OFFICIAL STATEMENT

ONE (1) NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: Fitch: "AA+"
Moody's: "Aa2"
S & P: "AA"
(See "Bond Ratings" herein)

INTEREST ON THE SERIES 2010D 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 2010D Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.*

$233,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS, SERIES 2010D

Dated: Date of Delivery | Due: November 1, as shown on the inside cover page

Interest on the $233,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2010D (the "Series 2010D Bonds") will be payable on May 1 and November 1 of each year, commencing May 1, 2011. 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 2010D Bonds (the "Paying and Transfer Agent"). The Series 2010D Bonds will be issued as fully registered bonds in the denominations of $5,000 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 2010D Bonds under a book-entry-only system, as described herein. So long as the Series 2010D Bonds are held in book-entry form, Beneficial Owners (as defined herein) of the Series 2010D Bonds will not receive physical delivery of bond certificates.

The principal of, and interest on, the Series 2010D 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 2010D 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 2010D Bonds are general obligations of the State and are secured by a pledge of the full faith and credit of the State.

The Series 2010D Bonds are subject to redemption prior to their respective maturities as more fully described in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2010D BONDS – Redemption Provisions."

The Series 2010D Bonds are being issued at the same time as the $45,000,000 State of Mississippi General Obligation Bonds, Series 2010E (Federally Taxable – Build America Bonds – Recovery Zone Economic Development Bonds - Direct Payment), and the $371,695,000 State of Mississippi General Obligation Build America Bonds, Series 2010F (Direct Payment – Federally Taxable).

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 2010D 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, Ridgeland, Mississippi, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Harris Jernigan & Geno, PLLC, Ridgeland, Mississippi. Certain legal matters with respect to the State will be passed upon by the State Attorney General, Jim Hood, Esq. It is expected that delivery of the Series 2010D Bonds in definitive form will be made in New York, New York, on or about November 10, 2010.

BofA Merrill Lynch **Morgan Stanley**

Duncan-Williams, Inc. **Mesirow Financial, Inc.** **Morgan Keegan & Company, Inc.** **Stephens Inc.**

Crews & Associates, Inc. **Jefferies & Company** **Kipling Jones & Co.** **Loop Capital Markets, LLC**

Dated: October 21, 2010

STATE OF MISSISSIPPI

$233,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS, SERIES 2010D

MATURITY SCHEDULE

Year of Maturity	Principal Amount	Interest Rate	Price	CUSIP*
2011	$ 5,000,000	0.651%	100%	6055805Y1
2012	5,000,000	0.851	100	6055805Z8
2013	5,000,000	1.218	100	6055806A2
2014	20,250,000	1.745	100	6055806B0
2015	20,645,000	2.095	100	6055806C8
2016	21,140,000	2.630	100	6055806D6
2017	21,725,000	2.880	100	6055806E4
2018	22,410,000	3.381	100	6055806F1
2019	23,195,000	3.581	100	6055806G9
2020	24,040,000	3.731	100	6055806H7
2021	24,965,000	3.931	100	6055806J3
2022	25,980,000	4.131	100	6055806K0
2023	14,625,000	4.351	100	6055806L8

* 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
Ridgeland, Mississippi

UNDERWRITERS' COUNSEL

HARRIS JERNIGAN & GENO, PLLC
Ridgeland, Mississippi

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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 2010D 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 2010D BONDS NOR SHALL THERE BE ANY SALE OF THE SERIES 2010D 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.

IF AND WHEN INCLUDED IN THIS OFFICIAL STATEMENT, THE WORDS "EXPECTS," "FORECASTS," "PROJECTS," "INTENDS," "ANTICIPATES," "ESTIMATES" AND ANALOGOUS EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS AND ANY SUCH STATEMENTS INHERENTLY ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED. SUCH RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, LITIGATION AND VARIOUS OTHER EVENTS, CONDITIONS AND CIRCUMSTANCES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE STATE. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE STATE DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE STATE'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

INFORMATION HEREIN HAS BEEN OBTAINED FROM THE STATE, DTC (AS DEFINED HEREIN), AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION IS NOT GUARANTEED BY THE UNDERWRITERS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN MARKET PRICES OF THE SERIES 2010D BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: EACH UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES TO INVESTORS 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.

UPON ISSUANCE, THE SERIES 2010D BONDS WILL NOT BE REGISTERED BY THE STATE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL

ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR THE SERIES 2010D BONDS OFFERED FOR SALE BY THIS OFFICIAL STATEMENT.

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 2010D 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

$233,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2010D

The Issuer	State of Mississippi (the "State").
Issue and Date	$233,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2010D (the "Series 2010D Bonds"), dated the day of delivery.
Authority	The Series 2010D 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, Section 57-93-1, 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 Mississippi Legislature, and Sections 23 and 24 of House Bill 1722, 2009 Regular Session of the Mississippi 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 Mississippi Legislature, Section 3 of House Bill 1641, 2008 Regular Session of the Mississippi Legislature, and Section 1 of House Bill 35 of the 2009 Second Extraordinary Session of the Mississippi Legislature, Chapter 542, General Laws of 2006 of the State, as amended by Chapter 429, General Laws of 2008 of the State, Section 57-85-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, Section 12 of House Bill 1722, 2009 Regular Session of the Mississippi Legislature and Section 30 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Sections 24 and 25 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, as amended by Section 4 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi 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 Mississippi Legislature, Section 1 of Senate Bill 2605, 2009 Regular Session of the Mississippi Legislature, House Bill 338, 2010 Regular Session of the Mississippi Legislature, and by Senate Bill 3189, 2010 Regular Session of the Mississippi Legislature, Section 6 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature and particularly Section 6(3) thereof, Sections 8 and 9 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Section 57-1-18, Mississippi Code of 1972, as amended and supplemented from time to time, and particularly by particularly House Bill 581, 2002 Regular Session of the Mississippi Legislature, House Bill 1595, 2003 Regular Session of the Mississippi Legislature, House Bill 1509, 2006 Regular Session of the Mississippi Legislature, House Bill 1656, 2008 Regular Session of the Mississippi Legislature, House Bill 1722, 2009 Regular Session of the Mississippi Legislature and Sections 38 and 39 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Sections 57-43-1 and 57-43-15, Mississippi Code of 1972, as amended and supplemented from time to time, and Section 2 of Chapter 497, General Laws of 2009 of the State, as amended by Section 8 of Senate Bill 3181, 2010 Regular Session of the Mississippi Legislature, Sections 1 and 2 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature, Section 3 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature, Section 57-61-36(3), Mississippi Code of 1972, as amended and supplemented from time to time, and particularly by Section 29 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Section 57-95-1, Mississippi Code of 1972, as amended and supplemented, and Sections 40 through 55 of Chapter 1, Third Extraordinary Session, General Laws of 2005 of the State, as amended by Section 3 of Senate Bill 2993, 2008 Regular Session of the Mississippi Legislature, Chapter 465, General Laws of 1999 of the State, and Section 43 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, and Section 8 of House Bill 1724, 2007 Regular Session of the Mississippi Legislature (collectively, the "Act").
Use of Proceeds	The Series 2010D Bonds are being issued for the purpose of providing funds to refinance certain short-term 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 2010D Bonds, all as authorized under the Act.
Amounts and Maturities............	The Series 2010D Bonds will mature on November 1 in the years and amounts as set forth on the inside cover page hereto.
Interest Payment Dates.............	Interest on the Series 2010D Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2011.

Redemption Provisions .... The Series 2010D Bonds are subject to redemption prior to their respective maturities (see "DESCRIPTION OF THE SERIES 2010D BONDS - Redemption Provisions," herein).

Security for Payment .... Pursuant to the Act, the Series 2010D 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 2010D BONDS - Security," herein).

Tax Matters .... **INTEREST ON THE SERIES 2010D 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 Act, the Series 2010D Bonds and interest thereon are exempt from all income taxes imposed by the State (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.

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OFFICIAL STATEMENT

$233,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2010D

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 $233,975,000 Taxable General Obligation Bonds, Series 2010D (the "Series 2010D Bonds").

DESCRIPTION OF THE SERIES 2010D BONDS

General

The Series 2010D Bonds will be dated the day of their delivery, and will be issued as fully registered bonds in the denominations of $5,000 or any integral multiples thereof, bearing interest at the rates per annum set forth on the inside cover page hereto, payable May 1 and November 1 of each year, commencing on May 1, 2011, 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 2010D Bonds (the "Paying and Transfer Agent"). The Series 2010D 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 2010D Bonds.

The Series 2010D 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 2010D Bonds held in book-entry form shall be payable as described herein under the heading "DESCRIPTION OF THE SERIES 2010D BONDS - Book-Entry-Only System."

The principal of and interest on, the Series 2010D 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 2010D 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 2010D Bonds will mature November 1 in the years and in the amounts set forth on the inside cover page hereto.

INTEREST ON THE SERIES 2010D BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.

The Series 2010D Bonds will be issued pursuant to the provisions of the Section 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the "Temporary Borrowing Act"), Section 57-93-1, 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 Mississippi Legislature and Sections 23 and 24 of House Bill 1722, 2009 Regular Session of the Mississippi Legislature (collectively, the "Existing Industry 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 Mississippi Legislature, Section 3 of House Bill 1641, 2008 Regular Session of the Mississippi Legislature, and Section 1 of House Bill 35 of the 2009 Second Extraordinary Session of the Mississippi Legislature (collectively, the "ACE Act"), Chapter 542, General Laws of 2006 of the State, as amended by Chapter 429, General Laws of 2008 of the State (the "Railroad Line Repair Act"), Section 57-85-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, Section 12 of House Bill 1722, 2009 Regular Session of the Mississippi Legislature and Section 30 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature (collectively, the "Rural Impact Act"), Sections 24 and 25 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, as amended by Section 4 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature (the "Mississippi Industry Incentive Financing 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 Mississippi Legislature, Section 1 of Senate Bill 2605, 2009 Regular Session of the Mississippi Legislature, House Bill 338, 2010 Regular Session of the Mississippi Legislature, and by Senate Bill 3189, 2010 Regular Session of the Mississippi Legislature (collectively, the "Major Economic Impact Act"), Section 6 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature (the "Mississippi Heritage, History and Culture Tourism Act") and particularly Section 6(3) thereof, Sections 8 and 9 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature (the "Mississippi Small Business and Existing Forestry Industry Act"), Section 57-1-18, Mississippi Code of 1972, as amended and supplemented from time to time, and particularly by particularly House Bill 581, 2002 Regular Session of the Mississippi Legislature, House Bill 1595, 2003 Regular Session of the Mississippi Legislature, House Bill 1509, 2006 Regular Session of the Mississippi Legislature, House Bill 1656, 2008 Regular Session of the Mississippi Legislature, House Bill 1722, 2009 Regular Session of the Mississippi Legislature and Sections 38 and 39 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature (the "Small Municipalities and Limited Population Counties Act"), Sections 57-43-1 and 57-43-15, Mississippi Code of 1972, as amended and supplemented from time to time, and Section 2 of Chapter 497, General Laws of 2009 of the State, as amended by Section 8 of Senate Bill 3181, 2010 Regular Session of the Mississippi Legislature (the "State Railroad Revitalization Act"), Sections 1 and 2 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature (the "Workforce Training Act"), Section 3 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature (the "Sustainable Energy Research Act"), Section 57-61-36(3), Mississippi Code of 1972, as amended and supplemented from time to time, and particularly by Section 29 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature (the "Development Infrastructure Grant Act"), Section 57-95-1, Mississippi Code of 1972, as amended and supplemented, and Sections 40 through 55 of Chapter 1, Third Extraordinary Session, General Laws of 2005 of the State, as amended by Section 3 of Senate Bill 2993, 2008 Regular Session of the Mississippi Legislature (the "Job Protection Act"), Chapter 465, General Laws of 1999 of the State, and Section 43 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature (the "Farish Street Historic District Act"), and Section 8 of House Bill 1724, 2007 Regular Session of the Mississippi Legislature (the "Mississippi Technology Alliance Act" and collectively with the Temporary Borrowing Act, the Existing Industry Act, the ACE Act, the Railroad Line Repair Act, the Rural Impact Act, the Mississippi Industry Incentive Financing Act, the Major Economic Impact Act, the Mississippi Heritage, History and Culture Tourism Act, the Mississippi Small Business and Existing Forestry Industry Act, the Small Municipalities and Limited Population Counties Act, the State Railroad Revitalization Act, the Workforce Training Act, the Sustainable Energy Research Act, the Development Infrastructure Grant Act, the Job Protection Act and the Farish Street Historic District Act, the "Act") and certain resolutions adopted by the State Bond Commission of the State on July 12, 2010, September 10, 2010 and October 6, 2010 (the "Resolutions") for the purpose of refinancing certain short-term 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 2010D Bonds, all as authorized under the Act (see "DESCRIPTION OF THE PROJECTS," herein).

Security

The Series 2010D 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 2010D 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 2010D 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 2010D 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 2010D Bonds.

Redemption Provisions

Make-Whole Redemption. The Series 2010D Bonds are subject to redemption prior to maturity, at the option of the State, on any Business Day, in whole or in part (and if in part, in denominations of $5,000 or integral multiples thereof) at a redemption price equal to the Make Whole Redemption Price. The "Make-Whole Redemption Price" of any Series 2010D Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such Series 2010D 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 2010D Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2010D Bonds are to be redeemed, discounted to the date on which such Series 2010D Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at a Treasury Rate (as defined below), plus a certain number of basis points (as shown below), plus, in each case, accrued and unpaid interest on such Series 2010D Bonds on such redemption date.

Series 2010D Bonds maturing in the years:

2011 through 2014:	Treasury Rate plus 10 basis points;
2015 through 2020:	Treasury Rate plus 15 basis points;
2021 and 2022:	Treasury Rate plus 20 basis points; and
2023:	Treasury Rate plus 30 basis points.

The "Treasury Rate" is, as of redemption date of any Series 2010D 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 2010D 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 2010D Bonds.

Selection of Series 2010D Bonds to be Redeemed if Held in Book-Entry Only System. If less than all of the Series 2010D Bonds shall be called for redemption, the State shall notify DTC that the redemption shall be on a *pro rata* basis in whole multiples of $5,000. While DTC is the registered owner of the Series 2010D Bonds, partial redemptions (including any sinking fund payments) of the Series 2010D Bonds of a particular maturity will be determined in accordance with DTC's pro rata pass-through distribution of principal procedures as in effect at the time of any such partial redemption.

Selection of Series 2010D Bonds to be Redeemed if not Held in Book-entry Only System. If less than all of the Series 2010D Bonds subject to redemption are called for redemption, the Paying and Transfer Agent shall select the Series 2010D Bonds to be redeemed from the outstanding Series 2010D Bonds subject to redemption and not previously called for redemption by lot in any manner deemed reasonable by the Paying and Transfer Agent, provided that the unredeemed portion of the principal amount of any Series 2010D Bond shall be not less than $5,000.

Notice of Redemption

Notice of the call for any redemption (which may be a conditional notice), identifying the Series 2010D Bonds (or any portions thereof in authorized denominations) to be redeemed, will be given by the State at least thirty (30) days but not more than forty-five (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 (as defined herein) and the registered owner of each Series 2010D 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 2010D Bonds, or any defect in the notice mailed to any such owner of Series 2010D Bonds, will not affect the validity of any proceeding for the redemption of any other Series 2010D Bonds. So long as DTC or its nominee is the registered owner of the Series 2010D 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 2010D BONDS -- Book-Entry-Only System."

Defeasance

Under the Resolutions, Series 2010D 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 Resolutions, shall be deemed to have been paid, shall cease to be entitled to any lien, benefit or security under the Resolutions 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 2010D Bonds from the funds held for that purpose. Defeasance Securities shall be considered sufficient under the Resolutions 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 2010D Bonds.

Registration

Series 2010D Bonds Subject to the Book-Entry-Only System. For so long as DTC acts as securities depository for the Series 2010D Bonds, the registration and transfer of ownership interests in Series 2010D 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 2010D BONDS-Book-Entry-Only System."

Series 2010D Bonds Not Subject to Book-Entry-Only System. Should the Series 2010D Bonds no longer be held in book-entry form, each Series 2010D 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 such registered owner's 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 such registered owner's duly authorized attorney. Upon the transfer of any Series 2010D Bond, the State shall issue, in the name of the transferee, a new Series 2010D Bond or Series 2010D 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 2010D Bond.

Series 2010D 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 2010D 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 2010D Bonds. The Paying and Transfer Agent will not be required to register the transfer of or exchange any Series 2010D Bond after the mailing of notice calling such Series 2010D Bond for redemption has been given as provided in the Resolutions, 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 2010D Bonds will be available only in book-entry form in principal amounts of $5,000 or any integral multiple thereof. DTC will initially act as securities depository for the Series 2010D Bonds. The Series 2010D Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2010D Bond will be issued for each maturity of the Series 2010D Bonds, and will be deposited with DTC.

The information provided under this caption has been provided by DTC. No representation is made by the State as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, the world's largest securities depository, 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 2010D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2010D Bonds on DTC's records. The ownership interest of each 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 transactions, 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 2010D Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2010D Bonds, except in the event that use of the book-entry system for the Series 2010D Bonds is discontinued.

Beneficial Owner means any person for whom a DTC participant acquires an interest in any Series 2010D Bonds.

To facilitate subsequent transfers, all Series 2010D 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 2010D Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010D Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2010D 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 Series 2010D Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010D Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010D Bond documents. For example, Beneficial Owners of Series 2010D Bonds may wish to ascertain that the nominee holding the Series 2010D 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 notices be provided directly to them.

Redemption notices are to be sent to DTC. If less than all of the Series 2010D Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010D Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying and Transfer Agent 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 2010D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and divided payments on the Series 2010D 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 detailed information from the Bank or Trustee, on the 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying and Transfer Agent, 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.

DTC may discontinue providing its services as depository with respect to the Series 2010D Bonds at any time by giving reasonable notice to the State or the Paying and Transfer Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2010D Bond certificates 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 2010D 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 2010D BONDS (a) PAYMENTS OF PRINCIPAL OR INTEREST ON THE SERIES 2010D BONDS; (b) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2010D BONDS; OR (c) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2010D 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 2010D 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 AND INTEREST ON THE SERIES 2010D 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 RESOLUTIONS TO BE GIVEN TO HOLDERS OF THE SERIES 2010D BONDS; OR (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE SERIES 2010D BONDS.

DESCRIPTION OF THE PROJECTS

The Series 2010D Bonds are being issued for the purpose of providing funds: (a) to refinance the $21,875,000 State of Mississippi Taxable General Obligation Note, Series 2009B of the State dated November 18, 2009 (the "Series 2009B Note"), pursuant to the provisions of the Temporary Borrowing Act, the Existing Industry Act, the Rural Impact Act, the Railroad Line Repair Act, the Development Infrastructure Grant Act, the Job Protection Act, the Farish Street Historic District Act and the Mississippi Technology Alliance Act, (b) to refinance the $19,100,000 State of Mississippi Taxable General Obligation Note, Series 2010A of the State dated April 27, 2010 (the "Series 2010A Note"), pursuant to the provisions of the Temporary Borrowing Act, the Development Infrastructure Grant Act and the Major Economic Impact Act, (c) to refinance the $15,000,000 State of Mississippi Taxable General Obligation Note, Series 2010B of the State dated May 17, 2010 (the "Series 2010B Note"), pursuant to the provisions of the Temporary Borrowing Act and the Major Economic Impact Act, (d) to refinance the $76,000,000 State of Mississippi Taxable General Obligation Note, Series 2010C of the State dated September 1, 2010 (the "Series 2010C Note"), pursuant to the provisions of the Temporary Borrowing Act, the Major Economic Impact Act, the Mississippi Heritage, History and Culture Tourism Act, the Development Infrastructure Grant Act and the Mississippi Industry Incentive Financing Act, (e) to fund loans to (i) existing industries in the State to deploy long-term fixed assets that, through new technology, will improve productivity and competitiveness, (ii) existing industries for the purchase or refinancing of land, buildings or equipment, and (iii) counties or incorporated municipalities to assist existing industries in deploying long-term fixed assets that through new technology will improve productivity and competitiveness and to assist existing industries through the purchase of land, buildings and equipment, in the amount of $8,000,000, pursuant to the provisions of the Existing Industry Act, (f) 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 $2,500,000, pursuant to the provisions of the ACE Act, (g) to assist Wayne County, Clarke County and Lauderdale County and the municipalities located within such counties in paying costs associated with the construction and improvement of bridges, viaducts and overpasses, including approaches thereto, spanning railroad lines and related railroad facilities and paying the cost of other railroad line improvements, in the amount of $1,000,000, pursuant to the provisions of the Railroad Line Repair Act, (h) 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, (i) to fund a revolving fund for the purpose of making grants or loans to local governments and approved business enterprises to construct or otherwise provide facilities related to projects authorized under the Mississippi Industry Incentive Financing Act, in the amount of $50,000,000, pursuant to the provisions of the Mississippi Industry Incentive Financing Act, (j) to provide financing for a project for Toyota Motor Manufacturing, Mississippi, Inc., in the amount of $29,300,000, pursuant to the provisions of Sections 57-75-15(3)(s) and (t) and 57-75-5(f)(xxi) of the Major Economic Impact Act, (k) to promote programs and projects addressing the State's heritage, history, culture, literature and arts, including the positive recovery of the State after damages caused by natural disasters for the purpose of promoting tourism in the State, in the amount of $200,000, pursuant to the provisions of the Mississippi Heritage, History and Culture

Tourism Act, (l) to fund a revolving loan fund for the purpose of making loans to small businesses and existing forestry industry enterprises for the purpose of encouraging private institutions to extend conventional financing and letters of credit to small businesses and existing forestry industry enterprises, in the amount of $5,000,000, pursuant to the provisions of the Mississippi Small Business and Existing Forestry Industry Act, (m) to fund a program to make grants to qualified municipalities and counties in the State for certain public infrastructure, in the amount of $1,000,000, pursuant to the provisions of the Small Municipalities and Limited Population Counties Act, (n) to finance the upgrade of roadway/railroad grade crossings in the State, in the amount of $1,000,000, pursuant to the State Railroad Revitalization Act, (o) to provide funds for workforce training through State Institutions of Higher Learning, Community and Junior Colleges in the State, and Workforce Investment Network job centers in the State to meet workforce training needs not met by other resources, in the amount of $2,000,000, pursuant to the provisions of the Workforce Training Act, (p) to provide funds to pay the costs incurred for the purpose of performing research on biomass usage in the production of renewable crude oil at Alcorn State University and the Sustainable Energy Research Center on the campus of Mississippi State University, in the amount of $500,000, pursuant to the Sustainable Energy Research Act, (q) to provide funds to make grants or loans to persons or entities who develop property in the Farish Street Historic District in the City of Jackson, Mississippi, in the amount of $500,000, pursuant to the Farish Street Historic District Act,(paragraphs (a) through (q) herein collectively, the "Projects"), and (r) to pay the costs incident to the sale and issuance of the Series 2010D Bonds.

SERIES 2010E BONDS AND SERIES 2010F BONDS

Contemporaneously with the sale and issuance of the Series 2010D Bonds, the State is planning to issue (i) its $45,000,000 General Obligation Bonds, Series 2010E (Federally Taxable – Build America Bonds – Recovery Zone Economic Development Bonds - Direct Payment) (the "Series 2010E Bonds") for the purpose of financing improvements to certain roads, highways and bridges within the State and paying the costs incident to the sale and issuance of the Series 2010E Bonds, and (ii) its $371,695,000 General Obligation Build America Bonds, Series 2010F (Direct Payment – Federally Taxable) (the "Series 2010F Bonds" and together with the Series 2010D Bonds and the Series 2010E Bonds, the "Series 2010 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 2010F Bonds. **The issuance of the Series 2010E Bonds and the Series 2010F Bonds is not reflected in this Official Statement.**

SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of proceeds of the Series 2010D Bonds.

SERIES 2010D BONDS

Sources	
Par Amount of Series 2010D Bonds	$233,975,000.00
Total Sources	$233,975,000.00
Uses	
For Costs of the Projects	$232,685,890.70
For Costs of Issuance[1]	1,289,109.30
Total Uses	$233,975,000.00

[1] Includes, among other expenses, underwriters' discount and legal fees. Payment of such fees is contingent upon the issuance of the Series 2010D 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 Mississippi 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. In November 2009, the State issued its $21,875,000 Taxable General Obligation Note, Series 2009B, (the "Series 2009B Note"), and its $40,252,000 General Obligation Note, Series 2009C (the "Series 2009C Note"), each of which mature on November 17, 2010. The Series 2009B Note and the Series 2009C Note were issued to provide temporary financing for various capital improvements, community development projects and economic development projects and programs in the State.

In April 2010 and May 2010, the State issued its $19,100,000 Taxable General Obligation Note, Series 2010A (the "Series 2010A Note") and its $15,000,000 Taxable General Obligation Note, Series 2010B, (the "Series 2010B Note") respectively, which mature on December 31, 2010, to provide temporary financing for various economic development projects and programs. In September 2010, the State issued its $76,000,000 Taxable General Obligation Note, Series 2010C, which matures November 30, 2010 (the "Series 2010C Note" and together with the Series 2010A Note and Series 2010B Note, the "Series 2010 Notes") to provide temporary financing for various economic development projects and programs. The Series 2009B Note and the Series 2010 Notes are being refunded with the issuance of the Series 2010D Bonds. The Series 2009C Note is being refunded with the issuance of the Series 2010F Bonds.

In February 2010, the State entered into Loan Agreements with the Mississippi Development Bank to borrow up to $50 million to provide temporary financing for certain capital improvement and economic development projects and programs on a tax exempt basis. The loan is a general obligation of the State and is secured by the full faith and credit pledge of the State. As of October 1, 2010, the State has borrowed $9,045,705 through the program, which will be repaid through the issuance of the Series 2010F Bonds.

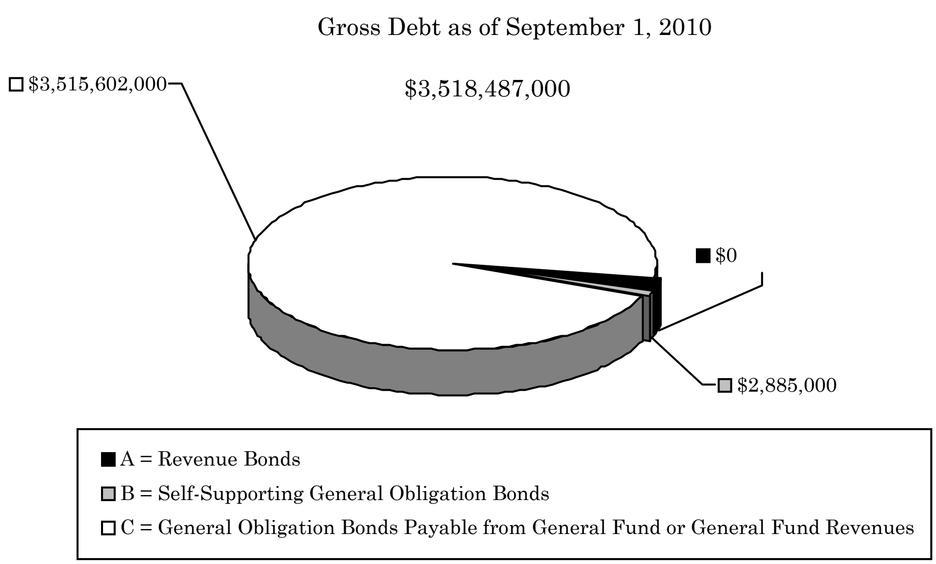
Long Term Indebtedness

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 = A+B+C or $3,518,487,000
Gross Direct Debt=Gross Debt - A or $3,518,487,000
Net Direct Debt = Gross Direct Debt - B or $3,515,602,000

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]
as of September 1, 2010

State of Mississippi Bonds		
General Obligation Bonds Payable from General Fund or General Fund Revenues	$3,515,602,000	
Self-Supporting General Obligation Bonds	2,885,000	
Revenue Bonds	0	
GROSS DEBT		$3,518,487,000
DEDUCTIONS:		
Revenue Bonds		
	$ 0	
Subtotal		0
GROSS DIRECT DEBT		$3,518,487,000
Self-Supporting General Obligation Bonds[2]		
Deer Island Project	$ 2,885,000	
Subtotal		(2,885,000)
NET DIRECT DEBT		$3,515,602,000

(1) Does not include the effects of the Series 2010 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 September 1, 2010, $2,885,000 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 $2,885,000 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
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
2010	3,480,067,000	0	3,480,067,000	2,885,000	3,477,182,000

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
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	207,175,252	5.27
2006	4,332,615,923	331,458,398	7.65
2007	4,789,398,828	212,707,963[(2)]	4.44
2008	4,936,891,193	289,547,871	5.86
2009	4,729,998,654	289,547,871	6.12
2010	4,453,337,142	347,187,030	7.80

(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.

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

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Long Term Debt Ratios

The following table presents the State's long term debt ratios as of September 1, 2010.

As of September 1, 2010	Amount	Debt Per Capita[1]	Debt to Assessed Valuation[2]	Debt to Estimated Full Valuation[3]	Debt to Personal Income[4]
Gross Debt	$3,518,487,000	$1,236.73	41.05%	5.08%	5.92%
Net Direct Debt	3,515,602,000	1,235.71	41.01	5.07	5.91

(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 2001

As of July 1	Outstanding	Debt Per Capita	Debt to Assessed Valuation	Debt to Estimated Full Valuation	Debt to Personal Income
2010					
Gross Debt	$3,480,067,000	$1,223.22	40.60%	5.02%	5.85%
Net Direct Debt	3,477,182,000	1,222.21	40.57	5.01	5.84
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

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 personal property 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 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 September 1, 2010 of $34,425,009.

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 personal property 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 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 September 1, 2010 of $4,299,919 and an outstanding balance under the Community College Leases of $1,629,487.

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), dated May 25, 2004.

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 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 $18,575,000 Mississippi Development Bank Special Taxable Obligation Bonds, Series 2010A (MDOC – Marshall County Correctional Facility Refunding Bonds Project), dated May 21, 2010.

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 ("MDOC"), acting for and on behalf of the State, 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 $20,110,000 Mississippi Development Bank Special Taxable Obligation Bonds, Series 2010B (MDOC - Wilkinson County Correctional Facility Refunding Bonds Project), dated May 21, 2010.

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 $68,830,000 Mississippi Development Bank Special Obligation Bonds, Series 2010D (MDOC - East Mississippi Correctional Facility Refunding Bonds Project), dated July 20, 2010.

House Bill 1878, Local and Private Laws of the 1998 Regular Session of the Mississippi Legislature authorized the Town of Walnut Grove to create the Walnut Grove Correctional Authority (the "Walnut Grove Authority") for the purpose of contracting with MDOC for the private incarceration of inmates of the State. The Walnut Grove Authority entered into a Lease-Purchase Agreement, dated as of November 1, 1999, with MDOC (the "Walnut Grove Lease") in the principal amount of $41,420,000 to finance the construction of a 1000-bed correctional facility to be located in the Town of Walnut Grove. In 2007, the Walnut Grove Lease was amended to cover a 500 cell expansion of the facility and bonds were issued in the principal amount of $40,000,000 to finance such expansion. In connection with the refunding of the outstanding amounts under the Walnut Grove Lease, the Walnut Grove Lease has been amended and restated and assigned to secure the payment of the $93,580,000 Mississippi Development Bank Special Obligation Bonds, Series 2010C (Mississippi Department of Corrections Walnut Grove Correctional Facility Refunding Bonds Project), dated July 20, 2010.

The obligations of the State to make rental payments under the Rehab Lease, the Marshall County Lease, the Wilkinson County Lease, the East Mississippi Lease, and the Walnut Grove 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 September 1, 2010, the State's Gross Debt was $3,518,487,000. The following table shows the State's constitutional debt limit for the previous eight years and forecasts the State's constitutional debt limit for fiscal year 2010 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	8,295,079,853	12,442,619,780
2009	7,960,861,538	11,941,292,307
2010[2]	8,040,470,154	12,060,705,230
2011[2]	8,120,874,855	12,181,312,283
2012[2]	8,202,083,604	12,303,125,405
2013[2]	8,284,104,440	12,426,156,659
2014[2]	8,366,945,484	12,550,418,226

(1) Figures represent budgetary basis of revenues.
(2) Assumes a 1.0% 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 September 1, 2010.

Fiscal Year Ending June 30	Principal[1][2]	Interest[1][2]	Total Annual Debt Service[1][2]
2011	$397,162,000	$141,673,123	$538,835,123
2012	259,045,000	139,332,523	398,377,523
2013	235,745,000	127,236,240	362,981,240
2014	245,095,000	115,465,011	360,560,011
2015	238,270,000	103,643,248	341,913,248
2016	221,855,000	92,340,494	314,195,494
2017	229,285,000	81,219,465	310,504,465
2018	184,995,000	71,156,113	256,151,113
2019	175,745,000	62,841,647	238,586,647
2020	146,755,000	55,646,035	202,401,035
2021	133,395,000	49,499,412	182,894,412
2022	123,295,000	43,835,500	167,130,500
2023	115,515,000	38,688,127	154,203,127
2024	115,640,000	33,972,730	149,612,730
2025	106,335,000	29,592,242	135,927,242
2026	111,260,000	24,240,947	135,500,947
2027	92,790,000	22,300,483	115,090,483
2028	83,915,000	17,913,660	101,828,660
2029	60,300,000	15,159,887	75,459,887
2030	34,530,000	13,045,678	47,575,678
2031	36,630,000	10,938,800	47,568,800
2032	38,910,000	8,638,985	47,548,985
2033	41,220,000	6,219,136	47,439,136
2034	43,145,000	3,760,956	46,905,956
2035	44,770,000	1,269,006	46,039,006
TOTAL	$ 3,515,602,000	$ 1,309,629,448	$ 4,825,231,448

(1) Of the principal amounts outstanding, $319,495,000 has been issued as variable rate debt, therefore the interest due is indeterminable at this time and is not reflected in this table.
(2) Does not include the effects of the Series 2010 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, 2010, the Development Bank Bonds outstanding carrying a moral obligation pledge of the State totaled $1,030,125,000. 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

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Credit Market Services, a division of The McGraw Hill Companies, Inc. ("S&P") have assigned ratings of "AA+," "Aa2," and "AA," respectively, to the Series 2010D 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 2010D 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 upcoming fiscal 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, the Legislative Budget Office, the 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. During Fiscal Year 2010, the Governor of the State, as a result of a stagnant national economy and tax revenue shortfalls, announced a reduction in the fiscal year 2010 budget of approximately $499 million dollars. Beginning in September 2009, the Governor of the State, as a result of revenue shortfalls, began reductions to the fiscal year 2010 budget. For the first three months of fiscal year 2011, tax collections have exceeded expectations in excess of $13 million or 1.5 percent.

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, 2009, 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 2009, which is the highest form of recognition in the area of governmental financial reporting.

Investment and Cash Management

The State Treasurer is custodian of all State funds including all cash in the General Fund, the Education Enhancement Fund and all Special Funds and is responsible for the investment of all such monies. 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.

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, 2010, sales taxes accounted for 39.6%, individual income taxes for 29.8% and corporation income and franchise taxes for 8.96% 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; however, the 2010 Mississippi Legislature waived this rule and appropriated 100% of the official revenue estimate pursuant to House Bill 1059. For the fiscal year ending June 30, 2010, appropriation for educational purposes accounted for 62% of the General Fund Budget. This includes State contributions to local school and community college districts. However, this percentage does not include certain State contributions such as maintenance funds for local school districts, shared taxes 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 that are budgeted.

At each fiscal year end, the General Fund unencumbered cash balance is distributed in the following order: (1) an amount not to exceed $750,000 to the Municipal Revolving Loan Fund; (2) 100% of the remaining balance to the Working Cash Stabilization Reserve Fund until such time as the balance reaches $40,000,000; (3) up to 1% of the prior year appropriation will remain as the General Fund cash beginning balance; (4) 50% of any remaining balance to the Working Cash Stabilization Reserve Fund until the balance reaches 7.5% of the General Fund appropriation; and (5) any remaining amount to the Capital Expense Fund. The Working Cash Stabilization Reserve Fund is required to retain interest earned on investments in the fund until such time as the fund balance reaches 7.5% of the General Fund appropriation for that fiscal year, after which interest earnings are transferred to the General Fund. If it is determined that there is a revenue shortfall in the General Fund, a maximum of $50 million per fiscal year may be transferred from the Working Cash Stabilization Reserve Fund to the General Fund.

As of September 1, 2010, the Working Cash-Stabilization Fund had a fund balance of $245,452,111. 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)

	2006	2007	2008	2009	Unaudited 2010	Budgeted 2011[1]
TAXES:						
Sales	$1,855,067	$1,930,538	$1,947,283	$1,921,637	$1,781,277	$1,765,000
Individual Income	1,246,063	1,475,359	1,542,099	1,474,787	1,339,889	1,353,000
Corporate Income and Franchise	412,092	484,714	500,696	422,040	402,751	393,100
Use and Wholesale Compensating	213,886	218,399	208,965	199,937	202,174	206,000
Tobacco, Beer and Wine	89,914	87,125	89,709	114,934	186,608	167,900
Insurance	153,323	158,842	159,059	153,176	161,228	136,700
Oil and Gas Severance	59,327	59,809	97,774	84,810	65,853	65,000
Alcohol Excise and Privilege	54,622	57,335	60,167	63,777	64,239	65,700
Other	20,446	22,539	21,397	18,634	7,884	25,500
Interest	17,133	34,405	39,588	28,279	16,714	22,500
Auto Privilege, Tax and Title Fees	16,432	17,388	18,364	16,407	16,314	11,100
Gaming Fees	145,710	185,847	194,040	172,429	155,123	153,000
Highway Safety Patrol Fees	19,053	22,499	24,440	22,513	21,824	16,600
Other Fees and Services	11,784	11,917	12,905	11,977	11,699	46,000
Miscellaneous	3,308	3,820	4,200	4,833	4,217	5,700
Court Assessments and Settlements	10,000	14,185	10,012	10,004	53,300	23,100
TOTAL REVENUES	$4,328,160	$4,784,721	$4,930,698	$4,720,174	$4,491,095	$4,483,900
Expenditures by Major Budgetary Function:						
Legislative	$ 21,302	$ 23,231	$ 24,566	$ 25,028	$ 24,489	$ 24,000
Judiciary & Justice	61,808	61,743	64,380	59,522	57,476	60,677
Executive & Adm	2,687	2,806	2,943	3,535	3,265	
Fiscal Affairs	63,162	67,650	70,986	92,100	83,462	57,840
Public Education	1,853,919	1,993,337	2,202,799	2,168,871	1,925,069	2,621,526
Higher Education	555,757	703,216	835,717	799,105	742,147	
Public Health	26,906	33,865	41,594	31,015	28,749	
Hospitals and Hospital Schools	197,582	235,732	268,697	250,128	199,529	205,944
Agriculture, Commerce & Economic Dev.	81,211	99,847	113,963	106,968	102,646	102,840
Conservation and Recreation	47,322	52,360	55,858	52,521	50,240	46,356
Insurance and Banking	11	11	0	0	0	0
Corrections	217,637	227,130	285,764	252,337	237,831	312,940
Social Welfare	449,800	211,428	519,111	519,496	349,821	396,046
Public Protection and Veterans Assistance	67,148	84,702	100,537	90,649	87,081	
Local Assistance	82,110	82,920	84,021	84,897	77,609	75,109
Motor Veh. & Other Regulatory Agencies	1,087	1,860	5,250	1,629	1,824	0
Miscellaneous	1,178	1,139	1,397	1,327	1,313	115,337
Public Works	0	2,500	200	0	0	0
Debt Service	273,330	212,708	323,548	289,548	347,187	361,353
TOTAL EXPENDITURES	$4,003,967	$4,098,185	$5,001,331	$4,828,676	$4,319,740	$4,379,967
Excess of Rev. over (under) expenditures	324,193	686,536	(70,633)	(108,502)	171,355	103,933
Other Financing Sources (Uses)						
Transfers In	4,456	4,740	23,649	235,119	57,977	0
Transfers Out	(345,549)	(518,731)	(143,215)	(155,284)	(178,733)	(103,933)
Other Sources (uses) of Cash	(9)	18,521	(10)	3	(1)	0
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	(16,909)	191,066	(190,209)	(28,664)	50,598	0
Budgetary Fund Balances, Beginning	52,791	35,882	226,948	36,739	8,075	0

[1] Executive & Adm. Included in Fiscal Affairs. Public Education reflects all educational activities. Public Health, Public Protection and Veterans Assistance included in Miscellaneous.

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. Most of these benefits expire on December 31, 2010.

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)

	2006	**2007**	**2008**	**2009**	**2010**
RESOURCES:					
Surplus from Prior Year	$ 10,779.0	$ 31,240.8	$ 6,153.0	$ 397.8	$ 244.7
Sales Tax	259,031.0	270,277.6	273,263.8	261,356.2	245,288.8
Use Tax	25,864.0	26,819.3	25,283.0	23,009.4	23,576.9
Transfer in from General Fund	0.0	0.0	0.0	244.7	0.0
Total Resources Available	$ 284,895.0	$ 328,337.7	$ 304,699.8	285,008.1	269,110.4
DISBURSEMENTS:					
Education, K-12	$ 175,402.0	$ 215,617.4	$ 204,577.5	190,422.9	171,318.3
Community & Jr. Colleges	34,507.0	41,696.1	38,734.8	36,641.0	33,234.6
Institutions of Higher Learning	33,900.0	62,986.7	58,291.5	55,057.8	50,138.2
Other	0.0	0.0	0.0	2,641.7	2,456.2
Total Disbursements	264,596.0	323,013.5	304,302.0	284,763.4	257,147.3
YEAR END SURPLUS	$ 20,299.0	$ 5,324.2	$ 397.8	$ 244.7	$ 11,963.1

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. A portion of both motor vehicle privilege taxes and motor fuel excise taxes is deposited to a special fund for highway construction, and the balance of the privilege and excise tax collections is diverted to counties and municipalities.

For the fiscal year ended June 30, 2009, Special Funds received approximately $6,950.7 million from the federal government including $4,256.4 million for public health and welfare, $648.6 million for public education and $563.7 million for highways. In addition, State tax receipts of $1,304.8 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 as a result of the national tobacco litigation 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
2010	112,000,000

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 September 1, 2010 was $199,706,782.

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. In the 2010 Regular Legislative Session, the requirement for repayment of the $240,000,000 loan to the Health Care Trust Fund was deleted.

Budget Contingency Fund. The Budget Contingency Fund is a special fund created by the Legislature to handle non-recurring budget shortfalls. This fund provided moneys for Fiscal Year 2010 appropriations in the amount of $251,354,730 and $186,914,952 for Fiscal Year 2011. Additional receipts and disbursements may flow through the Budget Contingency Fund if the Federal Government extends the Federal Medical Assistance Percentage participation level.

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 September 1, 2010, the Education Improvement Trust Fund had a balance of $44,992,865.

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

	2007	2008	2009	Unaudited 2010
TAXES:				
Tax Commission	$ 807,514.9	$ 790,466.6	$ 740,641.2	$ 705,878.9
Motor Vehicle Division	542,672.8	532,705.2	520,197.9	494,844.1
Other	43,750.6	45,820.7	43,958.9	43,601.7
Licenses, Fees, Permits & Penalties	484,142.0	606,307.7	553,533.9	637,572.6
Interest on Direct Investments	91,941.9	103,027.2	81,546.8	58,398.9
Sales and Services	756,601.2	812,713.3	827,544.9	865,546.3
Federal Grants-In-Aid				
Education	721,749.7	658,739.8	648,631.3	744,710.0
Highways	966,944.4	755,833.9	563,748.6	644,922.5
Public Health & Welfare	3,685,458.0	3,438,152.6	4,256,421.9	4,390,675.4
Federal-State Local Programs	1,598,710.4	810,683.7	766,892.8	809,221.3
Agricultural & Economic Dev	17,078.4	21,539.6	30,376.3	5,790.3
Employment Security	46,391.0	104,936.2	124,217.6	130,422.2
Other	760,971.2	776,158.6	560,362.1	835,890.5
Political Subdivisions	148,417.3	112,197.2	256,002.9	169,665.3
Gross Sales of Alcoholic Bev	193,062.8	204,018.2	210,135.8	212,205.9
TOTAL REVENUE RECEIPT	$10,865,406.6	$9,773,300.5	$10,184,212.9	$10,749,345.9
Bonds, Notes Issued	823,352.9	546,942.1	596,441.5	732,328.7
Trans, Refunds & Other Rec.	2,380,272.8	1,664,342.3	2,037,637.9	2,310,955.7
TOTAL RECEIPTS	$14,069,032.3	$11,984,584.9	$12,818,292.4	$13,792,630.3

(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.

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

	2007	2008	2009	Unaudited 2010
Legislative	$ 960.0	$ 13.0	$ 16.0	$ 3.0
Judiciary & Justice	42,018.0	48,312.0	51,617.0	56,797.0
Executive & Administrative	23,170.0	19,131.0	16,856.0	15,911.0
Fiscal Affairs	48,619.0	60,464.0	84,153.0	292,855.0
Public Education	860,146.0	791,242.0	786,177.0	1,062,528.0
Higher Education	69,598.0	73,908.0	80,982.0	115,491.0
Public Health & Social Welfare	4,861,631.0	4,781,651.0	5,729,975.0	6,219,213.0
Hospitals & Hospital Schools	348,320.0	377,927.0	306,756.0	392,173.0
Agriculture & Economic Development	1,540,087.0	793,555.0	767,968.0	821,385.0
Conservation & Recreation	224,192.0	209,439.0	293,818.0	433,446.0
Insurance & Banking	36,843.0	64,019.0	61,558.0	79,641.0
Corrections	82,315.0	62,610.0	95,481.0	99,868.0
Interdepartmental Service	35,139.0	37,212.0	39,906.0	40,383.0
Public Protection & Assistance to Veterans	1,050,444.0	927,649.0	699,506.0	773,234.0
Local Assistance				
Motor Vehicle & Other Regulatory Agencies	19,711.0	21,395.0	22,265.0	23,398.0
Miscellaneous	3,094.0	2,322.0	2,994.0	1,602.0
Public Works	1,493,635.0	1,297,617.0	1,227,569.0	1,291,757.0
Debt Service	81,494.0	27,994.0	55,628.0	19,834.0
TOTAL DISBURSEMENTS	$10,821,416.0	$9,596,460.0	$10,393,225.0	$11,739,519.0

(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.

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 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.

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)

	2008		2009		2010	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Total General Fund Receipts	$4,930.7	100.0%	$4,729.9	100.0%	$4,496.8	100.0%
Sales Taxes	1,947.3	39.5	1,921.6	40.6	1,781.3	39.6
Individual Income Taxes	1,542.1	31.3	1,474.0	31.2	1,339.9	29.8
Corporate Income & Franchise Taxes	500.7	10.2	422.0	8.9	402.8	9.0
Use Taxes	208.9	4.2	199.9	4.2	202.2	4.5
Gaming Taxes & Fees	194.0	3.9	172.4	3.6	155.1	3.4
Insurance Premium Taxes	159.1	3.2	153.2	3.3	161.2	3.6
All Other Receipts	378.6	7.7	386.0	8.2	454.3	10.1

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 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 of 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 of 1972 and may be amended only by the 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%.

During a special session, the 2010 Mississippi Legislature passed House Bill 1. This act amends Sections 25-11-123, 25-11-109 and 25-11-115, Mississippi Code of 1972 and increased the percent of earned compensation as stated above from 7.25% to 9% (as a percentage of gross salary) and retirees on or after July 1, 2010 will receive credit for ½ day of leave for each full year of membership service accrued after June 30, 2010. Also, a new option for members of the PERS for payment of a member's retirement allowance provides that upon the retired member's death, ¾ of the member's reduced retirement allowance will be continued throughout the life of the employees' beneficiary.

Funding policies and annual pension costs at June 30, 2009 were:

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

(b) Projected salary increases of 4.25% and attributable to inflation;

(c) Additional projected salary increases of 4.5% to 15.0% per year for PERS, 5.0% to 10.52% for MHSPRS and 4.5% 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 that 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, 2009, the actual employer contribution amount for PERS was $713,569,000, which was 62 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 coincided 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, 2009 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, 2009, the plans' unfunded pension benefit obligations were as follows (in thousands).

	PERS	**MHSPRS**	**SLRP**
Total actuarial accrued liability	$30,594,546	$ 394,630	$ 16,535
Assets used in valuation	20,597,581	292,322	13,386
Unfunded (overfunded) actuarial accrued liability	$ 9,996,965	$ 102,308	$ 3,149

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, 2009, the most recent valuation date, indicate that the unfunded (overfunded) accrued liability periods of PERS, MHSPRS and SLRP are 30.0, 29.3 and 26.2 years, respectively, using an open amortization approach.

House Bill 1 (described above) increased the member contribution rate from 7.25% to 9.0% (as a percentage of gross salary) effective July 1, 2010. As a result of this legislation, the Board of Trustees delayed until July 2012 the implementation of a scheduled employer rate increase to 13.56%. At its October 2010 scheduled meeting, the Board will evaluate the status of the PERS, taking into consideration the effect of the employee rate increase and any other actuarial gains/losses that may have occurred during calendar year 2010. At that time, they will determine what, if any, effects there will be on future employee or employer contribution rates.

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

	2006	2007	2008	2009
Additions:				
Employee Contribution	$ 377,659	$ 394,444	$ 419,483	$ 436,608
Employer Contributions	580,739	634,645	708,791	740,508
Total Contributions	958,398	1,029,089	1,128,274	1,177,116
Investment Income:				
Net Appreciation (Depreciation) in Fair Value Assets	1,336,128	2,918,946	(2,367,356)	(4,349,736)
Interest and Dividends	512,222	597,219	636,077	535,625
Interest Income on Securities Lending	165,166	303,097	206,713	64,625
Manager's Fees & Trading Costs	(34,122)	(38,843)	(42,849)	(26,574)
Interest Expense on Reverse Repurchase Agreements	(152,907)	(288,275)	(202,071)	(32,192)
Net Investment Income (Loss)	1,826,487	3,492,144	(1,769,486)	(3,808,252)
Other Revenues	2,632	2,351	3,160	3,865
Total Additions (Reductions)	$ 2,787,517	$ 4,523,584	$ (638,052)	$ (2,627,271)
Deductions:				
Retirement Annuities	1,253,386	1,347,473	1,450,185	1,525,236
Refunds to Terminated Employees	73,456	72,617	72,790	70,143
Administrative Expenses	9,211	9,846	11,078	11,719
Loss on Disposal of Equipment	0	0	0	0
Depreciation	563	495	455	604
Total Deductions	$ 1,336,616	$ 1,430,431	$ 1,534,508	$ 1,607,702
Net Increase (Decrease) in Plan Net Assets	1,450,901	3,093,153	(2,172,350)	(4,235,630)
Net Assets held in Trust for Pension Benefits Beginning of Year	17,368,296	18,819,197	21,912,350	19,739,790
End of Year	$18,819,197	$21,912,350	$19,739,790	$15,504,160

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. The Governor is elected to a four-year term and may be succeeded for one additional term. The Governor 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, regulates the securities industry in 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.

(4) 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, a 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 28 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 have an 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 2009-2010 school years, public elementary schools (K-6) enrolled 277,784 students. There were 214,321 secondary students, with a total of 492,105 students. The State's public schools employed 33,210 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 34 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 2009-2010 school year was 91,750. 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 2009-2010 academic year enrollment in these State supported institutions of higher learning was 73,702. 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

In 2009, the drop in output and employment was close to the U.S. average, with payroll employment down 4.4% and the unemployment rate at 9.5%. In 2010, indicators show that the recovery in Mississippi is slowly taking hold.

General Fund tax collections have recently been above year-ago figures. Retail sales have been rising, the rate of job loss slowing, gaming revenues improving and the value of residential building permits issued has largely stabilized.

In line with the rest of the country, gross state product fell an estimated 2.0% in 2009 and personal income dropped 0.5%, while payroll employment was down 4.4%. Only the health care and government sectors posted job gains. Nationally, gross domestic product fell 2.6%, personal income was down 1.7%, and employment down 4.3%. In 2010, gross state product is expected to grow 1.9% and personal income 2.6%. The rate of job loss is forecast to slow to about 1.1%.

Revenue transfers to the General Fund in FY2010 were down 5.8% in comparison to FY2009, necessitating cuts to the FY2010 State Budget. To ensure a balanced budget in FY2011, the budget approved by the Legislature for fiscal year 2011 was lower than the FY2010 budget. So far, revenues appear to be on track: in the first three months of FY2011, transfers to the General Fund were 1.2% above year-ago levels and 1.1% above estimate.

Funds received under the American Reinvestment and Recovery Act have reduced the size of cuts required because of revenue shortfalls. The State was awarded $479 million for fiscal stabilization under the stimulus plan and another $824 million for Medicaid funding. Formula funding totaled over $2 billion, and non-formula stimulus grants added to the total stimulus funds in the State.

Several major investment projects and post-Katrina reconstruction are boosting economic activity. Among on-going projects are a $950 million reconstruction and renovation of Keesler Air Force Base, a $570 million port upgrade at Gulfport, a $1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), expansions at both Severstal and Chevron, and a $1.3 billion auto plant (Toyota). Newly-announced projects include a $300 million investment by Schulz Extruded Products and a $500 million investment by KiOR.

Several industries showed a positive growth of employment between July of 2009 and July of 2010. Business and professional services added 2,400 jobs, for a growth rate of 2.8%. Health care & social services employment was up 1.0% compared to last July; mining was up 7.3%; government, 0.8%; and trade, 0.6%. In manufacturing, the furniture industry enjoyed a growth rate of 4.6%, and ship and boat building employment rose 0.7%. Jobs at depository credit firms were up 3.9% and in real estate & rental, 1.7%. Overall, however, employment was down 0.6% in July 2010 compared to the previous year.

Earlier in 2010, the improvement against 2009 numbers was less pronounced, so that the average level of employment for the year-to-date through July was 1.5% lower than the average employment level during the same period last year. Drops in employment year-to-date were greatest in construction (11%), and in manufacturing (4%). Leisure & hospitality employment was down 3%, as was employment in transportation & utilities. However, all sectors with the exception of health & social assistance have shown an improving growth rate over the course of the year.

Mississippi's housing market has fared better than that in other regions. The median price of existing homes in the spring of 2010 was just 6% below the spring 2007 value, compared with an average drop of 21% in the U.S. as a whole. The homebuyer tax credit aided the housing market this spring, with sales of existing homes rising 10% from Q1 of 2009 to Q1 of 2010 (the U.S. increase was 9%).

The State's mortgage delinquency rate has historically been high in comparison to the rest of the nation, but these high delinquency rates have not translated into foreclosures, which remain well below the national average. In the second quarter of 2010, the state ranked 34th in the nation in foreclosures.

Coastal counties, which account for about 15% of the state's employment and population, continue to recover from the effects of Hurricane Katrina. Recovery has stalled, however, due to the nationwide recession and the increase in cost and availability of property insurance: employment on the coast was briefly above pre-Katrina levels in 2008, but has dropped back since. Manufacturing jobs on the coast were at the same level in July, 2010 as in the prior year while leisure and hospitality employment in Gulfport-Biloxi were 3% less, with the Deepwater Horizon oil spill being a factor reducing tourist trade.

The drop-off in revenues at both coastal and Mississippi River casinos appears to be ending. In 2009, gross gaming revenues were $2.5 billion, down 9% from 2008. Gross revenues for the three summer months of 2010, however, were down only 0.6% compared to last summer.

Short-Term Outlook

The State's recovery is expected to coincide with that of the nation as a whole. The growth rate of gross state product is forecast to be a positive 1.9% in 2010 as the national economy improves, and in 2011, the growth rate is expected to reach 2.6%. Employment is expected to be 1.1% less in 2010, but by 2011, job gains of about 0.7% are expected, with a 1.9% increase expected in 2012.

Personal income will follow a similar path. After dropping 0.5% in 2009, personal income is expected to increase 2.6% in 2010, and 2.9% in 2011. As consumer confidence grows and investment spending increases, the pace of activity in the economy is expected to increase.

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 137,000 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 36% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 35% of manufacturing employment.

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

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Leading National and International Companies

The following companies have locations in the State with more than 275 employees:

Advance Auto Parts
Advanced Distributor Products, LLC
Albany Industries.
American Furniture Mfg. Co.
America's Catch, Inc.
Anderson-Tully Worldwide
Andrew Jackson Council
Art Horizon
Ashley Companies
Ashley Furniture Industries
Associated Wholesale Grocers
AT & T Store
Avery Dennison Corporation
Avon Training Center
AW Manufacturing, Inc.
Babcock & Wilcox Company
Bailey Lumber & Supply Co.
Baxter Healthcare Corporation
Belden Manufacturing Plant
Belk
Beneke
Blossman Propane Gas & Appliance, Inc.
BorgWarner
Cadence Financial Corporation
Cal-Maine Foods, Inc.
Caterpillar, Inc
Caye Home Furnishings
Ceco Building Systems
Chevron Pascagoula Refinery
Chromcraft Furniture
Clarion-Ledger
Clientlogic
Coca-Cola Enterprises, Inc.
Consolidated Catfish Producers, LLC
Cooper Lighting
Cooper Power Systems, Inc.
Cooper Tire & Rubber
Croft, LLC
Crown Cork & Seal
D G Foods
Davis International Trading Co.
Daybrite Capri Omega
Day-Brite Lighting
Delphi Packard Electric
Delphi Packard Electric Systems
Dizzy Dean Baseball, Inc
Dollar General
Dowdle Gas & Appliance Center
Du Pont
Dyn Corp. International Inc.
Eaton Corporation
Emerson Electric Co.
Entergy Mississippi
Enterprise Middle School
Ergon, Inc.
Faurecia Automotice Seating
First M & F Corporation
Fitzgeralds Casino & Hotel Tunica
Flexsteel Industries, Inc.
Forman Perry Watkins Krutz & Tardy
Fountain Construction Co., Inc.
Franklin Corporation
Friede Goldman Halter
G B Smith Boots Corp.
GBC Office Products Group
Georgia-Pacific Corporation
Geyser Falls Water Theme Park
GI Associates & Endoscopy Ctr.
Golden Manufacturing, Inc.
Gresham Petroleum Co.
H M Richard manufacturing, Inc.
Hancock Fabrics, Inc.
Heartland Building Products, Inc.
Heartland Catfish Company
Hol-Mac Corp.
Hol-Mac Corp Plant 1
Hood Industries
Howard Industries, Inc.
Hudson Dirt Cheap
Hudson Salvage, LLC
Intechra, Inc.
International Paper Company
IUE Local 770
J H Rutter-Rex Mfg,. Co.
J J Ferguson Sand & Gravel Co.
Jackie's International, Inc.
Jantran, Inc.
Jerry Lee's Grocery, Inc.
Johnson Controls, Inc.
Johnston/Tombigbee Furniture Mfg.
Kawneer Company, Inc.
K I , Inc.
Kimberly-Clark
KLLM Transport Svc, Inc.
Koch Foods, Inc.
Kohler, Co.
Kroger
Kuhlman Electric Corp.
L C Industries
L-3 Vertex Aerospace, LLC
Landau Uniforms, Inc.
Lane Furniture Industries, inc
La-Z-Boy South
Lehman-Roberts, Co.
LeTourneau Technologies
Levi Strauss & Co.
Lexington Homes, Inc.
Luvata
Magnolia
Marathon Cheese
Marshall Durbin Poultry, Co.
Masonite International
Master-Bilt Products
Max Home, LLC
McLane Southern
Merchants Foodservice
Miller Transporters, Inc.
Milwaukee Electric Tool Corp.
Mims Enterprises
Miskelly Furniture
MissChem Nitrogen, LLC
Mississippi Polymers, Inc.
Monsanto Co.
Mueller Copper Tube Co.
Muse Manor Minimart
Nissan North America, Inc.
Northrop Grumman Shipbuilding
Nucor Steel Jackson, Inc.
OMNOVA Solutions
Parker-Hannifin Mobile Climate Systs
Parts Distribution
Peavey Electronics Corp.
Peco Foods, Inc.
Pioneer Aerospace Corp.
Plumrose USA
Potter & Sims Food, Inc.
PSL North America, LLC
Puckett Machinery, Co.
Quebecor World, Inc
R R Donnelley
Raytheon Space & Airborne System
Reed Manufacturing Co., Inc.
Renasant Corp.
Room Store By Miskelly
RPM Pizza, LLC
Rural Health Care Developers
Sanderson Farms, Inc.
Sanderson Plumbing Products, Inc.
Service Master Co.
Severstal Columbus
Siemens Power Transmission & Distributor
Signal International, LLC
Simpson Dura-Vent Co., Inc.
SkyTel Communications, Inc.
Source Clothing For Men
Southeast Cleaning
Southern Hens, Inc.
Southern Motion
Southern Veneer Products
Stennis Space Center
Structural Steel Services, Inc.
Stuart C. Irby Company
Sunbeam
Super Sagless Corp.
SUPERVALU
Sysco Jackson, LLC
T K Stanley, Inc.
T L Wallace Construction, Inc.
T T & W Farm Products, Inc.
TEC
Tecumseh Products Co.
Telapex, Inc.
Telepak Networks, Inc.
The Pepsi Cola Bottling Company
The Taylor Group, Inc.
Thomas & Betts, Corp.
Tiffin Motor Homes, Inc.
Trinity Yachts
Triton Systems, Inc.
Tronox, Inc.
Tyson Foods, Inc.
U.S. Foodservice
Unified Brands
United Furniture Industries, Inc.
USG Interiors, Inc.
Verizon Business
Viking Range Corp.
VT Halter Marine Inc.
W. G. Yates & Sons Construction Co.
Walmart Supercenter
Wayne Farms LLC
Wellman Farms, LLC
Wellman, Inc.
Welltech
Weyerhaeuser Company
Xfone, Inc.
YRC

Source: Mississippi Development Authority, September 2010

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 91 financial institutions in Mississippi, consisting of 1 state-chartered thrift, 5 federal thrifts, 16 national banks and 69 state-chartered banks. The total number of branches for these institutions stands at 1,115. Total assets held by Mississippi financial institutions on June 30, 2010, were $58,895,000,000.

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 $38,531,385,000. Of the total deposits in the State, these institutions control approximately 65%.

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, the State legislature allowed 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 1996, 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 during the economic downturn. This is reflected by good earnings as well as asset and capital growth. Mississippi is the 25th largest state when using bank assets as a comparison to other states.

Manufacturing

The manufacturing sector is the leading employer in the State. Approximately 192,663 persons are employed in more than 2,621 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 twenty 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, Rankin County and DeSoto 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. ("Nissan") 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 4,200. The 3.5 million-square-foot plant has a capacity to produce 400,000 vehicles per year.

In March 2007, Toyota Motor Engineering & Manufacturing North America, Inc. ("Toyota") 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. In December 2008, Toyota indefinitely delayed the opening of the plant. In June 2010, Toyota's board of directors ended the plant opening delay and agreed to commence the construction of Corollas at the plant during the second half of 2011.

Northrop Grumman (Litton Industries) is the State's largest manufacturing employer through its Ingalls Shipbuilding Division located in Pascagoula. With current employment above 12,000, Northrop Grumman 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. Construction of the facility is complete, equipment is being installed and tested, and PACCAR has begun hiring employees for the facility, which is due to begin production late 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 2010 were approximately $2.4 billion. The State's gaming industry has 27,160 State-licensed and casino hotel employees, based on fiscal year 2010 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 the first two months of fiscal year 2011 were $426,161,700.

Agriculture and Forestry

Agriculture is Mississippi's number one industry, employing approximately 29% of the State's workforce either directly or indirectly. Agriculture in Mississippi is a $6.3 billion industry with a $2.7 billion economic impact each year. There are approximately 42,000 farms in the State covering 11 million acres. The average size farm is composed of 262 acres. Agriculture makes a significant contribution to all 82 counties. The primary agricultural products in Mississippi are poultry, forestry, soybeans, corn, rice, catfish, hay, cattle and calves, and cotton.

Forestry and forestry products contribute a total impact of $17.4 billion to the Mississippi's economy. 19.8 million acres or about 60% 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. Private non-residential construction spending fell by .5 percent in June 2009. On a year-over-year basis, private non-residential construction is down 4.8 percent from June 2008. Overall, total non-residential construction spending in Mississippi totaled $2.5 billion in 2009. Among the sectors showing gains from May to June 2009 are water supply construction, up 4.6 percent, amusement and recreation construction, up 3.7 percent, religious construction, up 3.4 percent, and healthcare construction, up 2.6 percent. Those sectors reporting the largest year-over-year spending increases include manufacturing, up 45.4 percent, public safety, up 14.1 percent and power construction, up 13.3 percent. An analysis conducted by the Associated General Contractors of America found few signs of a construction industry recovery with only ten states reporting construction jobs increases between August 2009 and August 2010. Mississippi lost 3,800 construction jobs between the same time period.

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
2009	3,983	47.8	10.1

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

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. Inland and Gulf Coast ports in Mississippi contributed more than $6.2 billion into the State's economy in 2009, producing 46,000 jobs and a payroll worth more than $1.8 billion. On average, over 47.7 million tons of cargo is moved through the public and private terminals within the State’s ports annually.

Mississippi has 2,542 miles of mainline railroad providing service between major centers throughout the State. This mileage is comprised of five Class-I Railroads (large rail systems extending from the Gulf of Mexico into Canada) and 24 Class-III Railroads (short intrastate rail systems) utilizing the Mississippi Rail System.

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	2,844	10.36	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
2009	2,951	.40	307,007	.40

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 879,400 people or 81% of total non-agricultural employment as of July 2010. Other large employment sectors are government, manufacturing, and trade and transportation with each employing 241,800, 135,300, and 259,300, respectively in 2010. Within the goods producing industry, the durable goods segment of the industry employed 86,600 and the nondurable goods segment employ 48,700. The leading manufacturers by product category are transportation equipment which includes ship building (40,000), food manufacturing (23,700) followed by furniture manufacturing (18,300). Although its importance has declined, agriculture continues to contribute significantly to the State's economy. The total employment in agriculture as of July 2010 was 34,800.

TEN LARGEST MISSISSIPPI MANUFACTURING EMPLOYERS(1)

Manufacturer	Major Product	2010 Employment
Northrop Grumman	Ship Building	12,800
Lane Furniture	Upholstered Furniture	6,102
Howard Industries	Electronics	5,040
Tyson Foods, Inc.	Processed Poultry	4,880
Sanderson Farms	Processed Poultry	4,389
Nissan North America	Automobile Manufacturer	4,200
Ashley Furniture	Upholstered Furniture	3,520
Koch Foods, Inc.	Food Processing	2,035
Peco Foods of Mississippi	Food Processing	1,904
Peavy Electronics Corp.	Electronics	1,800

(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 September, 2010.

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	1,300.3	1,176.8	9.5
2010			
Jan	1,296.2	1,154.0	11.0
Feb	1,301.4	1,151.9	11.5
March	1,302.1	1,151.8	11.6
April	1,301.6	1,151.8	11.5
May	1,300.0	1,151.4	11.4
June	1,298.0	1,155.3	11.0
July	1,298.8	1,158.6	10.8
August	1,295.8	1,166.7	10.0

Source: U.S. Department of Labor Bureau of Labor Statistics, October 2010.

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MISSISSIPPI EMPLOYMENT STATISTICS
(In Thousands of People)

	2006	2007	2008	2009	Preliminary August 2010
Civilian labor force	1,318.5	1,325.6	1,310.9	1,283.9	1,295.8
Total employment	1,227.7	1,252.3	1,206.4	1,158.7	1,166.7
Agricultural[(1)]	36.8	37.6	36.2	34.8	35.0
Non-agricultural	1,155.1	1,154.6	1,128.4	1,105.8	1,081.2
All Other	35.8	60.1	41.8	18.1	50.5
Unemployment Rates					
Mississippi	7.0	6.3	8.0	9.8	10.0
United States	4.7	4.7	7.2	10.0	9.6
By Place of Employment					
Non-Agricultural	1,138.6	1,154.6	1,128.4	1,100.3	1,081.2
Manufacturing	176.1	172.6	157.7	145.0	136.7
Durable goods	117.1	114.4	104.2	93.5	87.2
Wood Product	20.2	13.6	13.9	11.4	8.4
Furniture & Related Products	26.3	24.7	20.7	18.5	18.4
Metal Products	11.2	11.0	10.9	10.7	8.6
Machinery Manufacturing	12.2	12.5	11.8	11.7	9.4
Electrical Equipment & Appliance	16.3	15.4	15.2	12.4	6.8
Transportation Equip[(2)]	48.5	47.6	46.4	44.2	39.6
Nondurable goods	59.0	57.0	53.5	51.5	49.5
Food	25.8	25.7	23.4	23.6	23.8
Paper	5.6	5.0	4.5	4.4	4.1
Plastics & Rubber	8.4	8.4	7.6	6.8	5.5
Service Producing					
Industries	895.8	925.0	909.9	898.6	886.9
Mining[(3)]	9.3	9.4	9.9	9.4	8.8
Construction	57.4	62.9	57.5	52.8	47.9
Information	13.7	13.5	13.2	13.0	12.3
Trade & Transportation[(4)]	274.7	278.6	278.1	257.7	259.4
F.I.R.	46.2	46.7	46.8	43.2	45.0
Government	239.0	249.7	244.7	255.5	244.2
Education & Health Services	122.2	125.8	128.7	133.1	127.8
Leisure & Hospitality	121.2	125.1	119.8	118.3	119.8
Professional & Business	90.0	97.4	91.4	86.3	88.8
Other Services	37.7	37.2	36.7	35.3	36.0

(1) Mississippi Agricultural Statistics.
(2) Motor Vehicle Parts, Ship and Boat Building.
(3) Natural Resources and Mining.
(4) Transportation, Warehousing and Utilities.

Source: Mississippi Department of Employment Security, State & Metro Trends, October 2010.

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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
2009	30,103	39,138	76.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, August 2010.

MISSISSIPPI PERSONAL INCOME STATISTICS
(Rounded in Millions of Dollars)

	2005	2006	2007	2008	2009	2010[1]
Total Personal Income						
(by place of residence)	$73,965	$78,322	$85,666	$89,331	$88,864	$91,940
Earnings by Industry						
Farm	1,024	735	1,120	1,098	1,202	877
Agricultural Services[2]	555	530	549	479	456	451
Mining	530	892	959	857	770	984
Construction	2,840	3,509	3,376	3,955	3,222	3,194
Manufacturing	8,566	8,636	8,776	8,363	7,549	7,637
T.C.U.	2,065	2,157	2,292	2,434	2,327	2,396
Wholesale Trade	2,027	2,388	2,438	2,484	2,334	2,342
Retail Trade	3,974	4,319	4,315	4,559	4,365	4,281
Finance, Insurance, Real Estate	2,050	2,737	2,781	2,883	2,806	2,730
Services	1,778	7,980	8,719	10,005	9,761	9,794
Government	12,176	12,852	13,704	14,485	15,169	15,525

(1) 2010 figures are for the second 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)

	2005	2006	2007	2008	2009	2010[1]
Total Personal Income						
(by place of residence)	$10,226.0	$11,043.5	$11,839.9	$12,080.4	$12,015.5	$12,462.7
Earnings by Industry						
Farm	61.7	43.1	57.6	56.2	57.5	76.6
Agricultural Services[2]	28.1	29.0	31.7	28.7	24.2	25.7
Mining	79.2	114.1	125.0	142.3	101.5	129.3
Construction	506.5	554.5	544.2	522.0	467.5	455.1
Manufacturing	1,026.6	1,059.3	1,084.9	1,064.5	888.3	906.0
T.C.U.	347.2	280.3	294.3	293.6	290.2	295.0
Wholesale Trade	417.7	457.5	480.8	484.4	453.4	454.7
Retail Trade	529.8	547.0	552.1	548.0	540.6	535.5
Finance, Ins, Real Estate	822.0	856.2	892.8	891.1	787.4	757.0
Services	239.1	1,656.8	1,872.0	1,919.1	1,940.0	1,984.5
Government	1,297.8	1,395.7	1,481.0	1,529.7	1,619.5	1,638.3

(1) 2010 figures are for the second 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	2005	2006	2007	2008	2009
Automotive	$ 6,146.2	$ 6,659.4	$ 6,425.7	$ 6,083.9	$5,023.8
Machinery	2,254.0	2,884.0	3,065.2	2,963.0	2,656.0
Food & Beverage	6,667.7	6,860.3	7,183.3	7,503.0	7,658.4
Furniture	759.2	1,011.0	1,017.1	960.0	859.0
Gen. Merchant	6,627.8	7,389.4	7,517.2	7,339.2	7,697.2
Lumber	2,675.8	3,945.0	3,892.9	3,423.6	2,870.9
Misc. Retail	3,317.5	3,562.3	3,741.9	3,743.7	3,567.7
Misc. Services	1,944.0	2,582.1	2,605.2	2,823.8	2,829.5
Utilities	3,687.1	4,323.1	4,160.8	4,225.3	4,383.7
Contracting	4,450.6	6,078.0	7,289.3	7,887.5	7,771.2
Wholesale	758.1	721.7	728.8	749.0	763.5
Recreation	110.9	119.2	135.9	134.8	136.4
Total Taxable Sales	$39,398.4	$46,134.9	$47,763.4	$47,836.8	$46,217.2

Source: Mississippi Department of Revenue, Fiscal Years 2005-2009.

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 2010D 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 2010 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.

In April 2010 the Mississippi Secretary of State filed an administrative action against Morgan Keegan & Company, Inc. ("Morgan Keegan"), and related entities and individuals alleging violations of state securities laws unrelated to the offering of municipal bonds. Morgan Keegan is one of the Underwriters of the Series 2010D Bonds. Morgan Keegan has denied the allegations and is contesting the proceedings. For more information including copies of orders and requests, see the State of Mississippi Secretary of State's website, www.sos.ms.gov/newspressreleases.

UNDERWRITING

The Series 2010D 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 2010D Bonds at a purchase price of $232,902,364.39, representing $233,975,000.00 par amount less an underwriters' discount of $1,072,635.61. The bond purchase agreement pursuant to which the Underwriters expect to purchase the Series 2010D Bonds provides that the Underwriters will purchase all the Series 2010D Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2010D Bonds is subject to various conditions stated in such bond purchase agreement.

The Underwriters may offer and sell the Series 2010D 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 2010D 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 Bonds.

VALIDATION

Prior to issuance, the Series 2010D 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 2010D 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, Ridgeland, Mississippi, Co-Bond Counsel, whose approving legal opinions will be available at the time of delivery of the Series 2010D 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 Harris Jernigan & Geno, PLLC, Ridgeland, Mississippi.

TAX MATTERS

INTEREST ON THE SERIES 2010D 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 2010D Bonds and interest thereon are exempt from all income taxes imposed by the State.

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 2010D Bonds, the security for the payment of the Series 2010D Bonds and the rights and obligations of the registered owners thereof.

References herein to the Resolutions, 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
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(601) 359-3160

APPENDIX A

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DEBT SERVICE ON THE SERIES 2010D BONDS

$233,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2010D

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2011		$ 3,457,860.54	$ 3,457,860.54
2012	$ 5,000,000.00	7,263,431.40	12,263,431.40
2013	5,000,000.00	7,225,881.40	12,225,881.40
2014	5,000,000.00	7,174,156.40	12,174,156.40
2015	20,250,000.00	6,967,025.15	27,217,025.15
2016	20,645,000.00	6,574,087.53	27,219,087.53
2017	21,140,000.00	6,079,840.16	27,219,840.16
2018	21,725,000.00	5,489,009.16	27,214,009.16
2019	22,410,000.00	4,797,328.11	27,207,328.11
2020	23,195,000.00	4,003,180.58	27,198,180.58
2021	24,040,000.00	3,139,407.90	27,179,407.90
2022	24,965,000.00	2,200,254.63	27,165,254.63
2023	25,980,000.00	1,172,950.66	27,152,950.66
2024	14,625,000.00	318,166.88	14,943,166.88
Total	$233,975,000.00	$65,862,580.50	$299,837,580.50

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	Interest[3]	Total Principal & Interest[3]
2011	$398,092,000	$141,761,270	$539,853,270
2012	260,005,000	139,387,115	399,392,115
2013	236,740,000	127,254,896	363,944,896
2014	245,095,000	115,465,011	360,560,011
2015	238,270,000	103,643,248	341,913,248
2016	221,855,000	92,340,494	314,195,494
2017	229,285,000	81,219,465	310,504,465
2018	184,995,000	71,156,113	256,151,113
2019	175,745,000	62,841,647	238,586,647
2020	146,755,000	55,646,035	202,401,035
2021	133,395,000	49,499,412	182,894,412
2022	123,295,000	43,835,500	167,130,500
2023	115,515,000	38,688,127	154,203,127
2024	115,640,000	33,972,730	149,612,730
2025	106,335,000	29,592,242	135,927,242
2026	111,260,000	24,240,947	135,500,947
2027	92,790,000	22,300,483	115,090,483
2028	83,915,000	17,913,660	101,828,660
2029	60,300,000	15,159,887	75,459,887
2030	34,530,000	13,045,678	47,575,678
2031	36,630,000	10,938,800	47,568,800
2032	38,910,000	8,638,985	47,548,985
2033	41,220,000	6,219,136	47,439,136
2034	43,145,000	3,760,956	46,905,956
2035	44,770,000	1,269,006	46,039,006
Total	$3,518,487,000	$1,309,790,843	$4,828,277,843

(1) As of September 1, 2010.

(2) Does not include the effects of the Series 2010 Bonds. Gross direct debt includes self-supporting general obligations bonds which are payable from a specific revenue stream. See page A-3 for the debt service requirements of self-supporting general obligation bonds of the State.

(3) Of this amount $319,495,000 has been issued as variable rate debt, therefore the interest due is indeterminable at this time and is not included in this table.

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
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	$2,885,000	$161,395	$3,046,395

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

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(1) As of September 1, 2010.

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(3)	Interest(3)	Total Principal & Interest(3)
2011	$397,162,000	$141,673,123	$538,835,123
2012	259,045,000	139,332,523	398,377,523
2013	235,745,000	127,236,240	362,981,240
2014	245,095,000	115,465,011	360,560,011
2015	238,270,000	103,643,248	341,913,248
2016	221,855,000	92,340,494	314,195,494
2017	229,285,000	81,219,465	310,504,465
2018	184,995,000	71,156,113	256,151,113
2019	175,745,000	62,841,647	238,586,647
2020	146,755,000	55,646,035	202,401,035
2021	133,395,000	49,499,412	182,894,412
2022	123,295,000	43,835,500	167,130,500
2023	115,515,000	38,688,127	154,203,127
2024	115,640,000	33,972,730	149,612,730
2025	106,335,000	29,592,242	135,927,242
2026	111,260,000	24,240,947	135,500,947
2027	92,790,000	22,300,483	115,090,483
2028	83,915,000	17,913,660	101,828,660
2029	60,300,000	15,159,887	75,459,887
2030	34,530,000	13,045,678	47,575,678
2031	36,630,000	10,938,800	47,568,800
2032	38,910,000	8,638,985	47,548,985
2033	41,220,000	6,219,136	47,439,136
2034	43,145,000	3,760,956	46,905,956
2035	44,770,000	1,269,006	46,039,006
Total	$3,515,602,000	$1,309,629,448	$4,825,231,448

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 September 1, 2010.
(2) Does not include the effects of the Series 2010 Bonds.
(3) Of this amount $319,495,000 has been issued as variable rate debt, therefore the interest due is indeterminable at this time and is not included in this table.

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.

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[1] As of September 1, 2010.

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

BOND AUTHORIZATION AND OUTSTANDING DEBT

As of September 1, 2010(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	$5,000,000	$5,000,000	$0
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	$27,450,000	$26,190,000	$10,000,000
Archives & History	Ch. 487	2000	$5,600,000	$5,600,000	$260,000	$0
B B King Museum Fund	2006 RLS SB 3111, as amended; RLS 2009 HB 1722	2006	$2,500,000	$2,000,000	$2,315,000	$0
Business Investment	Ch. 419-Laws of 1986, As Amended; HB 1641 Laws of 2008; RLS 2010 HB 1701	1986	$323,100,000	$278,877,000	$45,450,000	$44,223,000
Camp Shelby Access Rd	RLS 2010 SB 3181	2010	$10,000,000	$0	$0	$10,000,000
Cap Imp to State Owned Shipyard	Ch. 501; 2006RLS SB 2073	2003	$144,000,000	$144,000,000	$105,560,000	$0
Capital Improvements	Ch. 600	2001	$139,770,000	$139,770,000	$22,830,500	$0
Capital Improvements	Ch. 550-Laws of 2002	2002	$157,770,000	$157,770,000	$35,245,000	$0
Capital Improvements	Ch. 522	2003	$156,984,000	$156,234,000	$38,353,500	$0
Capital Improvements	Ch 1 Third Special Session, Laws 2004; HB 1641 Laws of 2008	2004	$281,930,000	$275,830,000	$245,034,500	$6,100,000
Capital Improvements	2006 RLS HB 1634; SB 3201 2007RLS	2006	$86,600,000	$86,600,000	$79,053,000	$0
Capital Improvements IHL & CC	2007 RLS HB 246	2007	$122,558,000	$122,558,000	$115,887,000	$0
Capital Improvements State Agencies	2007 RLS SB 3201	2007	$84,300,000	$82,300,000	$76,195,000	$2,000,000
Capital Improvements IHL & CC	HB 1641 Laws of 2008	2008	$48,875,000	$48,875,000	$47,305,000	$0
Capital Improvements	2009 RLS HB 1722	2009	$86,250,000	$71,500,000	$71,500,000	$14,750,000
Capital Improvements	2010 RLS HB 1701	2010	$215,625,000	$0	$0	$215,625,000
Center for Advanced Technology Partnership	CH. 576	1999	$8,000,000	$8,000,000	$720,000	$0
Children's Museums	Ch. 535-Laws of 1997;2007 RLS SB 3201	1997	$10,000,000	$7,500,000	$4,770,000	$2,500,000
City of Jackson Water and Sewer Loan	RLS 2010 HB 1701	2010	$6,000,000	$0	$0	$6,000,000
Coahoma County Higher Ed Center R&R	RLS 2009 HB 1722	2009	$250,000	$0	$0	$250,000
Community Heritage Preservation	Ch. 541, As Amended; 2006 RLS HB 1634; 2007 RLS SB 3201, 2009 RLS HB 1722; 2010 RLS HB 1701	2001	$27,950,000	$24,250,000	$10,315,000	$3,700,000
County Voting System Assistance	2006RLS HB 562	2006	$6,000,000	$6,000,000	$5,430,000	$0
Crafts Center	Ch. 501-Laws of 1997.	1997	$4,000,000	$4,000,000	$275,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Crime Lab and Medical Examiner Office Construction	RLS 2009 HB 1722	2009	$12,000,000	$4,000,000	$4,000,000	$8,000,000
Cultural Development Act	Ch. 541, as amended; 2006 RLS HB 1634	2001	$21,200,000	$20,200,000	$7,347,500	$1,000,000
Disaster Matching Funds	Ch. 3, Third Special Session, Laws 2002; 2006 RLS HB 1634	2002	$10,000,000	$10,000,000	$440,000	$0
Economic Development Highway	Ch. 463-Laws of 1989; 2006 RLS HB 1506; RLS 2009 HB 1722	1989	$314,500,000	$153,900,000	$50,945,000	$160,600,000
Energy Infrastructure Revolving Loan Program	2009 RLS HB 1722	2009	$20,000,000	$0	$0	$20,000,000
Farrish Street Historic District Loans	CH 465-Laws of 1999; 2010 RLS HB 1701	1999	$6,500,000	$6,000,000	$4,630,000	$500,000
Farm Reform	Ch. 482-Laws of 1987, As Amended	1987	$128,000,000	$108,000,000	$5,895,000	$20,000,000
Gaming Counties Infrastructure	Ch. 557-Laws of 1994.	1994	$325,000,000	$325,000,000	$45,335,000	$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	$3,175,000	$0
Hattiesburg Zoo Improvements	2009 RLS HB 1722	2009	$400,000	$400,000	$400,000	$0
Hinds Comm College FFA Repair	2007 RLS SB 3190	2007	$375,000	$375,000	$352,000	$0
Hinds CC Plumber Trng Ctr	HB 1641 Laws of 2008	2008	$2,000,000	$2,000,000	$1,925,000	$0
Historical Properties	CH. 589 , As Amended	1999	$1,745,000	$1,745,000	$65,000	$0
Holly Springs Ind Park Road	HB 1665 Laws of 2008	2008	$500,000	$500,000	$500,000	$0
Hospitality Station Coahoma County	CH. 442	1999	$2,500,000	$2,500,000	$350,000	$0
Hwy 6 Controlled Access Interchange	2007 RLS SB 3175	2007	$4,000,000	$0	$0	$4,000,000
IHL Learning Facilities	Ch. 525-Laws of 1996.	1996	$15,000,000	$15,000,000	$235,000	$0
IHL Learning Facilities	Ch. 538-Laws of 1997.	1997	$111,300,000	$111,300,000	$390,000	$0
IHL Learning Facilities	Ch. 594-Laws of 1998	1998	$71,050,000	$71,049,999	$875,000	$1
IHL Learning Facilities	CH. 595	1999	$102,500,000	$102,500,000	$4,225,000	$0
Infinity Space Science and Ed Center	2006 RLS HB 1634; 2007 RLS SB 3190; 2010 RLS HB 1701	2006	$12,500,000	$0	$0	$12,500,000
Jackson Redevelopment Authority Loan	2006 RLS HB 1495	2006	$2,000,000	$2,000,000	$1,520,000	$0
Jackson Zoo Improvements	2007 RLS SB 3190	2007	$2,000,000	$2,000,000	$1,865,000	$0
Jackson Zoo Improvements 2009	2009 RLS HB 1722; 2010 RLS HB 1701	2009	$800,000	$700,000	$700,000	$100,000

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Juvenile Correctional Facilities	Ch. 652-Laws of 1994, As Amended (1999)	1994	$21,150,000	$21,150,000	$90,000	$0
Kemper County Comm Group Home	2007 RLS SB 3191	2007	$700,000	$100,000	$94,000	$600,000
Land Water and Timber Resources	Ch. 538, as amended; HB 1665 Laws of 2008	2001	$38,000,000	$38,000,000	$14,065,000	$0
Landmark Grant Program	Ch 543-Laws of 2002	2002	$700,000	$700,000	$110,000	$0
Loc System Bridge Replacement	Ch. 469;2004 3Rd LS SB 2010; 2006 RLS SB 3086; 2007 RLS SB 3201; RLS 2009 HB 1722	2003	$155,000,000	$85,000,000	$71,193,000	$70,000,000
Local Governments Capital Improvements	Ch. 570-Laws of 1994. As Amended	1994	$128,000,000	$115,500,000	$14,415,000	$12,500,000
Local Governments Rail Program	Ch. 563-Laws of 1995.	1995	$18,000,000	$18,000,000	$4,110,000	$0
Local Governments Water System Improvements	Ch. 521-Laws of 1995. 2006 RLS SB 2982;SB 3174 Laws of 2008; RLS 2010 HB 1701	1995	$31,143,000	$29,743,000	$8,453,000	$1,400,000
Long Leaf Trace Improvements	2010 RLS HB 1701	2010	$800,000	$0	$0	$800,000
Lynn Meadows Discovery Center	2007 RLS SB 3201	2007	$1,000,000	$1,000,000	$945,000	$0
Major Economic Impact	Ch. 534-Laws of 1989, As Amended; HB1628 HB1404 and SB 2605 Laws of 2009	1989	$1,259,800,000	$971,890,000	$674,470,000	$287,910,000
Marine Resources Equip and Facilities	2006 RLS 3071	2006	$30,000,000	$10,000,000	$9,520,000	$20,000,000
Maritime and Seafood Industry Museum Improvements	2009 RLS HB 1722	2009	$500,000	$500,000	$500,000	$0
Master Planned Communities	CH. 579	1999	$20,000,000	$20,000,000	$16,472,000	$0
MDA Workforce Training Fund	2010 2nd SS HB 8	2010	$4,000,000	$0	$0	$400,000
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	$660,000	$0
Milk Producers Transportation Loan	2007 RLS SB 3199	2007	$3,500,000	$3,500,000	$2,940,000	$0
MS DOT for Nat'l Forest Service Franklin County	Chapter 532, HB 186 Local & Private Laws	1994	$1,250,000	$1,250,000	$480,000	$0
MS Existing Industry Prod Loan Fund	HB 3 Third Special Session of 2005, as amended; 2009 RLS HB 1722	2005	$55,000,000	$32,000,000	$31,575,000	$23,000,000
MS Aviation Museum	2007 RLS SB 3201	2007	$250,000	$250,000	$0	$0
MS Industry Incentive Financing Program	2010 RLS HB 1701; 2010 2nd SS HB 8	2010	$145,000,000	$50,000,000	$50,000,000	$95,000,000
MS Job Protection Act Fund	HB 3 Third Special Session of 2005	2005	$12,000,000	$12,000,000	$11,355,000	$0
MS Rural Impact Act	Ch. 506; HB 1641 Laws of 2008; 2009 RLS HB 1722; RLS 2010 HB 1701	2003	$24,875,000	$22,875,000	$17,280,000	$2,000,000

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
MS Technology Alliance	2007 RLS HB 1724	2007	$4,000,000	$2,000,000	$1,955,000	$2,000,000
Mississippi Museum of Art	Ch 1, Third Special Session, Laws 2004; 2007 RLS SB 3190; 2009 RLS HB 1722; RLS 2010 HB 1701	2004	$5,500,000	$3,500,000	$3,157,500	$2,000,000
MS Small Business and Existing Forestry Industry Revolving Loan Program	RLS 2010 HB 1722	2010	$30,000,000	$0	$0	$30,000,000
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	$395,000	$0
National Guard Armory - Ox	Ch. 447	2001	$1,650,000	$1,650,000	$150,000	$0
North Central MS Regional Railroad Auth. Grant Pgm.	2010 RLS SB 3181	2010	$15,000,000	$0	$0	$15,000,000
Ohr-O'Keefe Museum of Art Improvements	2009 RLS HB 1722; RLS 2010 HB 1701	2009	$5,000,000	$1,000,000	$1,000,000	$4,000,000
Old Capitol Green Project	2009 RLS SB 3281	2009	$20,000,000	$0	$0	$20,000,000
Old Capital Repair and Renovation	2006 RLS SB 3070	2006	$14,200,000	$14,200,000	$13,040,500	$0
Parks Improvement Hugh White State Park	CH. 453	1999	$5,000,000	$5,000,000	$20,000	$0
Parks Improvements	CH. 464	1999	$15,925,000	$12,906,373	$325,000	$3,018,627
Port of Greenville Proj	2009 RLS HB 1722	2009	$3,000,000	$3,000,000	$3,000,000	$0
Public Health Laboratory Const	20006 RLS HB 1541	2006	$25,000,000	$25,000,000	$24,405,000	$0
Public Libraries Capital Improvement	CH. 522, As Amended	1999	$54,500,000	$54,500,000	$2,655,000	$0
Public Libraries Capital Improvement	Ch. 583	2000	$89,858,000	$89,858,000	$4,895,000	$0
Public Libraries Capital Improvement	Ch 1, Third Special Session, Laws of 2004	2004	$1,600,000	$1,600,000	$1,386,000	$0
Public Safety Improvement Fund	2006 RLS SB 3081	2006	$28,474,000	$28,474,000	$26,146,000	$0
Railroad Revitalization and Stimulus	2009 RLS HB 1713	2009	$3,000,000	$0	$0	$3,000,000
Railroad Lines and Bridges Improvement	2006 RLS HB 1492	2006	$5,000,000	$4,000,000	$3,935,000	$1,000,000
Raspet Flight Research Laboratory	SB 3115 Laws of 2005	2005	$1,200,000	$1,200,000	$1,040,000	$0
Refunding 1992B	Ch. 429-Laws of 1987.	1987		$127,910,000	$9,480,000	$0
Refunding 1993A	Ch. 429-Laws of 1987.	1987		$89,445,000	$17,560,000	$0
Refunding 2000	Ch. 429	1987		$90,135,000	$55,330,000	$0
Refunding 2001	Ch. 429	1987		$229,980,000	$147,390,000	$0
Refunding 2002A	Ch. 429	1987		$254,915,000	$203,220,000	$0
Refunding 2002B	Ch. 429	1987		$58,580,000	$2,915,000	$0
Refunding 2002D	Ch. 429	1987		$77,340,000	$64,260,000	$0
Refunding 2003A	Ch. 429	1987		$326,150,000	$285,705,000	$0
Refunding 2003B	Ch. 429	1987		$84,505,000	$42,305,000	$0
Refunding 2003D	Ch. 429	1987		$88,105,000	$83,195,000	$0
Refunding 2006A	Ch. 429	1987		$24,875,000	$1,540,000	$0
Refunding 2006B	Ch. 429	1987		$76,135,000	$76,135,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Refunding 2006C	Ch. 429	2006		$41,355,000	$28,490,000	$0
Refunding 2009A	Ch.429	2009		$60,380,000	$59,960,000	$0
Refunding 2010F	Ch. 429	2009		$16,080,000	$14,045,000	$0
Refunding 2009C	Ch. 429	2009		$25,240,000	$21,555,000	$0
Refunding (Nissan 2003B)	CH. 429	2009		$69,775,000	$69,775,000	$0
Refunding 2010E	CH429	2009		$64,415,000	$64,415,000	$0
Rural Fire Truck Acquisition Fund	Ch1 Third Special Session, Laws of 2004; 2009 RLS HB 1722; 2010 RLS HB 1701	2004	$15,900,000	$13,900,000	$12,858,000	$2,000,000
Single Family Residential Housing Loan Program	CH. 580	1999	$5,000,000	$5,000,000	$1,215,000	$0
Small Enterprise Development Finance	Ch. 580-Laws of 1988, As Amended	1988	$140,000,000 [0]	$198,135,000	$42,395,000	$97,605,000
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; 2010 RLS HB 1701	2001	$54,000,000	$53,000,000	$33,515,000	$1,000,000
Soil and Water Commission	Ch. 481-Laws of 1998.	1998	$6,500,000	$6,500,000	$3,558,000	$0
Southern Arts and Education Center	2006 RLS HB 1634	2006	$4,000,000	$4,000,000	$4,000,000	$0
Southwest MS CC Workforce Training Ctr	2010 RLS SB 3107	2010	$1,000,000	$0	$0	$1,000,000
Spillway Road Third Lane	CH. 447, As Amended	1999	$4,950,000	$4,950,000	$640,000	$0
State Fire Academy Improvements	2009 RLS HB 1722	2009	$1,800,000	$1,800,000	$1,800,000	$0
State Highway Bridge Rehab.	2010 RLS SB 3181	2010	$100,000,000	$0	$0	$100,000,000
State Aid Road Fund	2010 RLS SB 3181	2010	$20,000,000	$0	$0	$20,000,000
State Tax Commission ITS Modernization	2010 RLS HB 1701	2010	$17,000,000	$0	$0	$17,000,000
Statewide Tourism Projects	2010 RLS HB 1701	2010	$7,325,000	$500,000	$500,000	$6,825,000
Stennis Space Center	Ch. 495-Laws of 1997.	1997	$3,000,000	$3,000,000	$80,000	$0
Stennis Space Center Marine Sciences	CH. 455	1999	$1,500,000	$1,500,000	$65,000	$0
Stennis Space Center-Lockheed Martin	Ch 1, Third Special Session, Laws of 2004	2004	$2,570,000	$2,570,000	$2,260,000	$0
Sustainable Energy Research	2010 2nd SS HB 8	2010	$2,000,000	$0	$0	$2,000,000
Transportation Highway 278	2007 RLS SB 3201	2007	$4,000,000	$4,000,000	$3,745,000	$0
Telecommunication Center	Ch. 628-Laws of 1995.	1995	$17,500,000	$17,500,000	$475,000	$0
University Medical Center Cancer Institute	Ch 1, Third Special Session, Laws of 2004	2004	$5,000,000	$5,000,000	$4,400,000	$0
University Medical Center Equipment Fund	Ch 1, Third Special Session, Laws of 2004	2004	$6,000,000	$6,000,000	$5,199,000	$0
Vision 21 Highway Projects	2010 RLS SB 3181	2010	$50,000,000	$0	$0	$50,000,000
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; 2010 RLS HB 1701	2002	$17,013,000	$14,543,000	$7,052,000	$2,470,000

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
DWFP Discretionary Fund	2007 RLS SB 3191	2007	$1,000,000	$1,000,000	$945,000	$0
Total General Obligation Net Direct			**$6,054,717,773**	**$6,560,951,145**	**$3,515,602,000**	**$1,454,076,628**
Self-Supporting General Obligation						
Deer Island Project	Ch. 522-Laws of 2002	2002	$10,000,000	$8,800,000	$2,885,000	$1,200,000
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
Total Self-Supporting General Obligation			**$170,000,000**	**$147,456,000**	**$2,885,000**	**$161,200,000**
Total			**$6,224,717,773**	**$6,708,407,145**	**$3,518,487,000**	**$1,615,276,628**

(1) Represents the total amount authorized to be outstanding at any one time.
(2) Does not include the effects of the Series 2010 Bonds.

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

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GENERAL FUND CASH FLOW BY MONTHS

January 2004 Through August 2010
(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

	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
August	161.1	338.7	454.3	180.6	150.0	(15.0)
September	180.6	411.0	436.4	155.2	0.0	0.0
October	155.2	395.2	486.5	63.9	0.0	0.0
November	63.9	335.8	335.5	64.2	0.0	0.0
December	64.2	350.5	313.5	131.3	160.0	(130.0)
2010						
January	131.3	323.1	333.7	120.4	0.0	(0.175)
February	120.4	270.4	360.9	155.0	125.0	0.0
March	155.0	464.6	451.9	117.7	(50.0)	0.0
April	117.7	486.8	323.1	120.9	(160.5)	0.0
May	120.9	356.3	261.6	95.6	(120.0)	0.0
June	95.6	578.1	264.7	98.8	(79.5)	(230.8)
July	98.8	251.9	375.2	125.5	0.0	150.0
August	125.5	337.3	390.5	152.8	0.0	80.5

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, 2009, 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 9% and 31%, 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 48% and 17%, respectively, of the assets and revenues of the Business-type Activities;
    - Component Units
        - the Universities and the nonmajor component units.
- Fund Financial Statements
    - Governmental Funds
        - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid, the Department of Corrections and the Department of Wildlife, Fisheries and Parks which represent 24% and 32%, respectively, of the assets and revenues of the General Fund;

– the Health Care Trust Fund which represents 98% 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 94% and 78%, 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 and the University of Mississippi Educational Building Corporation, 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, 2009, 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., the State adopted the provisions of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* as of July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 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 18, 2009

Management's Discussion and Analysis

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2009. 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 $12,197,368,000 (reported as "net assets"). Of this amount, a negative $204,745,000 was reported as "unrestricted net assets", which means that it would be necessary to convert restricted assets to unrestricted assets if the government's ongoing obligations to citizens and creditors were immediately due and payable. Net assets of governmental activities decreased by $144,385,000 and net assets of business-type activities fell by $146,165,000.

Fund Level - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $3,439,671,000, which is a decrease of $497,021,000 from the previous year. Falling tax revenues paired with health and social services expenditures exceeding related revenues were the primary reasons for the negative change in fund balances.

Long-term Debt - During fiscal year 2009, the State issued $484,314,000 of bonds and notes, net of premiums and deferred amount on refunding, bringing the total outstanding net long-term bonds and notes to $4,337,849,000. These bonds and notes were issued primarily for economic development, for capital improvements, and for a statewide wireless communication system.

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.

Government-wide Financial Analysis

Net Assets

For the year ended June 30, 2009, the State's combined net assets (governmental and business-type activities) totaled $12,197,368,000 reflecting a decrease of $290,550,000 from the previous fiscal year. Business-type activities report positive balances in all three net asset categories, while governmental activities and the State as a whole reflect a negative balance in unrestricted net assets.

The largest share of net assets, 91.5 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 $358,323,000 from the previous year. Additions to land and construction in progress for roads, highways, right-of-ways, bridges, and building projects provided the majority of the governmental activities' increase of $324,296,000. Most of the business-type activities' increase of $34,027,000 was the result of additions to construction in progress for the continued restoration of the Port Authority at Gulfport after Hurricane Katrina. Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 10.2 percent of total net assets. The remaining negative balance represents unrestricted net assets of $204,745,000 as of the close of the year. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of $192,005,000 in business-type activities may be used to meet ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

Net Assets
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008 *	2009	2008	2009	2008 *
Current and other assets	$ 5,538,514	$ 6,201,420	$ 1,116,237	$ 1,283,541	$ 6,654,751	$ 7,484,961
Capital assets	12,053,829	11,603,019	225,453	194,135	12,279,282	11,797,154
Total Assets	17,592,343	17,804,439	1,341,690	1,477,676	18,934,033	19,282,115
Noncurrent liabilities	4,006,732	4,022,504	308,452	304,805	4,315,184	4,327,309
Other liabilities	2,390,407	2,442,346	31,074	24,542	2,421,481	2,466,888
Total Liabilities	6,397,139	6,464,850	339,526	329,347	6,736,665	6,794,197
Net assets:						
Invested in capital assets, net of related debt	10,966,780	10,642,484	195,171	161,144	11,161,951	10,803,628
Restricted	625,174	667,456	614,988	778,010	1,240,162	1,445,466
Unrestricted	(396,750)	29,649	192,005	209,175	(204,745)	238,824
Total Net Assets	$ 11,195,204	$ 11,339,589	$ 1,002,164	$ 1,148,329	$ 12,197,368	$ 12,487,918

* As restated in Note 2 to the financial statements.

Changes in Net Assets

Operating grants and contributions provided $6,988,074,000 or 44.6 percent of the State's total revenues, which is a significant rise from 40.9 percent in the prior year as the State benefitted from the American Recovery and Reinvestment Act. Taxes provided $5,857,538,000 or 37.4 percent, a 2.2 percent decline from the prior year reflecting the slowdown in the economy. These two components comprise 82 percent of the State's total revenues. The health and social services function uses the largest share of the State's net assets at 38.5 percent. This function surged from $5,609,247,000 in the prior year to $6,149,731,000. The increase relates to rising cost for medical assistance and additional program payments. As the employment rate dropped, eligible recipients of unemployment benefits rose as indicated by the dramatic increase in unemployment compensation expenses from $143,013,000 in the prior year to $422,764,000.

Changes in Net Assets
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008 *	2009	2008	2009	2008 *
Revenues:						
Program Revenues:						
Charges for services	$ 2,023,686	$ 1,936,810	$ 165,072	$ 178,052	$ 2,188,758	$ 2,114,862
Operating grants and contributions	6,847,036	6,462,823	141,038	10,069	6,988,074	6,472,892
Capital grants and contributions	556,571	795,572	954	1,838	557,525	797,410
General Revenues:						
Taxes	5,857,538	6,263,283			5,857,538	6,263,283
Investment income	83,119	145,465	2,843	21,433	85,962	166,898
Total Revenues	15,367,950	15,603,953	309,907	211,392	15,677,857	15,815,345
Expenses:						
General government	2,113,851	2,000,778			2,113,851	2,000,778
Education	4,093,018	4,163,587			4,093,018	4,163,587
Health and social services	6,149,731	5,609,247			6,149,731	5,609,247
Law, justice and public safety	1,055,032	1,173,359			1,055,032	1,173,359
Recreation and resource development	1,127,670	1,261,268			1,127,670	1,261,268
Regulation of business and professions	37,215	36,318			37,215	36,318
Transportation	683,663	643,867			683,663	643,867
Interest on long-term debt	209,516	196,277			209,516	196,277
Unemployment compensation			422,764	143,013	422,764	143,013
Port Authority at Gulfport			15,239	12,614	15,239	12,614
Prepaid affordable college tuition			20,316	40,972	20,316	40,972
Other business-type			40,392	34,204	40,392	34,204
Total Expenses	15,469,696	15,084,701	498,711	230,803	15,968,407	15,315,504
Excess (deficiency) before Transfers	(101,746)	519,252	(188,804)	(19,411)	(290,550)	499,841
Transfers	(42,639)	(2,786)	42,639	2,786		
Change in Net Assets	(144,385)	516,466	(146,165)	(16,625)	(290,550)	499,841
Net Assets - Beginning, as restated	11,339,589	10,823,123	1,148,329	1,164,954	12,487,918	11,988,077
Net Assets - Ending	$ 11,195,204	$ 11,339,589	$ 1,002,164	$ 1,148,329	$ 12,197,368	$ 12,487,918

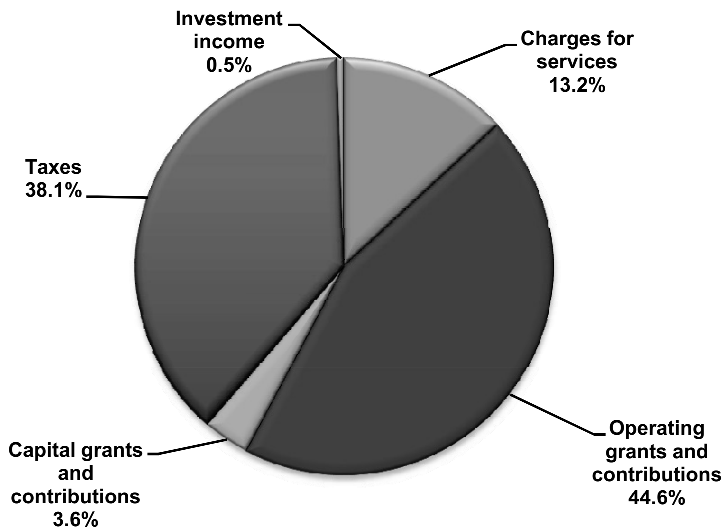
* As restated in Note 2 to the financial statements.

Mississippi

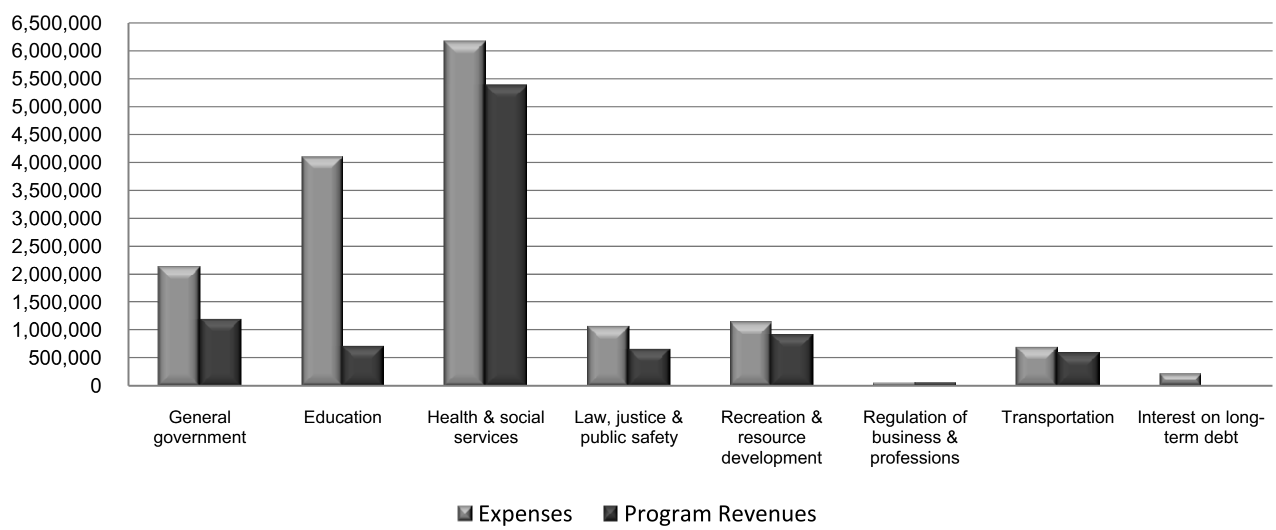
Governmental Activities

Governmental activities decreased the State's net assets by $144,385,000 as compared to a $516,466,000 increase in the prior year. General revenues were down by $468,091,000 as the State is feeling the effects of the economic downturn in both taxes and investment income. Operating grants and contributions increased by $384,213,000 mainly due to higher federal match rates for medical assistance and increased disproportionate share payments for Medicaid. Health and social services expenses grew by $540,484,000 over the prior year with Medicaid expenses leading the way with a $469,289,000 increase.

Governmental Activities - Revenues by Source

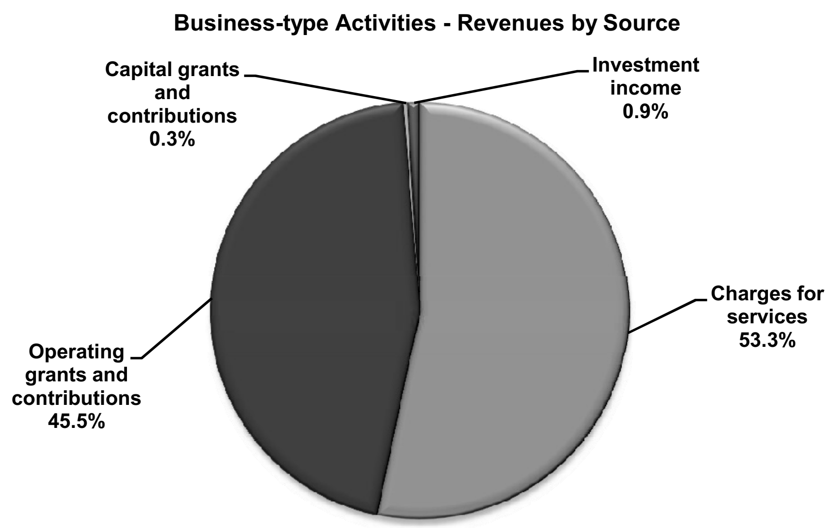


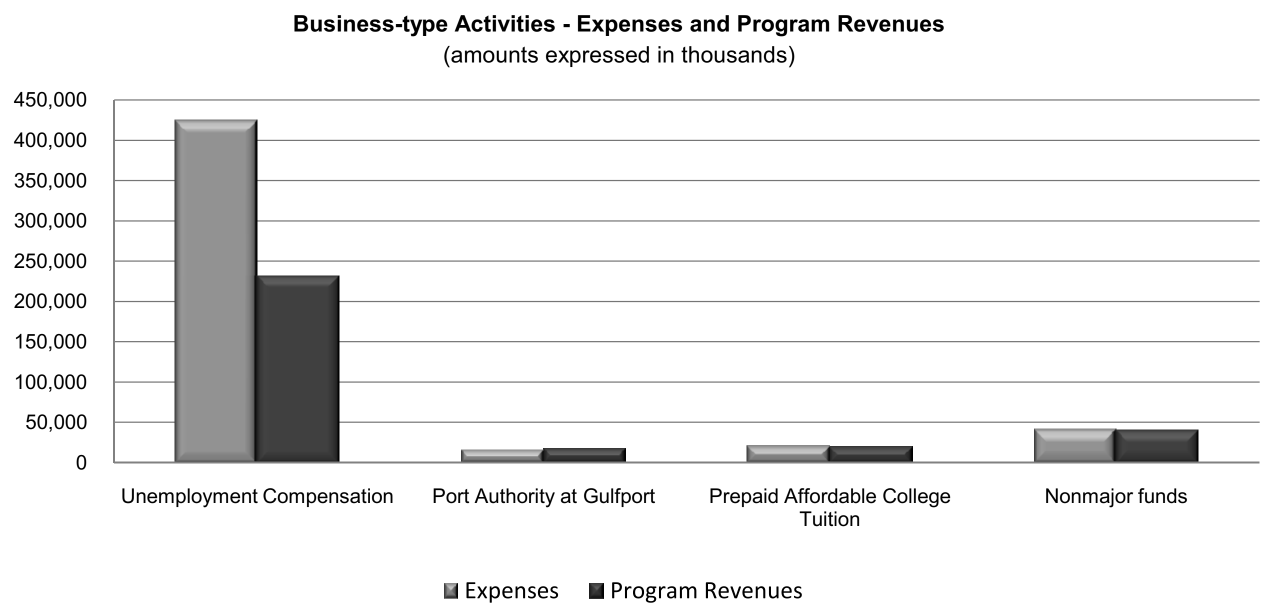
Governmental Activities - Expenses and Program Revenues
(amounts expressed in thousands)



Business-type Activities

Business-type activities considerably decreased the State's net assets by $146,165,000 as compared to a prior year decrease of $16,625,000. The Unemployment Compensation fund reported a $162,734,000 decline in net assets as a consequence of increased demand for unemployment benefits. In contrast, the net assets of the Port Authority at Gulfport fund increased by $40,309,000 due largely to transfers from state agencies of federal monies intended for the restoration of the Port's facilities. The Prepaid Affordable College Tuition fund experienced an investment loss of $30,530,000 due in part to a $19,699,000 decline in the fair value of investments, which coincides with the current economic recession.





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 $3,439,671,000 as of June 30, 2009, a decrease of $497,021,000 as compared to the prior year. Of this total amount, $2,293,209,000 or 66.7 percent constituted unreserved fund balance. A portion of the unreserved balance, $1,863,547,000, 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 decreased $466,735,000 from the prior year to an ending fund balance of $2,189,599,000. This decrease is attributed to a combination of declining tax revenues and rising health and social services expenditures. All major tax revenues fell in the wake of the crippling economy by a cumulative $334,845,000. Sales tax was negatively impacted by consumer spending on cars, lumber and building materials and other taxable goods and services. Health and social services expenditures increased by $568,041,000 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments. However, federal government revenues increased $444,905,000 mainly in conjunction with a temporary increase in federal match rates which provided unplanned relief for the Fund.

The Health Care Fund reported a decrease in fund balance of $48,830,000 from the previous fiscal year. As a reflection of the deteriorating market, the Fund posted an investment loss of $55,657,000. Expenditures fell by $58,582,000 from the prior year because less money was allocated by the legislature to cover medical services.

Proprietary Funds

The Unemployment Compensation Fund experienced a significant decrease in net assets of $162,734,000 as compared to a decrease of merely $6,348,000 in the prior year. The State received a boost from two 100% federally funded programs under the American Recovery and Reinvestment Act: the Emergency Unemployment Compensation program and the Federal Additional Compensation program. Benefits paid under these programs increased the corresponding federal revenue received by $136,658,000. Not only were benefits extended under the Act but, the number of eligible workers increased due to the climb in unemployment during the year causing claims to rise by $279,751,000.

The Port Authority at Gulfport Fund reported an increase in net assets of $40,309,000. The Port continued restoration of the facilities affected by Hurricane Katrina with $36,870,000 in transfers from other state agencies of federal monies intended for this purpose. Revenues from Insurance Recovery were down $5,164,000. However, the Port continues to settle insurance claims related to the disaster.

The Prepaid Affordable College Tuition Fund registered a reduction in net assets of $31,472,000. Investment income continues to decrease as a result of the volatile economic climate. The decline in market value of investments of $19,699,000 contributed to the investment loss reported of $30,530,000.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2009 General Fund revenues was 2.9 percent. This estimate was revised to a sine die estimate of 3.5 percent. Actual fiscal year 2009 General Fund revenue collections were 4.2 percent below the prior year. Each of these revenue components declined: 1.3 percent in sales tax, 4.4 percent in individual income tax, and 15.7 percent in corporate income and franchise tax.

Actual fiscal year 2009 revenues were $372,126,000 below estimated amounts. The largest revenue variances were a negative $142,213,000 in individual income tax collections, a negative $106,360,000 in corporate income and franchise tax collections, and a negative $97,663,000 in sales tax collections. The final expenditure budget was $132,818,000 under the original budget. Actual expenditures were under the final budget by $3,523,000.

Mississippi

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for governmental and business-type activities as of June 30, 2009 amounted to $16,609,684,000, less accumulated depreciation of $4,330,402,000, resulting in a net book value of $12,279,282,000. Governmental activities posted a smaller net increase than business-type activities, with 3.9 percent versus 16.1 percent for the current year. The prior fiscal year yielded a net increase of 8.2 percent and 12.8 percent, respectively. Depreciation expense for fiscal year 2009 totaled $413,377,000 for governmental and business-type activities.

Major capital asset events during fiscal year 2009 included the following:

Construction in progress additions for governmental activities included $579,128,000 related to roads, highways, and bridges; $50,608,000 related to Department of Finance and Administration building projects such as the Information Technology Services Data Center, the Sillers Building Pedestrian Mall, and the Department of Public Safety District 8 Complex; $43,387,000 related to Military Department buildings; and $21,698,000 for the Mississippi Wireless Interoperable Network.

Infrastructure additions for roads, highways, and bridges reported in governmental activities totaled $443,721,000. Pavement rehabilitation projects were completed in Copiah, Hinds, and Jasper counties and bridges were replaced in Greene and Harrison counties. In addition, Four Lane Highway Program projects were finished in Covington, Greene, Jefferson, Jefferson Davis, Lauderdale, Lawrence, Lowndes, Marshall, and Wayne counties. Interstate projects were completed in Lauderdale (I-59), Madison (I-55), and Warren (I-20) counties. Gaming industry projects were concluded in Desoto and Harrison counties. An urban street project was finished in Washington county.

Within governmental activities, land additions totaled $184,977,000, of which $171,170,000 was for right-of-way acquisitions. Building additions of $70,079,000 included $20,717,000 for Sillers Building tenant work and $27,603,000 for Military Department readiness centers, vehicle storage, and an armory.

Capital assets, net of accumulated depreciation, for business-type activities increased by $31,318,000. The Port Authority at Gulfport reported a net increase in capital assets of $32,449,000 as rebuilding of facilities destroyed by Hurricane Katrina continues. Additions to construction in progress for the Port Authority at Gulfport totaled $26,176,000 for terminal expansion, yard development, and rehabilitation of berth facilities. Purchase of two gantry cranes for $7,818,000 by the Port Authority at Gulfport made up the majority of the $9,312,000 additions to machinery and equipment for business-type activities.

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

Capital Assets, Net of Depreciation

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	**2008 ***	**2009**	**2008**	**2009**	**2008 ***
Land	$ 994,077	$ 809,621	$ 42,514	$ 39,734	$ 1,036,591	$ 849,355
Buildings	1,197,907	1,164,341	66,660	65,320	1,264,567	1,229,661
Land improvements	96,545	90,133	20,207	20,583	116,752	110,716
Machinery and equipment	288,085	310,094	12,983	5,017	301,068	315,111
Infrastructure	5,279,735	5,148,143	35,798	36,720	5,315,533	5,184,863
Construction in progress	4,197,480	4,080,687	47,291	26,761	4,244,771	4,107,448
Total	$ 12,053,829	$ 11,603,019	$ 225,453	$ 194,135	$ 12,279,282	$ 11,797,154

* As restated in Note 8 to the financial statements

Debt Administration

Outstanding general obligation debt for the State as of June 30, 2009 was $3,485,838,000, net of premiums and deferred amount on refunding. General Obligation Refunding Bonds ($1,269,704,000), Capital Improvements ($927,099,000), and Major Economic Impact bonds ($400,341,000) comprise 74.5 percent of this outstanding debt. During fiscal year 2009, the State issued $439,180,000 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, for economic development, and for the statewide wireless communication system. Within business-type activities, general obligation bonds decreased by $2,833,000 as the Port Authority at Gulfport continues to extinguish its long-term debt.

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, 2009, the State had established a constitutional legal debt limit of $12,518,778,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State’s long-term debt can be found in Notes 9 through 13 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds and notes	$ 3,456,607	$ 3,452,073	$ 29,231	$ 32,064	$ 3,485,838	$ 3,484,137
Limited obligation bonds		24,460				24,460
Notes payable	852,011	882,049			852,011	882,049
Total	$ 4,308,618	$ 4,358,582	$ 29,231	$ 32,064	$ 4,337,849	$ 4,390,646

Economic Factors and Next Year’s Budget

The State’s average unemployment rate increased from the calendar year 2008 average of 6.9 percent to an average of 9.1 percent for the twelve months ending October 2009. The national rates were 5.8 percent and 8.8 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2010, the State economy is expected to experience some growth, but at a slow pace. The initial estimated overall fiscal year 2010 General Fund revenue growth rate was 3.6 percent, with component revenue growth projections of 0.1 percent in sales tax and 4.1 percent in individual income tax. The overall estimate was revised in November 2009 to a negative 3.8 percent. The November component revenue projections were negative 5.9 percent in sales tax and negative 6.1 percent in individual income tax. At the end of November, General Fund collections fell below the estimate by 7.38 percent, with an actual component revenue decline of 7.86 percent, 8.06 percent, and 6.59 percent in sales tax, individual income tax, and gaming fees, respectively.

In accordance with the State's statutory balanced budget requirement, the State Fiscal Officer must determine at the end of October that sufficient funds will be available within the period for which the fiscal year 2010 budget is drawn. In order to keep expenditures within the sum of actual General Fund receipts, the Governor instructed selected state agencies, institutions and commissions to reduce allocations of general funds and state-source special funds in September and December 2009 for a total of $223,832,000. 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, 2009 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	**Component Units**
Assets				
Current assets:				
Equity in internal investment pool	$ 2,818,189	$ 14,512	$ 2,832,701	$ 21,663
Cash and cash equivalents	401,311	629,331	1,030,642	387,858
Investments	64,147	42,092	106,239	217,068
Receivables, net	557,824	32,595	590,419	243,683
Restricted assets:				
Cash and cash equivalents		1	1	
Due from other governments, net	626,697	6,005	632,702	2,490
Internal balances	(48,128)	48,128		
Due from component units	307	239	546	
Due from primary government				32,283
Inventories	43,513	374	43,887	22,687
Prepaid items	163	99	262	12,269
Loans and notes receivable, net	30,701	5,378	36,079	28,674
Deferred charges	1,280	17	1,297	
Other assets				12,089
Total Current Assets	4,496,004	778,771	5,274,775	980,764
Noncurrent assets:				
Investments	255,313	168,641	423,954	315,631
Receivables, net	84,886		84,886	
Due from other governments, net	509,374		509,374	
Loans and notes receivable, net	178,240	168,131	346,371	142,298
Deferred charges	14,697	140	14,837	
Restricted assets:				
Cash and cash equivalents		450	450	182,733
Investments				565,853
Capital assets:				
Land and construction in progress	5,191,557	89,805	5,281,362	521,800
Other capital assets, net	6,862,272	135,648	6,997,920	2,152,591
Other assets		104	104	12,046
Total Noncurrent Assets	13,096,339	562,919	13,659,258	3,892,952
Total Assets	$ 17,592,343	$ 1,341,690	$ 18,934,033	$ 4,873,716

(Continued on Next Page)

Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	**Component Units**
Liabilities				
Current liabilities:				
Warrants payable	$ 106,906	$ 1,188	$ 108,094	$
Accounts payable and other liabilities	779,059	9,303	788,362	162,872
Contracts payable	102,819		102,819	
Retainage payable		2,121	2,121	
Income tax refunds payable	219,000		219,000	
Due to other governments	301,005	7,560	308,565	
Due to component units	32,273	10	32,283	
Due to primary government				546
Claims and benefits payable	154,959	5,059	160,018	
Deposits		1,522	1,522	504
Unearned revenues	122,509	760	123,269	44,756
Pollution remediation obligation	8,447		8,447	
Bonds and notes payable, net	556,681	2,755	559,436	23,396
Certificates of participation	155		155	
Lease obligations payable	6,594	796	7,390	8,206
Other liabilities				63,002
Total Current Liabilities	2,390,407	31,074	2,421,481	303,282
Noncurrent liabilities:				
Due to other governments		9,757	9,757	
Claims and benefits payable		270,784	270,784	
Other postemployment benefits payable	87,057		87,057	
Pollution remediation obligation	36,300		36,300	
Bonds and notes payable, net	3,751,937	26,476	3,778,413	652,788
Certificates of participation	1,890		1,890	
Lease obligations payable	10,637	840	11,477	16,359
Liabilities payable from restricted assets:				
Deposits		1	1	
Other liabilities	118,911	594	119,505	215,861
Total Noncurrent Liabilities	4,006,732	308,452	4,315,184	885,008
Total Liabilities	6,397,139	339,526	6,736,665	1,188,290
Net Assets				
Invested in capital assets, net of related debt	10,966,780	195,171	11,161,951	1,978,174
Restricted for:				
Capital projects	372,566		372,566	
Debt service	197,131		197,131	
Other purposes	174	450	624	540,142
Permanent trusts:				
Expendable	5,142		5,142	
Nonexpendable	50,161		50,161	491,417
Unemployment compensation benefits		614,538	614,538	
Unrestricted	(396,750)	192,005	(204,745)	675,693
Total Net Assets	$ 11,195,204	$ 1,002,164	$ 12,197,368	$ 3,685,426

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

Statement of Activities

For the Year Ended June 30, 2009 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,113,851	$ 1,149,464	$ 39,368	$ 315
Education	4,093,018	29,721	664,081	1,945
Health and social services	6,149,731	563,917	4,805,676	467
Law, justice and public safety	1,055,032	103,178	506,318	34,249
Recreation and resource development	1,127,670	84,984	822,137	144
Regulation of business and professions	37,215	40,727	655	24
Transportation	683,663	51,695	8,801	519,427
Interest on long-term debt	209,516			
Total Governmental Activities	15,469,696	2,023,686	6,847,036	556,571
Business-type activities:				
Unemployment compensation	422,764	90,301	141,038	
Port Authority at Gulfport	15,239	16,865		247
Prepaid affordable college tuition	20,316	19,374		
Other business-type	40,392	38,532		707
Total Business-type Activities	498,711	165,072	141,038	954
Total Primary Government	$ 15,968,407	$ 2,188,758	$ 6,988,074	$ 557,525
Component units:				
Universities	$ 2,624,010	$ 1,159,879	$ 551,914	$ 67,404
Nonmajor	35,517	28,168	40,743	34
Total Component Units	$ 2,659,527	$ 1,188,047	$ 592,657	$ 67,438

General revenues:
- Taxes:
  - Sales and use
  - Gasoline and other motor fuel
  - Individual income
  - Corporate income and franchise
  - Insurance
  - Other
- Investment income (loss)
- 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**
$ (924,704)	$	$ (924,704)	
(3,397,271)		(3,397,271)	
(779,671)		(779,671)	
(411,287)		(411,287)	
(220,405)		(220,405)	
4,191		4,191	
(103,740)		(103,740)	
(209,516)		(209,516)	
(6,042,403)		(6,042,403)	
	(191,425)	(191,425)	
	1,873	1,873	
	(942)	(942)	
	(1,153)	(1,153)	
	(191,647)	(191,647)	
(6,042,403)	(191,647)	(6,234,050)	
			$ (844,813)
			33,428
			(811,385)
2,961,865		2,961,865	
411,729		411,729	
1,415,091		1,415,091	
420,739		420,739	
187,050		187,050	
461,064		461,064	
83,119	2,843	85,962	(80,074)
			134,670
			820,780
			25,415
(42,639)	42,639		
5,898,018	45,482	5,943,500	900,791
(144,385)	(146,165)	(290,550)	89,406
11,339,589	1,148,329	12,487,918	3,596,020
$ 11,195,204	$ 1,002,164	$ 12,197,368	$ 3,685,426

Governmental Funds

Balance Sheet

June 30, 2009 (Expressed in Thousands)

	General	Health Care	Nonmajor Funds	Totals
Assets				
Equity in internal investment pool	$ 1,771,850	$ 31,799	$ 717,206	$ 2,520,855
Cash and cash equivalents	354,263	6,964	29,946	391,173
Investments	24,314	181,249	85,608	291,171
Receivables, net	628,143	52,247	12,008	692,398
Due from other governments, net	957,713		178,181	1,135,894
Due from other funds	44,536	187	20,104	64,827
Due from component units	142			142
Inventories	41,578		1,935	43,513
Prepaid items			163	163
Loans receivable, net	206,465		2,476	208,941
Loans to other funds		240,000		240,000
Total Assets	$ 4,029,004	$ 512,446	$ 1,047,627	$ 5,589,077
Liabilities and Fund Balances				
Liabilities:				
Warrants payable	$ 84,529	$ 16	$ 20,812	$ 105,357
Accounts payable and accruals	723,871	1,948	41,270	767,089
Contracts payable	81,910		20,909	102,819
Income tax refunds payable	219,000			219,000
Due to other governments	258,479		42,526	301,005
Due to other funds	20,149	2,432	93,570	116,151
Due to component units	31,796		475	32,271
Claims payable	4,842			4,842
Deferred revenues	89,958	50,082		140,040
Unearned revenues	84,871		35,628	120,499
Loans from other funds	240,000			240,000
Other liabilities			333	333
Total Liabilities	1,839,405	54,478	255,523	2,149,406
Fund balances:				
Reserved for:				
Ayers Endowment Trust	15,000			15,000
Distribution to local governments	6,694			6,694
Education and vocational training			42,257	42,257
Ellisville State School			2,025	2,025
Encumbrances	85,457	290	15,540	101,287
Inventories	41,578		1,935	43,513
Loans to other funds		240,000		240,000
Long-term portion of due from other governments	504,177		5,197	509,374
Long-term portion of loans receivable	176,757		1,483	178,240
Prepaid items			163	163
Scholarships and books	25			25
Wildlife conservation			7,884	7,884
Unreserved - designated, reported in:				
General fund	1,115,835			1,115,835
Special revenue funds		217,678	154,766	372,444
Capital project funds			375,268	375,268
Unreserved - undesignated, reported in:				
General fund	244,076			244,076
Special revenue funds			180,467	180,467
Permanent funds			5,119	5,119
Total Fund Balances	2,189,599	457,968	792,104	3,439,671
Total Liabilities and Fund Balances	$ 4,029,004	$ 512,446	$ 1,047,627	$ 5,589,077

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, 2009 (Expressed in Thousands)

Total fund balances for governmental funds			$	3,439,671
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excluding amounts for internal service funds' capital assets that are reported in the internal service funds' net reconciling item below):				
Land	$	994,077		
Buildings		1,610,901		
Land improvements		162,445		
Machinery and equipment		647,937		
Infrastructure		8,670,952		
Construction in progress		4,197,480		
Accumulated depreciation		(4,235,083)		12,048,709
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.				140,040
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		(3,405,434)		
Capital lease obligations		(17,188)		
Accrued compensated absences		(123,770)		
Pollution remediation obligation		(44,747)		
Notes payable		(834,083)		
Certificates of participation		(2,045)		
Unamortized charges		76,900		
Unamortized premiums		(130,024)		
Claims payable		(2,448)		
Other postemployment benefits payable		(87,057)		
Accrued interest payable		(47,707)		(4,617,603)
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.				184,387
Net assets of governmental activities			$	11,195,204

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

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2009 (Expressed in Thousands)

	General	Health Care	Nonmajor Funds	Totals
Revenues				
Taxes:				
Sales and use	$ 3,008,042	$	$	$ 3,008,042
Gasoline and other motor fuel	403,406		8,800	412,206
Individual income	1,441,141			1,441,141
Corporate income and franchise	420,482			420,482
Insurance	187,050			187,050
Other	455,034		6,030	461,064
Licenses, fees and permits	435,881		91,218	527,099
Federal government	6,002,035		1,400,172	7,402,207
Investment income (loss)	93,577	(55,657)	31,805	69,725
Charges for sales and services	325,357		26,261	351,618
Rentals	15,966		8,042	24,008
Court assessments and settlements	10,052	120,710		130,762
Other	343,835	415	66,095	410,345
Total Revenues	13,141,858	65,468	1,638,423	14,845,749
Expenditures				
Current:				
General government	1,392,656			1,392,656
Education	4,008,182		82,789	4,090,971
Health and social services	5,816,821	89,461	223,715	6,129,997
Law, justice and public safety	617,108		452,597	1,069,705
Recreation and resources development	367,949		770,082	1,138,031
Regulation of business and professions			36,450	36,450
Transportation	1,134,357			1,134,357
Debt service:				
Principal	419,820		153	419,973
Interest and other fiscal charges	210,346		308	210,654
Capital Outlay			80,378	80,378
Total Expenditures	13,967,239	89,461	1,646,472	15,703,172
Excess of Revenues under Expenditures	(825,381)	(23,993)	(8,049)	(857,423)
Other Financing Sources (Uses)				
Bonds and notes issued	247,035		115,685	362,720
Capital leases issued	10,759			10,759
Insurance recovery	466		8,372	8,838
Payments to bond escrow agent	(1,992)			(1,992)
Payments to refunded bond escrow agent	(82,265)			(82,265)
Premiums on bonds and refunding bonds issued	6,404		7,512	13,916
Refunding bonds issued	76,460			76,460
Transfers in	213,782	72	121,202	335,056
Transfers out	(112,003)	(24,909)	(226,178)	(363,090)
Net Other Financing Sources (Uses)	358,646	(24,837)	26,593	360,402
Net Change in Fund Balances	(466,735)	(48,830)	18,544	(497,021)
Fund Balances - Beginning	2,656,334	506,798	773,560	3,936,692
Fund Balances - Ending	$ 2,189,599	$ 457,968	$ 792,104	$ 3,439,671

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, 2009 (Expressed in Thousands)

Net change in fund balances - total governmental funds		$ (497,021)
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	$ 960,814	
Depreciation expense	(404,922)	555,892
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net loss of the internal service funds is reported with governmental activities.		(20,328)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(58,710)
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.		(106,053)
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 and refunding bonds issued	(13,916)	
Bonds and notes issued	(362,720)	
Refunding bonds issued	(76,460)	
Capital leases issued	(10,759)	
Payments of debt principal	419,973	
Payments to bond escrow agent	1,992	
Payments to refunded bond escrow agent	82,265	
Accrued interest payable	(16,727)	
Deferred issuance costs	716	24,364
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	1,103	
Change in claims payable	(760)	
Change in compensated absences	(8,279)	
Change in other postemployment benefits payable	(43,430)	
Change in pollution remediation obligation	5,000	
Amortization of deferred charges, premiums and discounts	3,837	(42,529)
Change in net assets of governmental activities		$ (144,385)

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

Proprietary Funds

Statement of Net Assets

June 30, 2009 (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	$	$ 745	$ 345
Cash and cash equivalents	595,335	9,949	14,175
Investments		42,092	
Receivables, net:			
Accounts	5,227	731	998
Assessments	20,654		
Interest and dividends		130	682
Restricted assets:			
Cash and cash equivalents		1	
Due from other governments	5,696	268	
Due from other funds	745	46,477	
Due from component units	225		4
Inventories			
Prepaid items		55	
Loans and notes receivable			
Deferred charges		17	
Total Current Assets	627,882	100,465	16,204
Noncurrent assets:			
Investments			168,641
Loans and notes receivable			
Deferred charges		140	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets, net		167,057	
Other assets		104	
Total Noncurrent Assets		167,751	168,641
Total Assets	$ 627,882	$ 268,216	$ 184,845

Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals	
$ 13,422	$ 14,512	$ 297,334
9,872	629,331	10,138
	42,092	5,566
3,510	10,466	22
	20,654	
663	1,475	356
	1	
41	6,005	177
1,996	49,218	4,400
10	239	165
374	374	
44	99	
5,378	5,378	
	17	
35,310	779,861	318,158
	168,641	22,723
168,131	168,131	
	140	
	450	
58,396	225,453	5,120
	104	
226,527	562,919	27,843
$ 261,837	$ 1,342,780	$ 346,001

(Continued on Next Page)

Statement of Net Assets

June 30, 2009 (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	$	$	$ 181
Accounts payable and other liabilities	243	5,157	684
Retainage payable		2,121	
Due to other governments	7,555		
Due to other funds	299		
Due to component units			
Claims and benefits payable	5,059		
Deposits			
Bonds payable		2,755	
Unearned revenues	188	198	
Lease obligations payable		586	
Total Current Liabilities	13,344	10,817	865
Noncurrent liabilities:			
Due to other governments			
Claims and benefits payable			270,784
Bonds payable		26,476	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		1	
Other liabilities		163	11
Total Noncurrent Liabilities		26,640	270,795
Total Liabilities	13,344	37,457	271,660
Net Assets			
Invested in capital assets, net of related debt		137,826	
Restricted for other purposes		450	
Restricted for unemployment compensation benefits	614,538		
Unrestricted		92,483	(86,815)
Total Net Assets	$ 614,538	$ 230,759	$ (86,815)

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ 1,007	$ 1,188	$ 1,549
3,219	9,303	7,961
	2,121	
5	7,560	
791	1,090	1,188
10	10	2
	5,059	147,669
1,522	1,522	
	2,755	
374	760	2,010
210	796	21
7,138	32,164	160,400
9,757	9,757	
	270,784	
	26,476	
840	840	22
	1	
420	594	1,192
11,017	308,452	1,214
18,155	340,616	161,614
57,345	195,171	5,031
	450	
	614,538	
186,337	192,005	179,356
$ 243,682	$ 1,002,164	$ 184,387

Proprietary Funds

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

For the Year Ended June 30, 2009 (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	$	$ 13,045	$
Assessments	90,121		
Investment income			
Federal agencies	136,839		
Rentals			
Fees			699
Tuition receipts			18,675
Other	180		
Total Operating Revenues	227,140	13,045	19,374
Operating Expenses			
Cost of sales and services			
General and administrative		1,932	179
Contractual services		7,087	1,132
Commodities		187	35
Depreciation		4,223	
Claims and benefits	422,764		18,970
Other			
Total Operating Expenses	422,764	13,429	20,316
Operating Loss	(195,624)	(384)	(942)
Nonoperating Revenues			
Federal grant	4,199		
Revenue from counties		973	
Insurance recovery		2,847	
Gain on disposal of capital assets			
Investment income (loss)	31,265	1,566	(30,530)
Other			
Total Nonoperating Revenues	35,464	5,386	(30,530)
Nonoperating Expenses			
Loss on disposal of capital assets		239	
Interest		1,514	
Other		57	
Total Nonoperating Expenses		1,810	
Income (Loss) before Capital Contributions and Transfers	(160,160)	3,192	(31,472)
Capital Contributions		247	
Transfers In		36,870	
Transfers Out	(2,574)		
Change in Net Assets	(162,734)	40,309	(31,472)
Total Net Assets - Beginning	777,272	190,450	(55,343)
Total Net Assets - Ending	$ 614,538	$ 230,759	$ (86,815)

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ 26,228	$ 39,273	$ 787,293
	90,121	
8,477	8,477	
	136,839	
1,984	1,984	
54	753	
	18,675	
1,689	1,869	15
38,432	297,991	787,308
15,128	15,128	
11,406	13,517	15,677
8,696	16,915	75,955
2,023	2,245	698
2,418	6,641	1,814
	441,734	712,547
59	59	
39,730	496,239	806,691
(1,298)	(198,248)	(19,383)
	4,199	
	973	
	2,847	
235	235	
542	2,843	13,394
100	100	
877	11,197	13,394
59	298	27
59	1,573	3
779	836	
897	2,707	30
(1,318)	(189,758)	(6,019)
707	954	296
9,840	46,710	888
(1,497)	(4,071)	(15,493)
7,732	(146,165)	(20,328)
235,950	1,148,329	204,715
$ 243,682	$ 1,002,164	$ 184,387

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2009 (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	$ 135,755	$	$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		12,995	19,369
Cash receipts from assessments	92,942		
Cash payments to suppliers for goods and services		(2,629)	(1,252)
Cash payments to employees for services		(1,914)	(172)
Cash payments for claims and benefits	(418,735)		(14,069)
Other operating cash receipts			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(190,038)	8,452	3,876
Cash Flows from Noncapital Financing Activities			
Other cash receipts			
Transfers in		3,016	
Transfers out	(2,574)		
Federal grants received	4,369	4	
Revenues from counties		973	
Net Cash Provided by (Used for) Noncapital Financing Activities	1,795	3,993	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(36,211)	
Capital grants received		247	
Proceeds from sales of capital assets			
Cash payment for disposal of capital asset		(57)	
Proceeds from sale of bonds for capital related financing		25,240	
Bond issuance costs for capital related financing		(157)	
Principal paid on bonds and capital assets contracts		(28,186)	
Interest paid on bonds and capital assets contracts		(1,741)	
Proceeds from insurance recovery		6,970	
Net Cash Used for Capital and Related Financing Activities		(33,895)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		80,550	73,165
Purchases of investments		(52,959)	(65,800)
Investment income	31,265	2,078	(12,172)
Net Cash Provided by (Used for) Investing Activities	31,265	29,669	(4,807)
Net Increase (Decrease) in Cash and Cash Equivalents	(156,978)	8,219	(931)
Cash and Cash Equivalents - Beginning	752,313	2,926	15,451
Cash and Cash Equivalents - Ending	$ 595,335	$ 11,145	$ 14,520

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$	$ 135,755	$
		219,718
27,843	60,207	565,338
	92,942	
(27,128)	(31,009)	(76,632)
(11,303)	(13,389)	(15,565)
	(432,804)	(702,484)
1,410	1,410	11
22,098	22,098	
(22,238)	(22,238)	
(9,318)	(187,028)	(9,614)
100	100	
9,831	12,847	857
(1,495)	(4,069)	(1,331)
	4,373	
	973	
8,436	14,224	(474)
(352)	(36,563)	(1,434)
	247	
277	277	
	(57)	
	25,240	
	(157)	
(748)	(28,934)	(20)
(47)	(1,788)	(3)
	6,970	
(870)	(34,765)	(1,457)
	153,715	17,293
	(118,759)	(16,026)
545	21,716	13,424
545	56,672	14,691
(1,207)	(150,897)	3,146
24,501	795,191	304,326
$ 23,294	$ 644,294	$ 307,472

(Continued on Next Page)

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2009 (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 Loss to Net Cash Provided by (Used for) Operating Activities			
Operating loss	$ (195,624)	$ (384)	$ (942)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation		4,223	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	(126)	(130)	
Assessments receivable	6,500		
Interest receivable			
Due from other governments	(4,273)	80	
Due from other funds	(473)		
Due from component units	(70)		(4)
Inventories			
Prepaid items		(5)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			(62)
Accounts payable and other liabilities	135	4,668	(189)
Due to other governments	4,116		
Due to other funds	(2,473)		
Due to component units			
Claims and benefits payable	2,250		5,073
Unearned revenues			
Total adjustments	5,586	8,836	4,818
Net Cash Provided by (Used for) Operating Activities	$ (190,038)	$ 8,452	$ 3,876
Noncash Noncapital Financing, Capital and Related Financing, and Investing Activities			
Payback provision repealed on loans to other funds			
Capital contributions			
New capital leases		700	
Gain (loss) on disposal of capital assets		(239)	
Change in market value of investments		(164)	(19,699)

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ (1,298)	$ (198,248)	$ (19,383)
2,418	6,641	1,814
(226)	(482)	29
	6,500	
(70)	(70)	
62	(4,131)	(155)
(330)	(803)	(501)
(5)	(79)	(102)
100	100	
(5)	(10)	
(9,436)	(9,436)	
637	575	(186)
356	4,970	316
(94)	4,022	
(1,445)	(3,918)	493
(1)	(1)	(6)
	7,323	9,593
19	19	(1,526)
(8,020)	11,220	9,769
$ (9,318)	$ (187,028)	$ (9,614)
2	2	14,162
707	707	296
332	1,032	
176	(63)	(27)
	(19,863)	43

Statement of Fiduciary Net Assets

June 30, 2009 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	$ 829	$ 134	$ 12,734
Cash and cash equivalents	342,541	478	16,221
Investments, at fair value:			
Short-term securities	83,112	4,864	
Long-term debt securities	4,408,631	22,132	
Equity securities	10,775,257	37,953	
Private equity	12,816		
Absolute return strategy	10,863		
Real estate investments	668,847	2,854	
Asset allocation fund	35,601		
Fixed rate and variable	478,603		
Life insurance contracts	335	12,367	
Securities lending:			
Short-term securities	949,070		
Long-term debt securities	1,450,900		
Receivables, net:			
Employer contributions	51,010		
Employee contributions	33,616		
Investment proceeds	597,744		
Interest and dividends	76,151		
Other	1,504	76	487
Commodity inventory			981
Capital assets:			
Land	508		
Other capital assets, net	15,306		
Total Assets	19,993,244	80,858	$ 30,423
Liabilities			
Warrants payable	225	4	$ 7,197
Accounts payable and accruals	1,083,534	127	1,776
Due to other governments			1,330
Due to other funds	16		
Amounts held in custody for others	1,138		20,120
Obligations under securities lending	2,435,248		
Total Liabilities	3,520,161	131	$ 30,423
Net Assets			
Held in trust for pension benefits and trust beneficiaries	$ 16,473,083	$ 80,727	

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

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund
Additions		
Contributions:		
Employer	$ 741,017	$
Plan participant	519,230	29,278
Total Contributions	1,260,247	29,278
Net Investment Income:		
Net decrease in fair value of investments	(4,485,581)	(16,312)
Interest and dividends	556,466	2,317
Securities lending:		
Income from securities lending	64,625	
Interest expense and trading costs from securities lending	(32,192)	
Managers' fees and trading costs	(26,574)	(467)
Net Investment Loss	(3,923,256)	(14,462)
Other Additions:		
Administrative fees	657	136
Other	3,208	
Total Other Additions	3,865	136
Total Additions (Reductions)	(2,659,144)	14,952
Deductions		
Benefits	1,580,431	21,009
Refunds to terminated employees	70,143	
Administrative expenses	12,480	156
Depreciation	500	
Total Deductions	1,663,554	21,165
Change in Net Assets	(4,322,698)	(6,213)
Net Assets - Beginning	20,795,781	86,940
Net Assets - Ending	$ 16,473,083	$ 80,727

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

Component Units

Statement of Net Assets

June 30, 2009 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	$ 19,792	$ 1,871	$ 21,663
Cash and cash equivalents	369,570	18,288	387,858
Investments	188,320	28,748	217,068
Receivables, net	240,813	2,870	243,683
Due from other governments		2,490	2,490
Due from primary government	32,168	115	32,283
Inventories	22,114	573	22,687
Prepaid items	12,048	221	12,269
Notes receivable, net	28,674		28,674
Other assets	12,061	28	12,089
Total Current Assets	925,560	55,204	980,764
Noncurrent assets:			
Investments	315,631		315,631
Notes receivable, net	142,298		142,298
Restricted assets:			
Cash and cash equivalents	182,733		182,733
Investments	558,836	7,017	565,853
Capital assets:			
Land and construction in progress	444,299	77,501	521,800
Other capital assets, net	2,066,366	86,225	2,152,591
Other assets	12,046		12,046
Total Noncurrent Assets	3,722,209	170,743	3,892,952
Total Assets	4,647,769	225,947	4,873,716
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	158,744	4,128	162,872
Due to primary government	523	23	546
Deposits		504	504
Unearned revenues	43,662	1,094	44,756
Bonds and notes payable	23,074	322	23,396
Lease obligations payable	8,206		8,206
Other liabilities	63,002		63,002
Total Current Liabilities	297,211	6,071	303,282
Noncurrent liabilities:			
Bonds and notes payable	652,438	350	652,788
Lease obligations payable	16,359		16,359
Other liabilities	215,512	349	215,861
Total Noncurrent Liabilities	884,309	699	885,008
Total Liabilities	1,181,520	6,770	1,188,290
Net Assets			
Invested in capital assets, net of related debt	1,815,121	163,053	1,978,174
Restricted for:			
Other purposes	527,502	12,640	540,142
Permanent endowments:			
Nonexpendable	491,417		491,417
Unrestricted	632,209	43,484	675,693
Total Net Assets	$ 3,466,249	$ 219,177	$ 3,685,426

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

Component Units

Statement of Activities

For the Year Ended June 30, 2009 (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	$ 2,624,010	$ 1,159,879	$ 551,914	$ 67,404	$ (844,813)	$	$ (844,813)
Nonmajor	35,517	28,168	40,743	34		33,428	33,428
Total	$ 2,659,527	$ 1,188,047	$ 592,657	$ 67,438	(844,813)	33,428	(811,385)
General revenues:							
Investment income (loss)					(81,739)	1,665	(80,074)
Other					132,209	2,461	134,670
Payment from State of Mississippi					820,780		820,780
Contributions to permanent endowments					25,415		25,415
Total General Revenues and Contributions					896,665	4,126	900,791
Change in Net Assets					51,852	37,554	89,406
Net Assets - Beginning					3,414,397	181,623	3,596,020
Net Assets - Ending					$ 3,466,249	$ 219,177	$ 3,685,426

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

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June 30, 2009

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, 2009, and their report, dated November 25, 2009, 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 Fund accounts for operations of a college savings program under Section 529 of the Internal Revenue Code. Funding is provided by participants' contributions and investment earnings.

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

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

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

F. Investments - Investments, including any land or other real estate held as investments by endowments, are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned.

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

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

H. Interfund Activity - In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. 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 GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* in the current fiscal year. The provisions of these standards have been incorporated in Note 1F and Note 12.

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	$ 194,429	$	$ 2,702	$ 197,131
Disaster recovery			137,000	137,000
Energy programs			4,887	4,887
Future capital projects			372,566	372,566
Future loans	78,732		12,879	91,611
Health care		217,678		217,678
Port improvements	558			558
Road and highway construction	430,559			430,559
Special treasury accounts	99,854			99,854
Working cash stabilization reserve	311,703			311,703
Total	$ 1,115,835	$ 217,678	$ 530,034	$ 1,863,547

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 $1,240,162,000 of restricted net assets, of which $55,405,000 is restricted by enabling legislation.

C. Deficit Net Assets - At June 30, 2009, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of $86,815,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts, and a decline in investment income. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) has deficit net assets of $10,000, which resulted from legally mandated transfers out of net profit from operations.

D. Restatements of Net Assets - During fiscal year 2009, the State implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* The provisions of this standard require the measurement of pollution remediation liabilities as of the beginning of the reporting period. By recording this liability, the net assets within governmental activities were reduced.

A prior period adjustment was made to decrease beginning net assets of governmental activities due to an overstatement of land in the amount of $8,568,000. In addition, capital assets were reclassified to land ($602,770,000) from construction in progress ($554,700,000) and infrastructure ($48,070,000).

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

	Governmental Activities
Net Assets at June 30, 2008, as previously reported	$ 11,397,904
Implementation of GASB Statement No. 49	(49,747)
Prior period adjustment	(8,568)
Net Assets at June 30, 2008, as restated	$ 11,339,589

Note 3 - Interfund Transactions

At June 30, 2009, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	General	Health Care	Nonmajor Governmental	Internal Service	Unemployment Compensation	Port Authority at Gulfport	Nonmajor Enterprise	Total
	Due To							
Governmental:								
General	$	$ 187	$ 15,811	$ 3,942	$	$	$ 209	$ 20,149
Health Care	2,432							2,432
Nonmajor Governmental	41,532		3,352	425		46,477	1,784	93,570
Internal Service	310		121	12	745			1,188
Proprietary:								
Unemployment Compensation	261		38					299
Nonmajor Enterprise			782	6			3	791
Fiduciary	1			15				16
Total	$ 44,536	$ 187	$ 20,104	$ 4,400	$ 745	$ 46,477	$ 1,996	$ 118,445

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.

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. In subsequent legislative sessions, the loan repayment period has been postponed. As of fiscal year 2009, repayments of $38,000,000 per year are scheduled for fiscal years 2011 through 2017 with the balance to be paid in 2018 plus interest at the rate of 5% per annum.

At June 30, 2009, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	General	Internal Service	Unemployment Compensation	Prepaid Affordable College Tuition	Nonmajor Enterprise	Universities	Nonmajor	Total
	Due To							
	Primary Government					**Component Units**		
Primary Government:								
General	$	$	$	$	$	$ 31,682	$ 114	$ 31,796
Nonmajor Governmental						475		475
Internal Service						1	1	2
Nonmajor Enterprise						10		10
Component Units:								
Universities	141	143	225	4	10			523
Nonmajor	1	22						23
Total	$ 142	$ 165	$ 225	$ 4	$ 10	$ 32,168	$ 115	$ 32,829

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, 2009, 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	$	$ 72	$ 100,952	$ 888	$ 1,571	$ 8,520	$ 112,003
Health Care	24,909						24,909
Nonmajor Governmental	174,526		15,033		35,299	1,320	226,178
Internal Service	14,280		1,213				15,493
Proprietary:							
Unemployment Compensation			2,574				2,574
Nonmajor Enterprise	67		1,430				1,497
Total	$ 213,782	$ 72	$ 121,202	$ 888	$ 36,870	$ 9,840	$ 382,654

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 $8,500,000 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 from certain state agencies. The Health Care fund transferred $4,133,000 and nonmajor governmental funds transferred $7,581,000 to the General Fund for appropriation by the Legislature.

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, the monies were considered loans. The legislative provision for repayment was repealed. For fiscal year 2009, these interfund loans were reclassified as permanent transfers to the General Fund from nonmajor governmental funds ($3,089,000), internal service funds ($14,162,000), and nonmajor enterprise funds ($2,000).

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, 2009, $43,459,000 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, 2009, $220,000 was uninsured and uncollateralized.

Primary Government Investment Policies (except for the System)

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

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

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

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

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

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

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, 2009 is as follows (amounts expressed in thousands):

	S & P Quality Ratings						
Investment Type	**AAA**	**AA**	**A**	**BBB**	**BB**	**CC**	**Not Rated**
Asset backed securities	$ 2,783	$	$	$ 329	$	$	$
Collaterized mortgage obligations	1,089		224	593			785,324
Corporate bonds	5,344	4,666	19,234	5,258	1,458	320	69
Mortgage pass-throughs							216,070
Mutual funds	329,584						123
Repurchase agreements							25,252
State and local obligations	662	5,124	1,975	526			88
U.S. Government agency obligations	535,037	1,273	105				225
Total	$ 874,499	$ 11,063	$ 21,538	$ 6,706	$ 1,458	$ 320	$ 1,027,151

B. **Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2009, the primary government had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 3,112	$	$ 1,080	$ 1,703	$ 329
Collateralized mortgage obligations	842,765		13,731	79,496	749,538
Corporate bonds	37,112	6,079	20,440	4,865	5,728
Mortgage pass-throughs	220,611	20,954	5,042	49,716	144,899
Mutual funds	329,707	329,707			
Other pass-through securities	336,544		820	124,559	211,165
Repurchase agreements	25,252	25,252			
State and local obligations	8,375	473	4,415	1,010	2,477
U.S. Government agency obligations	541,546	89,979	441,237	6,874	3,456
U.S. Treasury obligations	26,328	5,950	16,773	3,605	
Zero coupon bonds	2,564			2,271	293
Total	$ 2,373,916	$ 478,394	$ 503,538	$ 274,099	$ 1,117,885

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

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

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

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, 2009, is as follows (amounts expressed in thousands):

Currency		Fair Value
Australian dollar	$	1,974
Brazilian real		778
Canadian dollar		620
Danish krone		477
Euro		23,302
Hong Kong dollar		2,103
Japanese yen		10,226
Malaysian ringgit		887
Norwegian krone		228
Pound sterling		12,550
Singapore dollar		2,084
Swedish krona		829
Swiss franc		6,439
Taiwan dollar		1,190
Thailand baht		769
Total	$	64,456

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

Federal Home Loan Mortgage Corporation	$ 900,109	26.81%
Federal National Mortgage Association	$ 564,482	16.81%

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

General Fund		
Federal National Mortgage Association	$ 4,306	19.53%
Federal Home Loan Bank	$ 2,621	11.89%
Nonmajor governmental funds		
Federal Home Loan Mortgage Corporation	$ 57,168	41.90%

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, 2009, 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, 2009, the System had cash equivalents of $344,998,000 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 and value added real estate fund investments, which directly invest in properties, and in managed portfolios of Real Estate Investment Trusts (REITs). REITs are exchange traded securities which provide indirect exposure to real estate properties and real estate management companies. Fair values of commingled fund properties are based on the most recent independent appraisal values. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually; and

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

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, 2009 is as follows (amounts expressed in thousands):

	S & P Quality Ratings						
Investment Type	**AAA**	**AA**	**A**	**BBB**	**BAA**	**BB**	**B**
Asset backed securities	$ 627,968	$ 76,435	$ 4,463	$ 7,902	$	$	$ 59,075
Collateralized mortgage obligations	437,754	7,774	9,194	9,916	4,220	1,782	11,771
Commercial paper			789,402				
Corporate bonds	167,057	662,885	614,503	324,333		67,073	
Mortgage pass-throughs	1,173,692						
Repurchase agreements	214,729						
State and local obligations	12,727	38,258	21,356	5,702	2,098		
U.S. Government agency obligations	213,921						
Yankee/Global bonds	14,782	3,348	25,820	5,719			
Total	$ 2,862,630	$ 788,700	$ 1,464,738	$ 353,572	$ 6,318	$ 68,855	$ 70,846

	S & P Quality Ratings				
Investment Type	**CCC**	**CC**	**C**	**D**	**Not Rated**
Asset backed securities	$	$ 246	$	$ 143	$ 1,098
Collateralized mortgage obligations	1,734		289		
Corporate bonds	218	1,092	14		727
State and local obligations					2,742
Total	$ 1,952	$ 1,338	$ 303	$ 143	$ 4,567

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 $18,874,035,000 in investments at June 30, 2009. Of this amount, $2,399,970,000 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, 2009, consisted of (amounts expressed in thousands):

Investment Type	**Fair Value**
Commercial paper	$ 789,402
Repurchase agreements	159,668
Corporate bonds	863,783
Asset backed securities	587,117
Total	$ 2,399,970

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, 2009, the current position is 21 percent. The System's exposure to foreign currency risk at June 30, 2009, is as follows (amounts expressed in thousands):

Currency		Fair Value
Australian dollar	$	133,507
Brazilian real		101,480
Canadian dollar		68,045
Czech koruna		2,832
Danish krone		14,221
Egyptian pound		27,458
Euro		905,655
Hong Kong dollar		101,964
Hungarian forint		329
Indian rupee		41,964
Indonesian rupiah		19,310
Japanese yen		475,420
Malaysian ringgit		9,099
Mexican peso		5,297
New Israeli shekel		24,973
New Turkish lira		45,479
New Zealand dollar		1,175
Norwegian krone		19,770
Pakistani rupee		5,070
Polish zloty		445
Pound sterling		529,450
Singapore dollar		31,356
South African rand		87,052
South Korean won		76,315
Swedish krona		51,688
Swiss franc		183,208
Taiwan dollar		31,574
Thailand baht		14,720
Total	$	3,008,856

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, 2009, the System had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 777,330	$ 626,803	$ 9,351	$ 15,162	$ 126,014
Collateralized mortgage obligations	505,889	40,728	7,021	15,641	442,499
Commercial paper	789,402	789,402			
Corporate bonds	1,837,901	885,609	330,697	375,808	245,787
Mortgage pass-throughs	1,231,056	12	1,652	36,970	1,192,422
Repurchase agreements	214,729	214,729			
State and local obligations	82,883		5,599		77,284
U.S. Government agency obligations	213,921	16,643	134,244	54,774	8,260
U.S. Treasury obligations	1,121,386		503,535	374,481	243,370
Yankee/Global bonds	49,669		17,213	19,884	12,572
Total	$ 6,824,166	$ 2,573,926	$ 1,009,312	$ 892,720	$ 2,348,208

During fiscal year 2009, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, principal-only (PO) 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 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 $11,000 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 $505,889,000 in CMOs at June 30, 2009. Of this amount, $166,000,000 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 $777,330,000 in ABS held at June 30, 2009, $141,000,000 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, 2009, the System has invested in $1,231,056,000 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, 2009, 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 4.5 days at June 30, 2009. Cash collateral is invested in repurchase agreements, commercial paper, corporate bonds, and asset backed securities. The weighted average final duration of all collateral investments at June 30, 2009, was 154 days with a weighted average maturity of 32 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, 2009. 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, 2009, the aggregate fair value of securities lending holdings, including accrued interest was $2,402,157,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $2,360,643,000. The value of the collateral pledged by borrowers at year end was $2,435,248,000.

Note 5 - Receivables

At June 30, 2009, receivables consisted of (amounts expressed in thousands):

	Governmental Funds					
	General	Health Care	Nonmajor Funds	Internal Service	Receivables Reclass/ Elimination	Total Governmental Activities
Accounts	$ 188,653	$ 1,732	$ 17,034	$ 22	$ 16	$ 207,457
Taxes:						
Sales	309,592					309,592
Income	208,197					208,197
Gasoline	33,654					33,654
Other	65,178					65,178
Interest and dividends	17,207	50,515	1,934	356	(50,082)	19,930
Other	262					262
Gross receivables	822,743	52,247	18,968	378	(50,066)	844,270
Allowance for uncollectibles	(194,600)		(6,960)			(201,560)
Receivables, net	$ 628,143	$ 52,247	$ 12,008	$ 378	$ (50,066)	$ 642,710
Amounts not scheduled for collection in subsequent year	$ 84,553	$ 50,082	$ 333		$ (50,082)	$ 84,886

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	$ 36,667	$ 731	$ 998	$ 3,644	$ 42,040
Assessments	30,876				30,876
Interest and dividends		130	682	663	1,475
Gross receivables	67,543	861	1,680	4,307	74,391
Allowance for uncollectibles	(41,662)			(134)	(41,796)
Receivables, net	$ 25,881	$ 861	$ 1,680	$ 4,173	$ 32,595

	Component Units		
	Universities	Nonmajor	Total
Accounts	$ 2,413,817	$ 2,683	$ 2,416,500
Interest	3,090	187	3,277
Gross receivables	2,416,907	2,870	2,419,777
Allowance for uncollectibles	(2,176,094)		(2,176,094)
Receivables, net	$ 240,813	$ 2,870	$ 243,683

Note 6 - Due From Other Governments

At June 30, 2009, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			
	General	Nonmajor Funds	Internal Service	Total Governmental Activities
Due from other governments	$ 958,434	$ 178,181	$ 177	$ 1,136,792
Allowance for uncollectibles	(721)			(721)
Due from other governments, net	$ 957,713	$ 178,181	$ 177	$ 1,136,071
Amounts not scheduled for collection in subsequent year	$ 504,177	$ 5,197		$ 509,374

Note 7 - Loans and Notes Receivable

At June 30, 2009, 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	$ 206,465	$ 2,999	$ 209,464	$ 191,412
Allowance for uncollectibles		(523)	(523)	(20,440)
Loans and notes receivable, net	$ 206,465	$ 2,476	$ 208,941	$ 170,972
Amounts not scheduled for collection in subsequent year	$ 176,757	$ 1,483	$ 178,240	$ 142,298

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2009, was as follows (amounts expressed in thousands):

Governmental activities:	Beginning Balance as restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 809,621	$ 184,977	$ 521	$ 994,077
Construction in progress	4,080,687	720,188	603,395	4,197,480
Total capital assets not being depreciated	4,890,308	905,165	603,916	5,191,557
Capital assets being depreciated:				
Buildings	1,549,516	70,079	8,694	1,610,901
Land improvements	151,582	10,863		162,445
Machinery and equipment	662,762	58,875	54,241	667,396
Infrastructure	8,297,258	444,181	68,860	8,672,579
Total capital assets being depreciated	10,661,118	583,998	131,795	11,113,321
Less accumulated depreciation for:				
Buildings	385,175	30,243	2,424	412,994
Land improvements	61,449	4,451		65,900
Machinery and equipment	352,668	59,453	32,810	379,311
Infrastructure	3,149,115	312,589	68,860	3,392,844
Total accumulated depreciation	3,948,407	406,736	104,094	4,251,049
Total capital assets being depreciated, net	6,712,711	177,262	27,701	6,862,272
Governmental activities capital assets, net	$ 11,603,019	$ 1,082,427	$ 631,617	$ 12,053,829

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 39,734	$ 2,780	$	$ 42,514
Construction in progress	26,761	26,223	5,693	47,291
Total capital assets not being depreciated	66,495	29,003	5,693	89,805
Capital assets being depreciated:				
Buildings	84,287	3,212		87,499
Land improvements	35,498	776		36,274
Machinery and equipment	15,088	9,312	2,546	21,854
Infrastructure	67,685	1,689		69,374
Total capital assets being depreciated	202,558	14,989	2,546	215,001
Less accumulated depreciation for:				
Buildings	18,967	1,872		20,839
Land improvements	14,915	1,152		16,067
Machinery and equipment	10,071	1,006	2,206	8,871
Infrastructure	30,965	2,611		33,576
Total accumulated depreciation	74,918	6,641	2,206	79,353
Total capital assets being depreciated, net	127,640	8,348	340	135,648
Business-type activities capital assets, net	$ 194,135	$ 37,351	$ 6,033	$ 225,453

Mississippi

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

Governmental activities:		
General government	$	10,562
Education		4,703
Health and social services		15,567
Law, justice and public safety		37,323
Recreation and resources development		9,196
Regulation of business and profession		224
Transportation		327,347
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		1,814
Total depreciation expense - governmental activities	$	406,736
Business-type activities:		
Port Authority at Gulfport	$	4,223
Other business-type		2,418
Total depreciation expense - business-type activities	$	6,641

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental activities:			
Department of Transportation	$ 4,963,912	$ 3,891,335	$ 1,075,402
Information Technology Services	26,701	19,192	7,299
Wireless Communication Commission	151,998	30,097	121,901
Department of Finance and Administration	93,637	66,495	17,670
Mississippi Development Authority	78,025	71,481	5,287
Military Department	82,543	52,342	30,201
Department of Health	29,554	4,234	23,425
Department of Public Safety	29,047	16,402	11,575
Department of Wildlife, Fisheries and Parks	16,161	9,481	5,073
East MS State Hospital	13,325	71	257
Boswell Regional Center	10,500	192	
Educational Television	10,132	10,132	
Other projects less than $10 million	38,674	26,026	1,551
Total governmental activities	5,544,209	4,197,480	1,299,641
Business-type activities:			
Port Authority at Gulfport	80,599	46,795	33,803
Other projects less than $10 million	496	496	
Total business-type activities	81,095	47,291	33,803
Total construction in progress	$ 5,625,304	$ 4,244,771	$ 1,333,444

Component Units

At June 30, 2009, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	$ 59,575	$ 15,778	$ 75,353
Construction in progress	384,724	61,723	446,447
Total capital assets not being depreciated	444,299	77,501	521,800
Capital assets being depreciated:			
Buildings	2,197,597	77,353	2,274,950
Land improvements	238,162	56,275	294,437
Machinery and equipment	863,890	41,439	905,329
Total capital assets being depreciated	3,299,649	175,067	3,474,716
Less accumulated depreciation	1,233,283	88,842	1,322,125
Total capital assets being depreciated, net	2,066,366	86,225	2,152,591
Component units capital assets, net	$ 2,510,665	$ 163,726	$ 2,674,391

Note 9 - Long-term General Obligation Bonds and Notes

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

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development and capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to currently refund or advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2009, 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, 2009, 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, 2009, the Port of Pascagoula's outstanding general obligation bonds are $275,000.

Bond Anticipation Notes

During fiscal year 2009, the State issued $241,100,000 of general obligation notes in anticipation of the issuance of bonds for major economic impact projects, existing industry projects, the statewide wireless communication system, and to rollover short-term General Obligation Notes, Series 2007A and 2007B. These notes were redeemed from the proceeds of Taxable General Obligation Bonds, Series 2009D and 2009E dated October 29, 2009. The Series 2009D Bonds mature annually through 2029 with interest rates ranging from .55% to 5.539%. The Series 2009E Bonds mature annually beginning in year 2029 through 2032 with an interest rate of 6.089%. The bond anticipation notes meet the long-term financing criteria and were in fact redeemed subsequent to year end with proceeds of long-term bonds; and therefore, are reported as long-term debt rather than as a fund liability.

Refunding and Defeased Bonds

During fiscal year 2009, the State issued three general obligation refunding bonds.

The State issued $60,380,000 of general obligation refunding bonds to currently refund or advance refund and defease all or a portion of four issues reported in governmental activities. The advance refunding was undertaken to reduce debt service payments over the next 11 years by $2,756,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of $2,753,000.

The State issued $16,080,000 of general obligation refunding bonds to currently refund three issues reported in governmental activities. The current refunding was undertaken to reduce debt service payments over the next five years by $1,005,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of $997,000.

The State issued $25,240,000 of general obligation refunding bonds to currently refund one issue reported in business-type activities. The current refunding was undertaken to reduce debt service payments over the next ten years by $879,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of $873,000.

The net proceeds of the refunding issues were deposited in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2009, $489,640,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

Demand Bonds

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

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

At June 30, 2009, the General Obligation VRDBs outstanding included in long-term debt and selected SBPA terms are:

Series	Outstanding Amount	Liquidity Provider	Scheduled Termination Date	Commitment Fee	Remarketing Agent
Capital Improvements 2003	$ 76,510,000	Dexia Credit Local	11/25/2009	0.12 %	Morgan Keegan
Capital Improvements 2005	44,940,000	Bank of America	10/19/2010	0.105	Morgan Stanley
Capital Improvements 2007	48,375,000	Bank of America	7/5/2010	0.67	Bank of America
Major Economic Impact 2003A	123,095,000	Bank of America	11/25/2010	0.65	Citigroup
Major Economic Impact 2003B	123,085,000	Bank of America	11/18/2010	0.65	Morgan Stanley
Major Economic Impact 2003C	67,650,000	Bank of America	7/5/2010	0.67	Bank of America

During fiscal year 2009, draws were made on the SBPA for the Major Economic Impact 2003B bonds due to a failed remarketing. However, these bonds were subsequently remarketed. Tender advances or draws have not been necessary to purchase any unremarketed bonds under the other SBPAs. At June 30, 2009, there were no outstanding tender advances or draws.

If a tender advance occurs under the Capital Improvements 2003 SBPA, interest accrues at the bank's base rate (the federal funds rate plus one half of 1%) for the first 90 days, the bank's base rate plus one half of 1% for the second 90 days, and thereafter the bank's base rate plus 1%. If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Dexia Credit Local under the SBPA, the State has an agreement with Dexia Credit Local to redeem the bonds over a seven-year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the agreement is exercised because the entire issue of $76,510,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $7,978,000 through the term of the loan assuming an 11% interest rate with no pre-payment penalty. Subsequent to year end, $4,000,000 of the outstanding Capital Improvements 2003 demand bonds were redeemed and $72,510,000 of the outstanding Capital Improvements 2003 demand bonds were converted to long-term fixed rate bonds and the SBPA with Dexia Credit Local was terminated.

If a tender advance occurs under the Capital Improvements 2005 SBPA, interest accrues at the bank's base rate (the prime lending rate minus 1%) for the first 60 days, the bank's prime lending rate for the period from 61 to 89 days after the purchase date, and the bank's prime lending rate plus 1% beginning 90 days after the purchase date. If the tender advance is in default, interest accrues at the bank's prime rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within 90 days of the purchase date, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's prime rate plus 1%. If the take-out agreement is exercised because the entire issue of $44,940,000 of demand bonds cannot be resold, the State will be required to pay monthly installments of $977,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Capital Improvements 2007 SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $48,375,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $6,418,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003A SBPA, interest accrues at the bank's base rate (one month LIBOR) plus .35%. If the underlying rating on the bonds is decreased by Moody's Investor Service to a rating of "A", the interest rate will increase and become the bank's base rate plus .45%. If the rating from Moody's Investor Service falls below "A", the rate becomes equal to the default rate. If the tender advance is in default, interest accrues at the bank's base rate plus 2%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $123,095,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $16,331,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

If a tender advance occurs under the Major Economic Impact 2003B SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $123,085,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $16,329,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty. Subsequent to year end, $3,725,000 of the outstanding Major Economic Impact 2003B demand bonds were redeemed and $69,365,000 of the outstanding Major Economic Impact 2003B demand bonds were converted to long-term fixed rate debt.

If a tender advance occurs under the Major Economic Impact 2003C SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $67,650,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $8,975,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

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 $193,315,000 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 $123,095,000 outstanding 2003A variable rate bonds. The 2003A bonds have final maturities occurring from November 2009 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 $123,085,000 outstanding 2003B variable rate bonds. The 2003B bonds have final maturities occurring from November 2009 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 $44,940,000 of 2005 variable rate bonds and the related swap have final maturities occurring from September 2009 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 $48,375,000 of 2007 variable rate bonds and the related swap have final maturities occurring from September 2009 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, 2009, the aggregate fair value of the swaps was negative $25,211,000 determined using the zero-coupon method. The fair value was provided 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, 2009, 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, 2009, 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
2010	$ 3,540	$ 1,217	$ 8,470	$ 13,227
2011	3,695	1,202	8,336	13,233
2012	3,850	1,187	8,195	13,232
2013	4,015	1,170	8,049	13,234
2014	4,180	1,153	7,897	13,230
2015 - 2019	23,815	5,478	36,961	66,254
2020 - 2024	44,665	4,828	31,492	80,985
2025 - 2029	105,555	1,846	11,955	119,356
	$ 193,315	$ 18,081	$ 121,355	$ 332,751

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 and Section 31-18-11, Mississippi Code Ann. (1972), 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, 2009.

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, 2009, the SIFMA rate was .34714% and the interest rate on the 2005 and 2007 variable rate bonds ranged from .32% to .5%. The one-month LIBOR was .31625% and the interest rate on the 2003A and 2003B variable rate bonds ranged from .7% to 1%. 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.

Mississippi

At June 30, 2009, the primary government's outstanding general obligation bonds and notes as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Bonds				
Small Business Assistance	$ 746	5.05% - 5.5%	Sept. 2010	$ 3,000
Spillway Road	1,240	6.25%	Feb. 2011	4,950
Gaming Highway Improvement	66,855	5%	Oct. 2011	200,000
Telecommunication Conference and Training Center	695	3.75% - 5%	Nov. 2011	2,000
Ayers Settlement - Allstate Building	1,175	5.4% - 5.6%	June 2012	3,300
Single Family Residential Housing	1,765	5.4% - 5.6%	June 2012	5,000
Deer Island Project	3,790	5% - 5.25%	Nov. 2012	8,800
Franklin County Lake and Recreation Complex Road Construction	780	4.5% - 5%	Sept. 2013	1,250
Land, Water, and Timber Resources	18,005	3.75% - 5.55%	Nov. 2014	38,000
Local Governments Rail Program	5,520	5.13% - 5.6%	Nov. 2014	13,000
Milk Producers	3,225	4.5% - 5%	Dec. 2017	3,500
Farish Street Historic District	3,070	3.75% - 5.25%	Aug. 2018	4,000
Disaster Assistance	730	5.13% - 5.55%	Nov. 2019	5,000
Economic Development Highway	42,860	4.5% - 7%	Oct. 2023	72,000
Railroad Lines and Bridges Improvement	1,500	5% - 5.25%	Oct. 2023	1,500
Statewide Wireless Communication System	10,000	5% - 5.25%	Oct. 2023	10,000
Technology Alliance	1,000	5% - 5.25%	Oct. 2023	1,000
ACE Fund	12,820	4.25% - 5.55%	Dec. 2025	13,450
Business Investment Act	43,239	3.75% - 7.13%	Dec. 2025	77,870
Existing Industry	3,190	4.25% - 5%	Dec. 2025	3,500
Farm Reform	6,108	3.75% - 5.5%	Dec. 2025	11,000
Job Protection	5,565	4.25% - 5.25%	Dec. 2025	6,000
Local Governments Capital Improvements	15,300	4.25% - 5.75%	Dec. 2025	20,500
Raspet Flight Research Laboratory	1,083	4.25% - 5%	Dec. 2025	1,200
Rural Impact Act	16,185	3.75% - 5.25%	Dec. 2025	20,000
Small Municipalities and Limited Population Counties	31,660	3.75% - 5.25%	Dec. 2025	48,000
State Shipyard Improvements	125,295	4.25% - 5.55%	Dec. 2025	156,000
Stennis Space Center	19,036	3.75% - 5.6%	Dec. 2025	51,750
General Obligation Refunding Bonds	1,244,464	1.44% - 7.35%	Nov. 2026	1,665,255
Transportation	3,875	4.5% - 5%	Dec. 2027	4,000
Small Enterprise Development Finance	50,705	3.25% - 6.5%	July 2028	133,260
Capital Improvements *	927,099	.75% - 5.75%	Oct. 2028	1,672,527
Local Governments Water System Improvement	10,149	5% - 7.13%	Oct. 2028	14,743
Local System Bridge Replacement and Rehabilitation Fund	75,955	3.75% - 5.25%	Oct. 2028	85,000
Rural Fire Truck Acquisition	9,309	4.25% - 5.25%	Oct. 2028	10,000
Major Economic Impact *	400,341	.32% - 7%	Nov. 2028	485,450
Total Bonds	3,164,334			4,855,805
Notes				
Existing Industry	15,000	2.87%	Oct. 2009	15,000
Major Economic Impact	216,100	2.87% - 5.1%	Oct. 2009	216,100
Statewide Wireless Communication System	10,000	2.87%	Oct. 2009	10,000
Total Notes	241,100			241,100
Premiums	110,951			
Deferred Amount on Refunding	(59,778)			
Total Governmental Activities	3,456,607			5,096,905
Business-type Activities:				
General Obligation Refunding Bonds	25,240	1.44% - 4.65%	Sept. 2018	25,240
State Port Improvement (Gulfport)	3,991	5.37% - 5.9%	Nov. 2022	12,362
Total Business-type Activities	29,231			37,602
Total General Obligation Bonds and Notes	$ 3,485,838			$ 5,134,507

* Interest on $76,510,000 and $213,830,000 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 $93,315,000 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, 2009, 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**
2010	$ 514,530	$ 152,443	$ 2,755	$ 1,003
2011	270,820	129,400	3,050	984
2012	261,096	116,470	2,634	898
2013	238,303	104,484	2,582	817
2014	235,764	93,054	2,707	727
2015 - 2019	998,570	308,935	15,194	1,839
2020 - 2024	578,411	134,771	309	25
2025 - 2029	307,940	31,853		
Total	3,405,434	1,071,410	29,231	6,293
Premiums	110,951			
Deferred Amount on Refunding	(59,778)			
Total Debt Service, Net	$ 3,456,607	$ 1,071,410	$ 29,231	$ 6,293

Note 10 - Bonds Authorized But Unissued

At June 30, 2009, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds:		
ACE Fund	$ 37,450	$ 24,000
Business Investment Act	316,000	49,123
Capital Improvements	853,411	227,101
Deer Island Project	10,000	1,200
Disaster Matching Funds	61,000	51,000
Economic Development Highway	216,500	77,600
Energy Infrastructure Revolving Loan	20,000	20,000
Existing Industry Productivity	55,000	36,500
Farish Street Historic District	6,000	2,000
Farm Reform	111,000	5,000
Holly Springs Industrial Park Access Road	500	500
Infinity Space, Science and Education Center	10,000	10,000
Job Protection	12,000	6,000
Local Governments Capital Improvements	128,000	12,500
Local System Bridge Replacement	135,000	50,000
Major Economic Impact	1,174,700	324,210
Municipal Port Improvement	3,000	3,000
Old Capitol Green	20,000	20,000
Railroad Lines and Bridges Improvements	5,000	3,500
Railroad Revitalization and Stimulus	16,000	16,000
Rural Fire Truck Acquisition	13,900	3,900
Rural Impact	22,875	2,875
Small Enterprise Development Finance	140,000	90,600
Small Municipalities and Limited Population Counties	53,000	5,000
Southern Arts and Entertainment Center	4,000	4,000
State Port Improvement (Gulfport)	80,000	80,000
Technology Alliance Program	4,000	3,000
Transportation - Highways	8,000	8,000
	$ 3,516,336	$ 1,136,609

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, 2009, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	$ 667,867	1% - 6.55%	Aug. 2038	$ 885,825
Notes	7,645	0% - 8.2%	Nov. 2023	10,249
Nonmajor Component Units:				
Notes	672	3.137% - 4.22%	Jan. 2018	2,892
Total Component Units	$ 676,184			$ 898,966

At June 30, 2009, future revenue bond and note debt service requirements are (amounts expressed in thousands):

	Component Units	
Year Ending June 30	Principal	Interest
2010	$ 23,396	$ 29,822
2011	22,088	29,625
2012	24,538	28,776
2013	24,478	27,314
2014	26,610	24,518
2015 - 2019	146,725	100,617
2020 - 2024	149,599	69,775
2025 - 2029	125,691	42,302
2030 - 2034	101,809	19,836
2035 - 2039	31,250	2,814
	$ 676,184	$ 375,399

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2009 is $125,028,000 for governmental activities and $624,000 for business-type activities. Internal service compensated absences of $1,258,000 are included in governmental activities. The component units' liability for compensated absences is $92,440,000, of which $91,653,000 is for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-N).

B. Pollution Remediation Obligation - As of June 30, 2009, four Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

At June 30, 2009, the primary government's pollution remediation obligation is $44,747,000. This estimate is based on professional judgment, experience, historical cost data, and the use of the expected cash flow technique. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time. Estimated costs will vary due to changes in technology, fluctuation in prices, changes in potential responsible parties, and changes in regulations.

C. Notes Payable and Certificates of Participation - At June 30, 2009, 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	$ 178,850	5% - 5.45%	Jul. 2019	$ 189,860
Energy efficiency	14,964	4.15% - 5.73%	Apr. 2023	19,872
Buildings*	224,996	3.36% - 5.33%	May 2028	227,855
Roads and bridges**	415,273	1.55% - 5%	Jan. 2035	441,550
Total	834,083			879,137
Premiums	19,073			
Deferred Amount on Refunding	(1,145)			
Total Notes Payable	$ 852,011			$ 879,137
Certificate of Participation:				
Buildings	$ 2,045	5.1% - 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 receives variable rate payments computed based on USD-LIBOR-BBA multiplied by 67%.

** Interest on $22,613,000 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%.

At June 30, 2009, 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
2010	$ 155	$ 105	$ 36,529	$ 37,591
2011	160	96	39,768	35,848
2012	170	88	41,470	33,976
2013	175	79	43,620	32,006
2014	185	69	45,642	29,959
2015 - 2019	1,200	160	248,198	115,310
2020 - 2024			203,526	61,538
2025 - 2029			147,110	19,594
2030 - 2034			22,945	4,626
2035			5,275	251
Total	2,045	597	834,083	370,699
Premiums			19,073	
Deferred Amount on Refunding			(1,145)	
Total Debt Service, Net	$ 2,045	$ 597	$ 852,011	$ 370,699

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, 2009 was negative $6,874,000, 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, 2009.

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, 2009 were negative $8,034,000 and negative $6,760,000, respectively. The fair values were based upon mid-market quotations for the swap transactions on June 30, 2009. 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, 2009, 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
2010	$	$ 532	$ 5,334	$ 5,866
2011	1,735	527	5,283	7,545
2012	1,800	521	5,225	7,546
2013	2,280	514	5,153	7,947
2014	2,375	506	5,078	7,959
2015 - 2019	33,885	2,284	22,898	59,067
2020 - 2024	55,760	1,479	14,835	72,074
2025 - 2028	68,415	431	4,321	73,167
	$ 166,250	$ 6,794	$ 68,127	$ 241,171

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, 2009.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the LIBOR and the variable rate notes vary, which changes the synthetic rate on the notes. As of June 30, 2009, the one-month LIBOR was .31625% and the interest rates on the 2008A and 2008B variable rate notes were .32%. 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.

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

At June 30, 2009, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	$	$ 700
Machinery and equipment	25,685	1,202
Less accumulated depreciation	(9,755)	(96)
Total	$ 15,930	$ 1,806

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of $6,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of $29,352,000.

At June 30, 2009, 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
2010	$ 7,335	$ 855	$ 8,190	$ 9,210
2011	6,005	270	6,275	8,659
2012	3,998	269	4,267	5,314
2013	853	269	1,122	1,743
2014	531	135	666	459
2015	72		72	1,257
Total Minimum Lease Payments	18,794	1,798	20,592	26,642
Less Interest	1,563	162	1,725	2,077
Present Value of Net Minimum Lease Payments	$ 17,231	$ 1,636	$ 18,867	$ 24,565

Internal service future minimum lease payments of $46,000 less interest of $3,000 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, 2009 are summarized below (amounts expressed in thousands):

	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	$ 3,408,791	$ 439,180	$ 442,537	$ 3,405,434	$ 514,530
Premiums/Discounts (Note 9)	107,426	13,916	10,391	110,951	10,237
Deferred Amount on Refunding (Note 9)	(64,144)	5,889	1,523	(59,778)	(5,964)
Limited Obligation Bonds	24,460		24,460	0	
Notes Payable (Note 12)	862,771		28,688	834,083	36,529
Premiums (Note 12)	20,512		1,439	19,073	1,438
Deferred Amount on Refunding (Note 12)	(1,234)	89		(1,145)	(89)
Total Bonds and Notes	4,358,582	459,074	509,038	4,308,618	556,681
Capital Lease Obligations (Note 12)	12,555	10,759	6,083	17,231	6,594
Accrued Compensated Absences (Note 12)	116,760	68,153	59,885	125,028	6,448
Pollution Remediation Obligation (Note 12)	49,747	507	5,507	44,747	8,447
Certificates of Participation (Note 12)	2,190		145	2,045	155
	$ 4,539,834	$ 538,493	$ 580,658	$ 4,497,669	$ 578,325
Business-type Activities:					
General Obligation Bonds (Note 9)	$ 32,064	$ 25,240	$ 28,073	$ 29,231	$ 2,755
Accrued Compensated Absences (Note 12)	577	214	167	624	30
Capital Lease Obligations (Note 12)	926	923	213	1,636	796
	$ 33,567	$ 26,377	$ 28,453	$ 31,491	$ 3,581

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 $63,000 and $43,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include $1,269,000 and $1,258,000, respectively, of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund and special revenue funds.

Within the governmental activities, the reduction of $442,537,000 in general obligation bonds and notes includes $81,920,000 in refundings.

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

Note 14 - Short-term Financing

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 2009 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	$ 40,000	$ 130,000	$ 155,000	$ 15,000

Note 15 - Retirement Plans

Plan Description

A. General

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

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

B. Membership and Benefit Provisions

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

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of credited service 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, 2009, the total additional annual payments were $312,471,000

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, 2009, the total additional annual payments were $5,982,000.

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

Participating employees who retire regardless of age with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66.67 percent of average monthly compensation. 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, 2009, the total additional annual payments were $5,053,000.

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, 2009, the total additional annual payments were $276,000.

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, 2009. 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, 2008. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

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

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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	11.85%	30.30%	N/A	6.65%
Other employers	N/A	N/A	.71 – 8.79 mills	N/A
Plan members	7.25%	7.25%	7.00% - 10.00%	3.00% *
Annual pension cost	$ 713,569	$ 12,274	$ 15,219	$ 458
Employer contributions made	$ 713,569	$ 12,274 ***	$ 16,132	$ 458
Actuarial valuation date	June 30, 2009	June 30, 2009	Sept. 30, 2008	June 30, 2009
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	30.0 years	29.3 years	26.0 years	26.2 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Wage inflation rate	4.25%	4.25%	4.00%	4.25%
Projected salary increases	4.50% - 15.00%	5.00% - 10.52%	4.50% - 6.00%	4.50%
Increases in benefits after retirement	3.00% ~	3.00% @	2.00% - 3.75% #	3.00% ~
Proposed annual employer contribution rates for fiscal year 2011	13.56% **	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 2007, the PERS' consulting actuary recommended an employer contribution rate of 11.85 percent of covered wages in order to comply with GASB Statements No. 25 and No. 27. The PERS Board of Trustees adopted the contribution rate which provided a sufficient funding level to keep the unfunded accrued liability period less than 30 years. In the June 30, 2008 and 2009 valuation reports, the consulting actuary recommended employer contribution rates of 12.00 percent beginning July 1, 2009, and 13.56 percent beginning July 1, 2010, respectively.

*** 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:				
2007	$ 610,888	$ 10,616	$ 15,628	$ 432
2008	683,189	12,409	14,979	449
2009	713,569	12,274	16,132	458

* 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, 2006, 2007, and 2008 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 101.5%, 97.1%, and 106.0% of the required contributions for the years ended September 30, 2006, 2007, and 2008, 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, 2006, 2007, and 2008, 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, 2009	June 30, 2009	Sept. 30, 2008	June 30, 2009
Actuarial Value of Assets	$ 20,597,581	$ 292,322	$ 208,479	$ 13,386
Actuarial Accrued Liability (AAL) Entry Age	$ 30,594,546	$ 394,630	$ 368,131	$ 16,535
Unfunded AAL	$ 9,996,965	$ 102,308	$ 159,652	$ 3,149
Percent Funded	67.3%	74.1%	56.6%	81.0%
Annual Covered Payroll	$ 5,831,864	$ 26,390	$ 1,713	$ 6,803
Unfunded AAL as a Percentage of Annual Covered Payroll	171.4%	387.7%	9,320.0%	46.3%

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

Note 16 - Other Postemployment Benefits

Plan Description

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

Funding Policy

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, 2009, 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, 2009. 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 $43,025,000 is .93 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 2009 (amounts expressed in thousands):

Annual required contribution	$ 43,025
Interest on prior year net OPEB obligation	1,963
Adjustment to annual required contribution	(1,558)
Annual OPEB cost	43,430
Contributions made	0
Increase in net OPEB obligation	43,430
Net OPEB obligation – Beginning of year	43,627
Net OPEB obligation – End of year	$ 87,057

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

	Annual OPEB Cost	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
2008	$ 43,627	0.0%	$ 43,627
2009	43,430	0.0	87,057

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, 2009
Actuarial Value of Assets	$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	$ 755,328
Unfunded AAL (UAAL)	$ 755,328
Funded Ratio	0.0%
Annual Covered Payroll	$ 4,613,682
UAAL as a Percentage of Annual Covered Payroll	16.4%

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

Actuarial Methods and Assumptions

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

Actuarial valuation date	June 30, 2009
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Projected salary increases**	4.5% - 15.0%
Healthcare cost trend rate*	10.5%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2016
* Includes price inflation at	3.5%
** Includes wage inflation at	4.25%

Note 17 - Commitments

A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2009 are as follows (amounts expressed in thousands):

Year Ending June 30		Amount
2010	$	19,779
2011		16,801
2012		12,667
2013		9,661
2014		8,022
2015 - 2019		21,052
2020 - 2024		1,307
2025 - 2029		582
2030 - 2034		440
2035 - 2039		323
Thereafter		268
Total Minimum Commitments	$	90,902

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2009 amounted to $19,796,000.

B. Contracts

At June 30, 2009, the Department of Transportation had contracts outstanding of approximately $765,556,000 with performance continuing during fiscal year 2010. Of this amount $17,295,000 is related to local public agencies, such as planning and development districts, counties and municipalities. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 74 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline and gaming taxes.

The State Aid Road Division had contracts of $55,105,000 outstanding at June 30, 2009 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 40 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 $154,308,000 at June 30, 2009. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately $30,201,000 at June 30, 2009. Approximately 99 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately $33,803,000 at June 30, 2009. These contracts were primarily for construction costs related to terminal expansion, yard expansion, and rehabilitating berth facilities. These contracts will be paid from Port Authority at Gulfport's revenues and bonds.

The Department of Information Technology Services had contracts outstanding of approximately $121,901,244 at June 30, 2009. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system. Approximately 88 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by capital projects funds.

Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2008 and 2009 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2008	$ 129,201	$ 634,839	$ 620,157	$ 143,883
2009	$ 143,883	$ 720,720	$ 709,644	$ 154,959

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

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

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

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

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

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

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

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

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

Note 19 - Contingencies

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

B. **Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the State and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed $2,538,000. 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, 2009, 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, 2009, outstanding Community Disaster loan guarantees totaled $176,364,000.

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 $2,478,354,000 at June 30, 2009. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 20 - Endowments

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

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

The net appreciation of investments of donor-restricted endowments available for expenditure approximated $10,810,000 at June 30, 2009, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Note 21 - Subsequent Events

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 $169,558,000 and $54,274,000 in September and December 2009, respectively. 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 $231,000,000 from the Working Cash Stabilization Reserve Account and $415,000,000 from budgetary special funds as of December 18, 2009. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State entered into two financing agreements on August 26, 2009 to accelerate the construction of a highway project. These agreements resulted in notes payable totaling $72,785,000 payable beginning in year 2010 through year 2035 with interest rates ranging from 2% to 6.5897%.

The *2009 Swap Agreement*, in connection with $58,000,000 of variable rate notes to be issued in year 2009 for a highway project, was terminated at the option of the State on August 27, 2009. It had a negative fair value at the time of termination and the State paid $8,815,000 to the Swap Counterparty.

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

Taxable General Obligation Bonds, Series 2009D totaling $335,675,000 dated October 29, 2009. These bonds provided funding for ACE Fund, Existing Industry, Economic Development Highway, Farm Reform, Rural Impact, Major Economic Impact, Statewide Wireless Communication System, the refinancing of a portion of general obligation bond anticipation notes, and the current refunding of a portion of Major Economic Impact bonds from variable rate to fixed rate debt. The bonds mature serially through year 2029 with interest rates ranging from .55% to 5.539%.

Taxable General Obligation Bonds, Series 2009E totaling $120,000,000 dated October 29, 2009. These bonds provided funding for a Major Economic Impact project and the refinancing of a portion of general obligation bond anticipation notes. The bonds mature serially beginning in year 2029 through year 2032 with an interest rate of 6.089%.

Tax-exempt General Obligation Refunding Bonds, Series 2009F totaling $64,415,000 dated October 29, 2009. These bonds currently refunded a portion of Capital Improvement bonds from variable rate to fixed rate debt. The bonds mature serially beginning in year 2020 through year 2023 with interest rates ranging from 3.85% to 5.25%.

Taxable General Obligation Build America Bonds, Series 2009G totaling $98,300,000 dated October 29, 2009. These bonds provided funding for Municipal Port Improvements, Rural Fire Truck Acquisition, Capital Improvements, Farm Reform, and Small Municipalities and Limited Population Counties. The bonds mature serially beginning in year 2029 through year 2034 with an interest rate of 5.669%.

Taxable General Obligation Note, Series 2009B totaling $21,875,000 dated November 18, 2009. This note provided funding for Business Investment, Existing Industry, Job Protection, Rural Impact, Railroad Lines Improvements, Farish Street Historic District, and Mississippi Technology Alliance Program. The note will mature November 17, 2010 with interest payable at maturity at a rate of .54%.

Tax-exempt General Obligation Note, Series 2009C totaling $40,252,000 dated November 18, 2009. This note provided funding for Holly Springs Industrial Park Access Road, Southern Arts and Entertainment Center, and Capital Improvements. The note will mature November 17, 2010 with interest payable at maturity at a rate of 1.25%.

Required Supplementary Information

Required Supplementary Information

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

For the Year Ended June 30, 2009 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	$ 2,019,300	$ 2,019,300	$ 1,921,637	$ (97,663)
Individual income tax	1,617,000	1,617,000	1,474,787	(142,213)
Corporate income and franchise taxes	528,400	528,400	422,040	(106,360)
Use and wholesale compensating taxes	207,700	207,700	199,937	(7,763)
Tobacco, beer and wine taxes	90,100	90,100	114,934	24,834
Insurance tax	164,500	164,500	153,176	(11,324)
Oil and gas severance taxes	92,700	92,700	84,810	(7,890)
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	61,800	61,800	63,777	1,977
Other taxes	23,000	23,000	18,634	(4,366)
Interest	25,000	25,000	28,279	3,279
Auto privilege, tag and title fees	16,900	16,900	16,407	(493)
Gaming fees	207,800	207,800	172,429	(35,371)
Highway Safety Patrol fees	22,700	22,700	22,513	(187)
Other fees and services	12,000	12,000	11,977	(23)
Miscellaneous	3,400	3,400	4,833	1,433
Court assessments and settlements			10,004	10,004
Special Fund revenues				
Total Revenues	5,092,300	5,092,300	4,720,174	(372,126)
Expenditures by Major Budgetary Function				
Legislative	25,636	25,704	25,028	(676)
Judiciary and justice	61,250	59,951	59,522	(429)
Executive and administrative	3,772	3,588	3,535	(53)
Fiscal affairs	70,644	92,104	92,100	(4)
Public education	2,230,446	2,169,554	2,168,871	(683)
Higher education	849,013	799,112	799,105	(7)
Public health	34,107	31,076	31,015	(61)
Hospitals and hospital schools	264,529	251,303	250,128	(1,175)
Agriculture, commerce and economic development	112,569	106,989	106,968	(21)
Conservation and recreation	55,177	52,551	52,521	(30)
Insurance and banking				
Corrections	265,954	252,656	252,337	(319)
Interdepartmental service				
Social welfare	520,902	519,519	519,496	(23)
Public protection and veterans assistance	95,453	90,673	90,649	(24)
Local assistance	83,900	84,900	84,897	(3)
Motor vehicle and other regulatory agencies	710	1,634	1,629	(5)
Miscellaneous	1,407	1,337	1,327	(10)
Public works				
Debt service	289,548	289,548	289,548	
Total Expenditures	4,965,017	4,832,199	4,828,676	(3,523)
Excess of Revenues over (under) Expenditures	127,283	260,101	(108,502)	(368,603)
Other Financing Sources (Uses)				
Transfers in	17,600	17,600	235,119	217,519
Transfers out			(155,284)	(155,284)
Investments purchased, net				
Other sources of cash			3	3
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	144,883	277,701	(28,664)	(306,365)
Budgetary Fund Balances - Beginning	36,739	36,739	36,739	
Budgetary Fund Balances - Ending	$ 181,622	$ 314,440	$ 8,075	$ (306,365)

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)
$ 253,611	$ 248,729	$ 261,356	$ 12,627	$	$	$	$
23,403	22,822	23,009	187				
		58	58				
		14	14				
				12,363,987	14,924,260	10,623,684	(4,300,576)
277,014	271,551	284,437	12,886	12,363,987	14,924,260	10,623,684	(4,300,576)
				22	22	16	(6)
				47,859	62,489	51,617	(10,872)
				15,323	21,029	16,856	(4,173)
				72,922	94,910	84,153	(10,757)
202,751	195,170	184,758	(10,412)	957,111	969,346	786,177	(183,169)
93,648	88,965	83,970	(4,995)	99,322	98,520	80,982	(17,538)
				376,015	403,029	306,694	(96,335)
				367,706	404,480	376,756	(27,724)
3,224	3,063	2,885	(178)	2,453,591	2,461,796	767,968	(1,693,828)
126	123	123		239,560	948,757	293,818	(654,939)
				66,612	68,943	61,558	(7,385)
				81,008	98,244	95,481	(2,763)
				44,342	44,927	39,906	(5,021)
				4,706,999	5,916,031	5,423,281	(492,750)
				1,321,765	1,626,681	699,506	(927,175)
				25,496	26,133	22,265	(3,868)
450	428	404	(24)	1,048	3,339	2,994	(345)
				1,228,466	1,409,764	1,227,569	(182,195)
				258,820	265,820	55,628	(210,192)
300,199	287,749	272,140	(15,609)	12,363,987	14,924,260	10,393,225	(4,531,035)
(23,185)	(16,198)	12,297	28,495			230,459	230,459
						1,248	1,248
		(12,450)	(12,450)			(211,561)	(211,561)
						(634)	(634)
(23,185)	(16,198)	(153)	16,045			19,512	19,512
		398	398			971,951	971,951
$ (23,185)	$ (16,198)	$ 245	$ 16,443	$ 0	$ 0	$ 991,463	$ 991,463

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

For the Year Ended June 30, 2009

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, 2009 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	$ (28,664)	$ (153)	$ 19,512
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	1,334	153	(1,487)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			(19,316)
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	(334,338)		(42,697)
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(313,072)		(8,291)
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	208,005		3,449
Net Change in GAAP Fund Balances	$ (466,735)	$ 0	$ (48,830)

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2009 (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						
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
2009	20,597,581	30,594,546	9,996,965	67.3	5,831,864	171.4
Mississippi Highway Safety Patrol Retirement System						
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
2009	292,322	394,630	102,308	74.1	26,390	387.7
Municipal Retirement Systems *						
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
2008	208,479	368,131	159,652	56.6	1,713	9,320.0
Supplemental Legislative Retirement Plan						
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
2009	13,386	16,535	3,149	81.0	6,803	46.3

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2009, does not differ materially from the value as of September 30, 2008.

Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2009 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2009 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b – a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b – a) / c)
June 30, 2008	$ 0	$ 570,248	$ 570,248	0.0%	$ 4,348,942	13.1%
June 30, 2009	0	755,328	755,328	0.0	4,613,682	16.4

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 $233,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2010D, dated as of the date of their delivery (the "Series 2010D Bonds"). The Series 2010D Bonds are being issued pursuant to a resolution of the State Bond Commission of the State dated October 6, 2010 (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 2010D Bonds and the beneficial owners of the Series 2010D 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 2010D 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 2010D 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 2010D 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 2010D Bonds, since the Series 2010D 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 2010D 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 2010D 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 2010D 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 2010D 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 2010D 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 2010D Bonds, and beneficial owners of the Series 2010D Bonds and shall create no rights in any other person or entity.

Date: November 10, 2010

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: $233,975,000 State of Mississippi Taxable General Obligation Bonds, Series 2010D, dated as of the date of their 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 2010D 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 2010D Bonds under the provisions of Section 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, Section 57-93-1, 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 Mississippi Legislature, and Sections 23 and 24 of House Bill 1722, 2009 Regular Session of the Mississippi 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 Mississippi Legislature, Section 3 of House Bill 1641, 2008 Regular Session of the Mississippi Legislature, and Section 1 of House Bill 35 of the 2009 Second Extraordinary Session of the Mississippi Legislature, Chapter 542, General Laws of 2006 of the State, as amended by Chapter 429, General Laws of 2008 of the State, Section 57-85-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, Section 12 of House Bill 1722, 2009 Regular Session of the Mississippi Legislature and Section 30 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Sections 24 and 25 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, as amended by Section 4 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi 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 Mississippi Legislature, Section 1 of Senate Bill 2605, 2009 Regular Session of the Mississippi Legislature, House Bill 338, 2010 Regular Session of the Mississippi Legislature, and by Senate Bill 3189, 2010 Regular Session of the Mississippi Legislature, Section 6 of House Bill 1701, 2010 Regular Session of the Mississippi

Legislature and particularly Section 6(3) thereof, Sections 8 and 9 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Section 57-1-18, Mississippi Code of 1972, as amended and supplemented from time to time, and particularly by particularly House Bill 581, 2002 Regular Session of the Mississippi Legislature, House Bill 1595, 2003 Regular Session of the Mississippi Legislature, House Bill 1509, 2006 Regular Session of the Mississippi Legislature, House Bill 1656, 2008 Regular Session of the Mississippi Legislature, House Bill 1722, 2009 Regular Session of the Mississippi Legislature and Sections 38 and 39 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Sections 57-43-1 and 57-43-15, Mississippi Code of 1972, as amended and supplemented from time to time, and Section 2 of Chapter 497, General Laws of 2009 of the State, as amended by Section 8 of Senate Bill 3181, 2010 Regular Session of the Mississippi Legislature, Sections 1 and 2 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature, Section 3 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature, Section 57-61-36(3), Mississippi Code of 1972, as amended and supplemented from time to time, and particularly by Section 29 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Section 57-95-1, Mississippi Code of 1972, as amended and supplemented, and Sections 40 through 55 of Chapter 1, Third Extraordinary Session, General Laws of 2005 of the State, as amended by Section 3 of Senate Bill 2993, 2008 Regular Session of the Mississippi Legislature, Chapter 465, General Laws of 1999 of the State, and Section 43 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, and Section 8 of House Bill 1724, 2007 Regular Session of the Mississippi Legislature (collectively, the "Act").

The existing State Constitution is the Mississippi Constitution of 1890. Protection for the contractual obligations owed holders of the Series 2010D Bonds arising from the issuance of the Series 2010D 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 2010D Bonds are validated, issued and delivered, such Series 2010D Bonds shall constitute a contract as contemplated by Section 16, supra, and shall enjoy the full protection thereof.

The Series 2010D 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 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 Non-litigation shall be rendered by the Attorney General certifying the finality of validation prior to delivery of the Series 2010D Bonds.

As to general obligations, the Act provides generally:

The bonds issued under the provisions hereof are general obligations of the State, and for the repayment thereof the full faith and credit of the State 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 2010D Bonds have been duly and validly authorized, issued, executed and delivered by and on behalf of the State, that the Series 2010D 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 2010D Bonds, the State will deliver its Continuing Disclosure Certificate dated as of the date of the issuance and delivery of the Series 2010D Bonds. The Continuing Disclosure Certificate will be delivered by the State for the benefit of the holders of the Series 2010D 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 2010D Bonds and in anticipation that it will be relied upon by the parties purchasing the Series 2010D Bonds and by Co-Bond Counsel, in rendering their opinion with respect to the Series 2010D Bonds, and such reliance is hereby specifically authorized.

Very truly yours,

JIM HOOD, Attorney General

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APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

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FORM OF OPINION 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 Section 31-17-151 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, Section 57-93-1, 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 Mississippi Legislature, and Sections 23 and 24 of House Bill 1722, 2009 Regular Session of the Mississippi 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 Mississippi Legislature, Section 3 of House Bill 1641, 2008 Regular Session of the Mississippi Legislature, and Section 1 of House Bill 35 of the 2009 Second Extraordinary Session of the Mississippi Legislature, Chapter 542, General Laws of 2006 of the State, as amended by Chapter 429, General Laws of 2008 of the State, Section 57-85-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time, Section 12 of House Bill 1722, 2009 Regular Session of the Mississippi Legislature and Section 30 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Sections 24 and 25 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, as amended by Section 4 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi 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 Mississippi Legislature, Section 1 of Senate Bill 2605, 2009 Regular Session of the Mississippi Legislature, House Bill 338, 2010 Regular Session of the Mississippi Legislature, and by Senate Bill 3189, 2010 Regular Session of the Mississippi Legislature, Section 6 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature and particularly Section 6(3) thereof, Sections 8 and 9 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Section 57-1-18, Mississippi Code of 1972, as amended and supplemented from time to time, and particularly by particularly House Bill 581, 2002 Regular Session of the Mississippi Legislature, House Bill 1595, 2003 Regular Session of the Mississippi Legislature, House Bill 1509, 2006 Regular Session of the Mississippi Legislature, House Bill 1656, 2008 Regular Session of the Mississippi Legislature, House Bill 1722, 2009 Regular Session of the Mississippi Legislature and Sections 38 and 39 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Sections 57-43-1 and 57-43-15, Mississippi Code of 1972, as amended and supplemented from time to time, and Section 2 of Chapter 497, General Laws of 2009 of the State, as amended by Section 8 of Senate Bill 3181, 2010 Regular Session of the Mississippi Legislature, Sections 1 and 2 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature, Section 3 of House Bill 8, 2010 Second Extraordinary Session of the Mississippi Legislature, Section 57-61-36(3), Mississippi Code of 1972, as amended and supplemented from time to time, and particularly by Section 29 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, Section 57-95-1, Mississippi Code of 1972, as amended and supplemented, and Sections 40 through 55 of Chapter 1, Third Extraordinary Session, General Laws of 2005 of the State, as amended by Section 3 of Senate Bill 2993, 2008 Regular Session of the Mississippi Legislature, Chapter 465, General Laws of 1999 of the State, and Section 43 of House Bill 1701, 2010 Regular Session of the Mississippi Legislature, and Section 8 of House Bill 1724, 2007 Regular Session of the Mississippi 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 6, 2010 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$233,975,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION BONDS,
SERIES 2010D

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 2010D Bonds"). The Series 2010D Bonds are being issued for the purpose of providing funds to refinance certain short-term 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 2010D 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 2010D Bonds as executed and assume that all other Series 2010D 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 2010D 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 2010D 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 2010D 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 2010D Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

Interest on the Series 2010D 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 2010D 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,

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STATE OF MISSISSIPPI • TAXABLE GENERAL OBLIGATION BONDS, SERIES 2010D

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