OFFICIAL STATEMENT

TWO (2) NEW ISSUES
BOOK-ENTRY ONLY

RATINGS: Fitch: "AA"
S & P: "AA"
Moody's: "Aa3"
(See "Bond Ratings" herein)

INTEREST ON THE SERIES 2009 TAXABLE BONDS (AS DEFINED HEREIN) SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES. *Co-Bond Counsel are further of the opinion that under and pursuant to the Act (as defined herein), the Series 2009 Taxable Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.*

$335,675,000 STATE OF MISSISSIPPI TAXABLE GENERAL OBLIGATION BONDS, SERIES 2009D

$120,000,000 STATE OF MISSISSIPPI TAXABLE GENERAL OBLIGATION BONDS, SERIES 2009E

Dated: Date of Delivery

Due: October 1, as shown on the inside cover page

Interest on the $335,675,000 State of Mississippi Taxable General Obligation Bonds, Series 2009D and the $120,000,000 State of Mississippi Taxable General Obligation Bonds, Series 2009E (together, the "Series 2009 Taxable Bonds") will be payable on April 1 and October 1 of each year, commencing April 1, 2010. The State Bond Commission of the State of Mississippi (the "State") has designated the Office of the State Treasurer to serve as paying agent, transfer agent and registrar of the Series 2009 Taxable Bonds (the "Paying and Transfer Agent"). The Series 2009 Taxable Bonds will be issued as fully registered bonds in the denominations of $1,000 each, or any integral multiple thereof and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2009 Taxable Bonds under a book-entry-only system, as described herein. So long as the Series 2009 Taxable Bonds are held in book-entry form, Beneficial Owners (as defined herein) of the Series 2009 Taxable Bonds will not receive physical delivery of bond certificates.

The principal of, and interest on, the Series 2009 Taxable Bonds will be payable by the Paying and Transfer Agent to DTC, which will in turn remit such principal and interest to its Direct Participants (as defined herein) and Indirect Participants (as defined herein), which will in turn remit such principal and interest to the Beneficial Owners of the Series 2009 Taxable Bonds. If the date for payment is not a business day, then the payment shall be made on the next succeeding business day with the same force and effect as if made on the payment date.

The Series 2009 Taxable Bonds are general obligations of the State and are secured by a pledge of the full faith and credit of the State.

The Series 2009D Taxable Bonds will be subject to make-whole and mandatory sinking fund redemption prior to their respective maturities as more fully described in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS – Redemption Provisions". The Series 2009E Taxable Bonds will be subject to optional and mandatory sinking fund redemption prior to their respective maturities as more fully described in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS – Redemption Provisions".

The Series 2009 Taxable Bonds are being issued at the same time as the $64,415,000 State of Mississippi General Obligation Refunding Bonds, Series 2009F (Tax-Exempt) (the "Series 2009F Bonds") and the $98,300,000 State of Mississippi General Obligation Build America Bonds, Series 2009G (Direct Payment-Federally Taxable) (the "Series 2009G Bonds").

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE, PROSPECTIVE INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2009 Taxable Bonds are offered subject to the final approving opinions of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Butler, Snow, O'Mara Stevens & Cannada, PLLC, Jackson, Mississippi, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Watkins Ludlam Winter & Stennis, PA, Jackson, Mississippi. Mesirow Financial, Inc., Memphis, Tennessee is serving as Financial Advisor to the State in connection with the sale and issuance of the Series 2009 Taxable Bonds. It is expected that delivery of the Series 2009 Taxable Bonds in definitive form will be made in New York, New York, on or about October 29, 2009.

MORGAN STANLEY
(Book-Runner for Series 2009D Bonds)

MORGAN KEEGAN & COMPANY, INC.
(Book-Runner for Series 2009E Bonds)

MERRILL LYNCH & CO.

Duncan-Williams, Inc.

Loop Capital Markets, LLC

Rice Financial Products Company

Siebert Brandford Shank & Co., LLC

Dated: October 15, 2009

STATE OF MISSISSIPPI

$335,675,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS, SERIES 2009D

MATURITY SCHEDULE

Year of Maturity	Principal Amount	Interest Rate	Price	CUSIP*
2010	$ 5,000,000	.550%	100%	6055805D7
2011	5,000,000	1.535	100	6055805E5
2012	5,000,000	2.127	100	6055805F2
2013	16,130,000	2.848	100	6055805G0
2014	16,610,000	3.048	100	6055805H8
2015	17,150,000	3.348	100	6055805J4
2016	17,780,000	3.907	100	6055805K1
2017	18,525,000	4.304	100	6055805L9
2018	19,355,000	4.434	100	6055805M7
2019	20,235,000	4.484	100	6055805N5
2020	5,710,000	4.634	100	6055805P0

$189,180,000 5.539% Term Bond due October 1, 2029, Priced to Yield 100%, CUSIP* 6055805Q8

$120,000,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS, SERIES 2009E

MATURITY SCHEDULE

$120,000,000 6.089% Term Bond due October 1, 2032, Priced to Yield 100%, CUSIP* 6055804W6

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* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services.

STATE OF MISSISSIPPI

STATE BOND COMMISSION

HALEY BARBOUR — *Governor, Ex officio Chairman*
JIM HOOD — *Attorney General, Ex officio Secretary*
TATE REEVES— *State Treasurer, Ex officio Member*

DEPARTMENT OF FINANCE AND ADMINISTRATION

KEVIN J. UPCHURCH — *Executive Director*
FLIP PHILLIPS — *Deputy Executive Director*
LAURA JACKSON — *Director, Bond Advisory Division*

OFFICE OF THE ATTORNEY GENERAL

ROMAINE RICHARDS — *Special Assistant Attorney General*

OFFICE OF THE STATE TREASURER

LIZ WELCH — *Deputy Treasurer*
RICKY MANNING — *Director, Bond Division*

CO-BOND COUNSEL

BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, PC
Jackson, Mississippi

BUTLER, SNOW, O'MARA STEVENS & CANNADA, PLLC
Jackson, Mississippi

UNDERWRITERS' COUNSEL

WATKINS LUDLAM WINTER & STENNIS, PA
Jackson, Mississippi

NO DEALER, BROKER, SALES REPRESENTATIVE OR OTHER PERSON HAS BEEN AUTHORIZED BY THE STATE OF MISSISSIPPI, THE STATE BOND COMMISSION OF THE STATE OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED HEREIN IN CONNECTION WITH THE OFFERING OF THE SERIES 2009 TAXABLE BONDS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SERIES 2009 TAXABLE BONDS NOR SHALL THERE BE ANY SALE OF THE SERIES 2009 TAXABLE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE STATE AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. THE INFORMATION SET FORTH HEREIN CONCERNING DTC HAS BEEN FURNISHED BY DTC AND NO REPRESENTATION IS MADE BY THE STATE OR THE UNDERWRITERS AS TO THE ACCURACY OR COMPLETENESS THEREOF. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE STATE SINCE THE DATE HEREOF.

THIS OFFICIAL STATEMENT CONTAINS FORECASTS, PROJECTIONS AND ESTIMATES THAT ARE BASED ON EXPECTATIONS AND ASSUMPTIONS WHICH EXISTED AT THE TIME SUCH FORECASTS, PROJECTIONS AND ESTIMATES WERE PREPARED. IN LIGHT OF THE IMPORTANT FACTORS THAT MAY MATERIALLY AFFECT ECONOMIC CONDITIONS IN THE STATE, THE INCLUSION IN THIS OFFICIAL STATEMENT OF SUCH FORECASTS, PROJECTIONS AND ESTIMATES SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE STATE THAT SUCH FORECASTS, PROJECTIONS AND ESTIMATES WILL OCCUR. SUCH FORECASTS, PROJECTIONS AND ESTIMATES ARE NOT INTENDED AS REPRESENTATIONS OF FACT OR GUARANTEES OF RESULTS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2009 TAXABLE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2009 TAXABLE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2009 TAXABLE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE SERIES 2009 TAXABLE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, THEIR RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE CAPTIONS AND HEADINGS IN THIS OFFICIAL STATEMENT ARE FOR CONVENIENCE OF REFERENCE ONLY, AND IN NO WAY DEFINE, LIMIT OR DESCRIBE THE SCOPE OR INTENT, OR AFFECT THE MEANING OR CONSTRUCTION,

OF ANY PROVISION OR SECTIONS OF THIS OFFICIAL STATEMENT. THE OFFERING OF THE SERIES 2009 TAXABLE BONDS IS MADE ONLY BY MEANS OF THIS OFFICIAL STATEMENT.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: www.MuniOS.com. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IS PRINTED IN ITS ENTIRETY FROM SUCH WEBSITE.

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OFFICIAL STATEMENT SUMMARY

THE OFFERING

$335,675,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2009D

The Issuer	State of Mississippi (the "State").
Issue and Date	$335,675,000 State of Mississippi Taxable General Obligation Bonds, Series 2009D (the "Series 2009D Bonds"), dated day of delivery.
Authority	The Series 2009D Bonds will be issued pursuant to the provisions of Sections 65-4-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 27 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 57-1-16, Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 19 of House Bill 3 of the 2005 Third Extraordinary Session of the State Legislature, Section 3 of House Bill 1641, 2008 Regular Session of the State Legislature, and Section 1 of House Bill 35 of the 2009 Second Extraordinary Session of the State Legislature, Sections 69 2 1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 7 of House Bill 1641, 2008 Regular Session of the State Legislature, and Section 31 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 2 of Senate Bill 3201, 2007 Regular Session of the State Legislature, as amended by Section 25 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 31-17-151 *et. seq*., Mississippi Code of 1972, as amended and supplemented from time to time, Section 57-85-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, and Section 12 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 57-93-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, Sections 1 through 17 of House Bill 3, 2005 Third Extraordinary Session of the State Legislature, and Section 24 of House Bill 1722, 2009 Regular Session of the State Legislature, Sections 57-75-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including but not limited to Section 1 of House Bill 1628, 2009 Regular Session of the State Legislature, and Section 1 of Senate Bill 2605, 2009 Regular Session of the State Legislature and Sections 31-18-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time (collectively, the "Series 2009D Bonds Act").
Use of Proceeds	The Series 2009D Bonds are being issued for the purpose of providing funds to refinance certain short-term debt of the State, refinance certain variable rate debt of the State, fund various economic development loans, grants and programs in the State, finance the costs of certain capital improvements within the State and pay the costs incident to the sale, issuance and delivery of the Series 2009D Bonds, all as authorized under the Series 2009D Bonds Act.
Amounts and Maturities...........	The Series 2009D Bonds will mature on October 1 in the years and amounts as set forth on the inside cover page hereto.
Interest Payment Dates............	Interest on the Series 2009D Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2010.
Redemption Provisions	The Series 2009D Bonds will be subject to a make-whole and mandatory sinking fund redemption prior to their respective maturities (see "DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS - Redemption Provisions," herein).
Security for Payment................	Pursuant to the Series 2009D Bonds Act, the Series 2009D Bonds shall be general obligations of the State and are secured by a pledge of the full faith and credit of the State (see "DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS - Security," herein).
Tax Matters	**INTEREST ON THE SERIES 2009D BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.** In the opinion of Co-Bond Counsel, under the Series 2009D Bonds Act, the Series 2009D Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi (see "TAX MATTERS," herein).

The above information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, including the Appendices.

OFFICIAL STATEMENT SUMMARY

THE OFFERING

$120,000,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2009E

The Issuer	State of Mississippi (the "State").
Issue and Date	$120,000,000 State of Mississippi Taxable General Obligation Bonds, Series 2009E (the "Series 2009E Bonds"), dated day of delivery.
Authority	The Series 2009E Bonds will be issued pursuant to the provisions of Section 31-17-151 *et. seq*., Mississippi Code of 1972, as amended and supplemented from time to time, and Sections 57-75-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including but not limited to Section 1 of House Bill 1628, 2009 Regular Session of the State Legislature, and Section 1 of Senate Bill 2605, 2009 Regular Session of the State Legislature (collectively, the "Series 2009E Bonds Act").
Use of Proceeds.....................	The Series 2009E Bonds are being issued for the purpose of providing funds to refinance certain short-term debt of the State in connection with a project for Toyota Motor Manufacturing, Mississippi, Inc. (the "Toyota Project"), providing additional financing for the Toyota Project and paying the costs incident to the sale, issuance and delivery of the Series 2009E Bonds, as authorized by the Series 2009E Bonds Act.
Amounts and Maturities.....	The Series 2009E Bonds will mature on October 1 in the years and amounts as set forth on the inside cover page hereto.
Interest Payment Dates......	Interest on the Series 2009E Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2010.
Redemption Provisions.......	The Series 2009E Bonds will be subject to optional and mandatory sinking fund redemption prior to their respective maturities (see "DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS - Redemption Provisions," herein).
Security for Payment	Pursuant to the Series 2009E Bonds Act, the Series 2009E Bonds shall be general obligations of the State and are secured by a pledge of the full faith and credit of the State (see "DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS - Security," herein).
Tax Matters............................	**INTEREST ON THE SERIES 2009E BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.** In the opinion of Co-Bond Counsel, under the Series 2009E Bonds Act, the Series 2009E Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi (see "TAX MATTERS," herein).

The above information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, including the Appendices.

OFFICIAL STATEMENT

$335,675,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2009D

$120,000,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2009E

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover and the Appendices herein, is to set forth certain information concerning the State of Mississippi (the "State" or "Mississippi") and the State's $335,675,000 Taxable General Obligation Bonds, Series 2009D (the "Series 2009D Bonds") and $120,000,000 Taxable General Obligation Bonds, Series 2009E (the "Series 2009E Bonds" and together with the Series 2009D Bonds, the "Series 2009 Taxable Bonds").

DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS

General

The Series 2009 Taxable Bonds will be dated the day of their delivery, and will be issued as fully registered bonds in the denominations of $1,000 or any integral multiples thereof, bearing interest at the rates per annum set forth on the inside cover, payable on April 1 and October 1 of each year, commencing on April 1, 2010, and computed on the basis of a 360-day year consisting of twelve, thirty-day months. The State Treasurer of the State has been designated by the State Bond Commission of the State to serve as paying agent, transfer agent and registrar of the Series 2009 Taxable Bonds (the "Paying and Transfer Agent"). The Series 2009 Taxable Bonds will be general obligations of the State and the full faith and credit of the State shall be pledged as security for the payment of the principal of and the interest on the Series 2009 Taxable Bonds.

The Series 2009 Taxable Bonds initially will be held in a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"). Principal of and interest on the Series 2009 Taxable Bonds held in book-entry form shall be payable as described herein under the heading "DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS - Book-Entry-Only System."

The principal of and interest on, the Series 2009 Taxable Bonds will be payable by the Paying and Transfer Agent to DTC, which will in turn remit such principal and interest to its Direct Participants (as hereinafter defined) and Indirect Participants (as hereinafter defined), which will in turn remit such principal and interest to the Beneficial Owners of the Series 2009 Taxable Bonds. If the date for payment is not a business day, then the payment shall be made on the next succeeding business day with the same force and effect as if made on the payment date.

The Series 2009 Taxable Bonds will mature October 1 in the years and in the amounts set forth on the inside cover and in APPENDIX A herein.

INTEREST ON THE SERIES 2009 TAXABLE BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.

Series 2009D Bonds

The Series 2009D Bonds will be issued pursuant to the provisions of the Sections 65-4-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 27 of House Bill 1722, 2009 Regular Session of the State Legislature (the "Economic Development Highway Act"), Section 57-1-16, Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 19 of House Bill 3 of the 2005 Third Extraordinary Session of the State Legislature, Section 3 of House Bill 1641, 2008 Regular Session of the State Legislature, and Section 1 of House Bill 35 of the 2009 Second Extraordinary Session of the State Legislature (the "ACE Act"), Sections 69-2-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 7 of House Bill 1641, 2008 Regular Session of the State Legislature, and Section 31 of House Bill 1722, 2009 Regular Session of the State Legislature (the "Farm Reform Act"), Section 2 of Senate Bill 3201, 2007 Regular Session of the State Legislature, as amended by Section 25 of House Bill 1722, 2009 Regular Session of the State Legislature (the "Wireless Communications System Act"), Section 31-17-151 *et. seq*., Mississippi Code of 1972, as amended and supplemented from time to time (the "Temporary Borrowing Act"), Section 57-85-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, and Section 12 of House Bill 1722, 2009 Regular Session of the State Legislature (the "Rural Impact Act"), Section 57-93-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, Sections 1 through 17 of House Bill 3, 2005 Third Extraordinary Session of the State Legislature, and Section 24 of House Bill 1722, 2009 Regular Session of the State Legislature (the "Existing Industry Act"), Sections 57-75-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including but not limited to Section 1 of House Bill 1628, 2009 Regular Session of the State Legislature, and Section 1 of Senate Bill 2605, 2009 Regular Session of the State Legislature (the "Major Economic Impact Act") and Sections 31-18-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time (the "Variable Rate Act" and collectively with the Economic Development Highway Act, the ACE Act, the Farm Reform Act, the Wireless Communications System Act, the Temporary Borrowing Act, the Rural Impact Act, the Existing Industry Act and the Major Economic Impact Act, the "Series 2009D Bonds Act") and certain resolutions adopted by the State Bond Commission of the State (the "Series 2009D Resolution") for the purpose of refinancing certain short-term debt of the State, refinancing certain variable rate debt of the State, funding various economic development loans, grants and programs in the State, financing the costs of certain capital improvements within the State and paying the costs incident to the sale, issuance and delivery of the Series 2009D Bonds, all as authorized under the Series 2009D Bonds Act (see "DESCRIPTION OF THE PROJECTS - Series 2009D Bonds Projects," herein).

Series 2009E Bonds

The Series 2009E Bonds will be issued pursuant to the provisions of the Temporary Borrowing Act and the Major Economic Impact Act (the "Series 2009E Bonds Act" and together with the Series 2009D Bonds Act, the "Act") and certain resolutions adopted by the State Bond Commission of the State (the "Series 2009E Resolution" and together with the Series 2009D Resolution, the "Resolution") for the purpose of refinancing certain short-term debt of the State in connection with a project for Toyota Motor Manufacturing, Mississippi, Inc. (the "Toyota Project"), providing additional financing for the Toyota Project and paying the costs incident to the sale, issuance and delivery of the Series 2009E Bonds, as authorized by the Series 2009E Bonds Act (see "DESCRIPTION OF THE PROJECTS - Series 2009E Bonds Projects," herein).

Security

The Series 2009 Taxable Bonds will be general obligations of the State, and for the payment thereof, the full faith and credit of the State shall be irrevocably pledged. The Act provides that if the funds appropriated by the Legislature of the State shall be insufficient to pay the principal of and interest on the Series 2009 Taxable Bonds as they become due, the deficiency shall be paid by the State Treasurer from funds in the State Treasury not otherwise appropriated.

The qualified electors of the State of Mississippi voted in a general election held on November 7, 1995, to amend the Mississippi Constitution of 1890 (the "Constitution") to add the following new Section 172A (the "Amendment"):

> SECTION 172A. Neither the Supreme Court nor any inferior court of this state shall have the power to instruct or order the state or any political subdivision thereof, or an official of the state or any political subdivision, to levy or increase taxes.

The Amendment does not affect the State's underlying obligation to pay the principal of and interest on the Series 2009 Taxable Bonds as they mature and become due nor does it affect the State's obligation to levy a tax sufficient to accomplish that purpose. However, even though it appears that the Amendment was not intended to affect Bondholders' remedies in the event of a payment default, the Amendment potentially prevents Bondholders from obtaining a writ of mandamus to compel the levying of taxes to pay the principal of and interest on the Series 2009 Taxable Bonds in a court of the State of Mississippi. It is not certain whether the Amendment would affect the right of a Federal Court to direct the levy of a tax to satisfy a contractual obligation. Other effective remedies are available to the Bondholders in the event of a payment default with respect to the Series 2009 Taxable Bonds.

Redemption Provisions

Series 2009D Bonds. The Series 2009D Bonds will be subject to redemption prior to their respective maturities, at the option of the State, in whole or in part (and if in part, in denominations of $1000 or integral multiples thereof) at a redemption price equal to the Make-Whole Redemption Price.

The "Make-Whole Redemption Price" of any Series 2009D Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such Series 2009D Bonds; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2009D Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2009D Bonds are to be redeemed, discounted to the date on which such Series 2009D Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus (1) with respect to the Series 2009D Bonds maturing in years 2010–2020, 15 basis points, and (2) with respect to the Series 2009D Bonds maturing on October 1, 2029, 20 basis points; plus, in each case, accrued and unpaid interest on such Series 2009D Bonds on such redemption date.

The "Treasury Rate" is, as of any redemption date of any Series 2009D Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to such redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to the maturity date of such Series 2009D Bonds; provided, however, that if the period from such redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Make-Whole Redemption Price will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State to calculate such redemption price (the "Calculation Agent"). The determination by the Calculation Agent of the redemption price will be conclusive and binding on the State and the holders of the Series 2009D Bonds.

The Series 2009D Bonds maturing on October 1, 2029, (the "2009D Term Bonds"), in the aggregate principal amount of $189,180,000 are subject to mandatory sinking fund redemption, pro rata among the holders of the 2009D Term Bonds, at a redemption price equal to the par amount of the 2009D Term Bonds so redeemed plus accrued interest to the redemption date. The sinking fund installments set forth below represent the amount of principal that the State is required to pay on October 1 (the mandatory sinking fund redemption date) in each of the following years.

Year	**Sinking Fund Installment**
2021	$ 6,340,000
2022	7,205,000
2023	8,070,000
2024	26,180,000
2025	27,670,000
2026	29,240,000
2027	30,905,000
2028	32,665,000
2029*	20,905,000

*Final Maturity

Mandatory sinking fund redemption payments on the 2009D Term Bonds of a maturity will be made on a "pro rata" basis to each holder in whose name such 2009D Term Bond is registered at the close of business on the 15th day immediately preceding the applicable redemption date. "Pro rata" means, in connection with any mandatory sinking fund redemption, with respect to the allocation of amounts to the payment of sinking fund installments required to be made on 2009D Term Bonds of any maturity, the application of a fraction to such amounts, the numerator of which is equal to the amount of such 2009D Term Bonds of such maturity held by a holder of 2009D Term Bonds of such maturity, and the denominator of which is equal to the total amount of such 2009D Term Bonds of such maturity then outstanding.

So long as there is a securities depository for the Series 2009D Bonds, there will be only one registered owner and the State will not have responsibility for prorating partial redemptions among Beneficial Owners of the 2009D Term Bonds.

Series 2009E Bonds. The Series 2009E Bonds will be subject to redemption prior to their respective maturities, at the option of the State, on and after October 1, 2019, either in whole on any date, or in part on any interest payment date, as selected by the State among maturities and by lot within each maturity, at the principal amount thereof together with accrued interest to the date fixed for redemption and without premium.

The Series 2009E Bonds are subject to mandatory sinking fund redemption, pro rata among the holders of the Series 2009E Bonds, at a redemption price equal to the par amount of the Series 2009E Bonds so redeemed plus accrued interest to the redemption date. The sinking fund installments set forth below represent the amount of principal that the State is required to pay on October 1 (the mandatory sinking fund redemption date) in each of the following years.

Year	Sinking Fund Installment
2029	$12,625,000
2030	36,630,000
2031	38,910,000
2032*	31,835,000

*Final Maturity

Mandatory sinking fund redemption payments on the Series 2009E Bonds of a maturity will be made on a "pro rata" basis to each holder in whose name such Series 2009E Bond is registered at the close of business on the 15th day immediately preceding the applicable redemption date. "Pro rata" means, in connection with any mandatory sinking fund redemption, with respect to the allocation of amounts to the payment of sinking fund installments required to be made on Series 2009E Bonds of any maturity, the application of a fraction to such amounts, the numerator of which is equal to the amount of such Series 2009E Bonds of such maturity held by a holder of Series 2009E Bonds of such maturity, and the denominator of which is equal to the total amount of such Series 2009E Bonds of such maturity then outstanding.

So long as there is a securities depository for the Series 2009E Bonds, there will be only one registered owner and the State will not have responsibility for prorating partial redemptions among Beneficial Owners of the Series 2009E Bonds.

Notice of Redemption

Notice of the call for any redemption (which may be a conditional notice), identifying the Series 2009 Taxable Bonds (or any portions thereof in authorized denominations) to be redeemed, will be given by the State at least 30 days but not more than 45 days prior to the date fixed for redemption by mailing a copy of the redemption notice by registered or certified mail to the Underwriters and the registered owner of each Series 2009 Taxable Bond to be redeemed at the address shown on the records of the Paying and Transfer Agent. Failure to mail such notice to any particular owner of Series 2009 Taxable Bonds, or any defect in the notice mailed to any such owner of Series 2009 Taxable Bonds, will not affect the validity of any proceeding for the redemption of any other Series 2009 Taxable Bonds. So long as DTC or its nominee is the registered owner of the Series 2009 Taxable Bonds, notice of the call for any redemption will be given to DTC, and not directly to Beneficial Owners. See the caption, "DESCRIPTION OF THE SERIES 2009 TAXABLE BONDS -- Book-Entry-Only System."

Defeasance

Under the Resolution, Series 2009 Taxable Bonds for the payment of which sufficient moneys or, to the extent permitted by the laws of the State, (a) direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America or any of its agencies ("Government Obligations"), or (b) certificates of deposit fully secured by Government Obligations, or (c) evidences of ownership of proportionate interests in future interest or principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the Government Obligations and which Government Obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated, or (d) municipal obligations, the payment of the principal of, interest and redemption premium, if any, on which are irrevocably secured by Government Obligations and which Government Obligations are not subject to redemption prior to the date on which the proceeds attributable to the principal of such obligations are to be used and have been deposited in an escrow account which is irrevocably pledged to the payment of the principal of and interest and redemption premium, if any, on such municipal obligations (all of which collectively, with Government Obligations, "Defeasance Securities"), shall have been deposited with an escrow agent appointed for such purpose, which may be the Paying and Transfer Agent, all to the extent provided in the Resolution, shall be deemed to have been paid, shall cease to be entitled to any lien, benefit or security under the Resolution and shall no longer be deemed to be outstanding thereunder, and the registered owners shall have no rights in respect thereof except to receive payment of the principal of, premium, if any, and interest on such Series 2009 Taxable Bonds from the funds held for that purpose. Defeasance Securities shall be considered sufficient under the Resolution if said investments, with interest, mature and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay principal and premium, if any, when due on such Series 2009 Taxable Bonds.

Registration

Series 2009 Taxable Bonds Subject to the Book-Entry-Only System. For so long as DTC acts as securities depository for the Series 2009 Taxable Bonds, the registration and transfer of ownership interests in Series 2009 Taxable Bonds shall be accomplished by book entries made by DTC and the Direct Participants and, where appropriate, the Indirect Participants (as such terms are hereinafter defined), as described herein under the heading "DESCRIPTION OF THE SERIES 2009 Taxable Bonds-Book-Entry-Only System."

Series 2009 Taxable Bonds Not Subject to Book-Entry-Only System. Should the Series 2009 Taxable Bonds no longer be held in book-entry form, each Series 2009 Taxable Bond shall be thereafter evidenced by a bond certificate in fully registered form and transferable only upon the registration records of the State maintained by the Paying and Transfer Agent, by the registered owner thereof or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Paying and Transfer Agent, duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any Series 2009 Taxable Bond, the State shall issue, in the name of the transferee, a new Series 2009 Taxable Bond or Series 2009 Taxable Bonds of the same interest rate and maturity of like tenor and effect in any authorized denomination equal to the unpaid principal amount of the surrendered Series 2009 Taxable Bond.

Series 2009 Taxable Bonds, upon surrender thereof at the Office of the State Treasurer with a written instrument of transfer satisfactory to the Paying and Transfer Agent duly executed by the registered owner or his duly authorized attorney, may be exchanged for a principal amount of Series 2009 Taxable Bonds of the same interest rate and maturity and of like tenor and effect in any authorized denomination equal to the unpaid principal amount of the surrendered Series 2009 Taxable Bonds. The Paying and Transfer Agent will not be required to register the transfer of or exchange any Series 2009 Taxable Bond after the mailing of notice calling such Series 2009 Taxable Bond for redemption has been given as provided in the Resolution, nor during the period of 15 days next preceding the giving of such notice of redemption.

Book-Entry-Only System

Unless and until the book-entry-only system has been discontinued, the Series 2009 Taxable Bonds will be available only in book-entry form in principal amounts of $1,000 or any integral multiple thereof. DTC will initially act as securities depository for the Series 2009 Taxable Bonds. The Series 2009 Taxable Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2009 Taxable Bond will be issued for each maturity of the Series 2009 Taxable Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial

Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009 Taxable Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Taxable Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009 Taxable Bond (each, a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Taxable Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009 Taxable Bonds, except in the event that use of the book-entry system for the Series 2009 Taxable Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Taxable Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009 Taxable Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Taxable Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Taxable Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2009 Taxable Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2009 Taxable Bonds, such as defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of the Series 2009 Taxable Bonds may wish to ascertain that the nominee holding the Series 2009 Taxable Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2009 Taxable Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC will mail an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Taxable Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal payments on the Series 2009 Taxable Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State or the Paying and Transfer Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying and Transfer Agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying and Transfer Agent and the State, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants and not the responsibility of the State.

DTC may discontinue providing its services as securities depository with respect to the Series 2009 Taxable Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009 Taxable Bonds in definitive form are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2009 Taxable Bonds in definitive form will be printed and delivered.

THE STATE CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2009 TAXABLE BONDS (a) PAYMENTS OF PRINCIPAL OR INTEREST ON THE SERIES 2009 TAXABLE BONDS; (b) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2009 TAXABLE BONDS; OR (c) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2009 TAXABLE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (a) THE SERIES 2009 TAXABLE BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (c) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF ON THE SERIES 2009 TAXABLE BONDS; (d) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY

NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OF THE SERIES 2009 TAXABLE BONDS; OR (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE SERIES 2009 TAXABLE BONDS.

The information in this section and elsewhere in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

DESCRIPTION OF THE PROJECTS

Series 2009D Bonds Projects

The Series 2009D Bonds are being issued for the purpose of providing funds: (a) to refinance a portion of the $176,600,000 State of Mississippi Taxable General Obligation Note (Mississippi Major Economic Impact Act Issue), Series 2008 (the "Series 2008 Note"), in the amount of $86,600,000, pursuant to the provisions of the Temporary Borrowing Act and the Major Economic Impact Act, (b) to refinance the $64,500,000 State of Mississippi Taxable General Obligation Note (Economic Development Issue), Series 2009A (the "Series 2009A Note"), pursuant to the provisions of the Temporary Borrowing Act, the Wireless Communications System Act, the Existing Industry Act and the Major Economic Impact Act, (c) to finance expenses incurred by the Mississippi Department of Transportation or a political subdivision of the State in constructing and improving highways and highway segments necessary to promote, attract and secure industrial and other significant development in the State which demonstrate actual and immediate potential for the creation or expansion of major industry or other significant development which is heavily dependent upon the use of and direct access to primary highways, in the amount of $15,000,000, pursuant to the provisions of the Economic Development Highway Act, (d) to fund a grant program to make grants to local economic development entities to assist in maximizing extraordinary economic development opportunities related to a new or expanding business or industry, in the amount of $14,000,000, pursuant to the provisions of the ACE Act, (e) to assist in providing financing for minority economic development, in the amount of $1,000,000, pursuant to the provisions of the Farm Reform Act, (f) to finance the construction, maintenance and operation of a statewide wireless communications system, including, but not limited to, design and other engineering services, purchase of equipment, purchase and lease of real property, rent or lease of tower space, personnel and other associated project costs, in the amount of $35,000,000, pursuant to the provisions of the Wireless Communications System Act, (g) to fund grants, loans and loan guaranties through the Mississippi Rural Impact Fund established in Section 57-85-5 of the Rural Impact Act, in the amount of $1,000,000, pursuant to the provisions of the Rural Impact Act, (h) to fund loans to existing industries to deploy long-term fixed assets that through new technology will improve productivity and competitiveness, in the amount of $10,000,000, pursuant to the provisions of the Existing Industry Act, (i) to provide financing for a project for PACCAR Inc., in the amount of $11,800,000, pursuant to the provisions of Sections 57-75-15(3)(u) and 57-75-5(f)(xxii) of the Major Economic Impact Act, (j) to provide financing for a project for Cooper Tire & Rubber Company, in the amount of $2,000,000, pursuant to the provisions of Sections 57-75-15(3)(w) and 57-75-5(f)(xxiv) of the Major Economic Impact Act, (k) to provide financing for a project for Alliant Techsystems, Inc. (ATK), in the amount of $25,000,000, pursuant to the provisions of Sections 57-75-15(3)(x) and 57-75-5(f)(xxv) of the Major Economic Impact Act, (l) to refinance $69,365,000 of the outstanding State of Mississippi Taxable General Obligation Bonds (Nissan North America, Inc. Project), Series 2003B (the "Series 2003B Bonds"), dated as of November 25, 2003, currently outstanding in the amount of $123,085,000, pursuant to the provisions of the Major Economic Impact Act, the Variable Rate Act, a resolution of the State Bond Commission of the State adopted on November 6, 2003 in connection with the Series 2003B Bonds and a Trust Indenture, dated as of November 1, 2003, in connection with the Series 2003B Bonds (paragraphs (a) through (l) herein collectively, the "Series 2009D Bonds Projects"), and (k) to pay the costs incident to the sale and issuance of the Series 2009D Bonds.

Series 2009E Bonds Projects

The Series 2009E Bonds are being issued for the purpose of providing funds (a) to refinance a portion of the Series 2008 Note, in the amount of $90,000,000, pursuant to the provisions of the Temporary Borrowing Act and the Major Economic Impact Act, (b) to provide additional financing for the Toyota Project, in the amount of $30,000,000, pursuant to the provisions of Sections 57-75-15(3)(s), 57-75-15(3)(t) and 57-75-5(f)(xxi) of the Major Economic Impact Act (the "Series 2009E Bonds Projects" and together with the Series 2009D Bonds Projects, the "Projects"), and (c) to pay the costs incident to the sale and issuance of the Series 2009E Bonds.

SERIES 2009F BONDS AND SERIES 2009G BONDS

Contemporaneously with the sale and issuance of the Series 2009 Taxable Bonds, the State is planning to issue (i) its $64,415,000 General Obligation Refunding Bonds, Series 2009F (Tax-Exempt) (the "Series 2009F Bonds") for the purpose of currently refunding $72,510,000 of the State's Variable Rate General Obligation Capital Improvements Bonds, Series 2003E, dated December 30, 2003, issued in the original principal amount of $94,595,000 and currently outstanding in the principal amount of $76,510,000 (the "Series 2003E Bonds") and paying the costs incident to the sale and issuance of the Series 2009F Bonds, and (ii) its $98,300,000 General Obligation Build America Bonds, Series 2009G (Direct Payment – Federally Taxable) (the "Series 2009G Bonds" and together with the Series 2009D Bonds, the Series 2009E Bonds and the Series 2009F Bonds, the "Series 2009 Bonds") for the purpose of financing the costs of certain capital improvements within the State and paying of the costs incident to the sale and issuance of the Series 2009G Bonds. **The issuance of the Series 2009F Bonds and the Series 2009G Bonds is not reflected in this Official Statement.**

SOURCES AND USES OF FUNDS

The following are summaries of the estimated sources and uses of proceeds of the Series 2009 Taxable Bonds and certain other funds.

SERIES 2009D BONDS

Sources	
Par Amount of Series 2009D Bonds	$ 335,675,000.00
Total Sources	$ 335,675,000.00
Uses	
For Costs of the Series 2009D Bonds Projects	$ 333,381,214.64
For Costs of Issuance[1]	2,293,785.36
Total Uses	$ 335,675,000.00

SERIES 2009E BONDS

Sources	
Par Amount of Series 2009E Bonds	$ 120,000,000.00
Total Sources	$ 120,000,000.00
Uses	
For Costs of the Series 2009E Bonds Projects	$ 119,014,412.00
For Costs of Issuance[1]	985,588.00
Total Uses	$ 120,000,000.00

[1] Includes, among other expenses, underwriters' discount and legal fees. Payment of such fees is contingent upon the issuance of the Series 2009 Taxable Bonds.

DEBT STRUCTURE AND CHARACTERISTICS

General

All debt of the State must be authorized by legislation governing the specific programs or projects to be financed. Such legislation, in most instances, provides the State Bond Commission authority to approve and authorize the sale and issuance of State debt. The State Bond Commission is comprised of the Governor as Ex officio Chairman, the Attorney General as Ex officio Secretary and the State Treasurer as an Ex officio Member.

Short Term Indebtedness

The State has never issued tax anticipation notes. The State Bond Commission, acting on behalf of the State, is authorized to issue in any given fiscal year general obligation short term notes in an amount not to exceed 7.5% of the total appropriation made by the Legislature in such fiscal year. Such short-term notes may be issued for the purpose of offsetting any temporary cash flow deficiencies in the State's General Fund and to maintain a working balance therein. No such debt is presently outstanding.

The State Bond Commission also has the authority to establish lines of credit to provide temporary financing for certain projects for which the State Bond Commission is authorized to issue bonds. In October 2005, the authority to establish a line of credit was expanded by the State legislature so as to provide the State Bond Commission with the authority to obtain a line of credit in an amount not to exceed $500,000,000 in the event it is determined by the State Fiscal Officer and the State Treasurer that there are insufficient funds to cover deficiencies in the General Fund, the State is unable to repay its special fund borrowing or there are insufficient funds for disaster support and/or assistance due to Hurricanes Katrina and/or Rita. At present, the State Bond Commission has not obtained such a line of credit.

Similarly, the State Bond Commission is authorized to provide temporary financing for various capital and economic development projects through the sale and issuance of short-term notes. On October 30, 2008, the State issued its $176,600,000 Taxable General Obligation Note (Mississippi Major Economic Impact Act Issue), Series 2008 which will mature on October 30, 2009. The Series 2008 Note is being refinanced with a portion of the proceeds of the Series 2009D Bonds in the amount of $86,600,000 and the Series 2009E Bonds in the amount of $90,000,000. On May 19, 2009, the State issued its $64,500,000 Taxable General Obligation Note (Economic Development Issue), Series 2009A which will mature on October 30, 2009. The Series 2009A Note is being refinanced with a portion of the proceeds of the Series 2009D Bonds in the amount of $64,500,000. The State presently has $241,100,000 in short-term notes outstanding.

In April 2006, the State Bond Commission established the framework for an ongoing $250 million Commercial Paper Program (the "CP Program") in the form of a capital asset program term extendible note shelf (CAPTENS). The extendible notes (the "CP Notes") are secured by the full faith and credit pledge of the State. Note proceeds will be used to fund hurricane recovery (in an amount not to exceed $150 million), capital improvement projects, and economic development projects (in a combined amount not to exceed $100 million). As of August 1, 2009, the State has no outstanding CP Notes under the CP Program.

Long Term Indebtedness

The State's long-term indebtedness is composed of general obligation and revenue bonds issued to finance specific programs and projects. As used in this Official Statement, the terms Gross Debt, Gross Direct Debt and Net Direct Debt are part of the State's long-term debt and have the following meanings.

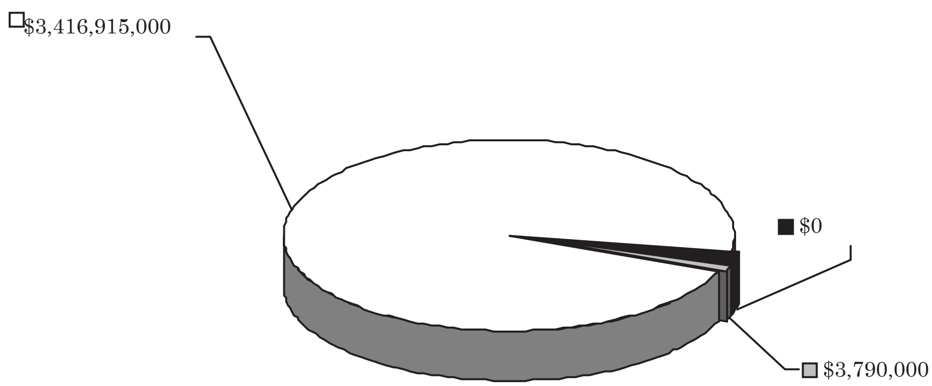
"Gross Debt" means all bonded debt of the State, both general obligation bonds and revenue bonds.

"Gross Direct Debt" means only bonded debt of the State to which the full faith, credit and taxing power of the State is pledged.

"Net Direct Debt" means that amount of Gross Direct Debt, which is serviced only by appropriations from the State's General Fund or by specific sources of revenue, which would otherwise accrue to the State's General Fund except for the servicing of such debt.

Gross Debt as of August 1, 2009

$3,420,705,000



A = Revenue Bonds
B = Self-Supporting General Obligation Bonds
C = General Obligation Bonds Payable from General Fund or General Fund Revenues

Gross Debt = A+B+C or $3,420,750,000
Gross Direct Debt=Gross Debt - A or $3,420,705,000
Net Direct Debt = Gross Direct Debt - B or $3,416,915,000

Source: Mississippi Treasury Department and the Department of Finance and Administration.

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The following table summarizes the outstanding principal amount of debt.

STATE OF MISSISSIPPI
LONG TERM INDEBTEDNESS[1]
August 1, 2009

State of Mississippi Bonds		
General Obligation Bonds Payable from General Fund or General Fund Revenues	$3,416,915,000	
Self-Supporting General Obligation Bonds	3,790,000	
Revenue Bonds	0	
GROSS DEBT		$3,420,705,000
DEDUCTIONS:		
Revenue Bonds		
	$ 0	
Subtotal		0
GROSS DIRECT DEBT		$3,420,705,000
Self-Supporting General Obligation Bonds[2]		
Deer Island Project	$ 3,790,000	
Subtotal		3,790,000
NET DIRECT DEBT		$3,416,915,000

(1) Does not include the effects of the Series 2009 Bonds.

(2) Consists of debt not currently being paid from General Fund revenues (or revenues which would otherwise accrue to the General Fund except for the servicing of such debt) but which is secured by the full faith and credit of the State.

Source: Mississippi Treasury Department and the Department of Finance and Administration.

Self-Supporting Debt Structure and Characteristics

Of the Gross Direct Debt outstanding as of August 1, 2009, $3,790,000 is payable from user-fee revenues, specific project revenues and certain other Special Fund receipts pledged to the payment of principal of and interest on such bonds. Except for $1,297,000 in fiscal year 1990 and $940,500 in fiscal year 1991 paid from the General Fund for the Port Improvement Bonds (Gulfport), all of this debt has been paid from such revenue sources and has not required the use of General Fund revenues. The $3,790,000 represents indebtedness incurred to provide funds to finance the acquisition, reclamation and preservation of Deer Island.

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Outstanding Long Term Indebtedness

The following table shows a recent historical summary of the outstanding long term indebtedness of the State.

HISTORICAL SUMMARY OF OUTSTANDING LONG TERM INDEBTEDNESS

As of July 1	Gross Debt	Revenue Bond Debt	Gross Direct Debt	Self-Supporting General Obligation Debt	General Net Direct Debt
1989	$ 532,617,308	$190,019,908	$ 342,597,400	$114,576,000	$ 228,021,400
1990	589,121,708	181,814,908	407,306,800	99,076,000	308,230,800
1991	647,951,023	161,890,823	486,060,200	94,025,000	392,035,200
1992	656,062,671	130,106,671	525,956,000	86,170,000	439,786,000
1993	696,023,667	103,767,467	592,256,200	74,082,000	518,174,200
1995	1,032,382,800	1,200,000	1,031,182,800	63,715,000	967,467,800
1996	1,254,029,200	1,125,000	1,252,904,200	50,976,000	1,201,928,200
1997	1,406,933,600	1,045,000	1,405,888,600	37,890,000	1,367,998,600
1998	1,636,511,000	960,000	1,635,551,000	24,352,000	1,611,199,000
1999	2,160,906,000	200,870,000	1,960,036,000	60,231,000	1,899,805,000
2000	2,268,773,000	183,680,000	2,085,093,000	55,007,000	2,030,086,000
2001	2,405,347,000	166,205,000	2,239,142,000	49,890,000	2,189,252,000
2002	2,455,148,000	151,090,000	2,304,058,000	44,580,000	2,259,478,000
2003	2,693,739,000	132,820,000	2,560,919,000	46,990,000	2,513,929,000
2004	3,112,850,000	112,810,000	3,000,040,000	43,550,000	2,956,490,000
2005	3,066,040,000	91,995,000	2,974,045,000	39,955,000	2,934,090,000
2006	3,094,325,000	70,320,000	3,024,005,000	36,605,000	2,987,400,000
2007	3,140,150,000	47,880,000	3,092,270,000	34,070,000	3,058,200,000
2008	3,365,750,000	24,460,000	3,341,290,000	31,435,000	3,309,855,000
2009	3,426,630,000	0	3,426,630,000	3,790,000	3,422,840,000

Source: Mississippi Treasury Department and the Department of Finance and Administration.

GENERAL FUND DEBT SERVICE AS A PERCENTAGE OF GENERAL FUND REVENUES[(1)]

Fiscal Year	General Fund Revenues	General Fund Debt Service	General Obligation Debt Service as a Percent of Revenues
1989	$1,769,796,668	$ 17,890,101	1.01%
1990	1,826,063,800	19,399,300	1.06
1991	1,901,436,401	17,764,854	.93
1992	1,968,552,999	26,199,212	1.33
1993	2,147,427,782	32,853,311	1.53
1994	2,392,924,825	39,695,248	1.66
1995	2,624,245,928	52,462,902	2.00
1996	2,701,640,361	70,798,667	2.62
1997	2,862,296,288	98,066,242	3.43
1998	3,049,369,051	107,748,869	3.53
1999	3,280,757,800	134,428,335	4.09
2000	3,372,794,700	155,350,600	4.60
2001	3,443,572,800	174,606,700	5.07
2002	3,394,038,459	201,354,922	5.93
2003	3,485,864,660	209,952,370	6.02
2004	3,602,777,744	211,698,033	5.88
2005	3,930,938,591	244,395,039	6.22
2006	4,332,615,923	273,513,566	6.31
2007	4,789,398,828	212,707,963[(2)]	4.44
2008	4,936,891,193	322,597,871[(3)]	6.53
2009	4,728,439,756	295,597,871[(4)]	6.25

(1) Represents all debt service paid from the State's General Fund for the years provided.
(2) During fiscal year 2007, $100 million of debt service normally funded through General Fund appropriation was funded by the proceeds from the issuance of Gulf Tax Credit Bonds in October 2006.
(3) Includes a deficit appropriation of $34 million.
(4) Includes a deficit appropriation of $7 million.

Source: Mississippi Treasury Department and the Department of Finance and Administration.

Long Term Debt Ratios

The following table presents the State's long term debt ratios as of August 1, 2009.

As of August 1, 2009	Amount	Debt Per Capita[1]	Debt to Assessed Valuation[2]	Debt to Estimated Full Valuation[3]	Debt to Personal Income[4]
Gross Debt	$3,420,705,000	$1,202.36	39.91%	4.94%	5.75%
Net Direct Debt	3,416,915,000	1,201.02	39.86	4.93	5.75

(1) Based on 2000 estimated population of 2,845,000. Source: U.S. Department of Commerce, Bureau of the Census.
(2) Based on 2000 assessed valuation of $8,571,674,214 (Real Property tax roll). Source: Mississippi State Tax Commission, Ad Valorem Division.
(3) Based on 2000 full valuation of $69,295,899,738 (Real Property tax roll). Source: Mississippi State Tax Commission, Ad Valorem Division.
(4) Based on 2000 estimated total personal income of $59,467,235,000. Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table presents the recent history of the State's bonded indebtedness as of July 1 of each year.

HISTORICAL GENERAL OBLIGATION BONDED DEBT OUTSTANDING AND DEBT RATIOS SINCE 2000

As of July 1	Outstanding	Debt Per Capita	Debt to Assessed Valuation	Debt to Estimated Full Valuation	Debt to Personal Income
2009					
Gross Debt	$3,426,630,000	$1,204.44	39.98%	4.94%	5.76%
Net Direct Debt	3,422,840,000	1,203.11	39.93	4.94	5.76
2008					
Gross Debt	$3,365,750,000	$1,183.04	39.27%	4.86%	5.66%
Net Direct Debt	3,309,855,000	1,163.39	38.61	4.78	5.57
2007					
Gross Debt	3,140,150,000	1,103.74	36.60	4.53	5.28
Net Direct Debt	3,058,200,000	1,074.94	35.70	4.41	5.14
2006					
Gross Debt	3,094,325,000	1,087.64	36.10	4.47	5.20
Net Direct Debt	2,987,400,000	1,050.05	34.90	4.31	5.00
2005					
Gross Debt	3,066,040,000	1,077.69	35.77	4.42	5.16
Net Direct Debt	2,934,090,000	1,031.31	34.23	4.23	4.93
2004					
Gross Debt	3,112,850,000	1,094.15	36.32	4.49	5.23
Net Direct Debt	2,956,490,000	1,039.19	34.49	4.27	4.97
2003					
Gross Debt	2,702,184,000	949.80	31.52	3.90	4.54
Net Direct Debt	2,520,369,000	885.89	29.40	3.64	4.24
2002					
Gross Debt	2,651,818,000	932.10	30.94	3.83	4.46
Net Direct Debt	2,455,148,000	862.97	28.64	3.54	4.13
2001					
Gross Debt	2,405,347,000	845.46	28.06	3.47	4.05
Net Direct Debt	2,189,252,000	769.51	25.54	3.16	3.68
2000					
Gross Debt	2,268,773,000	797.46	26.47	3.27	3.82
Net Direct Debt	2,030,086,000	713.56	23.68	2.93	3.41

Source: Mississippi State Tax Commission and the Department of Finance and Administration.

Lease Purchase Agreements

Pursuant to authority granted the State by Section 31-7-10, Mississippi Code of 1972, as amended (the "Lease Purchase Act"), the Department of Finance and Administration has entered into a master lease purchase agreement to finance new equipment leased by various agencies, boards, departments and commissions of the State (the "Agency Leases"). The Agency Leases require the State to make periodic payments of rent sufficient to pay the principal and interest due thereunder. The lease payments are subject to annual appropriation and are not a full faith and credit obligation of the State. The State Bond Commission has authorized the State, through the Department of Finance and Administration, to enter into Agency Leases in an amount not to exceed $65,000,000 to be outstanding at any one time. There was an outstanding balance under the Agency Leases at August 31, 2009 of $44,513,707.31.

Under the Lease Purchase Act, the Department of Finance and Administration is also authorized to enter into lease purchase agreements (the "School Leases" and "Community College Leases") to finance equipment to be subleased by school districts and community colleges in the State (the "Subleases"). The School Leases require the State to make periodic payments of rent sufficient to pay the principal and interest due thereunder (the "Lease Payments"). The Subleases require the school districts and community colleges to make payments to the State sufficient to make the Lease Payments. The Lease Payments are subject to annual appropriation and are not a full faith and credit obligation of the State. The State Bond Commission has authorized the State, through the Department of Finance and Administration, to enter into School Leases and Community College Leases in an amount not to exceed $50,000,000 to be outstanding at any one time. There was an outstanding balance under the School Leases at August 31, 2009 of $6,352,077.66 and an outstanding balance under the Community College Leases of $2,010,875.85.

Certificates of Participation

Pursuant to Senate Bill 2282, Mississippi Legislature, Regular Session 1993, certificates of participation representing fractional and proportionate undivided interests in a Lease and Option to Purchase (the "Rehab Lease") by and between Bank of Mississippi, Jackson, Mississippi, as lessor, and the State, as lessee, in the principal amount of $10,570,000 were issued on August 1, 1993 to finance the acquisition and improvement of a building to be occupied by the State's Department of Rehabilitation Services. In connection with the refunding of outstanding amounts under the Rehab Lease, the Rehab Lease has been amended and restated and assigned to secure the payment of the $7,215,000 Mississippi Development Bank Special Obligation Bonds, Series 2004 (Mississippi Department of Rehabilitation Services Refunding Project).

Sections 47-5-1201 *et seq*., Mississippi Code of 1972, created the State Prison Emergency Construction and Management Board (the "Board") for the purpose of expediting the contracting and construction of public and private prison facilities in the State of Mississippi and the removal of State inmates from county jails. The Board entered into a Lease and Option to Purchase by and between the Marshall County Correctional Facilities Financing Corporation (the "Marshall County Lease"), as lessor, and the State, as lessee, in the principal amount of $24,215,000, on June 1, 1995 to finance the construction and equipping of a 1,000-bed correctional facility to be located in Marshall County. In connection with the refunding of outstanding amounts under the Marshall County Lease, the Marshall County Lease has been amended and restated and assigned to secure the payment of the $21,330,000 Mississippi Development Bank Special Obligation Bonds, Series 2008C (MDOC – Marshall County Correctional Facility Refunding Bonds Project).

Section 47-5-941 of the Mississippi Code of 1972 authorizes the Wilkinson County Industrial Development Authority (the "Wilkinson Authority") to contract with the Mississippi Department of Corrections, acting for and on behalf of the State ("MDOC"), for the private incarceration of inmates of the State. The Wilkinson Authority entered into a Lease-Purchase Agreement, dated as of

December 1, 1996, with MDOC (the "Wilkinson County Lease") in the principal amount of $31,435,000 to finance the construction of a 500-cell correctional facility to be located in Wilkinson County. In connection with the refunding of outstanding amounts under the Wilkinson County Lease, the Wilkinson County Lease has been amended and restated and assigned to secure the payment of the $21,375,000 Mississippi Development Bank Special Obligation Bonds, Series 2008D (MDOC - Wilkinson County Correctional Facility Refunding Bonds Project).

House Bill 1719, Local and Private Laws of the 1996 Regular Session of the Mississippi Legislature authorized the Board of Supervisors of Lauderdale County, Mississippi to create the East Mississippi Correctional Facility Authority (the "East Mississippi Authority") for the purpose of contracting with MDOC for the private incarceration of inmates of the State. The East Mississippi Authority entered into a Lease-Purchase Agreement, dated as of December 15, 1997, with MDOC (the "East Mississippi Lease") in the principal amount of $34,520,000 to finance the construction of a 500-cell correctional facility to be located in Lauderdale County. In 2007, the East Mississippi Lease was amended to cover a 500-cell expansion of the facility and bonds were issued in the principal amount of $39,000,000 to finance such expansion. In connection with the refunding of the outstanding amounts under the East Mississippi Lease, the East Mississippi Lease has been amended and restated and assigned to secure the payment of the $69,860,000 Mississippi Development Bank Special Obligation Bonds, Series 2008B (MDOC - East Mississippi Correctional Facility Refunding Bonds Project).

The obligations of the State to make rental payments under the Rehab Lease, the Marshall County Lease, the Wilkinson County Lease and the East Mississippi Lease are subject to annual appropriation and do not constitute general obligations or a pledge of the full faith and credit of the State or any political subdivision or agency thereof with the meaning of any constitutional or statutory provision or limitation.

Debt Limitation

Section 115, Paragraph 2 of the Mississippi Constitution of 1890 provides:

> "Neither the State nor any of its direct agencies, excluding the political subdivisions and other local districts, shall incur a bonded indebtedness in excess of one and one-half (1½) times the sum of all the revenue collected by it for all purposes during any one of the preceding four fiscal years, whichever year might be higher."

In accordance with current practice and interpretation, revenues included in the foregoing debt limitation are restricted to the following General Fund revenues and Special Fund receipts: taxes; license fees and permits; investment income and rents; service charges, including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of August 1, 2009, the State's Gross Debt was $3,420,705,000. The following table shows the State's constitutional debt limit for the previous six years and forecasts the State's constitutional debt limit for fiscal year 2009 and the next four years.

Fiscal Year Ending June 30	Revenues[1]	Constitutional Debt Limit
2002	$5,405,987,754	$ 8,108,981,631
2003	5,619,369,694	8,429,054,541
2004	5,754,774,800	8,632,162,200
2005	6,604,380,600	9,906,570,900
2006	7,286,840,900	10,930,261,350
2007	8,006,244,243	12,009,366,365
2008	8,345,851,890	12,518,777,835
2009[2]	8,512,768,928	12,956,935,059
2010[2]	8,683,024,306	13,410,427,786
2011[2]	8,856,684,792	13,879,792,759
2012[2]	9,033,818,488	14,365,585,505
2013[2]	9,214,494,858	14,868,380,998

(1) Figures represent budgetary basis of revenues.
(2) Assumes a 2.0% growth in Revenue.

Source: Department of Finance and Administration.

Annual Debt Service Requirements on Net Direct General Obligation Bonded Debt

The following table shows the annual debt service requirements on the State's Net Direct Debt as of August 1, 2009.

Fiscal Year Ending June 30	Principal[1]	Interest[1]	Total Annual Debt Service[1]
2010	$503,015,000	$138,891,357	$641,906,357
2011	272,895,000	120,539,838	393,434,838
2012	262,660,000	107,582,539	370,242,539
2013	239,760,000	95,569,934	335,329,934
2014	238,340,000	84,071,918	322,411,918
2015	231,415,000	72,721,483	304,136,483
2016	214,785,000	61,948,225	276,733,225
2017	222,065,000	51,451,578	273,516,578
2018	177,195,000	42,123,432	219,318,432
2019	168,125,000	34,625,206	202,750,206
2020	138,455,000	28,300,250	166,755,250
2021	124,540,000	23,134,409	147,674,409
2022	113,670,000	18,597,665	132,267,665
2023	104,775,000	14,671,327	119,446,327
2024	97,280,000	11,197,481	108,477,481
2025	80,155,000	8,156,445	88,311,445
2026	83,590,000	4,296,525	87,886,525
2027	63,550,000	3,932,184	67,482,184
2028	53,010,000	1,211,077	54,221,077
2029	27,635,000	217,875	27,852,875
TOTAL	$ 3,416,915,000	$ 923,240,748	$ 4,340,155,748

(1) Of the principal amounts outstanding, $480,115,000 has been issued as variable rate debt, therefore the interest due is indeterminable at this time and is not reflected in this table. $141,875,000 of the principal amounts are being converted to fixed rate debt in connection with the issuance of the Series 2009D Bonds and the Series 2009F Bonds.

Source: Mississippi Treasury Department and the Department of Finance and Administration.

Moral Obligation Bonds

The Mississippi Development Bank (the "Development Bank"), a body corporate and politic of the State, has issued various series of Mississippi Development Bank Special Obligation Bonds (the "Development Bank Bonds") which carry a pledge of the moral obligation of the State. The Development Bank Bonds are issued pursuant to the terms and provisions of Sections 31-25-1 et seq., Mississippi Code of 1972, as amended (the "Bank Act"). The Bank Act provides that, in order to assure the maintenance of the debt service reserve requirement in a debt service reserve fund for

Development Bank Bonds carrying the moral obligation pledge of the State, the Legislature of the State may appropriate to the Development Bank for deposit in any such debt service reserve fund such sum as necessary to restore such debt service reserve fund to the debt service reserve requirement. As required by the Bank Act, any such amount must be certified by the Development Bank on or before January 1 of any year to the Governor of the State and then as required by the Bank Act transmitted by a request from the Governor to the Legislature of the State.

Nothing in these provisions or any other provision of the Bank Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Development Bank or in connection with any Development Bank Bonds. There is no assurance under the Bank Act (a) that the request by the Governor transmitted to the Legislature of the State, stating the amount of a deficiency in any debt service reserve fund, would be taken up for consideration by the Legislature of the State, (b) that upon consideration of any such request, the Legislature would determine to appropriate funds to reduce or eliminate such deficiency, or (c) that in the event the Legislature determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. As of the date hereof, no such request has ever been made by the Development Bank to fund any debt service reserve fund on Development Bank Bonds carrying the State's moral obligation pledge.

As of September 1, 2009, the Development Bank Bonds carrying a moral obligation pledge of the State totaled $1,033,130,000. Except for these Development Bank Bonds, no bonds of the State are outstanding as of the date of this Official Statement which carry a statutory pledge of moral obligation or which contemplate the appropriation by the Legislature of any amount as may be necessary to make up any deficiency in the debt service reserve.

Record of No Default

There is no record of any default on general obligations of the State as to payment of either principal or interest during the last 100 years.

Annual Debt Service Requirements

Annual debt service requirements are set forth in detailed schedules for the State's indebtedness commencing on page A-3 of APPENDIX A.

Bond Ratings

Standard & Poor's Credit Market Services, a division of The McGraw Hill Companies, Inc. ("S&P"), Fitch Ratings ("Fitch") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "AA," "AA," and "Aa3," respectively, to the Series 2009 Taxable Bonds. An explanation of the significance of such ratings may be obtained from the agencies which assigned the ratings.

There is no assurance that present or future ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of any or all of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the Series 2009 Taxable Bonds.

FISCAL OPERATIONS OF THE STATE

The Budgetary Process

Capital Improvement Budget. Beginning in mid-spring, the Office of Building, Grounds and Real Property Management performs on-site visits, touring and inspecting every State building, facility and campus, noting problems and seeing first-hand the requested and necessary projects.

The projects are placed into priority guidelines as to the projects (i) preserving and improving the quality of human life, (ii) protecting existing capital investment, (iii) supporting education to compete in the global economy, (iv) providing resources to maintain or gain specific accreditations, and (v) maximizing the State's fiscal opportunities. After consideration, these projects are included in a five-year capital improvement plan and presented to the Legislature for consideration. Funding is requested for a single year, with projections for the succeeding four years presented for information purposes only.

Operating Budget Preparation. The State operates on a fiscal year beginning July 1 and ending June 30. The budget cycle begins on or about August 1 when all State agencies and institutions requesting appropriations submit budget requests to the Governor's Budget Office and the Legislative Budget Office. Agencies justify their requested budget in hearings held during September and October. At the close of the hearings, the Governor's Budget Office and the Legislative Budget Office receive information prepared by the State Tax Commission, the University Research Center and the respective budget staffs regarding the financial outlook for the budget year. Based on this information, the budget offices adopt a consensus revenue estimate. This action enables both branches to use the same revenue estimate as the basis for their budget recommendations. It is a statutory requirement that both the Governor and Legislature submit balanced budgets for consideration. The Executive Budget is prepared and submitted to the Legislature by November 15, except that every four years (after a statewide election year), the Executive Budget is prepared and submitted to the Legislature by January 15. The Legislative Budget is submitted to the Legislature at the regular session, which begins on the first Tuesday after the first Monday in January of each year. At the close of the annual regular session, the Legislature has acted on approximately 150 separate appropriation bills that constitute the budget for the upcoming year beginning July 1. All General Fund, Education Enhancement Fund and most Special Fund expenditures are appropriated annually by the Legislature and those Special Funds that are not appropriated are subject to the approval of the Department of Finance and Administration.

Revenue Projections. Four independently derived projections form the basis of the State's official revenue forecast. The State Tax Commission, Legislative Budget Office, Department of Finance and Administration and the University Research Center present and discuss their initial revenue forecasts and reach a consensus projection. This process is carried out for each major revenue category. Estimating techniques consist of econometric modeling and various forms of extrapolation.

In October, the revenue estimate for the next fiscal year is finalized and presented to the Joint Legislative Budget Committee and the Governor's Budget Office. The estimate may be revised if circumstances warrant upon a consensus being reached by the four revenue-estimating agencies. If revenues fall short of projections, the Department of Finance and Administration is empowered to directly cut expenditures. All State agencies receiving general and/or special funds are subject to funding reductions of up to 5%. No agency receives a cut in excess of 5% unless all have been reduced by this percentage. On September 3, 2009, the Governor of the State, as a result of revenue shortfalls, announced a reduction in the fiscal year 2010 budget of $172,000,000. It is expected that additional reductions will be made to the fiscal year 2010 budget. If budgeted funds allocated to debt service are cut by the Governor of the State, the State Treasurer is authorized pursuant to State law to pay such debt service from funds in the State Treasury not otherwise appropriated.

If, after October of any fiscal year, the revenues received for that year fall below 98% of the Legislative Budget Office's General Fund revenue estimate, the Department of Finance and Administration must reduce allocations to all State agencies to keep expenditures within the actual General Fund receipts including any transfers, which may be made from the Working Cash-Stabilization Fund. Transfers from the Working Cash-Stabilization fund may not exceed $50.0 million in any fiscal year.

Budget Implementation. The second phase of the budget process is the implementation of the budget based on the appropriation bills. The establishment of agency expenditure authority is a function of the Executive Director of the Department of Finance and Administration. The Executive Director sets two six-month expenditure allotments based on the seven major objects of expenditure categories and their funding sources. These initial allotments must be approved by the Executive Director prior to July 1 of each fiscal year.

Budget and Accounting Controls. Based on the budget implemented by the Department of Finance and Administration, the Bureau of Financial Control pre-audits all invoices and supporting documents and issues warrants for payment of the legal debts of the State. No agency is allowed to exceed either the total fund allotment or major object of expenditure allotment as established by the Executive Director. All payments made through the Bureau of Financial Control, except those classified as personal services and utilities, must have an approved encumbrance or purchase order on file and are charged against the allotment.

The Department of Finance and Administration has the authority to make limited revisions to agency budgets during the course of the fiscal year in the form of transfers and escalations. Transfers from one major object of expenditure to another major object of expenditure are limited to a maximum increase of 10% of the receiving major object of expenditure. Transfer authority is not applicable to the salary category or to an increase in the equipment category. Escalation authority applies to Special Funds only if from 100% federal funds. An escalation of nonfederal funds may be made if allowed within the appropriation bill for the agency.

The Department of Finance and Administration maintains a dual fiscal management system, in that control is exercised over the total State budget as well as individual agency budgets. The Department of Finance and Administration may, in its discretion, restrict an agency to monthly allotments when it becomes evident that an agency's rate of expenditure will deplete its appropriation prior to the close of the fiscal year. In addition, should revenue collections fall below the amount estimated for collection during that period of the fiscal year, the Department of Finance and Administration may reduce allocations to all agencies in an amount necessary to keep expenditures within actual General Fund receipts. If it is determined that a deficit in revenues may occur in the General Fund at the end of a fiscal year, the Executive Director of the Department of Finance and Administration shall transfer such funds as necessary but not more than $50.0 million from the Working Cash-Stabilization Fund to the General Fund. Should any unexpended Special Fund cash balance exist at the end of a fiscal year, the balance may be retained for use by the respective agency in its accounts with the State Treasurer unless otherwise specified by law.

The State Department of Audit is responsible for and performs a post audit of all public entities under the jurisdiction of the State Auditor and investigates exceptions to spending practices discovered during the audit process. The State Department of Audit has the authority to recover any funds found to have been spent illegally.

GAAP Accounting

The State prepares its Comprehensive Annual Financial Report of the State ("CAFR") in accordance with Section 27-104-4, Mississippi Code of 1972, as amended. The CAFR presents information on the financial position and operations of State government as one reporting entity. The various agencies, departments, boards, commissions and funds of State government which constitute the State reporting entity are governed by criteria established by the Governmental Accounting Standards Board. This Official Statement also includes financial data which was not prepared according to CAFR specifications but on a budgetary basis. The general purpose financial statements of the State for the fiscal year ended June 30, 2008, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), and the unqualified opinion of the State Auditor are presented in this Official Statement as APPENDIX B. The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for

Excellence in Financial Reporting to the State for its CAFR for the fiscal years ended June 30, 1987 through 2007, which is the highest form of recognition in the area of governmental financial reporting.

Investment and Cash Management

The State Treasurer is custodian of State funds and is responsible for the investment of all General, Education Enhancement and Special Funds. The State Treasurer serves as custodian for securities, which are pledged to the State to secure deposits of State funds, and for other securities, which are held by various State agencies in accordance with specific statutes.

As revenues are received from various agencies, they are deposited, and funds not immediately needed for payment are invested in overnight repurchase agreements, and then are placed into longer-term investments. The funds of the State are primarily invested in certificates of deposit and fully secured repurchase agreements with Mississippi financial institutions. All public funds are fully collateralized pursuant to State law by authorized United States and Mississippi obligations for amounts in excess of the $250,000 FDIC coverage. Fiscal records of receipts, deposits and disbursements of all State funds, including federal funds received by the State, are maintained in the State Treasury as well as detailed and current records of the State's bonded indebtedness. All payments of bonds and interest due are made by the State Treasurer.

Pursuant to Section 27-105-33, Mississippi Code of 1972, as amended, it is the duty of the State Treasurer and the Executive Director of the Department of Finance and Administration on or before the tenth day of each month and at any other time when necessary to analyze the amount of cash in the State's General Fund and in the Special Funds credited to any special purpose designated by the Legislature. They also must determine when the cash in such funds is in excess of the amount needed to meet the current needs and demands on such funds for the next seven days and report the findings to the Governor. The State Treasurer's Office is directed to invest such excess funds in certificates of deposit, United States Treasury Obligations, United States Government agency obligations or in direct security repurchase agreements with approved depositories of the State at a rate of interest numerically equal to the bond equivalent yield on direct obligations of the United States Treasury with a similar length of maturity.

Accounting Systems

The State operates a Statewide Automated Accounting System ("SAAS"), which is a comprehensive centrally controlled, multi-user, agency-discrete, on-line financial management system that meets all GAAP, state budget and other financial management reporting requirements. SAAS consists of the following modules: General Ledger, Accounts Payable, Purchasing, Budget Control, Grant/Project Management Subsystem, Advance Budget Preparation, Labor Data Collection, Travel Subsystem, Performance Measurement, Cost Allocation, Accounts Receivable, Investment Management and Fixed Assets. There is a phased-in conversion of decentralized data entry, which will distribute the transaction entry activity to the agencies and allow them on-line access to the full range of SAAS transactions.

The State has implemented a Statewide Payroll and Human Resource System (SPAHRS) which supports the following human resource business processes: selection and recruitment; occupation and position information; propose wage, salary and fringe benefits; manage contracts; and employment.

The State has also implemented an Executive Resource Information Data Based System (MERLIN). This is a database system, which allows instant access to decision-critical information from a personal computer. The data warehouse that supports the system is consistently refreshed and the integrity is continuously maintained and protected.

Through the use of various funds, the Office of Fiscal Management of the Department of Finance and Administration accounts for operations on a modified cash basis for budgetary purposes and on the modified accrual basis for generally accepted accounting purposes. Receipts are recorded at the time money or checks are recorded in the State Treasury and disbursements when payment vouchers are recorded into the accounting system. A master inventory of all state-owned land (other than highway right-of-ways), buildings and equipment is maintained by the Inventory Division of the State Department of Audit. The State Treasurer has custody of all cash in the General Fund, Education Enhancement Fund and the Special Funds.

Overview of State Funds

The accompanying tables present a summary of receipts, disbursements and beginning and ending cash balances of the General Fund, Education Enhancement Fund and Special Funds.

Receipts and disbursements of the General Fund and Special Funds, as shown in the tables, may differ substantially from budgetary resources and appropriations for a number of reasons, including the following.

Capital improvements authorized in a given year's budget may require several years to complete, so that the amounts appropriated for capital improvements in a particular year do not necessarily correspond to actual disbursements for capital improvements in that year. In such cases, unused money is reappropriated each year.

Appropriations by the Legislature for current purposes in a particular fiscal year constitute an authorization to spend up to a certain amount, but no more. In most cases, the amount actually disbursed will be below that limit.

The General Fund. Revenues of the State for general operating purposes are derived principally from sales, income and use taxes, gaming taxes, plus smaller amounts from other taxes, profits from wholesale sales of alcoholic beverages, interest earned on investments, proceeds from sales of various supplies and services, service charges and license fees. For the fiscal year ended June 30, 2009, sales taxes accounted for 37.6%, individual income taxes for 28.9% and corporation income and franchise taxes for 8.26% of the total receipts allocated to the General Fund. A comparison of the amounts received by the various revenue sources (budgetary basis) of the General Fund is detailed in the Revenues section of the accompanying table entitled "STATE OF MISSISSIPPI GENERAL FUND - Results of Operations - Budgetary Basis."

The General Fund appropriation is limited to 98% of the official revenue estimate and estimated prior year ending cash balance. During the fiscal year ending June 30, 2009, appropriations for educational purposes accounted for 62% of the General Fund Budget. This included State contributions to local school and community college districts. However, this transfer of certain State contributions such as maintenance funds to local school districts is not allocated under the State's accounting system to shared tax or local assistance. Other principal disbursements include costs related to welfare, public health, health care and hospitals and certain State operations. General Fund (budgetary basis) expenditures are detailed in the Disbursements section of the accompanying table entitled "STATE OF MISSISSIPPI GENERAL FUND - Results of Operations - Budgetary Basis."

The General Fund, as shown in the financial statements in APPENDIX B, is defined in Note 1 of the Notes to the Financial Statements on Significant Accounting Policies. The General Purpose Financial Statements as set forth in APPENDIX B reflect all funds of the State, not just those which are budgeted.

The Budget Reform Act of 1992 combined the General Fund Stabilization Fund, the General Fund Reserve Fund and the Working Cash Revolving Fund into a fund called the Working Cash-Stabilization Fund. At each fiscal year end, the General Fund unencumbered cash balance was transferred to the Working Cash-Stabilization Fund until the fund reached $40.0 million. Thereafter 50% of the remaining unencumbered General Fund cash balance shall be transferred to the Working Cash-Stabilization Fund until the cash reaches 7.5% of the General Fund appropriation. Any of the 50% of the remaining unencumbered balance in excess of the amount needed to obtain 7.5% of the General Fund appropriation in the Working Cash-Stabilization Fund will remain in the General Fund. The Working Cash-Stabilization Fund shall retain interest earned on investments of the fund until such time as the fund balance reaches 7.5% of the General Fund appropriation for that fiscal year. If it is determined that there is a revenue shortfall in the General Fund a maximum of $50.0 million in a fiscal year may be transferred to the General Fund. See the "FISCAL OPERATIONS OF THE STATE – Special Funds – Ayers Settlement Fund" for further discussion of the use of interest earned in the Working Cash-Stabilization Fund.

The Working Cash-Stabilization Fund had a August 31, 2009 fund balance of $305,822,517.39. Pursuant to the appropriation legislation, it is the intent of the Legislature that if any of the budget reductions are restored to Education by the Executive Branch, the monies are to be returned to the Working Cash-Stabilization Fund. These transfers and additional appropriations are reflected on the Special Funds statements.

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STATE OF MISSISSIPPI GENERAL FUND
Results of Operations-Budget Basis for Fiscal Year Ended June 30, (In Thousands)

	2004	2005	2006	2007	2008
TAXES:					
Sales	$1,492,775	$1,583,459	$1,855,067	$1,930,538	$1,947,283
Individual Income	1,061,487	1,165,900	1,246,063	1,475,359	1,542,099
Corporate Income and Franchise	315,533	361,298	412,092	484,714	500,696
Use and Wholesale Compensating	154,272	157,385	213,886	218,399	208,965
Tobacco, Beer and Wine	85,969	86,212	89,914	87,125	89,709
Insurance	146,521	150,884	153,323	158,842	159,059
Oil and Gas Severance	0	10,000	59,327	59,809	97,774
Alcohol Excise and Privilege	47,556	50,474	54,622	57,335	60,167
Inheritance Tax	15,915	12,620	0	0	0
Other	17,192	17,467	20,446	22,539	21,397
Interest	6,282	8,880	17,133	34,405	39,588
Auto Privilege, Tax and Title Fees	16,514	15,428	16,432	17,388	18,364
Gaming Fees	167,328	168,540	145,710	185,847	194,040
Highway Safety Patrol Fees	19,697	20,967	19,053	22,499	24,440
Other Fees and Services	15,710	12,995	11,784	11,917	12,905
Miscellaneous	3,439	3,416	3,308	3,820	4,200
Court Assessments and Settlements	10,257	110,000	10,000	14,185	10,012
TOTAL REVENUES	3,576,447	3,935,925	4,328,160	4,784,721	4,930,698
EXPENDITURES BY MAJOR BUDGETARY FUNCTION:					
Legislative	20,885	22,064	21,302	23,231	24,566
Judiciary & Justice	45,596	50,376	61,808	61,743	64,380
Executive & Adm	2,783	2,706	2,687	2,806	2,943
Fiscal Affairs	62,510	62,347	63,162	67,650	70,986
Public Education	1,519,479	1,702,597	1,853,919	1,993,337	2,202,799
Higher Education	534,952	542,131	555,757	703,216	835,717
Public Health	29,764	29,057	26,906	33,865	41,594
Hospitals and Hospital Schools	189,582	190,177	197,582	235,732	268,697
Agriculture, Commerce & Economic Dev.	85,457	84,714	81,211	99,847	113,963
Conservation and Recreation	53,988	51,919	47,322	52,360	55,858
Insurance and Banking	17	11	11	11	0
Corrections	214,730	228,129	217,637	227,130	285,764
Social Welfare	341,307	333,272	449,800	211,428	519,111
Public Protection and Veterans	61,124				
Assistance		63,769	67,148	84,702	100,537
Local Assistance	76,127	76,127	82,110	82,920	84,021
Motor Veh. & Other Regulatory Agencies	1,087	1,087	1,087	1,860	5,250
Miscellaneous	1,299	1,179	1,178	1,139	1,397
Public Works	20	0	0	2,500	200
Debt Service	211,698	190,530	273,330	212,708	323,548
TOTAL EXPENDITURES	3,452,405	3,632,192	4,003,967	4,098,185	5,001,331
Excess of Rev. over (under) expenditures	124,042	303,733	324,193	686,536	(70,633)
Other Financing Sources (Uses)					
Transfers In	26,332	5,432	4,456	4,740	23,649
Transfers Out	(167,024)	(209,654)	(345,549)	(518,731)	(143,215)
Other Sources (uses) of Cash		(50,000)	(9)	18,521	(10)
Excess of Revenues & Other Sources over (under)					
Expenditures & Other Uses	(16,650)	49,511	(16,909)	191,066	(190,209)
Budgetary Fund Balances, Beginning	19,930	3,280	52,791	35,882	226,948

Source: Department of Finance and Administration.

Hurricane Katrina. On August 29, 2005, Hurricane Katrina struck the State's Gulf Coast region as a Category 4 Hurricane and continued inland throughout the Southern and Eastern parts of the State resulting in loss of life, substantial destruction and damage to infrastructure, buildings, residences and other structures in Southern and Eastern Mississippi. A significant portion of the State was declared a federal disaster area. Recovery efforts continue throughout the State. The United States Congress has considered and adopted legislation which appropriates in excess of $21 billion for Mississippi for disaster assistance, rebuilding infrastructures systems and other public facilities and disaster recovery and related activities. Additionally, the United States Congress has adopted the Gulf Opportunity Zone Act of 2005 (the "GO Zone Act"), which establishes tax benefits for businesses and individuals in the Hurricane Katrina, Rita and Wilma disaster areas.

Education Enhancement Fund. Of the total sales tax revenue collected, $1,666,666 each month shall be paid into the State Public School Building Fund, 2.266% shall be credited to the School Ad Valorem Tax Reduction Fund, 9.073% to the Education Enhancement Fund, 18% shall be allocated to the municipality in which the funds were collected and the remainder to the General Fund.

Of the amount credited to the Education Enhancement Fund, $16 million shall be appropriated to all of the school districts in proportion to attendance, 34.19% must be appropriated for textbooks, educational materials, transportation and maintenance, uniform millage assistance and instructional and computer software, 22.09% for the purpose of supporting institutions of higher learning and 14.41% for the purpose of providing support to community and junior colleges. Of the remaining balance, $25 million shall be credited to the Working Cash-Stabilization Fund until the balance reaches the maximum of 7.5% of the General Fund appropriation for that fiscal year and the remaining balance to remain in the Education Enhancement Fund for appropriation for other educational needs.

EDUCATION ENHANCEMENT FUND
For Fiscal Year Ended June 30 (In Thousands)

	2005	2006	2007	2008	2009
RESOURCES:					
Surplus from Prior Year	$ 1,638.8	$ 10,779.0	$ 31,240.8	$ 6,153.0	$ 397.8
Sales Tax	217,464.6	259,031.0	270,277.6	273,263.8	261,356.2
Use Tax	18,175.0	25,864.0	26,819.3	25,283.0	23,009.4
Transfer in from General Fund	0.0	0.0	0.0	0.0	0.0
Total Resources Available	$ 235,639.6	$ 284,895.0	$ 328,337.7	$ 304,699.8	284,763.4
DISBURSEMENTS:					
Education, K-12	$ 139,002.8	$ 175,402.0	$ 215,617.4	$ 204,577.5	190,422.9
Community & Jr. Colleges	29,154.5	34,507.0	41,696.1	38,734.8	36,641.0
Institutions of Higher Learning	44,692.8	33,900.0	62,986.7	58,291.5	55,057.8
Other	0.0	0.0	0.0	0.0	2,641.7
Total Disbursements	226,847.6	264,596.0	323,013.5	304,302.0	284,763.4
YEAR END SURPLUS	$ 8,792.0	$ 20,299.0	$ 5,324.2	$ 397.8	$ 0.0

Source: Department of Finance and Administration.

Special Funds

General. The major sources of Special Fund receipts are federal grants-in-aid and diversion of State taxes for special purposes. Special Fund receipts are not estimated on a statewide basis. Expenditures are limited by the receipt of revenues. Motor vehicle privilege taxes, based on gross vehicle weight of heavy trucks, are deposited to a special fund for highway construction. A portion of motor fuel excise taxes is deposited to a special fund for highway construction and the balance is diverted to counties and municipalities.

For the fiscal year ended June 30, 2008, Special Funds received approximately $6,566.0 million from the federal government including $3,438.2 million for public health and welfare, $658.7

million for public education and $755.8 million for highways. In addition, State tax receipts of $1,368.9 million were diverted into Special Funds for particular purposes as provided by State law.

Health Care Trust Fund. The Health Care Trust Fund, a Special Fund, was established pursuant to 43-13-401 et seq., Mississippi Code of 1972, as amended, for the deposit of funds received by the State of Mississippi as a result of the tobacco settlement. The Mississippi Legislature declared the funds received by the State should be applied toward improving the health and health care of the citizens and residents of the State.

The Trust Fund began fiscal year 2000 with a balance of $280,000,000. All subsequent tobacco settlement annual payments were to be deposited into the Trust Fund. Each year, a specified amount of funds from the Trust Fund are transferred to the Health Care Expendable Fund, and those funds are available for expenditure by appropriation of the Legislature exclusively for health care purposes. If the interest and dividends from the investment of the Trust Fund are insufficient to fund the transfer to the Expendable Fund, the State Treasurer will transfer from the annual installment payment an amount sufficient to fully fund the transfer as required.

The 2002 Mississippi Legislature amended the law requiring the annual installments for fiscal years 2003 and 2004 be directed to the Health Care Expendable Fund for appropriation for health care needs. The amended law also provides for repayment to the Trust Fund in the event that general fund revenues in any fiscal year exceed the prior year's revenue by more than five percent. This provision was repealed in the 2006 Legislative Session.

The 2008 Mississippi Legislature further amended the law and required annual transfers from the Health Care Trust Fund to the Health Care Expendable Fund for appropriation for health care needs. The annual transfer provided in the law is as follows.

Fiscal Year	Annual Transfer
2005	$456,000,000
2006	186,000,000
2007	186,000,000
2008	106,000,000
2009	92,254,000

Source: Department of Finance and Administration.

A Board of Directors, consisting of thirteen members with the State Treasurer serving as Chairman, is responsible for investing the funds in the Trust Fund and the Expendable Fund. The balance in the Trust Fund as of August 31, 2009 was $443,376,112.82.

The Mississippi Legislature in the 2005 First Extraordinary Session enacted legislation that transferred $240,000,000 from the Health Care Trust Fund to the Health Care Expendable Fund to fund Medicaid's fiscal year 2005 budget deficit. This legislation contains a provision that provides for the repayment of this transfer from the State's general fund beginning in fiscal years 2007 through 2012 in the amount of $38,000,000 in each of said years, and during fiscal year 2013, the remaining balance would be paid from the general fund plus 5% interest per annum. The Mississippi Legislature, in the 2008 Regular Legislative Session, delayed the Fiscal Year 2009 payment from the general fund.

Ayers Settlement Fund. A final judgment was entered on February 15, 2002 by the United States District Court approving the settlement agreement and dismissing the lawsuit. Post-judgment challenges by a group of objectors pursued thereafter in the district court. The group of objectors filed a notice of appeal with the United States Court of Appeals for the Fifth Circuit challenging the district court's approval of the settlement. On February 11, 2004, the Fifth Circuit affirmed the district court's approval of the settlement. The group of objectors filed a petition for writ of certiorari with the United States Supreme Court challenging the Fifth Circuit's approval. The United States Supreme Court denied certiorari on October 18, 2004.

The 2003 Legislature reaffirmed the creation of the Ayers Settlement Fund when the settlement agreement became final and effective according to its terms (including, but not limited to, the exhaustion of all rights to appeal). State law requires that the first $5,000,000 of interest earned from the investing of the Working Cash-Stabilization Fund each fiscal year is to be deposited into the Ayers Settlement Fund until a total of $70,000,000 has been deposited. Monies deposited in the Ayers Settlement Fund are to be used for the purpose of establishing the public endowment as required by the settlement agreement.

Budget Contingency Fund. The Budget Contingency Fund is a special fund created by the Legislature to handle non-recurring budget shortfalls. This fund will provide moneys for Fiscal Year 2010 appropriations in the amount of $251,354,730.

Education Improvement Trust Fund. The Education Improvement Trust Fund is legally restricted to the extent that only earnings, and not principal, may be used for the purpose of educating elementary and secondary school students and for vocational training in the state. As of August 31, 2009, the Education Improvement Trust Fund had a balance of $44,403,257.91.

STATE OF MISSISSIPPI SPECIAL FUND RECEIPTS[1]
For Fiscal Year Ended June 30, (In Thousands)

	2005	2006	2007	2008
TAXES:				
Tax Commission	$ 794,968.8	$ 757,116.7	$ 807,514.9	$ 790,466.6
Motor Vehicle Division	511,442.7	532,073.6	542,672.8	532,705.2
Other	22,331.8	22,584.7	43,750.6	45,820.7
Licenses, Fees, Permits & Penalties	466,316.5	475,460.6	484,142.0	606,307.7
Interest on Direct Investments	34,219.4	50,587.2	91,941.9	103,027.2
Sales and Services	629,088.8	650,234.0	756,601.2	812,713.3
Federal Grants-In-Aid				
Education	579,429.3	783,723.7	721,749.7	658,739.8
Highways	409,132.5	714,067.5	966,944.4	755,833.9
Public Health & Welfare	3,271,721.0	3,061,685.9	3,685,458.0	3,438,152.6
Federal-State Local Programs	118,889.3	220,351.8	1,598,710.4	810,683.7
Agricultural & Economic Dev	6,102.3	16,137.7	17,078.4	21,539.6
Employment Security	43,441.2	140,554.8	46,391.0	104,936.2
Other	218,158.6	806,700.5	760,971.2	776,158.6
Political Subdivisions	181,463.1	109,036.3	148,417.3	112,197.2
Gross Sales of Alcoholic Bev	166,856.3	181,273.8	193,062.8	204,018.2
TOTAL REVENUE RECEIPT	$7,453,561.5	$ 8,521,588.8	$10,865,406.6	$9,773,300.5
Bonds, Notes Issued	201,597.9	429,244.4	823,352.9	546,942.1
Trans, Refunds & Other Rec.	1,953,338.1	2,018,617.5	2,380,272.8	1,664,342.3
TOTAL RECEIPTS	$9,608,497.5	$10,969,450.7	$14,069,032.3	$11,984,584.9

[1] The financial data presented in this chart was not prepared according to CAFR specifications, but is presented on a budgetary basis.

Source: Department of Finance and Administration.

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STATE OF MISSISSIPPI SPECIAL FUND DISBURSEMENTS
For Fiscal Year Ended June 30, (In Thousands)

	2005	2006	2007	2008
Judiciary & Justice	$ 35,327.9	$ 36,417.4	$ 45,166.4	$ 51,290.5
Executive & Administrative	48,477.9	113,467.6	80,341.6	84,561.9
Fiscal Affairs	354,178.8	348,871.9	339,791.1	224,553.5
Public Education	820,890.9	986,755.8	862,652.6	796,042.4
Higher Education	126,163.2	128,247.4	69,597.9	73,908.1
Health & Welfare				
Public Health & Welfare	936,121.4	1,159,483.0	1,217,682.4	1,248,749.4
Medicaid	3,745,868.4	3,129,023.6	3,621,572.6	3,544,335.6
Agriculture & Economic Development	325,457.5	280,853.5	1,842,243.4	1,102,947.6
Conservation	171,088.8	175,477.9	227,233.5	211,827.8
Corrections	49,093.7	74,968.2	82,316.3	62,610.4
Public Protection and Assistance to Veterans	223,742.5	1,020,688.1	1,052,457.3	1,061,482.5
Local Assistance				
State Taxes Returned to Cities & Counties	732,411.3	801,587.4	824,205.8	847,399.2
Other	113,461.8	93,112.7	108,711.3	113,127.2
Miscellaneous Purchases and Other related costs of Alcoholic Beverages	166,748.1	181,702.9	193,297.1	205,388.3
Other	110,898.1	181,964.1	120,194.5	115,388.0
Public Works				
Highway Construction	972,423.7	1,378,707.7	1,525,883.3	1,311,743.5
All Other	242,952.3	191,788.8	244,353.8	259,262.8
Debt Service & Investment of Bond Proceeds	261,392.2	422,254.5	608,577.7	234,252.2
TOTAL DISBURSEMENTS	$9,436,698.5	$10,705,372.5	$13,066,277.6	$11,548,871.2

Source: Department of Finance and Administration.

DESCRIPTION OF STATE TAXES

State operations are funded by General Fund revenues, Education Enhancement Fund revenues and Special Fund receipts. Mississippi's tax base receives its major support from general sales and use taxes, personal income taxes, corporate income and franchise taxes, petroleum excise taxes, motor vehicle privilege taxes, insurance premium taxes and excise levies on tobacco and alcohol. The major sources of General Fund revenues are sales and use taxes, personal income taxes and corporate income and franchise taxes.

Sales Taxes. Sales taxes are imposed at a general tax rate of 7% (see "FISCAL OPERATIONS OF THE STATE - Education Enhancement Fund" herein). The State returns to the municipalities 18% of the retail sales tax collected within each municipality. Major exemptions from the sales tax include: (i) sales to governments; (ii) sales of raw materials to manufacturers, large vessels, barges and rail rolling stock; (iii) sales of livestock; (iv) sales of property for foreign export; (v) sales of seed, feed, fertilizer and agricultural chemicals; (vi) sales of farm products by a producer, except when sold by a producer through a regular place of business; (vii) sales of certain utility services for residential use; (viii) sales of motor fuel; (ix) sales of food purchased with food stamps; (x) sales to non-profit hospitals and infirmaries; (xi) sales of newspapers; and (xii) sales of prescription drugs and medicines. The tax rate for construction contracts exceeding $10,000, except residential construction, is 3.5%. The tax rate for the sale of automobiles, light trucks and motor homes is 5%. The tax rate for the sale of aircraft, farm implements, semi-trailers and mobile homes is 3%. The tax rate for the sale of manufacturing machinery and equipment and industrial fuel is 1.5%. Sales to electric power associations and farm tractors to be used for agricultural purposes are taxed at 1%.

Use Taxes. Use taxes are imposed at the same rate as sales taxes on acquisitions of personal property from out-of-state sources for use, consumption or storage in the State to the extent sales or use taxes have not been paid to another state at a rate at least equal to the State rate. Exemptions for use taxes are the same as those for sales taxes.

Personal Income Taxes. Personal income taxes are imposed at a rate of 3% on the first $5,000 of taxable income, 4% on the second $5,000 and 5% on the remainder. Single taxpayers are allowed a $6,000 exemption. Married taxpayers are allowed a $12,000 joint exemption. Heads of household taxpayers with one or more dependents living in the home are allowed an $8,000 exemption. The exemption for each dependent is $1,500, plus an additional $1,500 exemption for taxpayers who are blind or over age 65.

Corporate Income and Franchise Taxes. Corporate income and franchise taxes are levied at the same rate as personal income taxes. Franchise taxes are imposed at a rate of $2.50 per $1,000 of capital employed in the State. Certain nonprofit and not-for-profit organizations are exempt from corporate income taxes and franchise taxes, such as (i) religious, charitable, educational and scientific associations and institutions; (ii) business leagues, labor organizations, chambers of commerce; (iii) civic leagues and social clubs operated for promotion of social welfare; (iv) non-profit agricultural associations such as farmers' or fruit growers' cooperatives; and (v) non-profit cooperative electric power associations. A small business corporation having a valid election in effect under Subchapter S of the Internal Revenue Code of 1986 is exempt from State income tax, except for that portion of income that might be allocable to shares of stock owned by nonresidents of the State.

Gaming Taxes and Fees. Gaming taxes and fees are imposed on a gaming establishment gross revenue at a rate of 4% on the first $50,000 per month, 6% of the next $84,000 per month and 8% of all over $134,000 per month.

Other Taxes. The Miscellaneous Tax Division of the State Tax Commission collects a number of other taxes that provide significant amounts of revenue. The tobacco tax is imposed on sales of all tobacco products in the State, including cigarettes, which are taxed at 68 cents per package of 20 cigarettes. The Miscellaneous Tax Division also collects the gas and oil severance taxes, beer excise, insurance premium, finance company privilege and estate taxes.

In 2002, the federal law changed regarding estate taxes. Mississippi is a "pickup state" meaning the State picks up the amount of state death tax credit calculated on federal estate tax return. In 2002, the federal estate tax started phasing out the state death tax credit until 2005 when it was completely replaced with a deduction for state death taxes paid to the states. This change effectively eliminated the State estate tax in 2005.

For decedents dying in 2005 and after, no estate tax is due Mississippi. Due to the timing of the closing of estates, the State currently has estates requesting refunds of overpayment of taxes. The State has reserved approximately $2,800,000 and is reserving current collections for possible future refunds. This amount should be sufficient to fund most of the refund requests, but the State is not able to estimate the amount of these future refunds and so cannot be sure that the reserved amount and future collections are sufficient to pay all refunds due to these estates as they close. The total estate tax collections during the last several years before the phase-out began was $20,000,000 to $30,000,000 per year.

Estate taxes are imposed at rates varying from 1% to 16% depending on the size of the net taxable estate and the date of death of the decedent, but the amount of estate tax due shall never be less than the State death tax credit allowable for said estate under Title 26, Section 2011, U.S.C.A. A tax is imposed on the value of a decedent's estate when the total gross estate exceeds the available exemption amount. The available exemption increases on the same schedule as the federal exemption to $1,000,000 in 2002. For the years 2002 but before 2005, the exemption amount will follow the federal exclusion under 26 USC 2010. For the estate of decedents dying after 2004, the state death tax credit is replaced with a deduction for state death taxes. Therefore, as of January 1, 2005, no estate tax return is required for decedents dying on or after January 1, 2005 for the State of Mississippi. A Mississippi Estate Tax Return must be filed by the Executor or Administrator of the estate of any resident, or for any non-resident decedent where any real or tangible personal property of their gross estate is situated in Mississippi, where the gross value of the estate on the date of death, wherever located, exceeds the available exemption.

The Alcoholic Beverage Control Division of the State Tax Commission which controls the sale and consumption of distilled spirits and wine contributes to the General Fund through the collection of State excise taxes, markups, permit license fees (one half goes to the city or county where the permittee is located), permit application fees and interest earned on demand deposits.

SUMMARY OF GENERAL FUND RECEIPTS BY MAJOR SOURCES
Fiscal Year Ended June 30
(In Millions)

	2007		2008		2009[1]	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Total General Fund Receipts	$4,789.5	100.0%	$4,930.7	100.0%	$4,729.9	100.0%
Sales Taxes	1,930.5	40.3	1,947.3	39.5	1,921.6	40.6
Individual Income Taxes	1,475.4	30.8	1,542.1	31.3	1,474.8	31.2
Corporate Income & Franchise Taxes	484.7	10.1	500.7	10.2	422.0	8.9
Use Taxes	218.4	4.6	208.9	4.2	199.9	4.2
Gaming Taxes & Fees	185.8	3.9	194.0	3.9	172.4	3.6
Insurance Premium Taxes	138.4	2.9	159.1	3.2	153.2	3.3
All Other Receipts	356.3	7.4	378.6	7.7	386.0	8.2

(1) Estimated as of October 1, 2009.

Source: Department of Finance and Administration.

RETIREMENT SYSTEM

In accordance with State statutes, the Public Employees' Retirement System Board of Trustees (the "System") administers the State's four defined benefit plans. These plans are the Mississippi Public Employees' Retirement System ("PERS"), a cost-sharing multiple-employer public employee retirement system established in 1952, the Mississippi Highway Safety Patrol Retirement System ("MHSPRS"), a single-employer public employee retirement system established in 1958, the Supplemental Legislative Retirement Plan ("SLRP"), established in fiscal year 1990, and the Municipal Retirement Systems ("MRS"), an agent multiple-employer defined benefit public employees' retirement system. Any political subdivision or juristic entity within the State of Mississippi may elect to have its employees covered by PERS.

On July 1, 1990, the Optional Retirement Plan ("ORP") was established for employees of the State's eight colleges and universities who hold teaching or administrative faculty positions and who are appointed or employed after July 1, 1990. These participants have rejected membership to PERS. Title 25, Article II of the Mississippi Code states that the Board of Trustees of the System will provide for administration of the ORP Program. ORP participants direct the investment of their funds. Benefits payable to plan participants are not obligations of the State. As such, ORP is not considered part of the System's reporting entity for financial reporting purposes.

On July 1, 1989, as a result of certain legislation, the System established the SLRP for the purpose of providing supplemental retirement allowances and other benefits for the elected members of the State Legislature and the President of the Senate and their beneficiaries. Each legislator and the President of the Senate must contribute 3% of all compensation or remuneration paid, except mileage allowance. The contribution rate by the State is 6.33%.

On July 1, 1987, the System assumed responsibility for administration of the MRS. The State neither contributes to this plan nor assumes any liability for benefits payable to members but does have the duty of due care required of an ordinary prudent investor.

Membership in PERS is a condition of employment and eligibility is granted upon hiring for all State agency and university employees. For those employed by political subdivisions and instrumentalities of the State, membership is contingent upon the PERS Board of Trustees' approval of the entity's participation in the plan. If approved, membership is a condition of employment and eligibility is granted upon hiring.

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of credited service are entitled 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 25 years, plus 2.5% for each year of credited service over 25 years. "Average compensation" is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who enter the System on or after July 1, 2007, benefits vest upon completion of 8 years of membership service. For members who entered the System before July 1, 2007, benefits vest upon completion of 4 years of membership service. PERS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the State incurs no expense for post-retirement health 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.

Membership in MHSPRS is a condition of employment and eligibility is granted upon hiring for all officers of the Mississippi Highway Safety Patrol who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as uniformed officers of the Highway Patrol in the enforcement of the traffic laws of the State.

Participating employees in MHSPRS 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 to an annual retirement allowance, payable monthly for life, in an amount equal to 2.5% of their average compensation during the four highest consecutive years of earnings reduced 3% for each year below age 55 or 3% for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense. 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 of Mississippi Legislature.

Employees covered by PERS and MHSPRS are required, as of July 1, 1991, to contribute 7.25% and 6.5% respectively of their salary. Members of SLRP are required to contribute an additional 3% of their compensation. Beginning July 1, 2007, the employers of PERS were required to contribute 11.85%; MHSPRS, 30.30%; and SLRP, 6.65%. See further explanation of PERS employer contribution rate below.

Funding policies and annual pension costs at June 30, 2008 were:

(a) rate of return on investment of 8.0%;

(b) projected salary increases of 4.0% and attributable to inflation;

(c) additional projected salary increases of 5.0% to 15.0% per year for PERS, 5.0% to 10.52% for MHSPRS and 5.00% for SLRP attributable to seniority/merit;

(d) assumption that post retirement benefits will increase 3.0% per year for PERS and SLRP; calculated 3% simple interest to age 55, compounded each year thereafter; and 3.0% for MHSPRS; calculated 3% simple interest to age 60, compounded each year thereafter;

(e) entry age for actuarial cost method; and

(f) five-year smoothed market asset valuation method.

Employer contribution rates for PERS, MHSPRS, and SLRP are set by State statute. The adequacy of these rates is assessed annually by actuarial valuation. Unfunded actuarial accrued liabilities are amortized as a level percent of the active member payroll, over the period of future years which produces the statutory employer contribution rate. Assuming the amortization period is reasonable, the employer contribution rate so computed, expressed as a percent of active member payroll, is designed to accumulate sufficient assets to pay benefits when due. For MRS, the unfunded actuarial accrued liability is being amortized on a closed basis as a level percent over a period of 30 years. The current financing arrangement provides for a contribution determined as a percentage of each city's assessed property valuation.

Beginning with fiscal year 2007, the Governmental Accounting Standards Board (GASB) Statement No. 25 required a maximum acceptable amortization period for the total unfunded actuarial liability of not more than 30 years. In order to comply with the GASB statement, the consulting actuary recommended, in the June 30, 2006 actuarial valuation report, a PERS employer contribution rate of 12.25 percent effective July 1, 2007. To mitigate the financial impact to the State, the Board of Trustees agreed to transition employer contribution rate increases in .55 percent increments until a sufficient funding level was reached to maintain the liability payment period within 30 years. As a result, the employer contribution rate was increased to 11.85 percent effective July 1, 2007. At June 30, 2008, the actual employer contribution amount for PERS was $683,189,000, which was 97 percent of required total contributions. Due to favorable investment performance in previous years, coupled with prior year increases in employer contribution rates, the consulting actuary decreased the recommended annual required contribution rate (ARC) for employers to 11.85 percent in the June 30, 2007 valuation. The ARC is set two years in advance to assist in the state's budgetary process. Effective July 1, 2008, the ARC will coincide with the effective employer rate to reflect 100 percent collection of required contributions for the fiscal year ending June 30, 2009. Actual employer contributions for MHSPRS and SLRP remain at 100 percent of annual required contribution.

The actuarial value of assets is used in determining the funding progress of the System. The actuarial value of assets is based on a smoothed fair value basis in accordance with GASB Statement No. 25. For the June 30, 2008 actuarial valuation, investment asset appreciation and depreciation for PERS, MHSPRS and SLRP was smoothed over a five-year period recognizing 20 percent of the current year's depreciation. This smoothed actuarial value of assets is used in determining the actuarial funding status of the System and in establishing the contribution rates necessary to accumulate assets to meet benefit obligations when due.

At June 30, 2008, the plans' unfunded pension benefit obligations were as follows (in thousands).

	PERS	**MHSPRS**	**SLRP**
Total actuarial accrued liability	$28,534,694	$ 381,578	$ 15,615
Assets used in valuation	20,814,720	298,630	13,412
Unfunded (overfunded) actuarial accrued liability	$ 7,719,974	$ 82,948	$ 2,203

Funding policies for PERS, MHSPRS and SLRP provide for periodic employer contributions at actuarially determined rates that are adequate to accumulate sufficient assets to pay benefits when due. Actuarial valuations prepared as of June 30, 2008, the most recent valuation date, indicate that the unfunded (overfunded) accrued liability periods of PERS, MHSPRS and SLRP are 29.4, 16.6 and 16.8 years, respectively, using an open amortization approach.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For Fiscal Year Ended June 30 (In Thousands)

	2005	2006	2007	2008
Additions:				
Employee Contribution	$ 367,392	$ 377,659	$ 394,444	$ 419,483
Employer Contributions	513,557	580,739	634,645	708,791
Total Contributions	880,949	958,398	1,029,089	1,128,274
Investment Income:				
Net Appreciation (Depreciation) in Fair Value Assets	1,079,851	1,336,128	2,918,946	(2,367,356)
Interest and Dividends	490,017	512,222	597,219	636,077
Interest Income on Securities Lending	54,459	165,166	303,097	206,713
Manager's Fees & Trading Costs	(28,987)	(34,122)	(38,843)	(42,849)
Interest Expense on Reverse Repurchase Agreements	(46,095)	(152,907)	(288,275)	(202,071)
Net Investment Income (Loss)	1,549,245	1,826,487	3,492,144	(1,769,486)
Other Revenues	2,388	2,632	2,351	3,160
Total Additions (Reductions)	$ 2,432,582	$ 2,787,517	$ 4,523,584	$ (638,052)
Deductions:				
Retirement Annuities	1,169,305	1,253,386	1,347,473	1,450,185
Refunds to Terminated Employees	71,163	73,456	72,617	72,790
Administrative Expenses	10,442	9,211	9,846	11,078
Loss on Disposal of Equipment	86	0	0	0
Depreciation	526	563	495	455
Total Deductions	$ 1,251,522	$ 1,336,616	$ 1,430,431	$ 1,534,508
Net Increase (Decrease) in Plan Net Assets	1,181,060	1,450,901	3,093,153	(2,172,350)
Net Assets held in Trust for Pension Benefits				
Beginning of Year	16,187,236	17,368,296	18,819,197	21,912,350
End of Year	$17,368,296	$18,819,197	$21,912,350	$19,739,790

Source: State Auditor and Public Employees' Retirement System.

ORGANIZATION OF STATE GOVERNMENT

The Mississippi Constitution separates the legal powers of State government into three distinct branches, the legislative, the executive and the judicial.

Legislative Branch

Legislative power is vested in the Senate and the House of Representatives, which jointly comprise the Legislature of the State. The Senate is composed of 52 members, and the House of Representatives consists of 122 members. Each member of each chamber is elected to a four-year term.

The Legislature convenes annually on the first Tuesday after the first Monday in January. Regular sessions last 90 days in all years of an administration except for the first session after a new governor has been elected, when a 125-day session is held. Any regular session may be extended by a concurrent resolution adopted by a two-thirds (2/3) vote of the membership of both the House and the Senate. The Governor may convene the Legislature by a proclamation whenever, in his opinion, the public safety or welfare requires it, or upon written application of three-fifths (3/5) of the members of each legislative body. The Legislature has the authority to enact legislation to complement the constitutional duties and powers of the executive branch of government.

Executive Branch

The Governor is vested with the chief executive powers of the State. He is elected to a four-year term and may succeed himself for one additional term. He recommends to the Legislature, by message at the commencement of each session, the passage of such measures as he deems appropriate; appoints, by and with the advice and consent of the Senate, certain officers of State government; may remit fines and penalties; grant reprieves, commute sentences, and grant pardons and paroles after convictions; is Commander-in-Chief of the military forces of the State and, as such, may call out the National Guard to enforce laws, suppress insurrections and repel invasion.

Specific administrative functions are performed by the other statewide elected officials; the Lieutenant Governor, the Secretary of State, the Attorney General, the State Treasurer, the State Auditor, the State Insurance Commissioner and the State Commissioner of Agriculture and Commerce. For example, legal services are provided by the Attorney General; audit functions are performed under the direction of the State Auditor; and the Secretary of State maintains official records of the State and performs other statutory duties.

Other activities of State government are conducted through various boards and commissions created by the Legislature and accountable to either or both the legislative and executive branches. These include, among others:

(1) The Department of Transportation includes the State Highway Department, the Aeronautics and Rail Division, the weight inspection stations and portable scales from the Tax Commission and the State Aid Engineer and the Division of State Aid Road Construction. The three elected members of the Mississippi Transportation Commission (formerly the State Highway Commission) select a director who serves as the administrative head of the Department of Transportation. The primary responsibilities of the department are the maintenance of highways and roads within the State and to promote the coordinated and efficient use of all available and future modes of transportation, to study means of encouraging travel and transportation of goods by the combination of motor vehicle and other modes of transportation. For operational purposes, the department is divided into six districts with maintenance and construction engineers in each district. However, certain functions, such as right-of-way acquisition, relocation assistance, bridge design, property control, research and development and testing are controlled at the departmental level. Other transportation related agencies are the Department of Public Safety and the Public Service Commission.

(2) Mississippi has a number of boards and commissions that perform activities related to public health and welfare. Among those agencies are the State Department of Health, the Department of Human Services, the Department of Rehabilitation Services, the Division of Medicaid and the Parole Board. The Department of Health administers programs involving disease control, family health and environmental health. It also inspects sewer and water facilities, factories, food processing plants and conditions in State institutions. The Department of Human Services administers assistance payments to families of dependent children and makes determination of Medicaid eligibility. Additional services are provided through the Child Support, Food Assistance and Social Services Programs. The Division of Medicaid, within the Office of the Governor, administers the activities of all health related programs under Title XIX of the Social Security Act.

(3) The construction, maintenance and repair of State buildings are administered by the Office of Building, Grounds and Real Property Management, within the Department of Finance and Administration. In order to fulfill its responsibilities, pursuant to authority granted by the Legislature, the Office of Building, Grounds and Real Property Management has the authority to acquire and hold real and personal property by lease or purchase and to exercise the right of eminent domain. Short and long-range public plans are subject to the approval of the Public Procurement Review Board of the Department of Finance and Administration.

Under the supervision of three elected Commissioners, one from each Supreme Court district of the State, the Public Service Commission supervises and regulates various activities of utilities and motor carriers operating within the State. It has the authority and responsibility of prescribing rates and charges that will allow the utilities a fair and reasonable rate of return on investment under efficient operating conditions while protecting at all times the interest and welfare of the public. In the case of motor carriers, the Commission is charged with the responsibility of enforcing the provisions of the Motor Regulatory Act of 1938 on a fair and equitable basis by assuring that proper tags are purchased, that proper commodities are transported at proper rates, that franchise provisions are strictly adhered to and that each carrier has full and adequate insurance coverage.

Judicial Branch

The Judicial Branch of State government consists of a Supreme Court, Court of Appeals, Chancery District Courts and Circuit District Courts. The Supreme Court is an appellate court with members elected from three districts for terms of eight years. The Court of Appeals is comprised of ten appellate judges, two elected from each congressional district, to serve for a period of eight years. There are 20 Chancery District Courts and 22 Circuit District Courts in the State, subject to change by the Legislature, with judges elected from each district for terms of four years. County Court judges in certain counties, and Justice Court judges in every county, are elected for four-year terms.

Local Governments

County and municipal governments and other political subdivisions have no sovereign powers in the State. In the State's counties and municipalities, the major sources of revenues are shared revenues from sales taxes, and property taxes assessed on all local real and personal property subject to certain exemptions. State agencies, however, provide various important services to political subdivisions, including the following: the State Department of Health works in an advisory capacity with local health departments; the State Department of Education provides guidance and aid for county and municipal Superintendents of Education; the Department of Transportation provides funding and technical assistance for county and urban road construction; and the Mississippi Development Authority is authorized to provide many economic development services.

EDUCATION

Elementary/Secondary Education

Public Education in Mississippi has seen dramatic changes during the past 24 years, with the 1982 Education Reform Act serving to trigger much of that change. As a result of the Education Reform Act, assistant teachers were provided in grades kindergarten through three, serving to dramatically lower the elementary student-teacher ratio.

A statewide core curriculum has also been established, outlining objectives school districts are expected to include in their instruction. The State has been a leader in developing a performance-based accreditation model, with both schools and districts receiving an annual accreditation level.

In 1994, the State legislature passed the landmark Technology Enhancement Act, which called for the creation of a state technology plan. As part of the plan, all schools are set to have internet connection, with all schools also linked to each other and the State Department of Education.

Mississippi is also home to the Mississippi School for Mathematics and Science, which was the fourth of its kind nationwide when it opened in 1988. The school provides intensive training in math, science and technology to high school juniors and seniors.

The Mississippi School of Fine Arts opened in the fall of 2003. This school offers high school juniors and seniors training in the various fine arts.

During the 2007-2008 school years, public elementary schools (K-6) enrolled 308,755 students. There were 184,547 secondary students, with a total of 494,302 students. The State's public schools employed 34,390 classroom teachers, which represents 33,613 full time equivalent classroom teachers.

In Mississippi, State and local boards of education are responsible for governing public elementary and secondary education. At the State level, a nine-member State Board of Education administers these responsibilities. The State Superintendent of Education, appointed by the State Board, serves as its secretary and chief operating officer.

In 1984, the Public Lands Division of the Secretary of State's Office began a program to correct abuses of Sixteenth Section School land management by requiring below-market leases to be brought to fair market prices. As a result of these efforts, substantial additional revenues are being generated for the support of elementary/secondary education in the State.

Community Colleges

Being the first state to establish a system of public two-year colleges, the State has 15 community colleges located on 33 campuses and centers in every area of the State. These two-year institutions offer university level courses of study as well as vocational and technical programs. There is a wide variety of specialized programs for industry start-up and industry training, which are offered statewide. Total headcount enrollment (unduplicated) at the public community and junior colleges for 2008 was 93,972. Public community colleges are governed by local boards of trustees, with state coordination by a ten member State Board for Community and Junior Colleges.

Universities and Colleges

Eight institutions of higher learning, including a medical center, are supported by the State. These institutions offer courses and programs statewide. The Fall 2008 academic year enrollment in these State supported institutions of higher learning was 71,147. The State's eight institutions of higher learning are administered by a 12 member Board of Trustees of State Institutions of Higher Learning and the Commissioner of Higher Education.

THE ECONOMY

Location and Geography

Mississippi is centrally located in the southern region of the United States. It is bounded on the east by Alabama, on the north by Tennessee, on the west by the Mississippi River, which separates it from Arkansas and Louisiana, and by Louisiana and the Gulf of Mexico on its southern boundary. Mississippi encompasses 47,715 square miles and ranks 32nd in physical size among the states. Jackson, located in the central part of the State, is the capital and the largest city.

Mississippi has a temperate to subtropical climate. The temperature ranges from a high mean temperature throughout the State of 84.5 degrees during July to a low mean temperature of 45.6 degrees in January. The State has an average rainfall of 53.9 inches. The topography of the State ranges from flat to hilly, with a maximum elevation of 806 feet in the northeastern corner of the State.

The State's Economy

Mississippi has not been hit as hard by the current recession as have those states where the housing and financial crises have been concentrated. Still, the drop in output and employment in the state in 2009 will likely be close to the U.S. average. In the first half of 2009, employment was down 3.2% in comparison to the same period in 2008, and the rate of unemployment continues to rise. In July, the unadjusted unemployment rate exceeded 10%. General Fund tax collections reflect this economic slump: collections were down 4% in fiscal year 2009 compared to fiscal year 2008, necessitating budget cuts.

The drop in employment has been greatest in business and professional services, which includes temporary workers, and in manufacturing. The number employed in the business and professional services sector was 9.3% lower in July than in the same month a year ago, a loss of 8,700 jobs. Manufacturing employment was down by 14,200 jobs, a drop of 9.0%. Electrical equipment, wood products and motor vehicle parts were among the hardest-hit manufacturing industries. Other sectors that suffered job losses of 5% or more included wholesale trade, transportation, and financial services.

Recently, several indicators appear to show that the recession here, as in the rest of the country, is bottoming out. An upturn is expected to begin by year's end. The value of residential building permits issued has been gradually increasing, retail sales and gaming revenues appear to be stabilizing, and the rate of job loss is slowing. The economic forecast is for a 3.5% drop in employment and a 2.8% drop in output in 2009; by the spring of 2010 the recovery is expected to be well underway.

Funds received under the Obama stimulus plan are reducing the size of budget cuts required due to revenue shortfalls. The state has been awarded $479 million for fiscal stabilization under the stimulus plan and another $779 million for Medicaid funding. Other programs bring the formula funding total to over $2 billion. Non-formula stimulus grants of over $750 million are also available to the state.

In addition, post-Katrina reconstruction continues to boost economic activity, along with several major investment projects. Among these projects are a $1.3 billion auto plant (Toyota), a $1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), a $950 million expansion at Keesler Air Force Base, and expansions at both SeverCorr and Chevron. Start-up and completion dates on some of these projects, however, have been postponed.

The recession, which began in 2008, affected last year's numbers. Gross state product in 2008 rose only 0.7% and employment fell 0.5%. Personal incomes grew approximately 4.2%, aided in part by tax rebates and grants to homeowners hurt by Hurricane Katrina. State revenue collections rose a modest 3.0% in fiscal year 2008 following two years of double-digit growth after Hurricane Katrina.

Jobs in service-providing industries posted a slight 0.3% gain in 2008, while goods-producing jobs fell 2.6%. In 2009, year-to-date through July, the only sectors showing positive growth have been government, which added 5,900 jobs, largely at the local level, and educational & health services, which added 1,700 jobs. Telecommunications, general merchandise, and food services were subsectors that increased employment.

Mississippi's housing market has fared better than that in other areas. Home construction post-Katrina insulated the state from the huge decline in housing starts seen elsewhere in 2007, and construction employment in the state rose a surprisingly strong 3.2% in 2008. This year, however, the number of persons employed in construction is down 5%. The state's mortgage delinquency rate, which has historically been high in comparison to the rest of the nation, remains elevated, ranking number two in the nation in the first quarter. However, these high delinquency rates have not translated into foreclosures, which remain below the national average. In the fourth quarter of 2008, the state ranked 25th in the nation in foreclosures, and in the first quarter of 2009, 30th. The average price of existing homes has been almost stable, falling just 1.5% in 2008, to $111,234.

Coastal counties, which account for about 15% of the state's employment and population, continue to recover from the effects of Hurricane Katrina. Employment on the coast returned to pre-Katrina levels in 2008, although with a shift towards the construction and government sectors. Recovery has stalled, however, due to the nationwide recession.

Revenues in coastal casinos returned to pre-storm levels in 2008, but this year has seen a drop-off in revenues at both coastal and Mississippi River casinos. Hurricane recovery efforts continue, with several major projects underway or completed. Some homeowners, renters and small businesses, however, are finding it difficult to meet the high cost of insurance, and other obstacles to rebuilding and resettling remain. Katrina-related federal aid continues to be spent in the on-going rebuilding of the area.

Short-Term Outlook

Under pressure from the national downturn and the international financial crisis, Mississippi's economy is expected to remain in recession for the remainder of 2009 and into 2010. The state's recovery is expected to coincide with that of the nation as a whole. According to the forecast scenario, gross state product drops 2.8% in 2009, but as the recovery picks up steam in 2010, the growth rate reaches a positive 0.5%. Employment drops as much as 3.5% in 2009, but by 2010, the upswing slows job loss to about 0.5%, with positive employment growth of 1.3% expected in 2011.

Personal income will follow a similar path, growing only 1.3% in 2009, 2.5% in 2010, and 3.0% in 2011. With financial markets functioning more smoothly by late 2009 and consumer confidence on the upswing, investors are expected to replenish inventories and resume purchases of software and equipment. The national recovery will strengthen, the pace of activity in the state will pick up, and there will be a return to the state's long-run growth path.

State Economic Structure

Eighty percent of wage and salary employment in Mississippi is in service-providing industries, with the remaining 20% in the goods-producing industries of manufacturing, construction and natural resources/mining. Despite the dominance of services, goods-producing industries, and manufacturing in particular, are crucial to the state's economy. In the U.S. as a whole, manufacturing provides 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 146,000 workers, the percentage of employees in furniture and in wood products is more than twice the corresponding percentage for the U.S. These industries, along with food products, account for 37% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 37% of manufacturing employment here.

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

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Leading National and International Companies

The following companies have locations in the State:

Advanced Distributor Products, LLC
Airgas, Inc.
Air Cruisers
Akzo Nobel NV
Alliant Techsystems, Inc.
Al-ko Kober AG
Aluminum Company of America
American Eurocopter Corp.
Armstrong Holdings
Ashland, Inc.
Ashley Furniture Industries
ATK Southern Composites Center
Aurora Flight Sciences
Avery Dennison, Inc.
Avon Rubber PLC
Ayrshire Electronics
BAE Systems, PLC
Baker Hughes, Inc.
BASF Corporation
Baxter International, Inc.
Berkshire Hataway, Inc.
Bethlehem Steel Corp.
Binswanger Mirror
BOC Group PLC
The Boeing Company
Boral Bricks, Inc
Borg Warner, Inc.
BP Amoco Corporation
BPB Manufacturing, Inc.
British Vita PLC
Buhrmann NV
Bunge
Buzzi Unicem, SPA
Calsonic Kansei Corp.
Carlisle Companies, Inc.
Caterpillar, Inc.
Cellular South
Central Glass Company
Certex Lifting Products & Services
Chevron-Texaco Corporation
Clorox Company, Inc.
Coca-Cola Enterprises, Inc.
Comcast
Commercial Metals Company, Inc.
ConAgra Foods, Inc.
Constar International, Inc.
Cooper Industries
Cooper Tire & Rubber
Crown Cork & Seal
Danish Crown AMBA
Day-Brite/Capri/Moega Lighting, Inc.
Delphi Corporation
Delta Pride Catfish, Inc.
Denbury Resources
Dollar General
Dover Corporation
DSM NV
EADS, NV
Eaton Corporation
Energy Conversion Systems
Engelhard Corporation
E.I. du Pont de Nemours
Entergy
Exide Technologies
Farmland Industries
Ferguson Enterprises, Inc.
Ferguson Enterprises, Inc.
FKI PLC
FMC Technologies, Inc.
Foamex International, Inc.
Franklin Corp.
Furniture Brands International, Inc.
General Dynamics Corporation
General Electric Corporation
General Motors Corporation
Genuine Parts Company
Georgia Gulf Corporation
Georgia-Pacific Corporation
G & G Steel
Greif, Inc.
Haglof Sweden AB
Hanson Pipe & Products
Hart & Cooley, Inc.
Heidelberger Zement AG
Helmitin, Inc.
Helena Chemical Co.
Hercules, Inc.
Hillenbrand Industries
HiSAN, Inc.
Hitachi Cable, Ltd.
Holcim, Inc.
Holox, Ltd.
Howard Industries
Hunter Douglas NV
Hydro Aluminum
IFCO Systems NV
Illinois Tool Works
Imerys
IMS Autrans Corp
Inka Paletten GmbH
International Paper Company
Israel Aerospace Industries, Ltd.
ITT Industries, Inc.
Johns Manville Corp.
Johnson Controls, Inc.
Kasai Kogyo, LTD
Kellwood Company
Kentucky-Tennessee Clay
Kerr-McGee Corporation
Kimberly-Clark Corp.
Koch Foods
Koninklijke Nederlandsche
L-3 Communications Corporation
L'Aire Liquide SA
Lafarge SA
Lane Furniture Ind.
La-Z-Boy, Inc.
Lear Corporation
LeCarbone Lorraine
Leggett & Platt, Inc.
Lennox International
LeTourneau, Inc.
Levi Strauss & Co.
Lextron Corporation
Lockheed Martin Corporation
Lone Star Industries, Inc.
Louisiana-Pacific Corporation
Lucite International, Ltd.
MG Industries
M-TEK Mississippi, Inc.
Mars
Marubeni Corporation
Masonite International
Mazda Motor Corporation
Messer International GmbH
Metaris, Inc.
Metso Oyj
Milwaukee Electric Tool Corporation
Minitube AB
Mitsubishi Corporation
Mitsui & Co. Ltd.
Monsanto
Moore & Munger, Inc.
Morgan Crucible Company
Morganite
Motorola, Inc.
N.E.W.
Nexfor, Inc.
Nissan Motor Co., Ltd.
Nisso Iwai Corporation
Norsk Hydro ASA
Northrop Grumman Corporation
Nucor Corporation
OKIN Antriebstechnik GmbH
OMNOVA Solutions
Origin Energy, Ltd.
Outokumpu Heatcraft, LLC
Owens Corning
Owens Illinois, Inc.
Packaging Corporation of America
Parker Hannifin Corp.
Parkway Properties
Peavey Electronics Corp.
Peco Foods of Mississippi
Pennzoil-Quaker State
PeopLoungers, Inc.
Pepsi Co., Inc.
Pioneer Aerospace Corp.
PolyChemie, Inc.
Praxair, Inc.
Press Kogyo Co.
Quebecor World, Inc.
Raytheon Company
Reckitt Benckiser PLC
Rexam PLC
Rolls-Royce PLC
R. R. Donnelley & Sons Co. RTI
Ryerson Tull, Inc.
Sanderson Farms, Inc.
Sanderson Plumbing Products, Inc.
Sanoh Industrial Company
Sara Lee Corporation
SCA North America, Packaging Division
Schumann Sasol
Sealed Air Corporation
Sequa Corporation
Severstal
Sherwin-Williams Co., Inc.
Siemens AG
Singapore Technologies
SISTAG Absperrtechnik
Smith International, Inc.
Smurfit-Stone Container Corporation
SNF SA
Southern Company
Stanley Works, Inc.
Staplcotn
Sumitomo Corporation
Svenska Cellulasa Aktiebolaget SCA
Takata Corporation
Taylor Machine Works Inc.
Techtronic Industries Company, LTD
Tecumseh Products Co.
Temple-Inland, Inc.
Textron, Inc.
Thomas & Betts Corp.
Thyssen-Krupp AG
Tomkins PLC
Tower Automotive, Inc.
Toyo Denyol
Toyota
Trinity Yatchs
Tyson Foods, Inc.
Unipres Corporation
United States Steel Corp.
United Technologies
USG Corporation
USUI Kokusai Sangyo Kaisha, Ltd.
Valspar Corporation
Viking Range Corp
Vitafoam, Inc.
Visy Industries
VITRO, SA DE CV
Voith AG
VT Halter Marine, Inc.
Wal-mart Waltex MS, LLC
Wey Valve, Inc.
Weyerhaeuser Company
Whirlpool Corporation
Wolseley PLC
Wolverine Tube, Inc.
Yazak I Corporation
York International
Yorozu Corporation
Zeon Corporation
Zodiac SA

Source: Mississippi Development Authority, August 2009

Economic Development

The Mississippi Development Authority was created to improve the quality of life for Mississippians through the creation of productive employment opportunities and the enhancement of the State's tax base. To accomplish its mandate, the Mississippi Development Authority concentrates on recruiting new industries into the State, encouraging expansion of existing industries, expanding world markets for Mississippi products, seeking international business investment, assisting in the development of minority businesses, and providing training and retraining programs for our work force to meet the needs of today's business.

A variety of services are available to individuals and businesses to stimulate jobs and income growth in the State. The Mississippi Development Authority provides financial, management and technical assistance services. Some of these include tax incentives, loan programs and bond financing programs for industries, small businesses and agribusinesses.

Banking and Finance

There are 96 financial institutions in Mississippi, consisting of 1 state-chartered thrift, 5 federal thrifts, 16 national banks and 74 state-chartered banks. The total number of branches for these institutions stands at 875. Total assets held by Mississippi financial institutions on September 30, 2008, were $55,970,614,000.

The State's largest institution has assets of over $13 billion. There are eight institutions with assets over $1.0 billion and whose combined assets total $36,611,170,000. Of the total deposits in the State, these institutions control approximately 64%.

Statewide banking has been in existence since 1986, with "de novo" branching as well as mergers. Since 1990, reciprocal interstate acquisitions are permitted, but only with states in the southeast. Effective September 29, 1995, a bill was signed by the Governor allowing Mississippi to participate in nationwide banking effective with the enactment of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, Public Law 103-328. Beginning December 1, 1997, by legislation passed in the 1996 session, State banks were able to have branches out-of-state, as well as, out-of-state banks being able to branch into Mississippi.

The Mississippi financial community has shown strength and stability over the past several years. This is reflected by good earnings as well as asset and capital growth.

Manufacturing

The manufacturing sector is the leading employer in the State. Approximately 243,000 persons are employed in more than 4,000 manufacturing facilities. About one-fourth of these facilities have 100 or more employees and account for 80 percent of all manufacturing workers. The State has forty-two manufacturing companies with one thousand or more employees.

Every county in the State has a manufacturing facility. Hinds County has the largest number of plants followed by Lee County, Harrison County, DeSoto County and Rankin County. The leading product groups in Mississippi are apparel, electrical machinery and equipment, food products, furniture and fixtures, lumber and wood products and transportation equipment.

In November 2000, Nissan North America, Inc. announced the location of a $930 million automobile manufacturing facility in Madison County, Mississippi. In June 2002, while the original facility was still under construction, Nissan announced that it would expand the facility to 2.5 million square feet with an additional investment of $500 million. When the plant began production, 2,040 people were employed and has grown to present employment of 5,284. The 3.5 million-square-foot plant has a capacity to produce 400,000 vehicles per year.

In March 2007, Toyota Motor Corporation announced its plans to locate a new manufacturing plant near the town of Blue Springs, Mississippi. The plant is expected to bring 2000 new manufacturing jobs and an initial investment of $1.3 billion to the area, with production set to begin in the second half of 2010 or early 2011.

Northrop Grumman (Litton Industries) is the State's largest manufacturing employer through its Ingalls Shipbuilding Division located in Pascagoula. With current employment above 11,750, Ingalls has an annual payroll of approximately $400 million. The company is one of the world's largest shipbuilders and is among the top three shipbuilding companies in the nation. It has operated in the State since 1938.

In May 2007, PACCAR, a global leader in the design and manufacture of premium light-, medium- and heavy-duty trucks, announced its plans to construct its newest engine manufacturing and assembly plant on a 394-acre site in Lowndes County. The plant is expected to create 500 new jobs and an initial investment of $300 million in the area with an annual payroll of $18 million. Production is expected to begin in 2010.

Tourism and Gaming

Since 1992, the total capital investment in the State by the gaming industry is $4.5 billion. The gross gaming revenues for the 30 State-licensed casinos in fiscal year 2008 were approximately $2.8 billion. The State's gaming industry has 31,081 State-licensed and casino hotel employees, based on fiscal year 2008 quarterly averages. In addition, the Mississippi Band of Choctaw Indians employs an estimated 3,000 persons at its casino hotels.

According to the State Tax Commission, gross gaming revenues for fiscal year 2009 were $2,584,976,138.55.

Agriculture and Forestry

Agriculture is Mississippi's number one industry, employing approximately 30% of the State's workforce either directly or indirectly. Agriculture in Mississippi is a $5.8 billion industry with a $2.7 billion economic impact each year. There are approximately 42,200 farms in the State covering 11 million acres. The average size farm is composed of 264 acres. Agriculture makes a significant contribution to all 82 counties. The primary agricultural products in Mississippi are poultry, cotton, soybeans, catfish, cattle and calves, corn, horticulture, hay and dairy.

Forestry and forestry products contribute a total impact of $17.4 billion to the Mississippi's economy. 19.8 million acres or about 65% of the total land in the State is devoted to forest production. The forestry sector, which includes pulp mills, paper mills, wood furniture, employs 25 percent of the State's manufacturing workforce.

Construction

The construction industry plays a powerful role in sustaining economic growth, in addition to producing structures that add to productivity and quality of life. Post Hurricane Katrina reconstruction continues to boost economic activity within the industry. Nonresidential construction spending in Mississippi totaled an estimated $5.4 billion in 2007. This direct construction spending in the state contributed a total of $12.0 billion (13.5%) to the State Gross Domestic Product of $88.5 billion. Direct construction spending in the State added $3.6 billion in additional personal earnings to the benefit of Mississippi residents working in the State. As some sectors rose and others fell in 2008, construction starts saw mixed results. Given the weak economy at present, there is little doubt that construction activity is set to decline in 2009.

Year	Contract Construction Total Output (In Millions)	Contract Construction Employment (In Thousands)	Building Permits (In Thousands)
1998	2,936	54.2	12.8
1999	3,088	55.1	12.9
2000	3,129	54.4	11.3
2001	3,027	51.9	9.9
2002	3,195	53.9	11.3
2003	3,408	51.3	12.1
2004	3,704	50.6	13.9
2005	3,929	52.1	13.4
2006	4,225	53.0	16.6
2007	4,429	58.2	16.1
2008	4,329	57.5	9.7

Source: University Research Center, the U.S. Department of Commerce, Bureau of the Census, Building Permits Branch and the Bureau of Labor Statistics.

Transportation

The Mississippi Department of Transportation ("MDOT") is the lead agency to meet the transportation needs of the State. MDOT is committed to providing a transportation system - a network of highways, airports, public transit systems, ports, weight enforcement offices and rail systems - that will provide for the safe and efficient movement of people and goods. Much of the success of the transportation system can be attributed to the AHEAD program enacted in 1987, which promises to link every Mississippian to a four-lane highway within 30 miles or 30 minutes. In the spring of 2002, the Mississippi Legislature enacted Vision 21 - MDOT's Proposed Highway Program for the 21st Century. This pay-as-you-go highway program will upgrade existing roadways or build new highways where they are needed most, without burdening the public with new taxes.

Mississippi's 81 public and private airports provide facilities for both commercial and private aircraft and play a vital part in the economic development of the small communities in the State. The mission of the MDOT Aeronautics Division is to assist airport owners in developing a safe and effective air transportation system in the State.

Mississippi's public ports continue to play a vital role in the State's transportation system and the State's economy, with ports generating almost $2 billion of the State Domestic Product. During the past 12 months, over 47.7 million tons of cargo moved through the public and private terminals within the State's ports. The ports continue to be directly and indirectly responsible for approximately 35,000 Mississippi jobs.

Mississippi has 2,842 miles of mainline railroad providing service between major centers throughout the State. This mileage is comprised of 17 railroads ranging in size from short intrastate rail systems to large rail systems extending from the Gulf of Mexico into Canada.

Population

According to the 2000 Census, the population of the State was 2,844,658.

TOTAL RESIDENT POPULATION FOR MISSISSIPPI AND THE UNITED STATES (In Thousands)

Year	Mississippi Population	Percent Change	United States Population	Percent Change
1970	2,217	1.80%	203,302	13.40%
1980	2,521	13.70	226,546	11.40
1990	2,577	2.10	249,440	10.10
2000	2,849	10.50	282,224	14.30
2001	2,856	.25	285,318	1.10
2002	2,863	.25	288,369	1.10
2003	2,874	.40	290,810	1.00
2004	2,893	.66	293,655	1.00
2005	2,908	.52	296,410	.93
2006	2,911	.10	299,398	1.00
2007	2,919	.27	303,809	1.47
2008	2,939	.69	305,800	1.00

Source: U.S. Department of Commerce, Bureau of the Census, Economic Research Service.

MISSISSIPPI RESIDENT POPULATION CHARACTERISTICS AND PERCENTAGE CHANGE BY CENSUS PERIOD (In Thousands of People)

Sector	1970	1980	1990	2000	%Change 1970-1980	%Change 1980-1990	%Change 1990-2000
Urban	987.3	1,192.2	1,213.8	1,388.6	20.7%	1.6%	14.4%
Rural Non-farm	968.1	1,243.6	1,307.2	1,409.7	28.4	5.0	7.8
Rural Farm	261.5	84.8	56.2	46.4	(67.6)	(33.7)	(17.4)
TOTAL/AVERAGE	2,216.9	2,520.6	2,577.2	2,844.7	13.6%	2.1%	10.4%

Source: U.S. Department of Commerce, Bureau of the Census.

Employment

The service producing industries are the leading employers within the State employing 909,900 people or 80% of total non-agricultural employment as of December 2008. Other large employment sectors are government, manufacturing, and trade and transportation with each employing 244,700, 157,700, and 228,600, respectively in 2008. Within the goods producing industry, the durable goods segment of the industry employed 104,200 and the nondurable goods segment employ 53,500. The leading manufacturers by product category are transportation equipment which includes ship building (41,300), food manufacturing (23,400) followed by furniture manufacturing (20,700). Although its importance has declined, agriculture continues to contribute significantly to the State's economy. The total employment in agriculture in 2008 was 41,300.

TEN LARGEST MISSISSIPPI MANUFACTURING EMPLOYERS[(1)]

Manufacturer	Major Product	2008 Employment
Northrop Grumman	Ship Building	13,800
Lane Furniture	Upholstered Furniture	6,102
Howard Industries	Electronics	5,040
Tyson Foods, Inc.	Processed Poultry	4,430
Sanderson Farms	Processed Poultry	4,389
Nissan North America	Automobile Manufacturer	4,200
Ashley Furniture	Upholstered Furniture	3,520
Koch Foods, Inc.	Food Processing	2,817
Peco Foods of Mississippi	Food Processing	2,350
Peavey Electronics	Electronics	2,200

(1) Number of employees is based on an annual estimate by each employer as a part of a survey conducted by the Mississippi Development Authority.

Source: Mississippi Development Authority, Existing Industry and Business Division, Manufacturers Cross-Match Program August, 2009.

RECENT MISSISSIPPI LABOR FORCE STATISTICS
(In Thousands of People)

Year/ Month	Civilian Labor Force	Total Employed	Unemployment Rate
2000	1,326.4	1,251.1	5.7
2001	1,305.3	1,233.9	5.5
2002	1,298.0	1,209.8	6.8
2003	1,312.1	1,229.0	6.3
2004	1,330.2	1,248.1	6.2
2005	1,343.2	1,237.2	7.9
2006	1,316.5	1,220.5	7.3
2007	1,317.9	1,234.1	6.4
2008	1,326.6	1,234.3	7.0
2009			
Jan	1,322.8	1,207.3	8.7
Feb	1,326.5	1,205.2	9.1
March	1,321.1	1,196.3	9.4
April	1,311.9	1,192.5	9.1
May	1,311.2	1,183.9	9.7
June	1,296.9	1,179.5	9.1
July	1,291.6	1,165.7	9.7

Source: U.S. Department of Labor Bureau of Labor Statistics, August 2009.

MISSISSIPPI EMPLOYMENT STATISTICS
(In Thousands of People)

	2005	2006	2007	2008	Preliminary July 2009
Civilian labor force	1,283.7	1,318.5	1,325.6	1,310.9	1,291.6
Total employment	1,166.4	1,227.7	1,252.3	1,206.4	1,165.7
Agricultural[(2)]	38.5	36.8	37.6	36.2	35.0
Non-agricultural	1079.3	1,155.1	1,154.6	1,128.4	1,109.5
All Other	48.6	35.8	60.1	41.8	21.2
Unemployment Rates					
Mississippi	9.6	7.0	6.3	8.0	9.7
United States	5.1	4.7	4.7	7.2	9.7
By Place of Employment					
Non-Agricultural	1,079.3	1,138.6	1,154.6	1,128.4	1,118.0
Manufacturing	168.2	176.1	172.6	157.7	144.3
Durable goods	107.3	117.1	114.4	104.2	92.4
Wood Product	13.3	20.2	13.6	13.9	12.0
Furniture & Related Products	26.6	26.3	24.7	20.7	18.7
Metal Products	11.1	11.2	11.0	10.9	10.9
Machinery Manufacturing	10.4	12.2	12.5	11.8	11.4
Electrical Equipment & Appliance	2.9	16.3	15.4	15.2	12.7
Transportation Equip[(3)]	25.1	48.5	47.6	46.4	43.2
Nondurable goods	60.9	59.0	57.0	53.5	51.9
Food	26.9	25.8	25.7	23.4	23.8
Apparel	4.5	.0	.0	.0	.0
Paper	5.3	5.6	5.0	4.5	4.5
Chemicals & Manufacturing	6.2	.0	.0	.0	.0
Plastics & Rubber	9.0	8.4	8.4	7.6	6.8
Service Producing					
Industries	852.5	895.8	925.0	909.9	894.5
Mining[(4)]	8.4	9.3	9.4	9.9	9.5
Construction	50.2	57.4	62.9	57.5	61.2
Information	14.2	13.7	13.5	13.2	13.1
Trade & Transportation[(5)]	254.1	274.7	278.6	278.1	260.6
F.I.R.[(6)]	45.1	46.2	46.7	46.8	44.3
Government	242.9	239.0	249.7	244.7	248.5
Education & Health Services[(7)]	119.9	122.2	125.8	128.7	127.6
Leisure & Hospitality	108.6	121.2	125.1	119.8	123.7
Professional & Business	80.4	90.0	97.4	91.4	85.0
Other Services	32.6	37.7	37.2	36.7	37.3

(1) Some of the categories in 2003 were renamed and combined with other categories.
(2) Mississippi Agricultural Statistics.
(3) Motor Vehicle Parts, Ship and Boat Building.
(4) Natural Resources and Mining.
(5) Transportation, Warehousing and Utilities.
(6) Finance, Insurance, Real Estate and Rental.
(7) Educational Services, Health Care and Social Assistance.

Source: Mississippi Department of Employment Security, MDES, State & Metro Trends, August 2009.

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Income

Manufacturing, services and government employment represent the largest components of earned personal income in the State.

COMPARISON OF MISSISSIPPI AND UNITED STATES PER CAPITA INCOME

Year	Mississippi	United States	Mississippi as a Percentage of United States
1999	$20,082	$27,880	72.0%
2000	20,920	29,760	70.3
2001	21,653	30,413	71.2
2002	22,417	30,899	72.6
2003	23,466	31,472	74.6
2004	24,650	32,937	74.8
2005	25,318	34,586	73.2
2006	26,535	36,276	73.1
2007	28,845	38,611	74.7
2008	29,922	39,928	74.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, August 2009.

MISSISSIPPI PERSONAL INCOME STATISTICS
(Rounded in Millions of Dollars)

	2004	2005	2006	2007	2008	2009[1]
Total Personal Income						
(by place of residence)	$72,396	$73,965	$78,322	$85,666	$86,861	$86,909
Earnings by Industry						
Farm	1,031	1,024	735	1,120	934	874
Agricultural Services[2]	547	555	530	549	484	485
Mining	533	530	892	959	1,140	1,188
Construction	2,633	2,840	3,509	3,376	3,752	3,449
Manufacturing	8,433	8,566	8,636	8,776	8,474	8,073
T.C.U.	2,643	2,065	2,157	2,292	2,263	2,242
Wholesale Trade	1,975	2,027	2,388	2,438	2,383	2,349
Retail Trade	3,949	3,974	4,319	4,315	4,260	4,182
Finance, Insurance, Real Estate	2,529	2,050	2,737	2,781	2,852	2,714
Services	1,754	1,778	7,980	8,719	9,056	9,020
Government	11,911	12,176	12,852	13,704	14,206	14,811

(1) 2009 figures are for the first quarter of the year.
(2) Agricultural services beginning with year 2004 include forestry, fishing and related activities.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

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UNITED STATES PERSONAL INCOME STATISTICS
(Rounded in Billions of Dollars)

	2004	2005	2006	2007	2008	2009[1]
Total Personal Income						
(by place of residence)	$10,015.1	$10,226.0	$11,043.5	$11,839.9	$12,080.4	$12,037.4
Earnings by Industry						
Farm	53.1	61.7	43.1	57.6	56.2	44.7
Agricultural Services[2]	27.0	28.1	29.0	31.7	28.7	29.6
Mining	72.3	79.2	114.1	125.0	142.3	143.9
Construction	484.3	506.5	554.5	544.2	522.0	482.4
Manufacturing	999.2	1,026.6	1,059.3	1,084.9	1,064.5	1,012.6
T.C.U.	339.2	347.2	280.3	294.3	293.6	292.5
Wholesale Trade	406.3	417.7	457.5	480.8	484.4	477.1
Retail Trade	517.5	529.8	547.0	552.1	548.0	534.9
Finance, Ins, Real Estate	796.5	822.0	856.2	892.8	891.1	852.2
Services	232.4	239.1	1,656.8	1,872.0	1,919.1	1,916.0
Government	1,266.6	1,297.8	1,395.7	1,481.0	1,529.7	1,587.5

(1) 2009 figures are for the first quarter of the year.
(2) Agricultural services beginning with year 2004 include forestry, fishing and related activities.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

MISSISSIPPI GROSS TAXABLE SALES
For Fiscal Year Ended June 30
(In Millions of Dollars)

Industry Group	2004	2005	2006	2007	2008
Automotive	$ 6,153.9	$ 6,146.2	$ 6,659.4	$ 6,425.7	$ 6,083.9
Machinery	2,056.4	2,254.0	2,884.0	3,065.2	2,963.0
Food & Beverage	6,585.2	6,667.7	6,860.3	7,183.3	7,503.0
Furniture	740.4	759.2	1,011.0	1,017.1	960.0
Gen. Merchant	6,350.3	6,627.8	7,389.4	7,517.2	7,339.2
Lumber	2,384.9	2,675.8	3,945.0	3,892.9	3,423.6
Misc. Retail	3,480.9	3,317.5	3,562.3	3,741.9	3,743.7
Misc. Services	1,881.4	1,944.0	2,582.1	2,605.2	2,823.8
Utilities	3,333.0	3,687.1	4,323.1	4,160.8	4,225.3
Contracting	4,227.7	4,450.6	6,078.0	7,289.3	7,887.5
Wholesale	744.4	758.1	721.7	728.8	749.0
Recreation	116.5	110.9	119.2	135.9	134.8
Total Taxable Sales	$38,055.0	$39,398.4	$46,134.9	$47,763.4	$47,836.8

Source: Mississippi State Tax Commission, Fiscal Years 2004-2008.

CONTINUING DISCLOSURE

On November 10, 1994, the Securities and Exchange Commission (the "SEC") amended Rule 15c2-12, as amended from time to time (the "Rule") which was originally adopted by the SEC in 1989 under the Securities Exchange Act of 1934 and set forth certain disclosure requirements relating to a primary offering of municipal securities. The amendments to the Rule, which are effective beginning July 3, 1995, add to the existing disclosure obligations relating to municipal securities by requiring that, prior to purchasing or selling municipal securities, brokers, dealers and municipal securities dealers must reasonably determine that the issuer of such municipal securities, together with any other "obligated persons," within the meaning of the Rule, have entered into an undertaking for the benefit of bondholders to make certain information available to bondholders on a continuing basis. The State is an "obligated person" with respect to the Series 2009 Taxable Bonds within the meaning of the Rule.

The State will enter into a written undertaking with the Bondholders to deliver, or cause to be delivered, to (a) the Municipal Securities Rulemaking Board (the "MSRB") through MSRB's Electronic Municipal Market Assess system at http://emma.msrb.org ("EMMA") in the electronic format then prescribed by the SEC pursuant to the Rule, and (b) any public or private repository or entity designated by the State as a State repository, if any, for the purposes of the Rule, the information described in the undertaking, together with any identifying information or other information then required to accompany the applicable filing. This information will be made available free to securities brokers and others through EMMA. For the procedures for all filings and notices due to the MSRB, instructions will be provided on the following website for MSRB: http://emma.msrb.org.

For a summary of the State's undertaking, see "APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT".

The State is in compliance with all prior undertakings, as applicable, for all municipal securities issued by the State.

LITIGATION

The Attorney General's Office has reviewed the status of pending lawsuits. The State is party to various legal proceedings that arise in the normal course of governmental operations.

It is anticipated, regardless of the ultimate outcome of any litigation, that neither the courts nor the Mississippi Legislature will act inconsistently with the State's financial ability to pay all outstanding bonded indebtedness and the interest thereon. It is not anticipated that the ultimate outcome of any or all of the pending litigation will result in obligations exceeding the financial resources of the State, so that in all events it is reasonable to expect that the State will remain in a sufficiently viable financial position to meet all of these obligations, including, but not limited to, the Series 2009 Taxable Bonds provided the same are issued, sold and delivered. To predict with any degree of accuracy the ultimate outcome of any litigation would be conjectural.

UNDERWRITING

The Series 2009D Bonds are initially being purchased for reoffering by the underwriters identified on the cover page of this Official Statement (together, the "Underwriters"). The Underwriters have agreed to purchase the Series 2009D Bonds at a purchase price of $333,775,144.64, representing $335,675,000.00 par amount less an Underwriters' discount of $1,899,855.36. The bond purchase agreement pursuant to which the Underwriters expect to purchase the Series 2009D Bonds provides that the Underwriters will purchase all the Series 2009D Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2009D Bonds is subject to various conditions stated in such bond purchase agreement.

The Series 2009E Bonds are initially being purchased for reoffering by the Underwriters. The Underwriters have agreed to purchase the Series 2009E Bonds at a purchase price of $119,200,800.00, representing $120,000,000.00 par amount less an Underwriters' discount of $799,200.00. The bond purchase agreement pursuant to which the Underwriters expect to purchase the Series 2009E Bonds provides that the Underwriters will purchase all the Series 2009E Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2009E Bonds is subject to various conditions stated in such bond purchase agreement

The Underwriters may offer and sell the Series 2009 Taxable Bonds to other dealers and other purchasers at prices lower than the public offering prices stated on the insider cover page hereto. The initial public offering prices may be changed from time to time by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2009 Taxable Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009 Taxable Bonds.

Loop Capital Markets LLC, one of the underwriters of the Series 2009 Taxable Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), Loop Capital Markets, LLC will share a portion of its underwriting compensation with respect to the Series 2009 Taxable Bonds with UBS Financial Services Inc.

VALIDATION

Prior to issuance, the Series 2009 Taxable Bonds will be validated before the Chancery Court of the First Judicial District of Hinds County, Mississippi, as provided in Sections 31-13-1 *et seq*., Mississippi Code of 1972, as amended.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Series 2009 Taxable Bonds are subject to the approving legal opinions of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, and Butler, Snow, O'Mara Stevens & Cannada, PLLC, Jackson, Mississippi, Co-Bond Counsel, whose approving legal opinions will be available at the time of delivery of the Series 2009 Taxable Bonds (see APPENDIX E, herein). Certain legal matters with respect to the State will be passed upon by the State Attorney General, Jim Hood, Esq. (see APPENDIX D, herein). Certain legal matters will be passed upon for the Underwriters by their counsel Watkins, Ludlam, Winter & Stennis, PA, Jackson, Mississippi.

TAX MATTERS

INTEREST ON THE SERIES 2009 TAXABLE BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.

In the opinion of Co-Bond Counsel, under and pursuant to the Act, the Series 2009 Taxable Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

FINANCIAL ADVISOR

The State has retained Mesirow Financial, Inc., Memphis, Tennessee, as independent financial advisor (the "Financial Advisor") in connection with the sale and issuance of the Series 2009 Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the State with respect to the preparation of documents, the preparation for the sale of the Series 2009 Bonds and of the time of the sale, tax-exempt and taxable bond market conditions and other factors related to the sale of the Series 2009 Bonds. Although the Financial Advisor performed an active role in the drafting of this Official Statement, it has not independently verified any of the information set forth herein.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the predictions and estimates will be realized.

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2009 Taxable Bonds, the security for the payment of the Series 2009 Taxable Bonds and the rights and obligations of the registered owners thereof.

References herein to the State Constitution, the Act and all other legislative acts referred to herein are only summaries, excerpts or brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof. Additional information may be obtained upon request from the Office of the State Treasurer, 1101 Woolfolk Building, Suite A, 501 North West Street, Jackson, Mississippi, 39201, (601) 359-3600, Attention: Mr. Ricky Manning or from the Department of Finance and Administration, 1301 Woolfolk Building, Suite A, 501 North West Street, Jackson, Mississippi 39201, (601) 359-3160, Attention: Ms. Laura Jackson.

The execution of this Official Statement has been duly authorized by the State Bond Commission.

STATE OF MISSISSIPPI

By: *_/s/ Haley Barbour_*
Haley Barbour, Governor

By: *_/s/ Jim Hood_*
Jim Hood, Attorney General

By: *_/s/ Tate Reeves_*
Tate Reeves, State Treasurer

Prepared by:	Office of the State Treasurer 1101 Woolfolk Building, Suite A 501 North West Street Jackson, Mississippi 39201 (601) 359-3600	Department of Finance and Administration 1301 Woolfolk Building, Suite A 501 North West Street Jackson, Mississippi 39201 (601) 359-3160

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APPENDIX A

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DEBT SERVICE ON THE SERIES 2009 TAXABLE BONDS

$335,675,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2009D

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2010	$ 0.00	$ 6,650,522.50	$ 6,650,522.50
2011	5,000,000.00	15,737,487.50	20,737,487.50
2012	5,000,000.00	15,685,362.50	20,685,362.50
2013	5,000,000.00	15,593,812.50	20,593,812.50
2014	16,130,000.00	15,310,946.30	31,440,946.30
2015	16,610,000.00	14,828,118.70	31,438,118.70
2016	17,150,000.00	14,287,891.30	31,437,891.30
2017	17,780,000.00	13,653,468.01	31,433,468.01
2018	18,525,000.00	12,907,477.72	31,432,477.72
2019	19,355,000.00	12,079,719.37	31,434,719.37
2020	20,235,000.00	11,196,950.32	31,431,950.32
2021	5,710,000.00	10,610,980.92	16,320,980.92
2022	6,340,000.00	10,303,093.91	16,643,093.91
2023	7,205,000.00	9,927,965.13	17,132,965.13
2024	8,070,000.00	9,504,924.01	17,574,924.01
2025	26,180,000.00	8,556,370.26	34,736,370.26
2026	27,670,000.00	7,064,994.51	34,734,994.51
2027	29,240,000.00	5,488,872.06	34,728,872.06
2028	30,905,000.00	3,823,156.28	34,728,156.28
2029	32,665,000.00	2,062,585.13	34,727,585.13
2030	20,905,000.00	578,963.98	21,483,963.98
Total	$335,675,000.00	$215,853,662.91	$551,528,662.91

$120,000,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2009E

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2010	$ 0.00	$ 3,085,093.33	$ 3,085,093.33
2011	0.00	7,306,800.00	7,306,800.00
2012	0.00	7,306,800.00	7,306,800.00
2013	0.00	7,306,800.00	7,306,800.00
2014	0.00	7,306,800.00	7,306,800.00
2015	0.00	7,306,800.00	7,306,800.00
2016	0.00	7,306,800.00	7,306,800.00
2017	0.00	7,306,800.00	7,306,800.00
2018	0.00	7,306,800.00	7,306,800.00
2019	0.00	7,306,800.00	7,306,800.00
2020	0.00	7,306,800.00	7,306,800.00
2021	0.00	7,306,800.00	7,306,800.00
2022	0.00	7,306,800.00	7,306,800.00
2023	0.00	7,306,800.00	7,306,800.00
2024	0.00	7,306,800.00	7,306,800.00
2025	0.00	7,306,800.00	7,306,800.00
2026	0.00	7,306,800.00	7,306,800.00
2027	0.00	7,306,800.00	7,306,800.00
2028	0.00	7,306,800.00	7,306,800.00
2029	0.00	7,306,800.00	7,306,800.00
2030	12,625,000.00	6,922,431.88	19,547,431.88
2031	36,630,000.00	5,422,863.41	42,052,863.41
2032	38,910,000.00	3,123,048.11	42,033,048.11
2033	31,835,000.00	969,216.58	32,804,216.58
Total	$120,000,000.00	$158,351,853.31	$278,351,853.31

DEBT SERVICE REQUIREMENTS
STATE OF MISSISSIPPI

GROSS DIRECT DEBT OR TOTAL GENERAL OBLIGATION BONDS ANNUAL DEBT SERVICE REQUIREMENTS[1][2]

Fiscal Year Ending June 30	Principal[3]	Interest[3]	Total Principal & Interest[3]
2010	$503,920,000	$139,010,711	$642,930,711
2011	273,825,000	120,627,985	394,452,985
2012	263,620,000	107,637,131	371,257,131
2013	240,755,000	95,588,590	336,343,590
2014	238,340,000	84,071,918	322,411,918
2015	231,415,000	72,721,483	304,136,483
2016	214,785,000	61,948,225	276,733,225
2017	222,065,000	51,451,578	273,516,578
2018	177,195,000	42,123,432	219,318,432
2019	168,125,000	34,625,206	202,750,206
2020	138,455,000	28,300,250	166,755,250
2021	124,540,000	23,134,409	147,674,409
2022	113,670,000	18,597,665	132,267,665
2023	104,775,000	14,671,327	119,446,327
2024	97,280,000	11,197,481	108,477,481
2025	80,155,000	8,156,445	88,311,445
2026	83,590,000	4,296,525	87,886,525
2027	63,550,000	3,932,184	67,482,184
2028	53,010,000	1,211,077	54,221,077
2029	27,635,000	217,875	27,852,875
Total	$3,420,705,000	$923,521,497	$4,344,226,497

(1) As of August 1, 2009.

(2) Does not include the effects of the Series 2009 Bonds. Gross direct debt includes self-supporting general obligations bonds which are payable from a specific revenue stream. See page A-4 for the debt service requirements of self-supporting general obligation bonds of the State.

(3) Of the principal amounts outstanding, $480,115,000 has been issued as variable rate debt, therefore the interest due is indeterminable at this time and is not reflected in this table. $141,875,000 of the principal amounts are being converted to fixed rate debt in connection with the issuance of the Series 2009D Bonds and the Series 2009F Bonds.

Source: Mississippi Treasury Department and Department of Finance and Administration.

STATE OF MISSISSIPPI

SELF-SUPPORTING GENERAL OBLIGATION BONDS WITH SPECIFIC REVENUE PLEDGES ANNUAL DEBT SERVICE REQUIREMENTS(1)

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2010	$ 905,000	$ 119,354	$ 1,024,354
2011	930,000	88,147	1,018,147
2012	960,000	54,592	1,014,592
2013	995,000	18,656	1,013,656
Total	$3,790,000	$208,749	$4,070,749

Includes general obligation bonds outstanding which are payable from pledged user fees, specific project revenues and certain other special fund receipts. Bonds included in this schedule are as follows:

Deer Island Project

(1) As of August 1, 2009.

Source: Mississippi Treasury Department and Department of Finance and Administration.

STATE OF MISSISSIPPI

NET DIRECT GENERAL OBLIGATION BONDED DEBT ANNUAL DEBT SERVICE REQUIREMENTS(1)(2)

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest(3)
2010	$503,015,000	$138,891,357	$641,906,357
2011	272,895,000	120,539,838	393,434,838
2012	262,660,000	107,582,539	370,242,539
2013	239,760,000	95,569,934	335,329,934
2014	238,340,000	84,071,918	322,411,918
2015	231,415,000	72,721,483	304,136,483
2016	214,785,000	61,948,225	276,733,225
2017	222,065,000	51,451,578	273,516,578
2018	177,195,000	42,123,432	219,318,432
2019	168,125,000	34,625,206	202,750,206
2020	138,455,000	28,300,250	166,755,250
2021	124,540,000	23,134,409	147,674,409
2022	113,670,000	18,597,665	132,267,665
2023	104,775,000	14,671,327	119,446,327
2024	97,280,000	11,197,481	108,477,481
2025	80,155,000	8,156,445	88,311,445
2026	83,590,000	4,296,525	87,886,525
2027	63,550,000	3,932,184	67,482,184
2028	53,010,000	1,211,077	54,221,077
2029	27,635,000	217,875	27,852,875
Total	$3,416,915,000	$923,240,748	$4,340,155,748

Includes general obligation bonds outstanding which are funded annually either by general fund appropriations or by specific revenue that otherwise would enter the general fund. A partial list of bonds included in this schedule is as follows:

ACE Fund
Archives and History
BB King Museum
Bridge Replacement
Business Investment Act
Capitol Complex
Capital Improvements
Children's Museums
Community Heritage Preservation
County Voting System
Disaster Recovery Funds
Economic Development Highway Act
Existing Industry Productivity Loan
Farish Street Historic District
Farm Reform Act
Gaming Counties Casino Road Improvements
Highway Construction
Institutions of Higher Learning Facilities
Jackson Zoo Improvements
Job Protection
Local Governments Capital Improvements
Local Governments Rail and Freight
Local Governments Water System Improvements
Major Economic Impact Act
Mental Health Improvements
Parks Improvements
Public Health Lab
Refunding Bonds
Rural Impact
Small Enterprise Development Finance Act
Small Municipalities/Limited Population Counties
Soil & Water Commission
State Shipyard
Statewide Wireless Communications
Telecommunications Center
Water Pollution Control

(1) As of August 1, 2009.
(2) Does not include the effects of the Series 2009 Bonds.
(3) Of this amount $480,115,000 has been issued as variable rate debt, therefore the interest due is indeterminable at this time and is not included in this table. $141,875,000 of the principal amounts are being converted to fixed rate debt in connection with the issuance of the Series 2009D Bonds and the Series 2009E Bonds.

STATE OF MISSISSIPPI

REVENUE BONDED DEBT
ANNUAL DEBT SERVICE REQUIREMENTS[1]

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
Total	$0	$0	$0

Includes revenue bonds outstanding whose debt service requirements are funded by specific revenues.

(1) As of August 1, 2009.

Source: Mississippi Treasury Department and the Department of Finance and Administration.

BOND AUTHORIZATION AND OUTSTANDING DEBT
As of January 1, 2009(1)(2)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
General Obligation Net Direct						
101 Capital Centre Improvements	2009 RLS HB 1722	2009	$5,000,000	$0	$0	$5,000,000
Ace Fund	SB 2804,Laws of 2004; HB 3 Third Special Session 2005;HB1641 Laws of 2008; HB35 2nd Special Session 2009	2004	$37,450,000	$13,450,000	$12,815,000	$24,000,000
Addie McBryde Center	Ch. 449-Laws of 1998, As Amended 1999	1998	$600,000	$600,000	$60,000	$0
Advance Education Center	Ch. 552-Laws of 1995.	1995	$19,650,000	$19,650,000	$160,000	$0
Agricultural Improvements	Ch.551-Laws of 1997.	1997	$3,485,000	$3,485,000	$0	$0
Archives & History	Ch. 487	2000	$5,600,000	$5,600,000	$2,130,000	$0
Archives & History Facility.	Ch. 560-Laws of 1998.	1998	$34,000,000	$34,000,000	$4,200,000	$0
Armed Forces Museum	Ch. 470-Laws of 1995.	1995	$2,500,000	$2,500,000	$0	$0
Armed Forces Museum	CH.448	1999	$2,000,000	$2,000,000	$95,000	$0
Arts and Cultural Museum	CH. 427	1999	$2,000,000	$2,000,000	$95,000	$0
B B King Museum Fund	2006 RLS SB 3111, as amended; RLS 2009 HB 1722	2006	$2,500,000	$2,000,000	$1,880,000	$500,000
Beauvoir Library	Ch. 434-Laws of 1995.	1995	$3,000,000	$3,000,000	$0	$0
Bluff and Waterway	CH. 488	1999	$5,700,000	$5,700,000	$265,000	$0
Bluff Stabilization	Ch. 614-Laws of 1997.	1997	$1,500,000	$1,500,000	$0	$0
Business Investment	Ch. 419-Laws of 1986, As Amended; HB 1641 Laws of 2008	1986	$316,000,000	$266,877,000	$41,302,000	$49,123,000
Cap Imp to State Owned Shipyard	Ch. 501; 2006RLS SB 2073	2003	$144,000,000	$144,000,000	$118,655,000	$0
Capital Improvements	Ch. 600	2001	$139,770,000	$139,770,000	$29,138,500	$0
Capital Improvements	Ch. 550-Laws of 2002	2002	$157,770,000	$157,770,000	$43,802,000	$0
Capital Improvements	Ch. 522	2003	$156,984,000	$156,234,000	$98,591,000	$0
Capital Improvements	Ch 1 Third Special Session, Laws 2004; HB 1641 Laws of 2008	2004	$284,360,000	$274,930,000	$255,623,500	$9,430,000
Capital Improvements	2006 RLS HB 1634; SB 3201 2007RLS	2006	$86,600,000	$86,600,000	$82,260,000	$0
Capital Improvements IHL & CC	2007 RLS HB 246	2007	$122,558,000	$114,311,000	$111,590,000	$8,247,000
Capital Improvements State Agencies	2007 RLS SB 3201	2007	$84,300,000	$82,300,000	$80,034,000	$2,000,000
Capital Improvements IHL & CC	HB 1641 Laws of 2008	2008	$48,875,000	$42,120,000	$42,120,000	$6,755,000
Capital Improvements	2009 RLS HB 1722	2009	$86,250,000	$0	$0	$86,250,000
Capitol Complex	Ch. 524-Laws of 1995.	1995	$44,200,000	$44,200,000	$0	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Capitol Complex	Ch. 595-Laws of 1998.	1998	$43,000,000	$43,000,000	$840,000	$0
Center for Advanced Technology Partnership	CH. 576	1999	$8,000,000	$8,000,000	$1,080,000	$0
Children's Museums	Ch. 535-Laws of 1997;2007 RLS SB 3201	1997	$7,500,000	$7,500,000	$5,040,000	$0
Coahoma County Higher Ed Center R&R	RLS 2009 HB 1722	2009	$250,000	$0	$0	$250,000
Communication Net. (repealed 6/00)	Ch. 518-Laws of 1995.	1995	$42,950,000	$29,950,000	$0	$0
Community Heritage Preservation	Ch. 541, As Amended; 2006 RLS HB 1634; 2007 RLS SB 3201, 2009 RLS HB 1722	2001	$26,950,000	$22,250,000	$13,820,000	$4,700,000
County Voting System Assistance	2006RLS HB 562	2006	$6,000,000	$6,000,000	$5,630,000	$0
Crafts Center	Ch. 501-Laws of 1997.	1997	$4,000,000	$4,000,000	$400,000	$0
Crime Lab and Medical Examiner Office Construction	RLS 2009 HB 1722	2009	$12,000,000	$0	$0	$12,000,000
Cultural Development Act	Ch. 541, as amended; 2006 RLS HB 1634	2001	$21,200,000	$17,200,000	$9,395,000	$4,000,000
Development Bank	Ch. 302-Laws of 1997.	1997	$5,000,000	$5,000,000	$0	$0
Disaster Matching Funds	Ch. 3, Third Special Session, Laws 2002; 2006 RLS HB 1634	2002	$61,000,000	$10,000,000	$8,000,000	$51,000,000
Economic Development Highway	Ch. 463-Laws of 1989; 2006 RLS HB 1506	1989	$196,500,000	$138,900,000	$45,145,000	$57,600,000
Education Technology	Ch. 612-Laws of 1997.	1997	$55,000,000	$55,000,000	$0	$0
Energy Infrastructure Revolving Loan Program	2009 RLS HB 1722	2009	$20,000,000	$0	$0	$20,000,000
Equine Training Facility	Ch. 525-Laws of 1995.	1995	$3,000,000	$3,000,000	$0	$0
ETV Capital Improvement	Ch. 586 –Laws of 1997.	1997	$12,650,000	$12,650,000	$0	$0
Fairground Renovation	Ch. 568-Laws of 1993.	1993	$11,500,000	$11,500,000	$0	$0
Fairground Renovation	Ch. 530-Laws of 1995.	1995	$17,775,855	$17,775,855	$0	$0
Fairground Renovation	Ch. 503-Laws of 1997.	1997	$4,500,000	$4,500,000	$0	$0
Farrish Street Historic District Loans	CH 465	1999	$6,000,000	$4,000,000	$2,895,000	$2,000,000
Farm Reform	Ch. 482-Laws of 1987, As Amended	1987	$111,000,000	$106,000,000	$5,076,000	$5,000,000
Gaming Counties Infrastructure	Ch. 557-Laws of 1994.	1994	$325,000,000	$325,000,000	$66,855,000	$0
Grand Gulf Access Road	2007 RLS SB 3201	2007	$4,000,000	$0	$0	$4,000,000
Hancock County Port and Tri-State Commerce Park	CH. 578 As Amended	1999	$39,880,000	$39,880,000	$5,965,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Hattiesburg Zoo Improvements	2009 RLS HB 1722	2009	$400,000	$0	$0	$400,000
Health Facilities Capital Improvements	Ch. 469-Laws of 1996. As Amended	1996	$18,000,000	$18,000,000	$295,000	$0
Hinds Comm College FFA Repair	2007 RLS SB 3190	2007	$375,000	$375,000	$364,000	$0
Hinds CC Plumber Trng Ctr	HB 1641 Laws of 2008	2008	$2,000,000	$2,000,000	$2,000,000	$0
Historic Properties	Ch. 564-Laws of 1993.	1993	$8,000,000	$8,000,000	$0	$0
Historical Properties	CH. 589 , As Amended	1999	$1,745,000	$1,745,000	$125,000	$0
Holly Springs Ind Park Road	HB 1665 Laws of 2008	2008	$500,000	$0	$0	$500,000
Hospitality Station Coahoma County	CH. 442	1999	$2,500,000	$2,500,000	$465,000	$0
Hwy 6 Controlled Access Interchange	2007 RLS SB 3175	2007	$4,000,000	$0	$0	$4,000,000
IHL Facilities	Ch. 571-Laws of 1993.	1993	$65,882,979	$65,882,979	$0	$0
IHL Learning Facilities	Ch. 504-Laws of 1996.	1996	$65,000,000	$65,000,000	$0	$0
IHL Learning Facilities	Ch. 525-Laws of 1996.	1996	$15,000,000	$15,000,000	$460,000	$0
IHL Learning Facilities	Ch. 538-Laws of 1997.	1997	$111,300,000	$111,300,000	$870,000	$0
IHL Learning Facilities	Ch. 594-Laws of 1998	1998	$71,050,000	$71,049,999	$2,230,000	$1
IHL Learning Facilities	CH. 595	1999	$102,500,000	$102,500,000	$8,835,000	$0
Infinity Space Science and Ed Center	2006 RLS HB 1634; 2007 RLS SB 3190	2006	$10,000,000	$0	$0	$10,000,000
Jackson Redevelopment Authority Loan	2006 RLS HB 1495	2006	$2,000,000	$2,000,000	$1,690,000	$0
Jackson Zoo Improvements	2007 RLS SB 3190	2007	$2,000,000	$2,000,000	$1,935,000	$0
Jackson Zoo Improvements 2009	2009 RLS HB 1722	2009	$700,000	$0	$0	$700,000
Juvenile Correctional Facilities	Ch. 652-Laws of 1994, As Amended (1999)	1994	$21,150,000	$21,150,000	$190,000	$0
Juvenile Offender Facilities	Ch. 528-Laws of 1995.	1995	$11,000,000	$11,000,000	$140,000	$0
Kemper County Comm Group Home	2007 RLS SB 3191	2007	$700,000	$100,000	$97,000	$600,000
Land Water and Timber Resources	Ch. 538, as amended; HB 1665 Laws of 2008	2001	$38,000,000	$38,000,000	$18,005,000	$0
Landmark Grant Program	Ch 543-Laws of 2002	2002	$700,000	$700,000	$140,000	$0
Loc System Bridge Replacement	Ch. 469; 2006 RLS SB 3086; 2007 RLS SB 3201; RLS 2009 HB 1722	2003	$135,000,000	$85,000,000	$74,720,000	$50,000,000
Local Governments Capital Improvements	Ch. 570-Laws of 1994. As Amended	1994	$128,000,000	$115,500,000	$15,300,000	$12,500,000
Local Governments Rail Program	Ch. 563-Laws of 1995.	1995	$18,000,000	$18,000,000	$5,520,000	$0
Local Governments Water System Improvements	Ch. 521-Laws of 1995. 2006 RLS SB 2982;SB 3174 Laws of 2008	1995	$29,743,000	$29,743,000	$10,149,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Lynn Meadows Discovery Center	2007 RLS SB 3201	2007	$1,000,000	$1,000,000	$975,000	$0
Major Economic Impact	Ch. 534-Laws of 1989, As Amended; HB1628 HB1404 and SB 2605 Laws of 2009	1989	$1,174,700,000	$850,490,000	$646,105,000	$324,210,000
Marine Resources Equip and Facilities	2006 RLS 3071	2006	$30,000,000	$5,000,000	$4,690,000	$25,000,000
Maritime and Seafood Industry Museum Improvements	2009 RLS HB 1722	2009	$500,000	$0	$0	$500,000
Master Planned Communities	CH. 579	1999	$20,000,000	$20,000,000	$17,976,000	$0
MC School of Law	Ch. 502-Laws of 1997. (REPEALED)	1997	$4,000,000	$50,000	$0	$0
Mental Health Capital Improvements	Ch. 476-Laws of 1997.	1997	$16,500,000	$16,500,000	$0	$0
Mental Health Capital Improvements	CH. 463	1999	$27,500,000	$27,500,000	$1,285,000	$0
Mental Health Facilities	2007 RLS SB 3201	2007	$6,100,000	$0	$0	$6,100,000
Metro Parkway	Ch. 430-Laws of 1995, As Amended	1995	$20,000,000	$20,000,000	$1,285,000	$0
Military Department Construction Design	CH. 451	1999	$750,000	$750,000	$35,000	$0
Milk Producers Transportation Loan	2007 RLS SB 3199	2007	$3,500,000	$3,500,000	$3,225,000	$0
MS DOT for Nat'l Forest Service Franklin County	Chapter 532, HB 186 Local & Private Laws	1994	$1,250,000	$1,250,000	$780,000	$0
MS Existing Industry Prod Loan Fund	HB 3 Third Special Session of 2005, as amended; 2009 RLS HB 1722	2005	$55,000,000	$18,500,000	$18,190,000	$36,500,000
MS Aviation Museum	2007 RLS SB 3201	2007	$250,000	$250,000	$0	$0
MS Job Protection Act Fund	HB 3 Third Special Session of 2005	2005	$12,000,000	$6,000,000	$5,565,000	$6,000,000
MS Rural Impact Act	Ch. 506; HB 1641 Laws of 2008; 2009 RLS HB 1722	2003	$22,875,000	$20,000,000	$15,600,000	$2,875,000
MS Technology Alliance	2007 RLS HB 1724	2007	$4,000,000	$1,000,000	$1,000,000	$3,000,000
Mississippi Museum of Art	Ch 1, Third Special Session, Laws 2004; 2007 RLS SB 3190; 2009 RLS HB 1722	2004	$4,500,000	$3,500,000	$3,269,000	$1,000,000
Museum of Mississippi History	2009 RLS HB 1722	2009	$2,000,000	$0	$0	$2,000,000
Museum of Natural Science Improvements	2009 RLS HB 1722	2009	$1,000,000	$0	$0	$1,000,000
Natchez Trace Parkway	Ch. 529	2000	$8,500,000	$8,500,000	$770,000	$0
National Guard Armory - Ox	Ch. 447	2001	$1,650,000	$1,650,000	$220,000	$0
Natural Science Museum	Ch. 473-Laws of 1995.	1995	$11,172,773	$11,172,773	$0	$0
Ohr-O'Keefe Museum of Art Improvements	2009 RLS HB 1722	2009	$1,000,000	$0	$0	$1,000,000
Old Capitol Green Project	2009 RLS SB 3281	2009	$20,000,000	$0	$0	$20,000,000

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Old Capital Repair and Renovation	2006 RLS SB 3070	2006	$14,200,000	$14,200,000	$13,729,000	$0
Parks Improvement	Ch. 558-Laws of 1994.	1994	$52,260,000	$52,260,000	$0	$0
Parks Improvement Hugh White State Park	CH. 453	1999	$5,000,000	$5,000,000	$3,875,000	$0
Parks Improvements	CH. 464	1999	$15,925,000	$12,906,373	$905,000	$3,018,627
Port of Greenville Proj	2009 RLS HB 1722	2009	$3,000,000	$0	$0	$3,000,000
Port of Pascagoula	Ch. 534 Laws of 1998	1998	$20,000,000	$20,000,000	$0	$0
Public Facilities Capital Improvements	Ch. 483-Laws of 1992.	1992	$98,038,483	$98,038,483	$0	$0
Public Facilities Capital Improvements	Ch. 2-Extraordinary Session, Laws of 1989; HB 1665 Laws of 2008	1989	$68,500,000	$68,500,000	$0	$0
Public Facilities Capital Improvements	Ch. 562-Laws of 1994.	1994	$154,451,000	$154,451,000	$0	$0
Public Facilities Capital Improvements	Ch. 532-Laws of 1995.	1995	$95,550,000	$95,550,000	$0	$0
Public Health Laboratory Const	20006 RLS HB 1541	2006	$25,000,000	$16,000,000	$16,000,000	$9,000,000
Public Libraries Capital Improvement	CH. 522, As Amended	1999	$54,500,000	$54,500,000	$5,075,000	$0
Public Libraries Capital Improvement	Ch. 583	2000	$89,858,000	$89,858,000	$8,905,000	$0
Public Libraries Capital Improvement	Ch 1, Third Special Session, Laws of 2004	2004	$1,600,000	$1,600,000	$1,443,000	$0
Public Safety Improvement Fund	2006 RLS SB 3081	2006	$28,474,000	$28,474,000	$27,204,500	$0
Railroad Revitalization and Stimulus	2009 RLS HB 1713	2009	$16,000,000	$0	$0	$16,000,000
Railroad Lines and Bridges Improvement	2006 RLS HB 1492	2006	$5,000,000	$1,500,000	$1,500,000	$3,500,000
Raspet Flight Research Laboratory	SB 3115 Laws of 2005	2005	$1,200,000	$1,200,000	$1,083,000	$0
Refunding 1992	Ch. 429-Laws of 1987.	1987		$64,725,000	$0	$0
Refunding 1992B	Ch. 429-Laws of 1987.	1987		$127,910,000	$25,120,000	$0
Refunding 1993A	Ch. 429-Laws of 1987.	1987		$89,445,000	$22,810,000	$0
Refunding 1996	Ch. 429-Laws of 1987.	1987		$79,850,000	$0	$0
Refunding 2000	Ch. 429	1987		$90,135,000	$67,240,000	$0
Refunding 2001	Ch. 429	1987		$229,980,000	$180,535,000	$0
Refunding 2002A	Ch. 429	1987		$254,915,000	$208,485,000	$0
Refunding 2002B	Ch. 429	1987		$58,580,000	$10,355,000	$0
Refunding 2002C	Ch. 429	1987		$51,640,000	$0	$0
Refunding 2002D	Ch. 429	1987		$77,340,000	$70,755,000	$0
Refunding 2003A	Ch. 429	1987		$326,150,000	$292,725,000	$0
Refunding 2003B	Ch. 429	1987		$84,505,000	$52,090,000	$0
Refunding 2003D	Ch. 429	1987		$88,105,000	$88,105,000	$0
Refunding 2006A	Ch. 429	1987		$24,875,000	$9,190,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Refunding 2006B	Ch. 429	1987		$76,135,000	$76,135,000	$0
Refunding 2006C	Ch. 429	2006		$41,355,000	$35,415,000	$0
Refunding 2009A	Ch.429	2009		$60,380,000	$60,380,000	$0
Refunding 2009B	Ch. 429	2009		$16,080,000	$16,080,000	$0
Refunding 2009C	Ch. 429	2009		$25,240,000	$25,240,000	$0
Rowan Oak	Ch. 523-Laws of 1998.	1998	$500,000	$500,000	$0	$0
Rural Fire Truck Acquisition Fund	Ch1 Third Special Session, Laws of 2004; 2009 RLS HB 1722	2004	$13,900,000	$10,000,000	$9,309,000	$3,900,000
Single Family Residential Housing Loan Program	CH. 580	1999	$5,000,000	$5,000,000	$1,765,000	$0
Small Business Loan Program	Ch. 566-Laws of 1993.	1993	$32,000,000	$32,000,000	$746,000	$0
Small Enterprise Development Finance	Ch. 580-Laws of 1988, As Amended	1988	$140,000,000 [0]	$198,135,000	$49,400,000	$90,600,000
Small Municipalities and Limited Population Counties	Ch. 451, as amended, HB 581 Laws of 2002, HB1595 Laws of 2003; 2006 RLS HB 1509;HB 1656 Laws of 2008; 2009 RLS HB 1722	2001	$53,000,000	$48,000,000	$32,440,000	$5,000,000
Soil and Water Commission	Ch. 499-Laws of 1990.	1990	$500,000	$500,000	$0	$0
Soil and Water Commission	Ch. 481-Laws of 1998.	1998	$6,500,000	$5,500,000	$3,801,000	$0
Southern Arts and Education Center	2006 RLS HB 1634	2006	$4,000,000	$0	$0	$4,000,000
Spillway Road Third Lane	CH. 447, As Amended	1999	$4,950,000	$4,950,000	$1,240,000	$0
Sports Hall of Fame	Ch. 551-Laws of 1994.	1994	$2,500,000	$2,500,000	$0	$0
State Fire Academy Improvements	2009 RLS HB 1722	2009	$1,800,000	$0	$0	$1,800,000
Statewide Wireless	2007 RLS SB 3201; 2009 RLS HB 1722	2007	$55,000,000	$20,000,000	$20,000,000	$35,000,000
Stennis Space Center	Ch. 495-Laws of 1997.	1997	$3,000,000	$3,000,000	$215,000	$0
Stennis Space Center Marine Sciences	CH. 455	1999	$1,500,000	$1,500,000	$130,000	$0
Stennis Space Center-Lockheed Martin	Ch 1, Third Special Session, Laws of 2004	2004	$2,570,000	$2,570,000	$2,345,000	$0
Strategic Petroleum Reserve	Ch. 552-Laws of 1992, As Amended	1992	$30,000,000	$30,000,000	$0	$0
Transportation Highway 278	2007 RLS SB 3201	2007	$4,000,000	$4,000,000	$3,875,000	$0
Telecommunication Center	Ch. 628-Laws of 1995.	1995	$17,500,000	$17,500,000	$695,000	$0
University Medical Center Cancer Institute	Ch 1, Third Special Session, Laws of 2004	2004	$5,000,000	$5,000,000	$4,565,000	$0
University Medical Center Equipment Fund	Ch 1, Third Special Session, Laws of 2004	2004	$6,000,000	$6,000,000	$5,414,000	$0
Veterans Homes Construction	Ch. 569 Laws of 1993,Ch. 24 Laws of 1994 Extraordinary Session	1993	$10,000,000	$10,000,000	$0	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Veteran's Memorial Stadium	CH. 594	1999	$11,700,000	$11,700,000	$3,595,000	$0
Water Pollution Ctrl Loan Program	Ch. 490-Laws of 2002, SB 2742 Laws of 2004; 2006RLS SB 2982; SB 3174 Laws of 2008;2009 RLS HB 1722	2002	$14,543,000	$13,693,000	$10,108,000	$850,000
Water Pollution Emergency Loan Program	CH. 454	1999	$3,300,000	$3,300,000	$155,000	$0
Welty Writers Center	Ch. 472-Laws of 1995, As Amended	1995	$2,005,000	$2,005,000	$0	$0
DWFP Discretionary Fund	2007 RLS SB 3191	2007	$1,000,000	$1,000,000	$975,000	$0
Zoo Improvement	Ch. 553-Laws of 1995.	1995	$5,600,000	$5,600,000	$185,000	$0
Total General Obligation Net Direct			**$6,357,226,090**	**$7,305,197,462**	**$3,416,915,000**	**$1,055,408,628**
Self-Supporting General Obligation						
Deer Island Project	Ch. 522-Laws of 2002	2002	$10,000,000	$8,800,000	$3,790,000	$1,200,000
Pascagoula River Bridge	CH. 521	1999	$30,000,000	$0	$0	$0
Port Improvement (Gulfport)	Ch. 365-Laws of 1958, As Amended	1958	$80,000,000 (1)	$89,551,000	$0	$80,000,000
Port Improvement (Pascagoula)	Ch. 365-Laws of 1958, As Amended	1958	$80,000,000 (1)	$49,105,000	$0	$80,000,000
State Fire Academy	Ch. 538-Laws of 1985.	1985	$2,200,000	$2,200,000	$0	$0
Total Self-Supporting General Obligation			**$202,200,000**	**$149,656,000**	**$3,790,000**	**$161,200,000**
Revenue Bonds						
Highway 4 Lane Program	Ch. 322-Laws of 1987. As Amended (1999)	1987	$200,000,000	$200,000,000	$0	$0
State Fair	Ch. 143-Laws of 1956, As Amended; HB 1665 Laws of 2008	1956	$4,000,000	$2,475,000	$0	$0
Total Revenue Bonds			**$204,000,000**	**$202,475,000**	**$0**	**$0**
Self-Supporting General Obligation and Revenue Bonds			**$406,200,000**	**$352,131,000**	**$3,790,000**	**$161,200,000**
Total			**$6,763,426,090**	**$7,657,328,462**	**$3,420,705,000**	**$1,216,608,628**

(1) Represents the total amount authorized to be outstanding at any one time.
(2) Does not include the effects of the Series 2009 Bonds.

Source: Department of Finance and Administration and Mississippi Treasury Department.

GENERAL FUND CASH FLOW BY MONTHS
January 2004 Through July 2009
(In Millions of Dollars)

	Beginning Balance	Receipts	Disbursements	Ending Balance	Borrowing from Special Funds	Borrowing from Working Cash Balance Revolving
2004						
January	30.0	295.9	294.7	31.2	.0	.0
February	31.2	204.1	302.4	80.9	148.0	.0
March	80.9	329.7	342.3	68.3	.0	.0
April	68.3	397.6	427.6	38.3	.0	121.9
May	38.3	283.9	293.0	29.2	.0	50.0
June	29.2	465.3	427.4	67.1	.0	192.0
July	67.1	204.4	374.5	38.1	141.1	.0
August	38.1	318.6	374.5	82.2	100.0	.0
September	82.2	290.7	371.0	31.4	29.5	.0
October	31.4	335.1	376.8	40.9	51.2	.0
November	40.9	263.9	270.0	34.8	.0	.0
December	34.8	300.4	233.6	101.6	.0	.0
2005						
January	101.6	307.8	320.0	89.4	.0	.0
February	89.4	234.0	340.9	72.5	90.0	.0
March	72.5	330.0	282.1	70.4	(50.0)	.0
April	70.4	414.5	277.0	65.9	(142.0)	.0
May	65.9	410.5	253.9	162.5	(60.0)	.0
June	162.5	520.9	374.5	149.1	(159.8)	.0
July	149.1	233.3	386.5	40.8	44.9	44.9
August	40.8	271.5	347.4	114.9	150.0	.0
September	114.8	350.2	388.7	76.4	.0	.0
October	76.4	376.7	458.0	115.2	120.0	.0
November	115.2	317.5	285.3	147.4	.0	.0
December	147.4	340.2	240.2	207.4	(40.0)	.0
2006						
January	$207.4	$350.6	$315.0	$218.0	$ (25.0)	$ .0
February	218.0	289.5	368.1	176.4	37.0	.0
March	176.4	410.9	371.9	293.2	67.8	.0
April	283.2	469.3	269.9	254.5	(200.0)	(1.1)
May	254.5	532.2	362.9	258.6	.0	(165.2)
June	258.6	582.1	462.8	331.8	(50.0)	3.9
July	331.8	255.7	398.1	263.3	70.0	3.9
August	263.3	325.8	368.5	340.6	120.0	.0
September	313.9	432.1	596.6	373.4	224.0	.0
October	373.4	418.1	443.6	294.3	.0	(53.6)
November	294.3	333.4	360.3	267.4	.0	.0
December	267.4	353.1	293.7	286.5	(40.3)	.0
2007						
January	286.5	275.4	338.9	223.0	.0	.0
February	223.0	287.8	341.5	169.3	.0	.0
March	169.3	415.9	450.9	54.3	(80.0)	.0
April	54.3	509.1	286.5	126.9	(150.0)	.0
May	126.9	398.7	309.2	96.4	(90.0)	(30.0)
June	96.4	639.2	292.7	415.3	.0	(27.6)
July	415.3	255.3	545.8	124.8	.0	.0
August	124.8	336.3	442.1	93.4	16.0	58.4
September	93.4	477.4	453.3	117.5	.0	.0
October	117.5	416.3	649.3	54.5	170.0	.0
November	54.5	338.1	381.2	66.2	(136.0)	190.8
December	66.2	384.4	332.7	117.9	.0	.0

GENERAL FUND CASH FLOW BY MONTHS (continued)

	Beginning Balance	Receipts	Disbursements	Ending Balance	Borrowing from Special Funds	Borrowing from Working Cash Balance Revolving
2008						
January	117.9	393.7	436.6	75.0	.0	.0
February	75.0	280.6	446.8	109.6	200.0	.8
March	109.6	445.7	432.5	72.8	(50.0)	.0
April	72.8	539.9	413.7	199.5	.0	.5
May	199.5	412.4	456.7	55.2	(100.0)	.0
June	55.2	646.8	336.0	87.8	(100.0)	(249.5)
July	87.8	263.2	509.0	92.0	.0	250.0
August	92.0	368.9	531.4	150.1	125.0	95.6
September	150.1	453.6	389.4	214.3	.0	.0
October	214.3	421.8	542.0	94.1	.0	.0
November	94.1	357.7	378.5	73.3	.0	.0
December	73.3	366.7	358.2	111.1	25.0	4.3
2009						
January	111.1	369.8	431.0	124.9	75.0	.0
February	124.9	268.3	423.6	154.7	185.0	.0
March	154.7	447.6	444.6	157.7	.0	.0
April	157.7	475.6	354.7	178.7	(100.0)	.0
May	178.7	366.7	331.2	114.2	(100.0)	.0
June	114.2	769.8	307.6	16.5	(300.0)	(259.9)
July	16.5	277.2	483.6	161.1	105.0	246.0

Source: Department of Finance and Administration

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APPENDIX B

EXCERPTS FROM COMPREHENSIVE ANNUAL FINANCE REPORT

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

INDEPENDENT AUDITOR'S REPORT

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

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

- Government-wide Financial Statements

    - Governmental Activities

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

    - Business-type Activities

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

    - Component Units

        - the Universities and the nonmajor component units.

- Fund Financial Statements

    - Governmental Funds

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

- the Health Care Trust Fund which represents 97% and 99%, respectively, of the assets and revenues of the Health Care major governmental fund;

- Proprietary Funds

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

- Aggregate Remaining Funds

  - selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks;

  - the State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;

  - nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc.;

  - the Pension Trust Funds;

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

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

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

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

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

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

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

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

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

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

STACEY E. PICKERING
State Auditor

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

Jackson, Mississippi
December 19, 2008

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

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

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

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Mississippi

Government-wide Financial Analysis

Net Assets

The State's overall financial position improved over the past fiscal year. During fiscal year 2008, the State's total net assets increased by $558,156,000 or 4.7 percent from the previous year. In comparison, net assets in the prior year increased by $1,388,702,000 or 13.1 percent. The State is able to report positive balances in all three categories of net assets for both governmental and business-type activities.

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

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

Net Assets
(amounts expressed in thousands)

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

* As restated in Note 2 to the financial statements.

Changes in Net Assets

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

Changes in Net Assets
(amounts expressed in thousands)

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

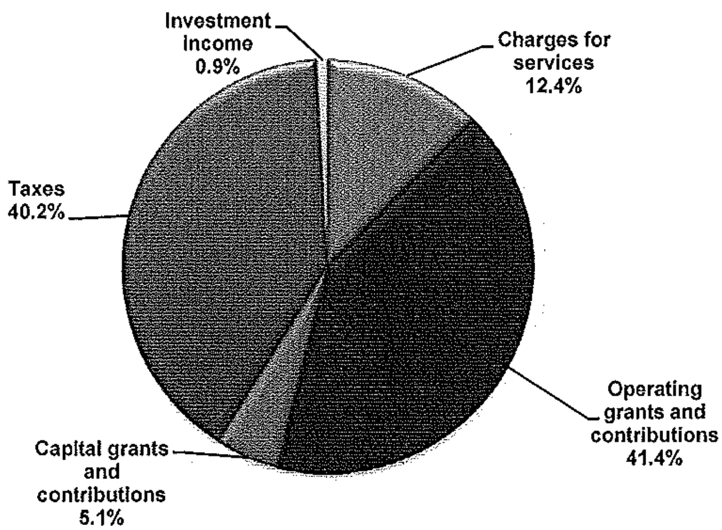
* As restated in Note 2 to the financial statements.

Mississippi

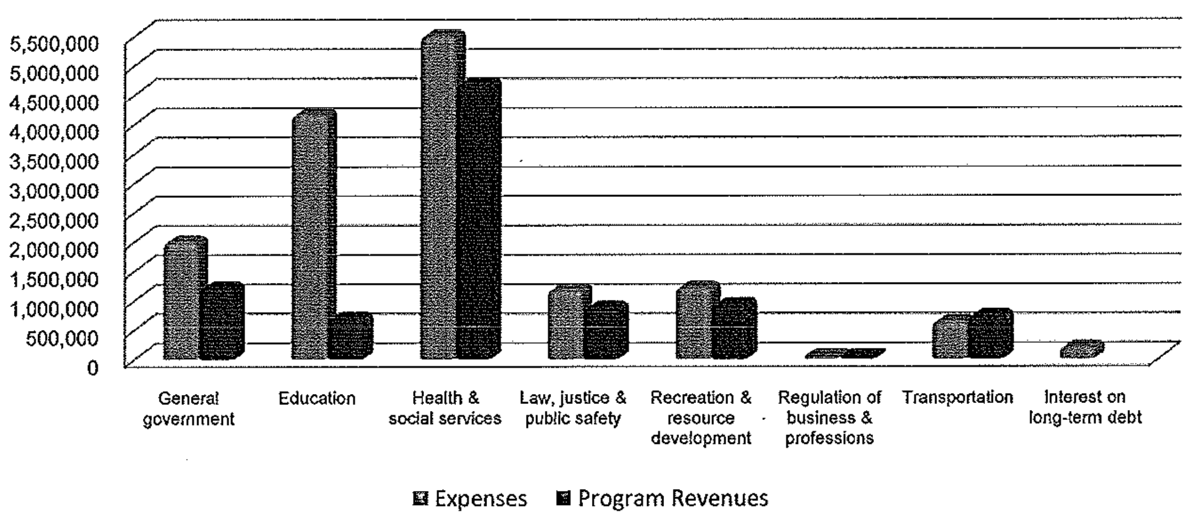
Governmental Activities

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

Governmental Activities - Revenues by Source



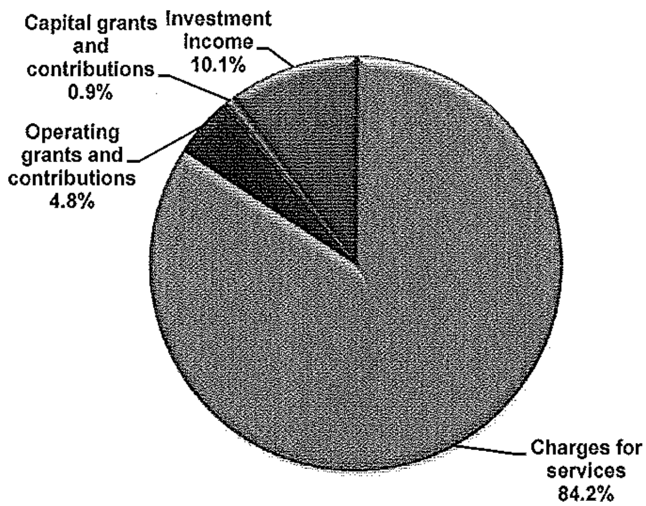
Governmental Activities - Expenses and Program Revenues
(amounts expressed in thousands)



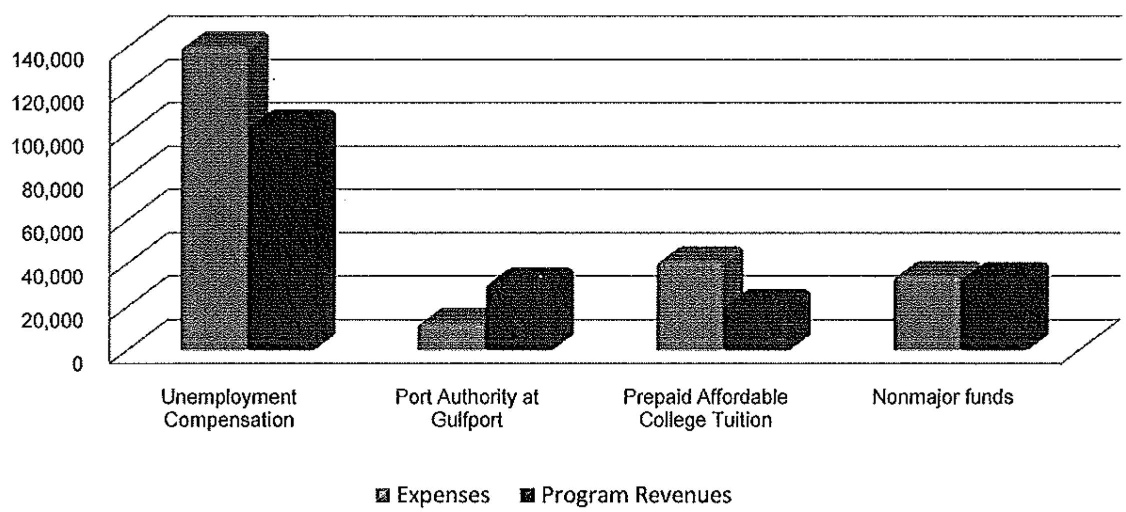
Business-type Activities

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

Business-type Activities - 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

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

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

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

Proprietary Funds

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

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

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

General Fund Budgetary Highlights

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

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

Mississippi

Capital Assets and Debt Administration

Capital Assets

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

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

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

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

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

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

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

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

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

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

Debt Administration

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

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

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

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

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

Economic Factors and Next Year's Budget

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

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

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

Request for Information

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

Basic Financial Statements

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

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

(Continued on Next Page)

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

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

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

Mississippi

Statement of Activities

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

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

General revenues:
Taxes:
Sales and use
Gasoline and other motor fuel
Individual income
Corporate income and franchise
Insurance
Other
Investment income
Other
Payment from State of Mississippi
Contributions to permanent endowments
Transfers
Total General Revenues, Contributions and Transfers
Change in Net Assets
Net Assets - Beginning, as restated
Net Assets - Ending

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

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

Governmental Funds

Balance Sheet

June 30, 2008 (Expressed in Thousands)

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

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

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

June 30, 2008 (Expressed in Thousands)

Total fund balances for governmental funds		$ 3,936,692
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 215,419	
Buildings	1,549,516	
Land improvements	151,582	
Machinery and equipment	643,819	
Infrastructure	8,343,701	
Construction in progress	4,635,387	
Accumulated depreciation	(3,933,089)	11,606,335
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		198,750
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds and notes	(3,408,791)	
Limited obligation bonds	(24,460)	
Capital lease obligations	(12,492)	
Accrued compensated absences	(115,491)	
Notes payable	(862,771)	
Certificates of participation	(2,190)	
Unamortized charges	81,996	
Unamortized discounts	42	
Unamortized premiums	(127,979)	
Claims payable	(1,688)	
Other postemployment benefits payable	(43,627)	
Accrued interest payable	(31,137)	(4,548,588)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		204,715
Net assets of governmental activities		$ 11,397,904

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

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

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

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

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

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

Net change in fund balances - total governmental funds		$ 132,944
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 1,215,678	
Depreciation expense	(380,989)	834,689
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service funds is reported with governmental activities.		70,052
Net change in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,791
In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(8,890)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
Premiums on bonds, notes and refunding notes issued	(19,613)	
Bonds and notes issued	(721,172)	
Refunding notes issued	(208,955)	
Capital leases issued	(724)	
Payments of debt principal	295,060	
Payments to refunded note escrow agent	191,894	
Discounts on notes issued	390	
Accrued interest payable	(5,257)	
Deferred issuance costs	6,284	(462,093)
Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Donations of equipment	59,898	
Change in claims payable	(1,454)	
Change in compensated absences	(8,927)	
Change in other postemployment benefits payable	(43,627)	
Amortization of deferred charges and premiums	(2,602)	3,288
Change in net assets of governmental activities		$ 574,781

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

Proprietary Funds

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

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

(Continued on Next Page)

Statement of Net Assets

June 30, 2008 (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	$	$	$ 243
Accounts payable and other liabilities	108	1,897	6,321
Retainage payable		958	
Due to other governments	3,439		
Due to other funds	2,772		1
Due to component units			
Claims and benefits payable	2,809		
Deposits			
Bonds and notes payable		3,178	
Unearned revenues	19	94	
Lease obligations payable			
Total Current Liabilities	9,147	6,127	6,565
Noncurrent liabilities:			
Due to other governments			
Loans from other funds			
Claims and benefits payable			265,711
Bonds and notes payable		28,886	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		2	
Other liabilities		146	8
Total Noncurrent Liabilities		29,034	265,719
Total Liabilities	9,147	35,161	272,284
Net Assets			
Invested in capital assets, net of related debt		102,544	
Restricted for other purposes		738	
Restricted for unemployment compensation benefits	777,272		
Unrestricted (deficit)		87,168	(55,343)
Total Net Assets	$ 777,272	$ 190,450	$ (55,343)

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

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

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

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

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

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

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

Proprietary Funds

Statement of Cash Flows

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

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

(Continued on Next Page)

Statement of Cash Flows

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

(Continued from Previous Page)

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

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ (683)	$ (60,067)	$ 57,936
2,207	5,948	1,974
(226)	(259)	(20)
	319	
(2)	(2)	
(4)	(882)	5
(459)	(183)	3,296
(4)	(160)	64
223	223	
185	159	
(8,280)	(8,280)	
(27)	(17)	796
581	(2,590)	1,878
16	(577)	(20)
510	(13,029)	(573)
(6)	(6)	5
	27,945	12,305
(57)	(506)	2,006
(5,343)	8,103	21,716
$ (6,026)	$ (51,964)	$ 79,652
295	295	565
7		(267)
	(28,398)	791

Fiduciary Funds

Statement of Fiduciary Net Assets
June 30, 2008 (Expressed in Thousands)

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

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, 2008 (Expressed in Thousands)

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

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

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

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

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

Statement of Activities

For the Year Ended June 30, 2008 (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	$ 2,486,357	$ 1,067,396	$ 521,900	$ 40,467	$ (856,594)	$	$ (856,594)
Nonmajor	35,835	31,066	37,701	362		33,294	33,294
Total	$ 2,522,192	$ 1,098,462	$ 559,601	$ 40,829	(856,594)	33,294	(823,300)
General revenues:							
Investment income					2,006	2,282	4,288
Other					129,363	2,492	131,855
Payment from State of Mississippi					859,201		859,201
Contributions to permanent endowments					16,418		16,418
Total General Revenues and Contributions					1,006,988	4,774	1,011,762
Change in Net Assets					150,394	38,068	188,462
Net Assets - Beginning, as restated					3,264,003	143,555	3,407,558
Net Assets - Ending					$ 3,414,397	$ 181,623	$ 3,596,020

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

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June 30, 2008

Note 1 - Significant Accounting Policies

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

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

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

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

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

Public Employees' Retirement System of Mississippi - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its five pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2008, and their report, dated November 24, 2008, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

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

The State reports the following nonmajor discretely presented component units:

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

Mississippi 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 funds:

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

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

The State reports the following major enterprise funds:

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

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

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

Additionally, the State reports the following fund types:

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

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

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

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

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

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

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

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

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

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

I. **Interfund Balances** - Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities. Fiduciary funds' receivables and payables have been 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, buildings - $50,000, land improvements - $25,000, machinery and equipment - $5,000, infrastructure - $100,000, and construction in progress - based on the project's class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2 - Other Accounting Disclosures

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

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

B. **Net Assets Restricted by Enabling Legislation** - The State's net assets restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net assets reports $1,445,466,000 of restricted net assets, of which $75,055,000 is restricted by enabling legislation.

C. **Deficit Net Assets** - At June 30, 2008, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of $55,343,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts, and a decline in investment income.

D. **Restatements of Net Assets** - During fiscal year 2008, prior period adjustments of $52,888,000 on the General Fund were made to increase the beginning net assets of governmental activities due to the understatement of the federal share of Medicare Part B premiums related to Medicaid. Prior period adjustments of $35,478,000 on Unemployment Compensation, a major enterprise fund, were made to decrease the beginning net assets of business-type activities due to the overstatement of assessments receivable. A reclassification of net assets of $8,000 was made between governmental activities and business-type activities. Prior period adjustments of $5,514,000 were made to increase the beginning net assets of Universities, a major component unit.

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

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

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

Note 3 - Interfund Transactions

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

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

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

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

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

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

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

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

Mississippi

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

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

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

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

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

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

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

The State Legislature directed the State Fiscal Officer to transfer monies to the General Fund for appropriation by the Legislature. Transfers to the General Fund from nonmajor governmental funds are $138,595,000.

Note 4 - Deposits and Investments

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

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

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

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

Primary Government Deposits (except for the System)

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

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

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

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

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

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

Mississippi

Primary Government Investment Policies (except for the System)

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

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

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

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

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

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

School district bonds of the State of Mississippi;

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

Highway bonds of the State of Mississippi;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

Primary Government Investments (except for the System)

A. **Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The primary government's exposure to credit risk as of June 30, 2008 is as follows (amounts expressed in thousands):

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

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

C. **Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2008, is as follows (amounts expressed in thousands):

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

D. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2008, the primary government had the following investments and maturities (amounts expressed in thousands):

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

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

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

System Deposits

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

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

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State of Mississippi;

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

Highway bonds of the State of Mississippi;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

System Investments

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

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

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

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

B. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have $26,002,171,000 in investments at June 30, 2008. Of this amount, $5,514,498,000 was exposed to custodial rate risk. These are cash collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty. This is consistent with the securities lending agreement in place with the custodian.

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

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

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

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

D. **Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2008, the System had the following investments and maturities (amounts expressed in thousands):

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

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

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

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the $808,302,000 in ABS held at June 30, 2008, $17,000,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2008, the System has invested in $874,690,000 in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

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

The maturities of the investments made with cash collateral generally do not match the maturities of the securities lent. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 3.7 days at June 30, 2008. Cash collateral is invested in debt securities such as corporate bonds, collateralized mortgage obligations and "AAA" asset-backed securities. Additionally, a significant portion is invested in corporate short-term securities, such as repurchase agreements and commercial paper. The weighted average final duration of all collateral investments at June 30, 2008, was 653 days with a weighted average maturity of 38 days.

Securities lent at year end for cash collateral are presented by type; securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were no securities lent for securities collateral as of June 30, 2008. The investments purchased with the cash collateral are presented in the discussion of custodial credit risk, since the custodian, as agent, is the counterparty in acquiring these securities in a separate account for the System.

At year end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System. At June 30, 2008, the aggregate fair value of securities lending holdings, including accrued interest was $5,522,243,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $5,372,649,000. The value of the collateral pledged by borrowers at year end was $5,551,279,000.

Note 5 - Receivables

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

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

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

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

Note 6 - Due From Other Governments

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

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

Note 7 - Loans and Notes Receivable

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

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

Note 8 - Capital Assets

Primary Government

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

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 194,558	$ 26,118	$ 5,257	$ 215,419
Construction in progress	4,293,588	1,017,341	675,542	4,635,387
Total capital assets not being depreciated	4,488,146	1,043,459	680,799	4,850,806
Capital assets being depreciated:				
Buildings	1,463,642	89,587	3,713	1,549,516
Land improvements	91,948	61,316	1,682	151,582
Machinery and equipment	492,910	208,233	38,381	662,762
Infrastructure	7,885,852	593,126	133,650	8,345,328
Total capital assets being depreciated	9,934,352	952,262	177,426	10,709,188
Less accumulated depreciation for:				
Buildings	358,055	28,753	1,633	385,175
Land improvements	38,280	23,441	272	61,449
Machinery and equipment	331,593	51,372	30,297	352,668
Infrastructure	2,969,279	296,556	116,720	3,149,115
Total accumulated depreciation	3,697,207	400,122	148,922	3,948,407
Total capital assets being depreciated, net	6,237,145	552,140	28,504	6,760,781
Governmental activities capital assets, net	$ 10,725,291	$ 1,595,599	$ 709,303	$ 11,611,587

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 12,612	$ 27,122	$	$ 39,734
Construction in progress	46,641	26,723	46,603	26,761
Total capital assets not being depreciated	59,253	53,845	46,603	66,495
Capital assets being depreciated:				
Buildings	71,928	12,359		84,287
Land improvements	28,741	6,757		35,498
Machinery and equipment	14,378	1,588	878	15,088
Infrastructure	67,579	106		67,685
Total capital assets being depreciated	182,626	20,810	878	202,558
Less accumulated depreciation for:				
Buildings	17,521	1,446		18,967
Land improvements	13,691	1,224		14,915
Machinery and equipment	10,134	718	781	10,071
Infrastructure	28,398	2,567		30,965
Total accumulated depreciation	69,744	5,955	781	74,918
Total capital assets being depreciated, net	112,882	14,855	97	127,640
Business-type activities capital assets, net	$ 172,135	$ 68,700	$ 46,700	$ 194,135

Mississippi

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

Governmental activities:		
General government	$	10,346
Education		4,270
Health and social services		15,314
Law, justice and public safety		27,548
Recreation and resources development		8,759
Regulation of business and profession		242
Transportation		314,510
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		1,974
Total depreciation expense - governmental activities	$	382,963
Business-type activities:		
Port Authority at Gulfport	$	3,741
Other business-type		2,207
Total depreciation expense - business-type activities	$	5,948

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

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

Component Units

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

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

Note 9 - Long-term General Obligation Bonds

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

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2008, relating to a portion of capital improvement and major economic impact projects pay interest at variable rates. The remaining general obligation debt has fixed rates of interest.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U. S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. The State must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. As of June 30, 2008, no arbitrage rebate liability existed.

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

Bond Anticipation Notes

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

Defeased Bonds

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

Interest Rate Exchange Agreements (Swaps)

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

Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

** Interest on $80,385,000 and $224,450,000 of outstanding general obligation bonds for Capital Improvements and Major Economic Impact, respectively, is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with $96,700,000 of outstanding variable rate general obligation bonds for Capital Improvements where the State pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA Municipal Swap Index. Additionally, interest rate swap agreements have been entered into in connection with $100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2008, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

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

Note 10 - Limited Obligation Bonds

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

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

Note 11 - Revenue Bonds and Notes

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

At June 30, 2008, outstanding revenue bonds and notes are (amounts expressed in thousands):

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

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

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

Note 12 - Other Long-term Liabilities

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

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

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

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

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

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

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

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

Interest Rate Exchange Agreements (Swaps)

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

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

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

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

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

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

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

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

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

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

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

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

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

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2009	$	$ 2,577	$ 2,935	$ 5,512
2010		2,577	2,935	5,512
2011	1,735	2,552	2,907	7,194
2012	1,800	2,524	2,875	7,199
2013	2,280	2,490	2,836	7,606
2014 - 2018	26,275	11,578	13,186	51,039
2019 - 2023	53,770	8,028	9,144	70,942
2024 - 2028	80,390	3,164	3,602	87,156
	$ 166,250	$ 35,490	$ 40,420	$ 242,160

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

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

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

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

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

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

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

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

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

At June 30, 2008, future minimum commitments under capital leases are (amounts expressed in thousands):

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

Internal service future minimum lease payments of $68,000 less interest of $5,000 are included in the governmental activities column.

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2008 are summarized below (amounts expressed in thousands):

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

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

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

Note 14 - Bonds Authorized But Unissued

At June 30, 2008, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

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

Note 15 - Short-term Financing

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

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

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

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

Note 16 - Retirement Plans

Plan Description

A. General

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

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

B. Membership and Benefit Provisions

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

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

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

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

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

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

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

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

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

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

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

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

C. Actuarial Asset Valuation

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2008. An actuarial valuation of MRS is required to be performed at least once in each four-year period as of September 30, with the most recent being September 30, 2007. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

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

Mississippi

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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	11.85%	30.30%	N/A	6.65%
Other employers	N/A	N/A	.73 – 8.73 mills	N/A
Plan members	7.25%	6.50%	7.00% - 10.00%	3.00% *
Annual pension cost	$ 683,189	$ 12,409	$ 15,426	$ 449
Employer contributions made	$ 683,189	$ 12,409 ***	$ 14,979	$ 449
Actuarial valuation date	June 30, 2008	June 30, 2008	Sept. 30, 2007	June 30, 2008
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	29.4 years	16.6 years	27.0 years	16.8 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Wage inflation rate	4.00%.	4.00%	4.00%	4.00%
Projected salary increases	5.00% - 15.00%	5.00% - 10.52%	4.50% - 6.00%	5.00%
Increases in benefits after retirement	3.00% ~	3.00% @	2.00% - 3.75% #	3.00% ~
Proposed annual employer contribution rates for fiscal year 2010	12.00% **	30.30%	-	6.65%

* In addition to 7.25% required by PERS.

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

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

Varies depending on municipality.

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

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

E. Three-Year Trend Information

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

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

* Includes fees authorized by the State Legislature which are reported as other additions in the pension trust funds.
** Information furnished for MRS is for the years ended September 30, 2005, 2006, and 2007, respectively.

The annual pension cost is equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met or exceeded the required contributions, except for MRS where the percent contributed was 100.6%, 101.5%, and 97.1% of the required contributions for the years ended September 30, 2005, 2006, and 2007, respectively. The State makes no contributions to the MRS; therefore, any NPO would belong to the respective municipal entity. For the years ended September 30, 2005, 2006, and 2007, the MRS net pension obligation or net pension asset was not significant.

F. **Funded Status and Funding Progress**

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

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

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

Note 17 - Other Postemployment Benefits

Plan Description

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

Funding Policy

No contributions towards other postemployment benefits (OPEB) are made. Employees' premiums are funded by the state and local school districts with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board has the sole authority for setting health insurance premiums for the State and School Employees' Life and Health Insurance Plan.

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his State retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2008, retiree premiums range from $162 to $1,354 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2008. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $43,627,000 is 1.08 percent of annual covered payroll.

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

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

The following table provides the State's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2008 (amounts expressed in thousands):

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$ 43,627	0.0%	$ 43,627

Funded Status and Funding Progress

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

Actuarial Valuation Date	June 30, 2008
Actuarial Value of Assets	$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	$ 570,248
Unfunded AAL (UAAL)	$ 570,248
Funded Ratio	0.0%
Annual Covered Payroll	$ 4,348,942
UAAL as a Percentage of Annual Covered Payroll	13.1%

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

Actuarial Methods and Assumptions

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

Actuarial valuation date	June 30, 2008
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Projected salary increases*	5.0% - 7.0%
Healthcare cost trend rate*	11.0%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2015
* Includes inflation at	4.0%

Note 18 - Commitments

A. Operating Leases

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

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

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

B. Contracts

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

The State Aid Road Division had contracts of $70,758,000 outstanding at June 30, 2008 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 54 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of $113,666,000 at June 30, 2008. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately $15,209,000 at June 30, 2008. Approximately 95 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

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

Note 19 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2007 and 2008 are as follows (amounts expressed in thousands):

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

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

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

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

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

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

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

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

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

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

Note 20 - Contingencies

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

B. **Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the state and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed $2,317,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the state.

C. **Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized to provide loan guarantees on behalf of rural businesses for the purpose of promoting business and economic development in rural areas of the state. At June 30, 2008, outstanding MDA loan guarantees totaled $350,000.

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

D. **Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately $2,192,450,000 at June 30, 2008. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 21 - Endowments

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

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

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

Note 22 - Subsequent Events

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

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

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of $349,894,000 from the Working Cash Stabilization Reserve Account and $316,000,000 from budgetary special funds as of December 19, 2008. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

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

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

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

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

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

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

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Mississippi

Required Supplementary Information

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

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

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

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

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

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

For the Year Ended June 30, 2008

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

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2008 is presented below (amounts expressed in thousands):

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

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2008 (Expressed in Thousands)

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

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

Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). In addition to the smoothing process, the actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value for any given year. Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2008 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2008 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b – a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b – a) / c)
June 30, 2008	$ 0	$ 570,248	$ 570,248	0.0%	$ 4,348,942	13.1%

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the State of Mississippi (the "Issuer" or the "State") in connection with the issuance of the $335,675,000 State of Mississippi Taxable General Obligation Bonds, Series 2009D, dated as of the date of their delivery and the $120,000,000 State of Mississippi Taxable General Obligation Bonds, Series 2009E, dated as of their date of delivery (together, the "Series 2009 Taxable Bonds"). The Series 2009 Taxable Bonds are being issued pursuant to resolutions of the State Bond Commission of the State dated October 7, 2009 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Series 2009 Taxable Bonds and the beneficial owners of the Series 2009 Taxable Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5)(i)(C).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined herein, the following terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Bond Advisory Division of the Department of Finance and Administration, an agency of the State of Mississippi and any successors thereto.

"EMMA" shall mean the Electronic Municipal Market Access System found at http://emma.msrb.org which is the electronic format prescribed by the MSRB pursuant to the Rule.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. The electronic filings with the MSRB shall be through EMMA.

"Participating Underwriters" shall mean any of the original underwriters of the Series 2009 Taxable Bonds required to comply with the Rule.

"Repository" shall mean the MSRB and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5)(i)(C) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure

Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report. If the audited financial statements of the Issuer are unavailable on February 1 of each year, the Issuer agrees to provide unaudited financial statements with the Annual Report and to provide audited financial statements if and when available.

(b) If the Issuer is unable to provide the Repositories an Annual Report by the date required in subsection (a) above, the Issuer shall send a notice to each Repository.

(c) The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall be the Comprehensive Annual Financial Report of the State of Mississippi prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and a recent Official Statement of the State, containing substantially the same information as the Official Statement relating to the Series 2009 Taxable Bonds.

If in any year the Issuer is unable to provide a current Official Statement of the State and the Issuer's Comprehensive Annual Financial Report does not contain operating data and financial information substantially similar to that contained in the Official Statement relating to the Series 2009 Taxable Bonds, the Issuer agrees to provide such operating data and financial information not contained in its Comprehensive Annual Financial Report.

SECTION 5. Reporting of Significant Events.

(a) This Section 3 shall govern the giving of notices of the occurrence of any of the following events. All eleven events mandated by the Rule are listed below. Some of the occurrences as outlined below may not apply to the Series 2009 Taxable Bonds, since the Series 2009 Taxable Bonds are general obligations of the Issuer.

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Modification of rights of security holders.

(4) Bond calls.

(5) Defeasances.

(6) Rating changes.

(7) Adverse tax opinions or events affecting the tax-exempt status of the security.

(8) Unscheduled draws on debt service reserves reflecting financial difficulties.

(9) Unscheduled draws on the credit enhancements reflecting financial difficulties.

(10) Substitution of credit or liquidity providers or their failure to perform.

(11) Release, substitution or sale of property securing repayment of the securities.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for holders of Series 2009 Taxable Bonds, provided, that any event under subsection (a)(4), (5) or (6) of this Section will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer shall promptly file a notice of such occurrence with the MSRB and/or the Repositories, as applicable. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2009 Taxable Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Series 2009 Taxable Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of a Series 2009 Taxable Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2009 Taxable Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters, holders from time to time of the Series 2009 Taxable Bonds, and beneficial owners of the Series 2009 Taxable Bonds and shall create no rights in any other person or entity.

Date: October 29, 2009

STATE OF MISSISSIPPI

By: ______________________________________

Governor and Ex officio Chairman of the State Bond Commission

APPENDIX D

FORM OF OPINION OF ATTORNEY GENERAL

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STATE OF MISSISSIPPI

OFFICE OF THE ATTORNEY GENERAL
OFFICIAL ATTORNEY GENERAL'S OPINION

[FORM OF OPINION OF ATTORNEY GENERAL]

JIM HOOD
ATTORNEY GENERAL

State Bond Commission
State of Mississippi
Jackson, Mississippi

Re: $335,675,000 State of Mississippi Taxable General Obligation Bonds, Series 2009D, dated as of the date of their delivery and $120,000,000 State of Mississippi Taxable General Obligation Bonds, Series 2009E, dated as of their date of delivery

Gentlemen:

The opinion as hereinafter set forth is submitted regarding several matters pertaining to the sale and issuance of the above described bond issues (the "Series 2009 Taxable Bonds") of the State of Mississippi (the "State").

There are three members of the State Bond Commission (the "Commission") and, in addition to being a member of the Commission, the Attorney General is legal advisor to the Commission. The Commission is authorized to issue the Series 2009 Taxable Bonds under the provisions of Sections 65-4-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 27 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 57-1-16, Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 19 of House Bill 3 of the 2005 Third Extraordinary Session of the State Legislature, Section 3 of House Bill 1641, 2008 Regular Session of the State Legislature, and Section 1 of House Bill 35 of the 2009 Second Extraordinary Session of the State Legislature, Sections 69 2 1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 7 of House Bill 1641, 2008 Regular Session of the State Legislature, and Section 31 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 2 of Senate Bill 3201, 2007 Regular Session of the State Legislature, as amended by Section 25 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 31-17-151 et. seq., Mississippi Code of 1972, as amended and supplemented from time to time, Section 57 85 1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, and Section 12 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 57-93-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, Sections 1 through 17 of House Bill 3, 2005 Third Extraordinary Session of the State Legislature, and Section 24 of House Bill 1722, 2009 Regular Session of the State Legislature, Sections 57-75-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including but not limited to Section 1 of House Bill

1628, 2009 Regular Session of the State Legislature, and Section 1 of Senate Bill 2605, 2009 Regular Session of the State Legislature and Sections 31-18-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (collectively, the "Act").

The existing State Constitution is the Mississippi Constitution of 1890. Protection for the contractual obligations owed holders of the Series 2009 Taxable Bonds arising from the issuance of the Series 2009 Taxable Bonds is expressed in the provisions of Section 16 of the Constitution:

Ex post facto laws, or laws impairing the obligation of contracts shall not be passed.

I am of the opinion that when the Series 2009 Taxable Bonds are validated, issued and delivered, such Series 2009 Taxable Bonds shall constitute a contract as contemplated by Section 16, supra, and shall enjoy the full protection thereof.

The Series 2009 Taxable Bonds have been subjected to validation by a competent State court. Validation procedure is prescribed by statue and requires that the submission for validation shall be accompanied by the written opinion of the State's Bond Attorney, an attorney appointed by the Governor of the State of Mississippi and who shall possess the same qualifications for office as the Attorney General.

Section 31-13-7, Mississippi Code of 1972, as amended, provides that when a decree shall be entered confirming and validating bonds and there shall be no appeal from the decree, or if on appeal the Supreme Court enters its decree confirming and validating such bonds, the validity of such bonds shall never be called in question in any court in the State.

A Certificate of Nonlitigation shall be rendered by the Attorney General certifying the finality of validation prior to delivery of the Series 2009 Taxable Bonds.

As to general obligations, the Act provides generally:

The bonds issued under the provisions hereof are general obligations of the State of Mississippi, and for the repayment thereof the full faith and credit of the State of Mississippi is irrevocably pledged. If the funds appropriated by the Legislature are insufficient to pay the principal of and the interest on such bonds as they become due, then the deficiency shall be paid by the State Treasurer from any funds in the State Treasury not otherwise appropriated.

It is my opinion that the Series 2009 Taxable Bonds have been duly and validly authorized, issued, executed and delivered by and on behalf of the State, that the Series 2009 Taxable Bonds constitute valid and binding general obligations of the State enforceable in accordance with the terms thereof (except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity), and that for the payment thereof, the full faith, credit and taxing power of the State is irrevocably pledged.

In connection with the sale and issuance of the Series 2009 Taxable Bonds, the State will deliver its Continuing Disclosure Certificate dated as of the date of the issuance and delivery of the Series 2009 Taxable Bonds. The Continuing Disclosure Certificate will be delivered by the State for the benefit of the holders of the Series 2009 Taxable Bonds and in order to assist the participating underwriters in complying with SEC Rule 15c2-12(b)(5).

It is my opinion that the Continuing Disclosure Certificate has been duly and validly authorized, executed and delivered by and on behalf of the State and constitutes a valid and binding obligation of the State enforceable in accordance with the terms thereof (except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in accordance with general principles of equity).

The Mississippi Legislature enacted Section 11-46-1 *et seq.*, Mississippi Code of 1972, as amended, to address the tort liability of the State and its political subdivisions. This act creates an immunity and then waives this immunity except in certain situations up to a maximum of two hundred fifty thousand dollars ($250,000.00) per occurrence before July 1, 2001 and up to a maximum of five hundred thousand dollars ($500,000.00) per occurrence on or after July 1, 2001.

When the Attorney General of the State shall give his opinion in writing to an officer, board, commission, department or person authorized to require such written opinion, there shall be no liability, civil or criminal, accruing to or against such body or person who in good faith follows the direction of such opinion and acts in accordance therewith, unless a court of competent jurisdiction, after a full hearing, shall publicly declare that such opinion is manifestly wrong and without any substantial support.

This opinion is being rendered in connection with the issuance of the Series 2009 Taxable Bonds and in anticipation that it will be relied upon by the parties purchasing the Series 2009 Taxable Bonds and by Bond Counsel, in rendering their opinion with respect to the Series 2009 Taxable Bonds, and such reliance is hereby specifically authorized.

Very truly yours,

____

JIM HOOD, Attorney General

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APPENDIX E

FORM OF OPINIONS OF CO-BOND COUNSEL

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FORM OF OPINIONS OF CO-BOND COUNSEL

State Bond Commission
State of Mississippi
Jackson, Mississippi

Gentlemen:

We have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Sections 65-4-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 27 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 57-1-16, Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 19 of House Bill 3 of the 2005 Third Extraordinary Session of the State Legislature, Section 3 of House Bill 1641, 2008 Regular Session of the State Legislature, and Section 1 of House Bill 35 of the 2009 Second Extraordinary Session of the State Legislature, Sections 69 2 1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including, but not limited to, Section 7 of House Bill 1641, 2008 Regular Session of the State Legislature, and Section 31 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 2 of Senate Bill 3201, 2007 Regular Session of the State Legislature, as amended by Section 25 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 31-17-151 et. seq., Mississippi Code of 1972, as amended and supplemented from time to time, Section 57 85 1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, and Section 12 of House Bill 1722, 2009 Regular Session of the State Legislature, Section 57-93-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, Sections 1 through 17 of House Bill 3, 2005 Third Extraordinary Session of the State Legislature, and Section 24 of House Bill 1722, 2009 Regular Session of the State Legislature, Sections 57-75-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including but not limited to Section 1 of House Bill 1628, 2009 Regular Session of the State Legislature, and Section 1 of Senate Bill 2605, 2009 Regular Session of the State Legislature and Sections 31-18-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time (collectively, the "Act") and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution on October 7, 2009 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$335,675,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2009D

dated the date of delivery thereof and maturing in such amounts and at such times, bearing interest and subject to redemption, all as set forth in the Resolution (the "Series 2009D Bonds"). The Series 2009D Bonds are being issued for the purpose of providing funds to refinance certain short-term debt of the State, refinance certain variable rate debt of the State, fund various economic development loans, grants and programs in the State, finance the costs of certain capital improvements within the State and pay the costs incident to the sale, issuance and delivery of the Series 2009D Bonds, all as authorized by the Act.

As to questions of fact material to our opinion, we have relied upon such certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have also examined one of the Series 2009D Bonds as executed and assume that all other Series 2009D Bonds have been similarly executed.

Based on the foregoing, we are of the opinion that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Series 2009D Bonds by the State pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The Series 2009D Bonds have been duly authorized, executed and delivered under the provisions of the Resolution and are entitled to the pledge and security of the Resolution.

3. The Series 2009D Bonds are legal, valid and binding general obligations of the State and, under the provisions of the Act, for the payment thereof the full faith and credit of the State are pledged.

4. Under and pursuant to the Act, the Series 2009D Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

Interest on the Series 2009D Bonds should be treated as includable in gross income of the holders thereof for federal income tax purposes.

It is to be understood that the rights of the holders of the Series 2009D Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereinafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

State Bond Commission
State of Mississippi
Jackson, Mississippi

Gentlemen:

We have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Section 31-17-151 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, and Sections 57-75-1 *et seq*., Mississippi Code of 1972, as amended and supplemented from time to time, including but not limited to Section 1 of House Bill 1628, 2009 Regular Session of the State Legislature, and Section 1 of Senate Bill 2605, 2009 Regular Session of the State Legislature (collectively, the "Act") and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution on October 7, 2009 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$120,000,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2009E

dated the date of delivery thereof and maturing in such amounts and at such times, bearing interest and subject to redemption, all as set forth in the Resolution (the "Series 2009E Bonds"). The Series 2009E Bonds are being issued for the purpose of providing funds to refinance certain short-term debt of the State in connection with a project for Toyota Motor Manufacturing, Mississippi, Inc. (the "Toyota Project"), provide additional financing for the Toyota Project and pay the costs incident to the sale, issuance and delivery of the Series 2009E Bonds, all as authorized by the Act.

As to questions of fact material to our opinion, we have relied upon such certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have also examined one of the Series 2009E Bonds as executed and assume that all other Series 2009E Bonds have been similarly executed.

Based on the foregoing, we are of the opinion that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Series 2009E Bonds by the State pursuant to the Constitution and laws of the State, including the Act, and the provisions of the Resolution.

2. The Series 2009E Bonds have been duly authorized, executed and delivered under the provisions of the Resolution and are entitled to the pledge and security of the Resolution.

3. The Series 2009E Bonds are legal, valid and binding general obligations of the State and, under the provisions of the Act, for the payment thereof the full faith and credit of the State are pledged.

4. Under and pursuant to the Act, the Series 2009E Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

Interest on the Series 2009E Bonds should be treated as includable in gross income of the holders thereof for federal income tax purposes.

It is to be understood that the rights of the holders of the Series 2009E Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereinafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

STATE OF MISSISSIPPI • TAXABLE GENERAL OBLIGATION BONDS, SERIES 2009D AND SERIES 2009E

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