants	539,363
20.607	Alcohol Open Container Requirements	7,740,665
20.610	State Traffic Safety Information System Improvement Grants	843,277
	Total U.S. DEPARTMENT OF TRANSPORTATION	17,954,172
	U.S. DEPARTMENT OF EDUCATION	
84.186	Safe and Drug-Free Schools and Communities State Grants	(16,405)
	EXECUTIVE OFFICE OF THE PRESIDENT	
95.001	High Intensity Drug Trafficking Areas Program	53,018
	DEPARTMENT OF HOMELAND SECURITY	
97.001	Mississippi Interoperable Communications Grant	50,001,140
97.042	Emergency Management Performance Grants	3,850,402

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
97.055	Interoperable Emergency Communications	261,070
97.056	Port Security Grant Program	572,993
97.067	Homeland Security Grant Program	3,312,279
97.078	Buffer Zone Protection Program (BZPP)	563,630
97.089	Driver's License Security Grant Program	1,009,330
	Total DEPARTMENT OF HOMELAND SECURITY	59,570,844
	TOTAL Public Safety	93,451,813
	Public Service Commission	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.700	Pipeline Safety Program Base Grant	541,109
	U.S. DEPARTMENT OF ENERGY	
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	330,741
	TOTAL Public Service Commission	871,850
	Rehabilitation Services	
	U.S. DEPARTMENT OF EDUCATION	
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	44,471,592
84.169	Independent Living State Grants	355,952
84.177	Independent Living Services for Older Individuals Who are Blind	306,464
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	436,236
84.224	Assistive Technology	311,408
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	134,990
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	239,571
	Total U.S. DEPARTMENT OF EDUCATION	46,256,213
	SOCIAL SECURITY ADMINISTRATION	
96.001	Social Security – Disability Insurance (DI)	30,468,351
96.008	Social Security – Work Incentives Planning and Assistance Program	267,786
	Total SOCIAL SECURITY ADMINISTRATION	30,736,137
	TOTAL Rehabilitation Services	76,992,350
	Revenue	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.231	Performance and Registration Information Systems Management	72,915
	TOTAL Revenue	72,915

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
	Secretary of State	
	GENERAL SERVICES ADMINISTRATION	
39.011	Election Reform Payments	8,077
	ELECTIONS ASSISTANCE COMMISSION	
90.401	Help America Vote Act Requirements Payments	2,363,080
	TOTAL Secretary of State	2,371,157
	Soil & Water Conservation Commission	
	U.S. DEPARTMENT OF AGRICULTURE	
10.902	Soil and Water Conservation	2,357,313
10.902	ARRA – Soil and Water Conservation	908,977
	Total U.S. DEPARTMENT OF AGRICULTURE	3,266,290
	U.S. DEPARTMENT OF DEFENSE	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	33,123
	TOTAL Soil & Water Conservation Commission	3,299,413
	State Fire Academy	
	DEPARTMENT OF HOMELAND SECURITY	
97.043	State Fire Training Systems Grants	16,412
	TOTAL State Fire Academy	16,412
	Supreme Court	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
93.586	State Court Improvement Program	391,000
	TOTAL Supreme Court	391,000
	Transportation	
	U.S. DEPARTMENT OF TRANSPORTATION	
20.106	Airport Improvement Program	28,254
20.205	Highway Planning and Construction	583,619,249
20.205	ARRA – Highway Planning and Construction	11,900,432
20.237	Commercial Vehicle Information Systems and Networks	80,389
20.313	Railroad Research and Development	121,714
20.500	Federal Transit – Capital Investment Grants	220,821
20.505	Metropolitan Transportation Planning	340,355
20.509	Formula Grants for Other Than Urbanized Areas	8,348,909
20.509	ARRA – Formula Grants for Other Than Urbanized Areas	711,794

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,781,879
20.516	Job Access – Reverse Commute Program	283,276
20.521	New Freedom Program	31,279
	Total U.S. DEPARTMENT OF TRANSPORTATION	607,468,351
	TOTAL Transportation	607,468,351
	Treasury	
	U.S. DEPARTMENT OF AGRICULTURE	
10.665	Schools and Roads – Grants to States	8,532,354
	U.S. DEPARTMENT OF ENERGY	
81.UN1	Petroleum Violation Escrow – Stripper Well	552,302
	TOTAL Treasury	9,084,656
	Veterans Affairs Board	
	U.S. DEPARTMENT OF VETERANS AFFAIRS	
64.005	Grants to States for Construction of State Home Facilities	3,015,927
64.124	All-Volunteer Force Educational Assistance	120,373
64.203	State Cemetery Grants	390,763
	Total U.S. DEPARTMENT OF VETERANS AFFAIRS	3,527,063
	TOTAL Veterans Affairs Board	3,527,063
	Wildlife, Fisheries and Parks	
	U.S. DEPARTMENT OF AGRICULTURE	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	24,761
	U.S. DEPARTMENT OF COMMERCE	
11.472	Unallied Science Program	108,051
	U.S. DEPARTMENT OF DEFENSE	
12.106	Flood Control Projects (Passed-through from the U.S. Army Corps of Engineers). Identifying numbers assigned by the pass-through entity- DACW01-3-91-0543, DACW38-3-06-155, DACW38-91-H-0007, DACW01-3-92-0411, DACW38-3-09-176, DACW01-3-91-0500, DACW01-3-96-0023, and DACW01-3-92-0410.	1,922,651
	U.S. DEPARTMENT OF THE INTERIOR	
15.605	Sport Fish Restoration Program	4,436,231
15.611	Wildlife Restoration and Basic Hunter Education	6,181,984
15.615	Cooperative Endangered Species Conservation Fund	148,300
15.633	Landowner Incentive Program	295,168
15.634	State Wildlife Grants	1,109,434

(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, 2012

CFDA Number	State Agency/Federal Department/Program Name	Federal Expenditures Distributions/ Issuances
15.657	Endangered Species Conservation – Recovery Implementation Funds	78,998
15.916	Outdoor Recreation – Acquisition, Development and Planning	253,652
	Total U.S. DEPARTMENT OF THE INTERIOR	12,503,767
	U.S. DEPARTMENT OF TRANSPORTATION	
20.219	Recreational Trails Program	970,738
	DEPARTMENT OF HOMELAND SECURITY	
97.012	Boating Safety Financial Assistance	1,162,338
	TOTAL Wildlife, Fisheries and Parks	16,692,306
	TOTAL EXPENDITURES OF FEDERAL AWARDS:	$ 8,068,372,319

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 $177,838,022 and federal expenditures of $262,000,727.

@ 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

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NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, federal expenditures, distributions or issuances totaled $8,068,372,319. This established the threshold for Type A programs as those with federal expenditures, distributions or issuances which exceeded $24,205,117. For the fiscal year 2012 audit, there were 25 programs with expenditures exceeding the Type A threshold. Of these 25 programs, two Type A programs were identified as low risk. Risk assessments of Type B programs were performed until two high risk Type B programs were identified. Therefore for fiscal year 2012, twenty five federal award programs, comprising 23 high risk Type A programs and two high risk Type B programs, were audited as major programs for the State of Mississippi.

- *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, 2012. 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, 2013.

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, 2012, 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.

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 $981,965. 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, 2012, as charges for sales and services of $201,487. 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 $2,658,063. 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, 2012, the outstanding loan balance for the program totaled $5,587,295.

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	$177,838,022
Federal Portion	262,000,727
Total	$439,838,749

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, 2012, was $332,140,970. Total disbursements for new loans for the year ended June 30, 2012, totaled $35,894,444. Administrative costs associated with the program for the year ended June 30, 2012, totaled $1,325,323.

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, 2012, was $147,487,568.

Total disbursements for new loans made during fiscal year 2012 totaled $22,436,714. Administrative costs associated with the program for the year ended June 30, 2012, totaled $3,706,526.

G. State Aid Road Construction is a division of the Mississippi Department of Transportation (MDOT). Federal financial assistance in the amount of $62,311,038 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 $168,367,648 including cash assistance and noncash assistance. Cash assistance totaled $152,995,195 and noncash assistance totaled $15,372,453.*

- *CFDA 93.268 — Immunization Grants received $43,868,557 including cash assistance and noncash assistance. Cash assistance totaled $2,457,895 and noncash assistance totaled $41,410,662.*

I. The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

J. 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.

K. The State of Mississippi's major federal programs for the year ended June 30, 2012, 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
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
11.557	ARRA – Broadband Technology Opportunities Program (BTOP)
12.401	National Guard Military Operations and Maintenance (O&M) Projects
	CDBG – State-Administered CDBG Cluster:
14.228	Community Development Block Grants/State's Program
14.255	ARRA – Community Development Block Grants/State's Program
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
17.278	WIA Dislocated Workers
17.278	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
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
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds

CFDA Number	Program Name
	Title 1, Part A Cluster:
84.010	Title I Grants to Local Educational Agencies
84.389	ARRA – Title 1 Grants to Local Educational Agencies, Recovery Act
	Special Education Cluster (IDEA):
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
84.367	Improving Teacher Quality State Grants
84.410	ARRA – Education Jobs Fund
	Immunization Cluster:
93.268	Immunization
93.712	ARRA – Immunization
	TANF Cluster:
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
	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 – Child Care and Development Block Grant
93.767	Children's Health Insurance Program
	Medicaid Cluster**:**
93.720	ARRA – State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection (ASC – HAI) Prevention Initiative
93.778	Medical Assistance Program
93.778	ARRA – Medical Assistance Program
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare

CFDA Number	Program Name
	Disability Insurance/SSI Cluster
96.001	Social Security – Disability Insurance (DI)
97.001	Mississippi Interoperable Communications Grant
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant

*Type B Program

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

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

PART 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? ____yes _X_no
- Significant deficiencies identified? _X_yes ____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 TANF Cluster and the CCDF Cluster which were qualified and 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
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
11.557	ARRA - Broadband Technology Opportunities Program (BTOP)
12.401	National Guard Military Operations and Maintenance (O&M) Projects
	CDBG – State-Administered CDBG Cluster:
14.228	Community Development Block Grants/State's Program
14.255	ARRA – Community Development Block Grants/State's Program
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
17.278	WIA Dislocated Workers
17.278	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
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
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds

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

CFDA Number	Program Name
	Title 1, Part A Cluster:
84.010	Title I Grants to Local Educational Agencies
84.389	ARRA – Title 1 Grants to Local Educational Agencies, Recovery Act
	Special Education Cluster (IDEA):
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
84.367	Improving Teacher Quality State Grants
84.410	ARRA – Education Jobs Fund
	Immunization Cluster:
93.268	Immunization
93.712	ARRA – Immunization
	TANF Cluster:
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
	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 – Child Care and Development Block Grant
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.720	ARRA – State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection (ASC – HAI) Prevention Initiative
93.778	Medical Assistance Program
93.778	ARRA – Medical Assistance Program
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare

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

CFDA Number	Program Name
	Disability Insurance/SSI Cluster
96.001	Social Security - Disability Insurance (DI)
97.001	Mississippi Interoperable Communications Grant
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: **$24,205,117**

Auditee qualified as low-risk auditee? ____ yes _X_ no

Schedule of Findings and Questioned Costs
Part 2 – Financial Statement Findings

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PART 2 – FINANCIAL STATEMENT FINDINGS

Introduction

This part of the Schedule of Findings and Questioned Costs presents audit findings classified as significant deficiencies 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:

- **Significant Deficiency** – A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- **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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PART 2 – FINANCIAL STATEMENT FINDINGS

Finding Number	Finding and Recommendation

REVENUE

Significant Deficiency

2012-13 Controls over Deposit Reconciliations Should Be Strengthened

Finding:

The Mississippi Department of Revenue performs various deposit reconciliation procedures to ensure funds received are properly deposited and accurately recorded. The weekly DRDC (Deposits, Remittance and Data Capture) deposit reconciliation reconciles between the amount of funds received by type of tax uploaded to the LEGACY (sales, use and corporate taxes), STARS (withholding tax) and PHOENIX (individual income tax) systems from the DRDC system to the amount of the same tax types deposited. The DRDC system deposits are the paper checks received and scanned by the agency's processing division. These payments are then uploaded to the above tax systems for the noted tax types. This DRDC reconciliation consists of four reports and serves as a primary review of DRDC deposits versus tax system upload.

The DRDC deposit reconciliation is the only reconciliation tool used to identify reconciling items for the LEGACY system in comparison to DRDC deposits uploaded to the system. However, this weekly reconciliation only captures paper check deposits. There are no reconciliation procedures to reconcile electronic payments recorded to the LEGACY system to other deposit reports. Electronic deposits accounted for approximately 89% of sales tax collections, 71% of use tax collections, and 12% of corporate tax collections during fiscal year 2012. In addition, there are no reconciliation procedures to ensure amounts deposited and uploaded to the LEGACY system are posted to taxpayers' accounts.

The monthly STARS and PHOENIX reconciliations are designed to identify discrepancies between the various deposit reports run by data processing and the information systems divisions (not just DRDC deposits), the amount of tax actually deposited by accounting personnel and the amount of tax posted into the taxpayer's accounts in the noted systems. This reconciliation includes both paper checks and electronic transactions and is prepared several months after month-end.

During our review of the agency's deposit reconciliations, the following weaknesses were noted.

Finding Number	Finding and Recommendation

- During the fiscal year ending June 30, 2012, there were 21 weeks in which none of the four DRDC reports were printed. Seven of these weeks were consecutive weeks from November 21, 2011, through January 3, 2012. In addition, for 7 weeks in March and April 2012, the out of balance and zero batch reports were not printed.

- In reviewing all 12 monthly STARS withholding reconciliations, we noted no indication of when the reconciliation was prepared and no documentation of a supervisory review.

It should be noted that effective October 1, 2012, the STARS and PHOENIX system tax types were converted over to the Mississippi Automated Reporting System (MARS) and revisions to reconciliations are under development.

Good internal controls require timely reconciliations to be performed between amounts deposited, uploaded, and posted to taxpayer accounts. Reconciliation procedures should include electronic deposits as well as paper checks, and should be prepared in a timely manner. Good internal controls also require reconciliations to be initialed and dated when prepared, reviewed by supervisory personnel and maintained on file for audit purposes. All reviews should be documented with the review date and initials of supervisory personnel. Failure to do so could result in errors or fraud occurring without being detected in a timely manner and could adversely affect the integrity of taxpayers' accounts. Also, because overpayments and tax due notices are processed using the individual taxpayer account information, misleading or erroneous results could be generated.

Recommendation:

We recommend the Mississippi Department of Revenue ensure reconciliations of all deposit transactions posted in the MARS system are prepared timely to ensure revenue is properly deposited and posted to taxpayers' accounts. The preparation date of the reconciliation, the date of reviews and the initials of the reviewer should be documented and maintained on file.

NOTE: See Management's Response and Corrective Action Plan on page 119.

Finding Number	Finding and Recommendation

TREASURY

Material Noncompliance

2012-02 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 Office of the State Treasurer revealed the total of United States Government agency, instrumentality, and government sponsored enterprise obligations exceeded 50 percent of total 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 96 percent, resulting in investments in U.S. Government agency, instrumentality, and government sponsored enterprise obligations of approximately $910 million to approximately $1.2 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 Office of the State Treasurer 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.

NOTE: See Management's Response and Corrective Action Plan on page 121.

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Schedule of Findings and Questioned Costs
Part 3 – Federal Award Findings and Questioned Costs

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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.

- **Material Noncompliance –** Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that in the auditor's judgment have a direct and material effect on a major federal program.

- **Immaterial Noncompliance** – Conditions representing noncompliance with the provisions of laws, regulations, contracts, or grant agreements, that do not have a direct and material effect on a major federal program.

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PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U. S. DEPARTMENT OF COMMERCE

CFDA/Finding Number	Finding and Recommendation
	GOVERNOR'S OFFICE
	REPORTING
	Significant Deficiency
11.557	Broadband Technology Opportunities Program (BTOP)
	Federal Award Number and Year: NT10BIX5570094 2012
12-09	Controls Should Be Strengthened over Preparation of the Schedule of Expenditures of Federal Awards

Finding:

Section 27.30.60 of the *Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* states that the Schedule of Federal Grant Activity (SEFA) is prepared to report federal grants. The schedule is used in the GAAP financial reporting packet to support the portions of grant revenue that are recognized as revenues, receivables, deferred revenues and expenditures. The schedule is also used as a supplemental schedule for the federal single audit report required by the Single Audit Act of 1984, P.L. 98-502. The SEFA is required to be completed by each agency as a part of the annual GAAP reporting process.

During testwork performed on the SEFA at the Office of the Governor, we noted the following problems.

- The grant award was recorded as $83,987,788; the correct amount based on supporting documentation was $70,055,000.

- The cumulative receipts as of June 30, 2012, were recorded as $35,839,146; the correct amount based on supporting documentation was $24,052,326.

U. S. DEPARTMENT OF COMMERCE (concluded)

CFDA/Finding Number	Finding and Recommendation

- The cumulative expenditures as of June 30, 2012, were recorded as $36,452,338; the correct amount based on supporting documentation was $24,665,518.

- There was no evidence of supervisory review of the SEFA.

As a result of the errors noted, changes were proposed to management for correction and were approved by agency personnel to correctly state the SEFA.

Good internal controls require a review of the SEFA prior to submission to the Department of Finance and Administration to ensure the schedule is properly prepared and accurate based on supporting documentation. Failure to perform a supervisory review could result in information which misrepresents the transactions of the grant and also cause errors in subsequent accounting entries which are supported by the SEFA as well as information reported to federal oversight agencies.

Recommendation:

We recommend the Office of the Governor strengthen controls over the preparation of the Schedule of Expenditures of Federal Awards by requiring a supervisory review be performed prior to submission to the Department of Finance and Administration to ensure the schedule is properly prepared and accurate based on supporting documentation. The supervisory review should be documented.

NOTE: See Management's Response and Corrective Action Plan on page 107.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CFDA/Finding Number	Finding and Recommendation

MISSISSIPPI DEVELOPMENT AUTHORITY

REPORTING

Significant Deficiency
Immaterial Noncompliance

14.228 Community Development Block Grants/State's Program

Federal Award Number and Year: B-11-DC-28-0001; 2011
B-08-DN-28-0001; 2009
B-11-DN-28-0001; 2011
B-10-DC-28-0001; 2010

Questioned Costs: none

12-07 Controls Should Be Strengthened over Section 3 Reporting

Finding:

The *Code of Federal Regulations* (24 CFR sections 135.3(a) and 135.90 requires recipients of federal awards from the Department of Housing and Urban Development to submit an annual performance report to determine the effectiveness of Section 3 objectives of economic opportunities for low and very low income persons. Each subrecipient who receives over $200,000 in CDBG funds that involves housing rehabilitation, housing construction, or other public construction must submit annually a Department of Housing and Urban Development (HUD) Form 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low- Income Persons* to the Mississippi Development Authority (MDA). MDA compiles and totals all HUD 60002 Forms and submits a total Section 3 Summary Report for each active grant to HUD along with its Consolidated Annual Performance and Evaluation Report (CAPER). During testwork performed on Section 3 Performance Reporting, we noted the following problems.

- MDA did not submit a Section 3 Summary Report for the Neighborhood Stabilization Program 3 grant along with its annual CAPER.
- Nine subrecipients did not submit an annual HUD Form 60002 to MDA and MDA did not follow-up with subrecipients to obtain the form.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (concluded)

CFDA/Finding Number	Finding and Recommendation

- A key line item on the Section 3 Summary Report submitted for CDBG Program Year 2011 (line item 1A – 'Total dollar amount of all construction contracts awarded on the project') is understated by $117,038 due to exclusion of this amount reported by one subrecipient.

Failure to submit a Section 3 Summary Report, failure to obtain HUD Form 60002 from all required subrecipients, and failure to adequately report key line items on the Section 3 Summary Report could result in HUD not receiving accurate information to determine the effectiveness of Section 3 objectives of economic opportunities for low and very low income persons.

Recommendation:

We recommend the Mississippi Development Authority strengthen controls over Section 3 reporting to ensure all programs are reported, all subrecipients submit a HUD Form 60002 annually, and all Section 3 Summary Reports are accurate.

NOTE: See Management's Response and Corrective Action Plan at page 115.

U. S. DEPARTMENT OF TRANSPORTATION

CFDA/Finding Number	Finding and Recommendation

WILDLIFE, FISHERIES AND PARKS

SUBRECIPIENT MONITORING

Significant Deficiency
Immaterial Noncompliance

20.219 Recreational Trails Program

Federal Award Number and Year: MS05/MS08/MS/10(001)

Questioned Costs: none

12-01 Controls Should Be Implemented to Ensure Compliance With Subrecipient Monitoring Requirements

Finding:

The Mississippi Department of Wildlife, Fisheries, and Parks administers the Recreational Trails Program funds which are provided to the State of Mississippi for development and maintenance of recreational trails and trail-related facilities. During an audit of the fiscal year ended June 30, 2012, it was noted that project sponsor (subrecipient) agreement files included signed "Audit Assurance" forms which required the submittal of audits at the completion of the respective projects; however, it was also noted that follow-up procedures had not been implemented by the Department of Wildlife, Fisheries and Parks to ascertain compliance with the subrecipient monitoring requirements applicable to OMB Circular A-133 audits. Additionally, the Audit Assurance forms do not specify the applicable subrecipient monitoring provisions of OMB Circular A-133.

2 CFR parts 25 and 170, and 48 CFR parts 4, 42 and 52 of Federal awarding agency regulations, and the terms and conditions of award documents pertaining to subrecipient monitoring requirements applicable to federal grant programs, require the inclusion in subrecipient grant agreements the applicable audit requirements of OMB Circular A-133 and to establish procedures to monitor subrecipient audit compliance with those requirements. Failure to implement reliable subrecipient monitoring procedures could result in findings and

U. S. DEPARTMENT OF TRANSPORTATION (concluded)

CFDA/Finding Number	Finding and Recommendation

questioned costs identified for the Recreational Trails Program subrecipients not being reported to the federal granting agency on a timely basis.

Recommendation:

The Mississippi Department of Wildlife, Fisheries, and Parks should implement procedures that require nonfederal subrecipients that expend financial assistance of $500,000 or more in Federal awards to have a single audit or a program-specific audit for that year. Recreational Trails Program grant agreements should include these provisions that are in accordance with the OMB Circular A-133, and the Mississippi Department of Wildlife, Fisheries, and Parks should establish procedures to monitor subrecipient audit compliance.

Note: See Management's Response and Corrective Action Plan on page 125.

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CFDA/Finding Number	Finding and Recommendation

HUMAN SERVICES

ELIGIBILITY

Immaterial Noncompliance

93.558 Temporary Assistance for Needy Families (TANF) State Programs
93.714 ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs

Federal Award Number and Year:	G1002MSTANF	2010
	G1102MSTANF	2011
	G1202MSTANF	2012
	G1001MSTAN2	2010

Questioned Costs: $180

12-06 Agency Should Ensure Compliance with Transitional Work Transportation Benefit Requirements

Finding:

The Mississippi Department of Human Services has published *Volume III, TANF Policy Manual*, which establishes criteria for eligibility under the Temporary Assistance for Needy Families (TANF) program. Specifically, Chapter 10 of the *Volume III, TANF Policy Manual* requires participants of the TANF work component to meet specific participation hours to receive a TANF Transitional Work Transportation (TT) stipend. TT stipends can be paid to TANF participants at the following levels: $180 for working 20 to 25 hours a week, $240 for working 26 to 31 hours a week, and $300 for working 32 to 40 hours a week.

In performing testwork on 30 TT stipends paid to participants during fiscal year 2012, we noted two instances in which payments made did not correspond with the required weekly hours to be worked per *Volume III, TANF Policy Manual*, resulting in a total known overpayment of $180 in fiscal year 2012. The results of our testwork compared to the total of all TT benefits paid in fiscal year 2012, indicates projected questioned costs of $154,659. Failure to monitor and reduce

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation

benefits to coincide with hours participated in TANF work component could result in questioned costs and recoupment of costs by the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Human Services ensure compliance with Transitional Work Transportation benefit requirements by strengthening control procedures to ensure benefits are paid in accordance with hourly requirements as set forth in the *Volume III, TANF Policy Manual.*

NOTE: See Management's Response and Corrective Action Plan on page 113.

HUMAN SERVICES

EARMARKING

Significant Deficiency
Immaterial Noncompliance

93.575 Child Care and Development Block Grant
93.713 ARRA – Child Care and Development Block Grant

Federal Award Number and Year: G0901MSCCDF 2009
G0901MSCCD7 2009

Questioned Costs: $1,334,559

12-03 Controls over Minimum Targeted Funds Should Be Strengthened

Finding:

The terms and conditions of the 2009 federal grant agreement between the Mississippi Department of Human Services (MDHS) and the U.S. Department of Health and Human Services - Administration for Children and Families Division (ACF) include provisions of the 2009 Omnibus Appropriations Bill (Public Law. 111-8) which targeted specific amounts for the following activities related to the Child Care and Development Block Grant (CCDF):

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation

- Child Care Quality Improvements
- Infant and Toddler Quality Improvement
- Child Care Resource and Referral and School Aged Child Care Activities

ACF posts on its website the CCDF allocation tables with the minimum amount of funds each state must expend in targeted areas. The minimum expenditures are determined by ACF based on various statistics and population data received by ACF from each state.

During our testing of MDHS's final ACF-696 financial report for federal grant year 2009, we noted the minimum expenditure requirements for Mississippi, as established by ACF, were not met as follows for CCDF Discretionary awards and CCDF funds awarded under the American Recovery and Reinvestment Act (ARRA).

- Expenditures were $13,557 below the minimum requirement of $2,724,111 for the Child Care Quality Improvements earmark on 2009 CCDF Discretionary funds.

- Expenditures were $1,023,010 below the minimum requirement of $2,561,362 for the Child Care Quality Improvements earmark on 2009 CCDF ARRA funds.

- Expenditures were $20,024 below the minimum requirement of $1,577,625 for the Infant and Toddler Quality Improvements earmark on 2009 CCDF Discretionary funds.

- Expenditures were $237,461 below the minimum requirement of $1,483,365 for the Infant and Toddler Quality Improvements earmark on 2009 CCDF ARRA funds.

- Expenditures were $40,507 below the minimum requirement of $278,548 for the Child Care Resource and Referral and School Aged Child Care Activities earmark on 2009 CCDF Discretionary funds.

Discussions with agency personnel in the MDHS Division of Budgets and Accounting revealed an internal reporting discrepancy accounted for $1,235,665 of the aggregate shortages in ARRA expenditures.

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation

Adequate internal controls should include a process for ensuring the minimum level of expenditures for targeted activities are properly awarded, obligated and expended within the proper reporting categories to comply with federal earmarking requirements. Failure to monitor earmarks for minimum compliance throughout the financial reporting period could result in questioned costs and recoupment of costs by the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls to ensure minimum targeted funds are obligated and expended to meet the Child Care and Development Block Grant (CCDF) earmarking requirements. Earmarks should be monitored periodically to ensure no shortages will occur. We further recommend the ending dates of CCDF subawards earmarked to meet targeted levels be set at an earlier date, to allow sufficient time for correction in the event a subaward is not fully expended.

NOTE: See Management's Response and Corrective Action Plan on page 109.

HUMAN SERVICES

REPORTING

Material Weakness
Material Noncompliance

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

Federal Award Number and Year:	G1102MSTANF	2011
	G1202MSTANF	2012
	G1101MSCCDF	2011
	G1201MSCCDF	2012

Questioned Costs: none

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation

12-04 Controls over the Timely Identification of New Federal Reporting Requirements Should Be Strengthened

Finding:

The *Code of Federal Regulations* (2 CFR part 170) sets forth the reporting requirements of subawards under the Federal Funding and Accountability Transparency Act (Transparency Act). Direct recipients of grants who make first-tier subawards are required to report each subaward or subaward amendment that results in an obligation of $25,000 or more in Federal funds. Direct recipients are required to use the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) to report qualifying subawards or amendments by the end of the month following the month in which the obligation was made.

The Mississippi Department of Human Services (MDHS) did not perform the required Transparency Act reporting for the Temporary Assistance for Needy Families program (TANF) and Child Care and Development Block Grant Fund program (CCDF) during fiscal year 2012. Failure to perform the required Transparency Act reporting for the TANF and CCDF programs resulted in MDHS being noncompliant with federal reporting requirements related to funding passed-through to subawardees during fiscal year 2012 as follows.

- For the TANF program, the total amount of unreported obligations equal to or greater than $25,000 was $4,986,176, representing 53 subawards.
- For the CCDF program discretionary and mandatory grants, as well as TANF transfers to the CCDF program, the total amount of unreported obligations equal to or greater than $25,000 was $28,263,974, representing 54 subawards.

Noncompliance with Transparency Act requirements could result in reduced funding for applicable programs.

Recommendation:

We recommend the Mississippi Department of Human Services (MDHS) strengthen controls to identify on a timely basis any new federal reporting requirements applicable to its federal programs. We further recommend MDHS

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation

timely review and submit the applicable information in compliance with reporting requirements under the Transparency Act.

NOTE: See Management's Response and Corrective Action Plan on page 111.

HUMAN SERVICES

SUBRECIPIENT MONITORING

Material Weakness

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
93.713 ARRA – Child Care and Development Block Grant

Federal Award Number and Year:		
	G1002MSTANF	2010
	G1102MSTANF	2011
	G1001MSCCDF	2010
	G1101MSCCDF	2011
	G0901MSCCD7	2009

12-05 Controls over On-Site Monitoring Should Be Strengthened

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the U.S. Department of Health and Human Services require MDHS to administer grants in compliance with the *Code of Federal Regulations* (45 CFR Part 92). The *Code of Federal Regulations* (45 CFR Part 92.40) designates MDHS for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities during the award to assure compliance with applicable Federal requirements and to ensure performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

CFDA/Finding Number	Finding and Recommendation

We evaluated MDHS's compliance with subrecipient monitoring requirements based on written policies and procedures designed by MDHS's Division of Program Integrity – Office of Monitoring (OM) to satisfy during-the-award monitoring requirements. OM procedures require an on-site monitoring review of each subgrantee contract at least once during the subgrant period. A tracking mechanism is used to ensure all subgrantee contracts are properly identified and monitored. Monitoring tools/checklists are used during each on-site monitoring review to provide guidance and to document a review was performed. The on-site monitoring workpapers are reviewed and approved by OM supervisory personnel prior to issuance of a written report, the Initial Report of Findings & Recommendations, used for communicating finding(s) and/or questioned costs to subgrantees. The written report should be issued within 30 working days from the date of the exit conference, which is normally held on the last day of the on-site review.

During testwork performed on subrecipient on-site monitoring for 37 subgrantees during fiscal year 2012, we noted the following weaknesses.

- Two subgrantee contracts, or 5 percent, were not monitored within the contract period and had yet to be monitored as of the date of our testing, which was 215 working days after both contracts expired.
- Six subgrantee contracts, or 16 percent, were monitored untimely an average of 141 working days after the expiration of the respective contracts.
- The Initial Report of Findings & Recommendations for five monitoring visits, or 14 percent, was not issued and had yet to be issued as of the date of our testing, which was an average of 195 working days after the respective exit conferences.
- The Initial Report of Findings & Recommendations for 14 monitoring visits, or 38 percent, was issued untimely with an average of 100 working days passing between exit conference and report issuance.

MDHS programmatic funding divisions rely upon OM monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients in a timely manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (concluded)

CFDA/Finding Number	Finding and Recommendation

Recommendation:

We recommend the Mississippi Department of Human Services' Division of Program Integrity – Office of Monitoring (OM) strengthen its existing internal controls over on-site monitoring to ensure all active subgrantee contracts are timely monitored during-the-award in accordance with OM policies and procedures. We further recommend the agency ensure the Report of Findings and Recommendations prepared as a result of the on-site monitoring be completed in a timely manner to enable immediate corrective action procedures to be initiated.

NOTE: See Management's Response and Corrective Action Plan on page 112.

U. S. DEPARTMENT OF HOMELAND SECURITY

CFDA/Finding Number	Finding and Recommendation

PUBLIC SAFETY

ALLOWABLE COSTS /COST PRINCIPLES

Significant Deficiency
Immaterial Noncompliance

97.001 Mississippi Interoperable Communications Grant

Federal Award Number and Year: 2008-MSMX-0001 2012

Questioned Costs: $982,651

12-02 Payroll Distribution Procedures Should Be Implemented to Allow Allocation of Employee Time to Applicable Grants

Finding:

Audit procedures performed for fiscal year 2012 at the Mississippi Department of Public Safety, Office of Homeland Security, revealed that expenditures for salaries and wages made under the Mississippi Interoperable Communications Grant were not supported by the appropriate documentation for employees working on multiple activities as required by OMB Circular A-87, Attachment B, paragraph 8h. The entity's time reports only allow reporting of one project at a time, which resulted in 100% of employees' salaries and wages to be reported as a cost of this grant when the employees work on multiple federal awards and some indirect activities. A total of $155,959 out of $986,697 of general and administrative salaries and wages were tested for compliance with this compliance requirement, and we noted a total of $155,314 was not documented in compliance with OMB Circular A-87. However, the same procedures for tracking employee time were followed for the entire year.

Because the agency does not have a time distribution system in place that will allow for the proper tracking of time in situations where the employees work on multiple federal awards and/or indirect cost activities, expenditures applicable to other grants and/or cost objectives that were not allowed by the grant, according to OMB Circular A-87, were submitted for reimbursement under the Mississippi Interoperable Communications Grant resulting in questioned costs.

U. S. DEPARTMENT OF HOMELAND SECURITY (concluded)

CFDA/Finding Number	Finding and Recommendation

Recommendation:

We recommend the Mississippi Department of Public Safety, Office of Homeland Security, put a time tracking and payroll distribution process in place that will allow employees to appropriately track their time by federal award and indirect or direct activities so salary and wage distributions can be made to the appropriate grants and cost objectives, thereby reflecting an "after the fact distribution of the actual activity of each employee."

Note: See Management's Response and Corrective Action Plan on page 117.

II. SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

INDEX LISTED BY FINDING NUMBER

FINDING NUMBER		STATE GRANTEE AGENCY NAME	PAGE NUMBER
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10-02	*a	Health	95
10-03		Health	96
10-04		Health	96
10-05		Health	96
10-06		Health	96
10-07		Health	97
11-01		Finance and Administration	93
11-02		Health	99
11-03	*a	Health	99
11-04		Health	99
11-05	*a	Health	100
11-06		Education	91
11-07		Education	91
11-08		Human Services	101
11-09	*b	Public Safety	103

*a The agency indicates that the finding is partially corrected; however, based on current year audit procedures performed, it did not appear necessary to write a finding for fiscal year 2012.

*b The agency indicates that the finding was fully corrected; however current year audit procedures revealed continuing problems prior to the date the corrective action was implemented by the agency, therefore a finding was written for fiscal year 2012.

STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

INDEX LISTED BY STATE GRANTEE AGENCY

STATE GRANTEE AGENCY NAME	FINDING NUMBER	PAGE NUMBER
Education	11-06	91
Education	11-07	91
Finance and Administration	11-01	93
Health	10-01	95
Health	10-02	95
Health	10-03	96
Health	10-04	96
Health	10-05	96
Health	10-06	96
Health	10-07	97
Health	11-02	99
Health	11-03	99
Health	11-04	99
Health	11-05	100
Human Services	11-08	101
Public Safety	11-09	103

STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
Lynn J. House, Ph.D.
Interim State Superintendent of Education

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2012

11-06 Controls over the data collection of required federal reporting elements should be strengthened

CFDA	10.558	Child and Adult Care Food Program

FULLY CORRECTED

11-07 Controls over subrecipient monitoring should be strengthened

CFDA	84.010	Title I Grants to Local Educational Agencies

FULLY CORRECTED

Signed: Lynn J. House
Dr. Lynn J. House, Interim State Superintendent of Education

Date: January 8, 2013

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STATE OF MISSISSIPPI
GOVERNOR PHIL BRYANT

DEPARTMENT OF FINANCE AND ADMINISTRATION
KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2012

11-01 Controls over Activities Allowed Should Be Strengthened to Ensure Compliance

CFDA # 84.397 AARA- State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

Fully Corrected

Kevin J. Upchurch
Executive Director
December 18, 2012

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MISSISSIPPI STATE DEPARTMENT OF HEALTH

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2012

10-01 Controls Should Be Implemented to ensure the Schedule of Expenditures of Federal Awards is Properly Prepared

CFDA # 66.468 Capitalization Grants for Drinking Water State Revolving Fund
CFDA # 66.468 ARRA-Capitalization Grants for Drinking Water State Revolving Funds

FULLY CORRECTED

A CPA firm with experience in GAAP package preparation will be engaged to complete this task. Also when CPA firm prepares the package it will be thoroughly reviewed and approved by the Chief Financial Officer.

10-02 Controls over the Time Study System Should Be Strengthened

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA # 93.268 Immunization

PARTIALLY CORRECTED

MSDH has acquired a time and attendance program through Kronos for agency wide implementation. To accurately track resource time in each of these programs, the vendor is working with each program area, Accounting and Finance, Human Resources, and MSDH Internal Audit to develop the code and ability to capture this unique information that meets the necessary requirements in an automated manner significantly reducing errors. Full implementation of this application is pending.

10-03 Controls over Participant Eligibility Determination Should Be Strengthened

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

FULLY CORRECTED

Participant eligibility workers have been reviewed on the requirements for eligibility.

10-04 Controls Should be Strengthened to Ensure Compliance with Period of Availability Requirements for the WIC Program

CFDA # 10.557 Special Supplemental Nutrition Program for Woman, Infants and Children

All employees that are involved with accounting for WIC including all Finance and Accounting employees have been reviewed by the Director of Accounting on Period of Availability Requirements.

FULLY CORRECTED

10-05 Controls Should be Strengthened to Ensure Compliance with Period of Availability Requirements for the Immunization Program

CFDA # 93.268 Immunization

All employees that are involved with accounting for Immunization including all Finance and Accounting employees have been reviewed by the Director of Accounting on Period of Availability Requirements.

FULLY CORRECTED

10-06 Controls over the Identification and Reporting of Program Income Should Be Implemented

CFDA # 93.268 Immunization

The Third Party Office now runs a report from the PIMS system to collect data on the administration fees. The administration fees that we receive for Immunizations are what make up the program income amount.

FULLY CORRECTED

10-07 Controls over the Preparation of the Schedule of Expenditures of Federal Awards Should be Strengthened

CFDA # 93.268 Immunization
CFDA #93.712 ARRA- Immunization

A CPA firm with experience in preparing GAAP financial statements now prepares the year end statements. Statements are reviewed and approved by the Chief Fiscal Officer before they are submitted.

FULLY CORRECTED

Signed: _____
Mary Currier, MD, MPH
State Health Officer

Date: 1/7/2013

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MISSISSIPPI STATE DEPARTMENT OF HEALTH

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2012

11-02 Controls over the identification and Reporting of Program Income Should Be Implemented

CFDA # 93.268 Immunizations

FULLY CORRECTED

The Third Party Office now runs a report from the PIMS system to collect data on the administration fees. The administration fees that we receive for Immunizations are what makes up the program income amount.

11-03 Controls over the Timely Identification of New Federal Reporting Requirements Should be Strengthened

CFDA # 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

PARTIALLY CORRECTED

Efforts began in April 2012 to identify agency personnel who would be responsible for reporting under the Federal Funding Accountability and Transparency Act (FFATA). In August 2012 the designated program individuals were contacted to begin the efforts in gathering information necessary for FFATA reporting. The Director of Internal Audit is working with the various individuals to train them on how to report in the Federal Funding Accountability and Transparency Sub award Reporting System (FSRS) and to assist them in reporting for federal grants currently open. As of October 16, 2012, FFATA reporting has been completed for the federal fiscal year ending 2012 WIC program and Commodity Supplemental Food program, as well as, the current Public Health Emergency Preparedness grant.

11-04 Controls over the Review and Approval of Federal Identifying Information in Sub award Agreements Should be strengthened

CFDA # 93.069 Public Health Emergency Preparedness

FULLY CORRECTED

The OEPR F&A section has included the applicable federal CFDA number on our individual contract/sub grant checklists for State FY2013 contracts and sub awards issued by the MSDH funded grant program areas. The federal identifying numbers are then verified by our staff as stated correctly on each sub award contract or efforts are made for correction of any numbers needing correction. We have also included the applicable CFDA number on our overall contract status list which has been sent to all MSDH grant funded program areas.

11-05 Controls over Time Study Should Be Strengthened

CFDA # 93.069 Public Health Emergency Preparedness
CFDA # 93.889 National Bioterrorism Hospital Preparedness Program

PARTIALLY CORRECTED

MSDH has acquired a time and attendance program through Kronos for agency wide implementation. To accurately track resource time in each of these programs the vendor is working with each program area, Accounting and Finance, Human Resources, and MSDH Internal Audit to develop the code and ability to capture this unique information that meets the necessary requirements in an automated manner significantly reducing errors. Full implementation of this application is expected in January 2013.

Signed: _____
Mary Currier, MD, MPH
State Health Officer

Date: 11/5/2012

STATE OF MISSISSIPPI
Phil Bryant, Governor
DEPARTMENT OF HUMAN SERVICES
Richard A. Berry
Executive Director

December 12, 2012

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 is our response and corrective action plan to the prior year audit for the year ended June 30, 2012.

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2012

11-08 Controls over the Cost Allocation Process Should Be Strengthened

10.551 Supplemental Nutrition Assistance Program
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
93.568 Low-Income Home Energy Assistance
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.713 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

FULLY CORRECTED

Signed: Richard A. Berry
Richard A. Berry, Executive Director

Date: 12/12/12

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STATE OF MISSISSIPPI
DEPARTMENT OF PUBLIC SAFETY
OFFICE OF HOMELAND SECURITY

PHIL BRYANT
GOVERNOR

ALBERT SANTA CRUZ
COMMISSIONER

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended June 30, 2012

11-09 Payroll Distribution Procedures Should Be Implemented to Allow Allocation of Employee Time to Applicable Grants

97.001 Mississippi Interoperable Communications Grant

Fully Corrected

The Department of Public Safety, Mississippi Office of Homeland Security has fully corrected this finding by developing and implementing on July 1, 2012 the following Grants Time and Effort Tracking procedure.

Each employee in the Mississippi Office of Homeland Security (MOHS) will personally track the amount of time spent working on all Department of Homeland Security Grants issued to MOHS. At the end of each month all MOHS Employees will calculate the percentage of time they spent per grant and enter this information on the Grants Time/Effort Tracking document as well as complete the required Department of Public Safety (DPS) Employee Attendance Sheets. Individual MOHS employee time documentation will be maintained at the MOHS and will be available to the Department of Public Safety (DPS) Accounting Office upon request for verification of the information entered on the MOHS employees Grants Time/Effort Tracking Document.

In addition, MOHS grants staff member will generate a Federal Aid Budget Line Inquiry Table Report from the State Automated Accounting System each month to continually monitor the amount in each grant to insure that all funds are not expended prior to the completion of the grants that MOHS employee time is being charged against.

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The DPS Employee Attendance Sheets are sent to Personnel to verify hours work and leave time taken. Once this has been done the Grants Time/Effort Tracking document for each MOHS employee is used to perform the account distribution of payroll for all MOHs grants. The MOHS employees Grants Time/Effort Tracking document is stored with each month's payroll.

The Grants Time/Effort Tracking document will be sent to the attention of Carla Hutson (Director of Accounting & Finance) at the DPS Accounting Office and the DPS Employee Attendance Sheets will be sent to Personnel as required.

Signature: _____

Title: Executive Director, MOHS

Date: 12/18/12

III. MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS

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MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS FOR THE YEAR ENDED JUNE 30, 2012
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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PHIL BRYANT
GOVERNOR

SINGLE AUDIT FINDINGS

March 26, 2013

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

The Office of the Governor is providing the following response and corrective action plan to the Audit Management Report dated March 21, 2013.

AUDIT FINDING:

12-09 Controls Should Be Strengthened over Preparation of the Schedule of Expenditures of Federal Awards

Response:

The grant award was originally recorded as $83,987,788, which reflects the exact amount of the award plus the state match requirement. The record was corrected to denote only the federal grant award of $70,055,000 immediately upon realizing this input error.

Staff became aware of the discrepancy for receipts and expenditures on the June 2012 Grant Schedule during the semi-annual completion of the Generally Accepted Accounting Principles (GAAP) package for December 2012. The Grant Schedule was corrected for the mid-year reporting in January 2013. DFA staff was notified that the information was incorrect on the June 2012 report. The Comptroller was asked to ensure the correct amount was indicated on the December 2012 report. The Department of Finance and Administration (DFA) staff took note of the error of on the June 2012 report, but indicated it could not be changed since the reporting period was closed.

To prevent reporting errors such as this, the audit report recommends the Governor's Office require in-house supervisory review of the GAAP schedules prior to submission to DFA. Due to

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the limited staff of the Office of the Governor, the agency coordinates with DFA to perform supervisory reviews of financial reporting. Although DFA is not physically located in the Office of the Governor, DFA is an executive agency that works hand-in-hand with the Governor's Office on accounting and financial management and has historically assisted the Office with fiscal activities. This Office appreciates the added benefit of having multiple staff members trained in GAAP. However, in an effort to maintain a small agency size and thus smaller government, the Office of the Governor continues to rely on the expertise of DFA in these regards. The Governor's Office believes this to be a proven and effective strategy.

Corrective Action Plan:

The Governor's Office will continue to coordinate the review of financial reporting with its Analyst in the DFA Office of Financial Reporting. In addition, mid-year and end-year GAAP schedules will be forwarded to the Chief of Staff for his review and signature before submission to DFA.

If you have any questions or require additional information, please contact Joseph Songy at 601.576.9830.

Sincerely,

Kirk Sims
Chief of Staff

JKS/tma

STATE OF MISSISSIPPI
Phil Bryant, Governor
DEPARTMENT OF HUMAN SERVICES
Richard A. Berry
Executive Director

SINGLE AUDIT FINDINGS

March 26, 2013

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, Mississippi 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 2012:

SINGLE AUDIT FINDINGS:

EARMARKING – TARGETED FUNDS

Significant Deficiency
Immaterial Noncompliance

93.575 Child Care and Development Block Grant
93.713 ARRA – Child Care and Development Block Grant

Federal Award Number and Year: G0901MSCCDF 2009
G0901MSCCD7 2009

Questioned Costs: $1,334,559

12-03 Controls over Minimum Targeted Funds Should Be Strengthened

Response:

The Mississippi Department of Human Services agrees that controls over minimum targeted funds should be strengthened to insure that the Child Care Development Block Grant's earmarking requirements are met.

Relative to the current audit finding, we respectfully submit that: All earmark funding was expended, but was not coded to the right reporting category for the correct funding source in the subgrant contract. While some earmark funds were returned from the subgrantee unspent, these funds were used by the State Office of the Division of Early Childhood Care and Development (DECCD) to expend the entire earmark allotment.

Corrective Action Plan:

DECCD is going to:

A. code earmarks appropriately as soon as permission is granted by the Administration for Children and Families for the 2009 instance cited in the current audit finding,
B. ensure that all earmarks are coded correctly on subgrants in the future,
C. as of March 1, 2013, allocate an additional 1 percentage point to the required earmark percentage to help ensure that the minimum required earmark funds are expended, and
D. set an earlier ending date of August 15th for subgrants instead of September 30th of each year to allow for sufficient time to correct subgrant earmarks that may not be fully expended.

REPORTING

Material Weakness
Material Noncompliance

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

Federal Award Number and Year: G1102MSTANF 2011
G1202MSTANF 2012
G1101MSCCDF 2011
G1201MSCCDF 2012

12-04 Controls over the Timely Identification of New Federal Reporting Requirements Should Be Strengthened

Response:

The Mississippi Department of Human Services agrees controls over the timely identification of new federal reporting requirements should be strengthened and affected agency management should be notified of requirements.

Relative to the current findings, we respectively submit that while the non-compliance was not limited to the two (2) major programs cited, there was at least reporting by other MDHS divisions for some of the time. All division personnel who were responsible for the reporting were given timely guidance following the prior year's audit; however we did not maintain the requisite discipline and monitoring to ensure that the reporting was maintained.

Corrective Action Plan:

The agency will provide periodic notices to programmatic management reminding them to be certain to be cognizant of and compliant with reporting requirements of grants under their management. This notice will become a part of the monthly Budget Status Reports provided to division management, effective immediately. As has been our practice, Federal Financial Reporting will be the responsibility of the agency's Budgets unit. Further, as has been our practice, programmatic reporting, which includes transparency reporting, will be the responsibility of programmatic personnel.

SUBRECIPIENT MONITORING

Material Weakness

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
93.713 ARRA – Child Care and Development Block Grant

Federal Award Number and Year: G1002MSTANF 2010
G1102MSTANF 2011
G1001MSCCDF 2010
G1101MSCCDF 2011
G0901MSCCD7 2009

12-05 Controls over On-Site Monitoring Should Be Strengthened

Response:

The Agency concurs with the findings and controls have been strengthened over subrecipient monitoring.

As of the date of the Office of State Auditor's (OSA) review of the monitoring files for FY 2012, the Office of Monitoring had experienced the loss of several key staff members who were well trained and experienced monitors. This loss resulted in the number of staff performing sub-recipient monitoring of the Planning and Development District's (PDD) subgrants being reduced from 3 positions to 1 position with no supervisor. In addition to hiring and training a new team supervisor, training for the PDD team is more extensive and more detailed than the training for the other Office of Monitoring teams due to the number of subgrants associated with each PDD as well as the numerous varieties of programs administered by the PDD's. Due to the combination of the loss of staff along with "catching up" from delays in the previous year, 6 PDD subgrants were monitored subsequent to the contract period and the monitoring of 2 PDD subgrants had yet to begin.

The Division of Program Integrity's Director, Laura Griffin, and the Director of Office of Monitoring, J. Win Girod, met with each PDD Director and their accounting staff before issuing any Initial Monitoring Reports to the PDD's. These meetings were very beneficial to the PDD Directors in understanding why and what costs were being questioned, however taking time to hold these meetings caused the aforementioned PDD monitoring reports to be delayed.

Corrective Action Plan:

Since the date of OSA's review of the monitoring files for FY 2012, the PDD team is now fully staffed with 2 monitors and an experienced team supervisor. Also, the PDD's are no longer administering Child Care subgrants (which accounted for a total of 30-40 subgrants). This will improve the timeliness of the PDD monitoring reviews.

Additionally, the Director of Office of Monitoring is revising the Standard Operating Procedures to ensure adequate time frames for issuing initial reports, allowing for responses and issuing status and/or clearance reports. The inclusion of 5 new monitors, a new training manual and an emphasis placed on timeliness for reports and responses, should allow the Office of Monitoring to issue all reports and responses timely.

The anticipated completion date for the corrective actions is March 31, 2013.

ELIGIBILITY

Immaterial Noncompliance

93.558 Temporary Assistance for Needy Families (TANF) State Programs
93.714 ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs

Federal Award Number and Year: G1002MSTANF 2010
G1102MSTANF 2011
G1202MSTANF 2012
G1001MSTAN2 2010

Questioned Costs: $180

12-06 Agency Should Ensure Compliance with Transitional Work Transportation Benefit Requirements

Response:

To maintain compliance with Transitional Work Transportation benefit requirements, the Mississippi Department of Human Services agrees that there is a need to strengthen control procedures to ensure benefits are paid in accordance with hourly requirements as set forth in the Volume III, TANF Policy Manual.

Corrective Action Plan:

Three transitional work stipend amounts are available: $180, $240, or $300 per month. The monthly amount is determined on a case-by-case basis based on the total average weekly work hours the individual is scheduled to work. The following chart shows the weekly work hours, the payment ranges, and the maximum monthly stipend allowances:

Weekly Scheduled Participation Hours	Total Scheduled Hours Range	Monthly Transitional Work Stipend Allowance
32 to 40 hours	1	$300
26 to 31 hours	2	$240
20 to 25 hours	3	$180

Provided the weekly scheduled work hours are entered correctly, there are JAWS system edits in place to prevent the incorrect work stipend payment range from being selected when the transportation record is added. A second edit prevents authorization of monthly stipend payment(s) in excess of the maximum monthly allowance.

In situations where an overpayment is identified, a claim will be established.

To ensure accurate processing of all cases, we will review policy with all staff prior to June 1, 2013.

We appreciate the courtesy and professionalism demonstrated by Yolanda Campbell 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 601-359-4665.

Respectfully,

Richard A. Berry

Richard A. Berry
Executive Director
RAB: EDW: pt

Pc: Mark Smith
John Davis
William Simpson
Earl D. Walker

STATE OF MISSISSIPPI
PHIL BRYANT, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
BRENT CHRISTENSEN
EXECUTIVE DIRECTOR

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 18, 2013

Dear Mr. Pickering:

This letter is in response to the Single Audit Management Report, dated March 4, 2013, to the Mississippi Development Authority for the Fiscal Year 2012 from the Office of the State Auditor. The Mississippi Development Authority has provided responses and corrective action plans to the Single Audit Findings in accordance with OMB Circular A-133.

AUDIT FINDINGS:

CFDA Number: # 14.228
Program Name: Community Development Block Grants/State's Program

REPORTING: Significant Deficiency Immaterial Noncompliance

Finding Number: #12-07 Controls Should Be Strengthened Over Section 3 Reporting

Response:

- The Mississippi Development Authority (MDA) did not receive a Section 3 Report from the one (1) sub-recipient (JPL – Greenwood, Inc.) of the Neighborhood Stabilization Program 3 (NSP3) Grant. MDA did not have any information to report on the NSP3 Grant.

- To ensure compliance with 24 CFR Sections 135.3(s) and 135.90, all sub-recipients with existing or new grants during the reporting period must submit a HUD Form 60002 Section 3 Report. The Section 3 Reporting requirements were discussed at the Annual Public Hearings on the State of Mississippi's Action Plan for Housing and Community Development Programs; Application Workshops; and Implementation Workshops. The Community Services Division issued two (2) CSD Instructions (*See Enclosed*) to sub-recipients with Section 3 * Reporting due dates:

POST OFFICE BOX 849 • JACKSON, MISSISSIPPI 39205-0849
TELEPHONE (601) 359-3449 • FAX (601) 359-2832 • www.mississippi.org

1) CSD Instruction #12-001, dated January 9, 2012: Due Dates for Applications, Matching Funds, Close-out Packages, Audits, Water Viability, and Other Required Reports; and

2) CSD Instruction #12-010, dated June 13, 2012: Section 3 Reporting.

- The previous year's second notices did not provide a satisfactory response for Section 3 Reporting. The oral presentations during the aforementioned Public Hearings and Workshops, coupled with CSD Instructions #12-001 and #12-010, regarding Section 3 Reporting signified to MDA that the issuance of a second Section 3 Reporting notice would be ineffective. To further ensure compliance, MDA developed and disseminated a Section 3 Policy and Procedures Manual (*Adopted September 4, 2012; See Enclosed*) to all sub-recipients. As an additional * corrective action measure, MDA will publish the sub-recipients listing and delinquent reports listing on MDA's website.

- On the Section 3 Summary Report for CDBG Program Year 2011 (B-11-DC-28-0001), the City of Grenada was inadvertently excluded from the report.

- MDA does concur with Finding #12-07: Controls Should be Strengthened Over Section 3 Reporting. MDA has noted the concerns and recommendations of the Office of the State Auditor regarding strengthening controls as it relates to the HUD Form 60002 Section 3 Report. MDA has developed and implemented corrective action measures to ensure compliance with OMB Circular A-133.

Corrective Action Plan:

A. MDA has implemented the following corrective action measures and will continue to: disseminate the Section 3 Policy and Procedures Manual (*Adopted September 4, 2012; See Enclosed*); provide Section 3 guidance and requirements at all Public * Hearings, Workshops, and Pre-Construction Conferences; and issue CSD Instructions regarding all sub-recipients requirements to complete HUD Form 60001 Section 3 Report timely and accurately for compliance with 24 CFR Sections 135.3(s) and 135.90.

B. Ray Robinson, Compliance Bureau Manager, and Dean Patterson, IDIS and Financial Reporting Bureau Manager will be the responsible persons for this corrective action.

C. The aforementioned corrective action plans have been implemented and are ongoing.

The Mississippi Development Authority will continue to administer the Housing and Community Development Programs in accordance with Federal and State applicable laws, regulations, and provisions.

Should the Office of the State Auditor need any additional clarification or information, please let me know.

Sincerely,

J. Manning McPhillips
Chief Administrative Officer

Enclosures
JM:SH

* Documents referenced as enclosed are available upon request to the Office of the State Auditor

STATE OF MISSISSIPPI
DEPARTMENT OF PUBLIC SAFETY
OFFICE OF HOMELAND SECURITY

PHIL BRYANT
GOVERNOR

ALBERT SANTA CRUZ
COMMISSIONER

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

12-02 Payroll Distribution Procedures Should Be Implemented to Allow Allocation of Employee Time to Applicable Grants

97.001 Mississippi Interoperable Communications Grant

Fully Corrected

The Department of Public Safety, Mississippi Office of Homeland Security has fully corrected this finding by developing and implementing on July 1, 2012 the following Grants Time and Effort Tracking procedure.

Each employee in the Mississippi Office of Homeland Security (MOHS) will personally track the amount of time spent working on all Department of Homeland Security Grants issued to MOHS. At the end of each month all MOHS Employees will calculate the percentage of time they spent per grant and enter this information on the Grants Time/Effort Tracking document as well as complete the required Department of Public Safety (DPS) Employee Attendance Sheets. Individual MOHS employee time documentation will be maintained at the MOHS and will be available to the Department of Public Safety (DPS) Accounting Office upon request for verification of the information entered on the MOHS employees Grants Time/Effort Tracking Document.

In addition, MOHS grants staff member will generate a Federal Aid Budget Line Inquiry Table Report from the State Automated Accounting System each month to continually monitor the amount in each grant to insure that all funds are not expended prior to the completion of the grants that MOHS employee time is being charged against.

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The DPS Employee Attendance Sheets are sent to Personnel to verify hours work and leave time taken. Once this has been done the Grants Time/Effort Tracking document for each MOHS employee is used to perform the account distribution of payroll for all MOHs grants. The MOHS employees Grants Time/Effort Tracking document is stored with each month's payroll.

The Grants Time/Effort Tracking document will be sent to the attention of Carla Hutson (Director of Accounting & Finance) at the DPS Accounting Office and the DPS Employee Attendance Sheets will be sent to Personnel as required.

Signature: _____

Title: Executive Director, MOHS

Date: 12/18/12

DEPARTMENT OF
REVENUE
STATE OF MISSISSIPPI

OFFICE OF THE COMMISSIONER

February 14, 2013

Stacey E. Pickering, State Auditor
Office of the State Auditor
501 North West Street
Suite 801
Jackson, MS 39201

RE: Financial Audit Findings

Dear Mr. Pickering:

With respect to your Financial Audit Management Report of Mississippi Department of Revenue for the Fiscal Year 2012, we offer the following comments:

2012 - 13 Strengthen controls over deposit reconciliations;

Response

We agree with the above.

Corrective Action

The 2010 session of the Mississippi Legislature granted funding authority for a new tax management system. It is our belief this new system provides ample solutions to the above stated deficiency. The new technology contains sufficient controls and event monitoring tools that provide full audit trails for deposit reconciliations. We will be looking at different ways of documenting reviews because of the various methods of deposits we utilize. We feel confident in being able to work with the State Auditor's Office to develop good, strong controls regardless of type of deposit is reconciled. Members of your staff were provided a demonstration of MARS (Mississippi Automated Revenue System.) During this demonstration they were able to ask questions of project manager, Kevin Stump, and DOR staff.

On October 24, 2011, the first group of taxes went live. Those tax types include Corporate, Gaming, Insurance Premium, Finance Privilege, Beer and Tobacco Excise, and Beer and Tobacco Permits. The Taxpayer Access Point (TAP) also went live on this date for taxes in this roll-out. On October 1, 2012, we implemented Individual Income and Withholding taxes. Sales, Use and related taxes will be implemented on October 1, 2013.

P. O. Box 22828 Jackson, MS 39225 www.dor.ms.gov Phone: 601.923.7400 FAX: 601.923.7423

MARS is improving service to the taxpayers of this state, reducing our costs of operation through improvements to our technology, and encouraging voluntary compliance. This will result in a more equitable and fair administration of tax laws.

Respectfully,

J. Ed Morgan
Commissioner of Revenue

OFFICE OF THE STATE TREASURER
LYNN FITCH
TREASURER

February 8, 2013

Honorable Stacey Pickering
State Auditor
State of Mississippi
8th Floor, Woolfolk Building
Jackson, Mississippi 39201

Dear Mr. Pickering:

We have reviewed the audit finding below in reference to our fiscal year 2012 audit. Listed below is our individual response and plan for corrective action:

AUDIT FINDING: 2012 - 02 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. 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

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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. 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.

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-á-vis Treasuries to the State or the taxpayers but does offer meaningfully higher yields. As FNMA and FHLMC holdings mature and/or are called, US Treasury holdings will be added to the portfolio as market rates and pricing are compelling compared to prevailing market rates of securities of similar maturities.

Sincerely,

Laura Jackson
Deputy

Lynn Fitch
State Treasurer

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

Auditor's note to the Response from Management

TREASURY

MATERIAL NONCOMPLIANCE

Finding Number	**Finding Heading**
2012-02	Investment Ratios Should Be Maintained in Accordance with State Law

Rebuttal to Agency Response:

We have reviewed the comments made by the agency in response to the above noted finding. We wish to place additional emphasis on the fact the agency remains in violation of Section 27-105-33, Miss. Code Ann. (1972). This statute makes no provision for the Treasurer's judgment to be substituted in lieu of strict compliance with its requirements.

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MISSISSIPPI
DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

Sam Polles, Ph.D.
Executive Director

Finding 12-01

Program:	Recreational Trails Program
CFDA No.:	20.219
Federal Agency:	U.S. Department of Transportation/FHWA
Passed-Through:	Mississippi Department of Transportation
Award Year:	Fiscal Year 2011-2012
Compliance Requirement:	Subrecipient Monitoring
Questioned Costs:	None

Department's Response:

The Department of Administration concurs with the finding.

Corrective Action Plan:

Response from the Mississippi Department of Wildlife, Fisheries, and Parks

Administration will emphasize the importance of the coordination of all aspects of grant administration, including applicable subrecipient monitoring requirements, by implementing procedures that require nonfederal subrecipients that expend financial assistance of $500,000 or more in Federal awards to have a single audit or a program-specific audit for that year. Recreational Trails Program grant agreements will include these provisions that are in accordance with the OMB Circular A-133 and Mississippi Department of Wildlife, Fisheries, and Parks will establish procedures to monitor subrecipient audit compliance.

Name of Responsible Person: Michael Bolden, Director of Administrative Services

Name of Department Contact: Jean Caraway, Project Officer Special IV

Expected date of Completion: September 19, 2012

1505 Eastover Drive • Jackson, Mississippi 39211-6374 • (601) 432-2400

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IV. INDICES

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STATE OF MISSISSIPPI

INDEX OF FINANCIAL STATEMENT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (by finding number)

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2012-13	65	Revenue

MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS (by State agency)

Revenue: Page 119
Treasury: Page 121

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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, 2012

1. Office of National Drug Control Policy: None
2. U.S. Department of Agriculture: None
3. U.S. Department of Commerce: Page 71
4. U.S. Department of Defense: None
5. U.S. Department of Housing and Urban Development: Page 73
6. U.S. Department of the Interior: None
7. U.S. Department of Justice: None
8. U.S. Department of Labor: None
9. U.S. Department of Transportation: Page 75
10. Appalachian Regional Commission: None
11. General Services Administration: None
12. National Foundation on the Arts and the Humanities: None
13. Small Business Administration: None
14. U.S. Department of Veterans Affairs: None
15. Environmental Protection Agency: None
16. U.S. Department of Energy: None
17. U.S. Department of Education: None
18. Elections Assistance Commission: None
19. U.S. Department of Health and Human Services: Page 77
20. Corporation for National and Community Service: None
21. Executive Office of the President: None
22. Social Security Administration: None
23. Department of Homeland Security: Page 85

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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, 2012

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: None
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: Page 71
16. Health: None
17. Human Services: Page 77
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: Page 73
25. Narcotics: None
26. Oil and Gas Board: None
27. Port of Gulfport: None
28. Public Safety: Page 85
29. Public Service Commission: None
30. Rehabilitation Services: None
31. Revenue: None
32. Secretary of State: None
33. Soil and Water Conservation Commission: None
34. State Fire Academy: None
35. Supreme Court: None
36. Transportation: None
37. Treasury: None
38. Veterans Affairs Board: None
39. Wildlife, Fisheries and Parks: Page 75

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, 2012

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12-02	85	Public Safety
12-03	78	Human Services
12-04	81	Human Services
12-05	82	Human Services
12-06	77	Human Services
12-07	73	Mississippi Development Authority
12-08 (not used)		
12-09	71	Governor’s Office

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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, 2012

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: None
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: Page 107
16. Health: None
17. Human Services: Page 109
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: Page 115
25. Narcotics: None
26. Oil and Gas Board: None
27. Port of Gulfport: None
28. Public Safety: Page 117
29. Public Service Commission: None
30. Rehabilitation Services: None
31. Revenue: None
32. Secretary of State: None
33. Soil and Water Conservation Commission: None
34. State Fire Academy: None
35. Supreme Court: None
36. Transportation: None
37. Treasury: None
38. Veterans Affairs Board: None
39. Wildlife, Fisheries and Parks: Page 125

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V. ACKNOWLEDGMENTS

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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
Rob Robertson, Director, Agency Audit Section

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:

Managers
Amy Buller, CPA
Karlanne Coates, CPA
Kimberly Majure, CPA
Jane Dussouy, CPA

Supervisors
Stacey Allman, CPA
Yolanda Campbell, CPA
Johnnie Davenport
Jeanne Julious
Kayla McKnight
Donna Parmegiani, CPA
Kristi Webb
Lisa Worthy

Field Staff

Lee Alford
Jason Ashley
Camden Baird
Wade Cosby
Kevin Cribbs
Katherine Edwards
James Ferguson, CISA
Kyle Goldman
Brandon Hardison
Alan Jarrett
LaDonna Johnson, CISA
Kaylee Kasper
Emily McHan, CPA
Jeremy Miller, CPA
Elaina Jo Smith
Elevia Tate
Heather Ward
Thomas Wirt
Natalie Wolfe

Special thanks to Janet Wilson and LaDonna Johnson 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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Office of the State Auditor
Post Office Box 956
Jackson, Mississippi 39205-0956
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