OFFICIAL STATEMENT

TWO (2) NEW ISSUES
BOOK-ENTRY ONLY

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

In the opinion of Watkins & Eager, PLLC, Jackson, Mississippi ("Bond Counsel"), under existing laws, regulations, rulings and judicial decisions, interest on the Series 2012E Bonds (as defined herein) should be treated as includable in gross income of the holders thereof for federal income tax purposes. Interest on the Series 2012F Bonds (as defined herein) is excludable from gross income for federal tax purposes pursuant to Section 103 of the Code (as defined herein). However, see "TAX MATTERS" for a description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2012F Bonds. Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2012 Bonds (as defined herein) is exempt from income taxation in the State (as defined herein). See "TAX MATTERS" herein and APPENDIX E - FORMS OF OPINION OF BOND COUNSEL attached hereto.

$71,985,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012E

$171,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012F (Tax-Exempt)

Dated: Date of Delivery

Due: As shown on the inside cover page

Interest on the $71,985,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2012E (the "Series 2012E Bonds") will be payable on June 1 and December 1 of each year, commencing December 1, 2012. Interest on the $171,860,000 State of Mississippi General Obligation Refunding Bonds, Series 2012F (Tax-Exempt) (the "Series 2012F Bonds" and together with the Series 2012E Bonds, the "Series 2012 Bonds") will be payable on May 1 and November 1 of each year, commencing November 1, 2012. 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 2012 Bonds (the "Paying and Transfer Agent"). The Series 2012 Bonds will be issued as fully registered bonds in the denomination 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 2012 Bonds under a book-entry-only system, as described herein. So long as the Series 2012 Bonds are held in book-entry form, Beneficial Owners (as defined herein) of the Series 2012 Bonds will not receive physical delivery of bond certificates.

The principal of, and interest on, the Series 2012 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 2012 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 2012 Bonds are general obligations of the State and are secured by a pledge of the full faith and credit of the State.

The Series 2012 Bonds may be subject to optional and/or mandatory sinking fund redemption prior to their respective maturities as more fully described in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2012 BONDS – Redemption Provisions."

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 2012 Bonds are offered subject to the final approving opinion of Watkins & Eager, PLLC, Jackson, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the Underwriters (described below) by their counsel, Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi. Certain legal matters with respect to the State will be passed upon by the State Attorney General, Jim Hood, Esq. Piper Jaffray & Co., Memphis, Tennessee is serving as Financial Advisor to the State in connection with the sale and issuance of the Series 2012 Bonds. It is expected that delivery of the Series 2012 Bonds in definitive form will be made in New York, New York, on or about August 28, 2012.

Citigroup
(Book-Runner for Series 2012E Bonds)

Raymond James | Morgan Keegan
(Book-Runner for Series 2012F Bonds)

Duncan-Williams, Inc.

Loop Capital Markets

Stephens Inc.
(Series 2012F Bonds only)

Dated: August 15, 2012

STATE OF MISSISSIPPI

$71,985,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION
REFUNDING BONDS,
SERIES 2012E

MATURITY SCHEDULE

Year of Maturity (December 1)	Principal Amount	Interest Rate	Yield	CUSIP**
2012	$ 1,265,000	0.380%	0.380%	605581BT3
2015	1,675,000	0.789	0.789	605581BU0
2016	6,345,000	1.116	1.116	605581BV8
2017	6,475,000	1.366	1.366	605581BW6
2018	6,495,000	1.695	1.695	605581BX4
2019	6,470,000	1.895	1.895	605581BY2
2020	6,650,000	2.267	2.267	605581BZ9
2021	6,855,000	2.447	2.447	605581CA3
2022	7,070,000	2.597	2.597	605581CB1
2023	7,310,000	2.747	2.747	605581CC9
2024	7,555,000	2.827	2.827	605581CD7
2025	7,820,000	3.027	3.027	605581CE5

$171,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2012F
(Tax-Exempt)

MATURITY SCHEDULE

Year of Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP**
2012	$ 1,160,000	1.000%	0.175%	605581BF3
2015	465,000	2.000	0.600	605581BR7
2016	8,025,000	4.000	0.690	605581BG1
2017	415,000	1.625	0.920	605581BS5
2018	8,435,000	4.000	1.180	605581BH9
2019	8,700,000	2.250	1.460	605581BJ5
2020	9,040,000	5.000	1.710	605581BK2
2021	36,405,000	5.000	1.920	605581BL0
2022	37,945,000	4.000	2.050	605581BM8
2023*	39,560,000	5.000	2.170	605581BN6
2024*	10,575,000	5.000	2.270	605581BP1
2025*	11,135,000	5.000	2.360	605581BQ9

* Priced to par call date of November 1, 2022.

** 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

PHIL BRYANT — *Governor, Ex officio Chairman*
JIM HOOD — *Attorney General, Ex officio Secretary*
LYNN FITCH — S*tate Treasurer, Ex officio Member*

DEPARTMENT OF FINANCE AND ADMINISTRATION

KEVIN J. UPCHURCH — *Executive Director*
FLIP PHILLIPS — *Deputy Executive Director*
MARK VALENTINE — *Director, Bond Advisory Division*

OFFICE OF THE ATTORNEY GENERAL

ROMAINE RICHARDS — *Special Assistant Attorney General*

OFFICE OF THE STATE TREASURER

LAURA JACKSON — *Deputy Treasurer*
RICKY MANNING — *Director, Bond Division*

BOND COUNSEL

WATKINS & EAGER, PLLC
Jackson, Mississippi

UNDERWRITERS' COUNSEL

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

FINANCIAL ADVISOR

PIPER JAFFRAY & CO.
Memphis, Tennessee

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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 (AS DEFINED HEREIN) TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED HEREIN IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 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 2012 BONDS NOR SHALL THERE BE ANY SALE OF THE SERIES 2012 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, 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 2012 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 2012 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 2012 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 2012 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

$71,985,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2012E

The Issuer .... State of Mississippi (the "State").

Issue and Date .... $71,985,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2012E (the "Series 2012E Bonds"), dated their date of delivery.

Authority .... The Series 2012E Bonds will be issued pursuant to the provisions of Sections 31-27-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the "Act").

Use of Proceeds .... The Series 2012E Bonds are being issued for the purpose of providing funds to (a) advance refund and defease certain maturities of the State's $97,070,000 (original principal amount) Taxable General Obligation Bonds (Local Governments Capital Improvements, 2004 Shipyard Improvements, Development Infrastructure Improvements, Small Municipalities Grant Program, Emerging Crops Fund, Major Economic Program, Rural Impact Program, Business Incubator Program, Existing Industry Program, Job Protection, ACE Fund, Museum Program, Children's Museum Program, 2004-2005 IHL Improvements and Series 2005D Refunding Projects), dated as of December 1, 2005 (collectively, the "Taxable Refunded Bonds"), and (b) pay the costs incident to the sale, issuance and delivery of the Series 2012E Bonds.

Amounts and Maturities .... The Series 2012E Bonds will mature on December 1 in the years and amounts as set forth on the inside cover page hereto.

Interest Payment Dates.......... Interest on the Series 2012E Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2012.

Redemption Provisions.......... The Series 2012E Bonds may be subject to optional and/or mandatory sinking fund redemption prior to their respective maturities (see "DESCRIPTION OF THE SERIES 2012 BONDS - Redemption Provisions," herein).

Security for Payment............. Pursuant to the Act, the Series 2012E 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 2012 BONDS - Security," herein).

Tax Matters .... **INTEREST ON THE SERIES 2012E BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.** In the opinion of Bond Counsel, interest on the Series 2012E Bonds is exempt from all income taxation in 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.

OFFICIAL STATEMENT SUMMARY

THE OFFERING

$171,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2012F
(Tax-Exempt)

The Issuer .... State of Mississippi (the "State").

Issue and Date .... $171,860,000 State of Mississippi General Obligation Refunding Bonds, Series 2012F (Tax-Exempt) (the "Series 2012F Bonds"), dated their date of delivery.

Authority .... The Series 2012F Bonds will be issued pursuant to the provisions of the Act.

Use of Proceeds .... The Series 2012F Bonds are being issued for the purpose providing funds to (a) advance refund and defease certain maturities of the State's (1) $150,235,000 (original principal amount) General Obligation Bonds (Watershed Repair and Rehabilitation Cost-Share Program, Moon Lake State Park, Public Libraries Capital Improvements, DFA Projects, Local System Bridge Replacement and the Rehabilitation Fund, the Rural Fire Truck Act and Refunding Series 2005C Notes Projects), Series 2005, dated as of December 1, 2005, (2) $167,315,000 (original principal amount) General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B. B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt) Project), Series 2006D, dated as of November 1, 2006, and (3) $299,020,000 (original principal amount) General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated as of December 1, 2007 (collectively, the "Tax-Exempt Refunded Bonds"), and (b) pay the costs incident to the sale, issuance and delivery of the Series 2012F Bonds.

Amounts and Maturities .... The Series 2012F 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 2012F Bonds will be payable on May 1 and November 1 of each year, commencing November 1, 2012.

Redemption Provisions.......... The Series 2012F Bonds may be subject to optional and mandatory sinking fund redemption prior to their respective maturities (see "DESCRIPTION OF THE SERIES 2012 BONDS - Redemption Provisions," herein).

Security for Payment.............. Pursuant to the Act, the Series 2012F 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 2012 BONDS - Security," herein).

Tax Matters .... In the opinion of Bond Counsel (as defined herein), interest on the Series 2012F Bonds is excludable from gross income for federal tax purposes pursuant to Section 103 of the Code (as defined herein). However, see "TAX MATTERS" for a description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2012F Bonds. Bond Counsel is further of the opinion that interest on the Series 2012F Bonds is exempt from all income taxation in 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.

OFFICIAL STATEMENT

$71,985,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION
REFUNDING BONDS,
SERIES 2012E

$171,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2012F
(Tax-Exempt)

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 $71,985,000 Taxable General Obligation Refunding Bonds, Series 2012E (the "Series 2012E Bonds") and $171,860,000 General Obligation Refunding Bonds, Series 2012F (Tax-Exempt) (the "Series 2012F Bonds" and together with the Series 2012E Bonds, the "Series 2012 Bonds").

DESCRIPTION OF THE SERIES 2012 BONDS

General

The Series 2012 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 as set forth hereinbelow, 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 2012 Bonds (the "Paying and Transfer Agent"). The Series 2012 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 2012 Bonds.

The Series 2012 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 2012 Bonds held in book-entry form shall be payable as described herein under the heading "DESCRIPTION OF THE SERIES 2012 BONDS - Book-Entry-Only System."

The principal of and interest on, the Series 2012 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 (as hereinafter defined) of the Series 2012 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 2012 Bonds will mature on the dates, in the years and in the amounts set forth on the inside cover page hereto.

Series 2012E Bonds

Interest on the Series 2012E Bonds will be payable on June 1 and December 1 of each year, commencing on December 1, 2012. The Series 2012E Bonds will be issued pursuant to the provisions of Section 31-27-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the "Act") and a resolution adopted by the State Bond Commission of the State on July 3, 2012 (the "Series 2012E Bond Resolution") for the purpose of providing funds to (a) advance refund and defease certain maturities of the

State's $97,070,000 (original principal amount) Taxable General Obligation Bonds (Local Governments Capital Improvements, 2004 Shipyard Improvements, Development Infrastructure Improvements, Small Municipalities Grant Program, Emerging Crops Fund, Major Economic Program, Rural Impact Program, Business Incubator Program, Existing Industry Program, Job Protection, ACE Fund, Museum Program, Children's Museum Program, 2004-2005 IHL Improvements and Series 2005D Refunding Projects), dated as of December 1, 2005 (collectively, the "Taxable Refunded Bonds"), and (b) pay the costs incident to the sale, issuance and delivery of the Series 2012E Bonds (see "PLAN OF REFUNDING – Series 2012E Bonds," herein).

INTEREST ON THE SERIES 2012E BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.

Series 2012F Bonds

Interest on the Series 2012F Bonds will be payable on May 1 and November 1 of each year, commencing on November 1, 2012. The Series 2012F Bonds will be issued pursuant to the provisions of the Act and a resolution adopted by the State Bond Commission of the State on July 3, 2012 (the "Series 2012F Bond Resolution" and together with the Series 2012E Bond Resolution, the "Resolutions") for the purpose of providing funds to (a) advance refund and defease certain maturities of the State's (1) $150,235,000 (original principal amount) General Obligation Bonds (Watershed Repair and Rehabilitation Cost-Share Program, Moon Lake State Park, Public Libraries Capital Improvements, DFA Projects, Local System Bridge Replacement and the Rehabilitation Fund, the Rural Fire Truck Act and Refunding Series 2005C Notes Projects), Series 2005, dated as of December 1, 2005, (2) $167,315,000 (original principal amount) General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B. B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt) Project), Series 2006D, dated as of November 1, 2006, and (3) $299,020,000 (original principal amount) General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated as of December 1, 2007 (collectively, the "Tax-Exempt Refunded Bonds" and together with the Taxable Refunded Bonds, the "Refunded Bonds") and (b) pay the costs incident to the sale, issuance and delivery of the Series 2012F Bonds (see "PLAN OF REFUNDING – Series 2012F Bonds," herein).

Series 2012A Bonds, Series 2012B Bonds, Series 2012C Bonds and Series 2012D Bonds

Prior to August 1, 2012, the State had $300,095,000 in variable rate debt outstanding. All of this debt was currently restructured and/or refunded by the issuance of the $57,120,000 State of Mississippi Taxable General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012A, the $43,900,000 State of Mississippi General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012B, the $100,490,000 State of Mississippi Taxable General Obligation Refunding Bonds (Nissan North America, Inc. Project), Series 2012C (LIBOR Index) and the $78,625,000 State of Mississippi General Obligation Refunding Bonds (Capital Improvements Projects), Series 2012D (SIFMA Index) (collectively, the "2012A-D Refunding Bonds").

Security

The Series 2012 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 2012 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 2012 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 2012 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 2012 Bonds.

Redemption Provisions

Optional Redemption. The Series 2012E Bonds will be subject to redemption prior to their respective maturities, at the option of the State, in whole or in part, in any authorized denomination on any date at a redemption price equal to the Make-Whole Redemption Price.

The "Make-Whole Redemption Price" of any Series 2012E Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such Series 2012E 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 2012E Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2012E Bonds are to be redeemed, discounted to the date on which such Series 2012E Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 20 basis points, and, in each case, accrued and unpaid interest on such Series 2012E Bonds on such redemption date.

The "Treasury Rate" is, as of any redemption date of any Series 2012E 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 2012E 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 2012E Bonds.

The Series 2012F Bonds will be subject to optional redemption prior to their respective maturities on or after November 1, 2022, either in whole on any date, or in part on any interest payment date, (as selected by the State among maturities and by lot within each maturity) at the principal amount thereof, together with the interest accrued thereon to the date fixed for redemption and without premium.

Selection of Series 2012 Bonds to be Redeemed if Held in Book-Entry Only System. If less than all of the Series 2012 Bonds shall be called for redemption, the State shall notify DTC that the redemption shall be by lot in whole multiples of $5,000. While DTC is the registered owner of the Series 2012 Bonds, partial redemptions (including any sinking fund payments) of the Series 2012 Bonds of a particular maturity will be determined in accordance with DTC's procedures as in effect at the time of any such partial redemption.

Selection of Series 2012 Bonds to be Redeemed if not Held in Book-Entry Only System. If less than all of the Series 2012 Bonds subject to redemption are called for redemption, the Paying and Transfer Agent shall select the Series 2012 Bonds to be redeemed from the outstanding Series 2012 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 2012 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 2012 Bonds (or any portions thereof in authorized denominations) to be redeemed, will be given by the State at least 30 days but not more than 45 days prior to the date fixed for redemption by mailing a copy of the redemption notice by registered or certified mail to the Underwriters (as defined herein) and the registered owner of each Series 2012 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 2012 Bonds, or any defect in the notice mailed to any such owner of Series 2012 Bonds, will not affect the validity of any proceeding for the redemption of any other Series 2012 Bonds. So long as DTC or its nominee is the registered owner of the Series 2012 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 2012 BONDS -- Book-Entry-Only System."

Defeasance

Under the Resolutions, Series 2012 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 2012 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 2012 Bonds.

Registration

Series 2012 Bonds Subject to the Book-Entry-Only System. For so long as DTC acts as securities depository for the Series 2012 Bonds, the registration and transfer of ownership interests in Series 2012 Bonds shall be accomplished by book entries made by DTC and the Direct Participants and, where appropriate, the Indirect Participants, as described herein under the heading "DESCRIPTION OF THE SERIES 2012 BONDS-Book-Entry-Only System."

Series 2012 Bonds Not Subject to Book-Entry-Only System. Should the Series 2012 Bonds no longer be held in book-entry form, each Series 2012 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 2012 Bond, the State shall issue, in the name of the transferee, a new Series 2012 Bond or Series 2012 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 2012 Bond.

Series 2012 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 2012 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 2012 Bonds. The Paying and Transfer Agent will not be required to register the transfer of or exchange any Series 2012 Bond after the mailing of notice calling such Series 2012 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 2012 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 2012 Bonds. The Series 2012 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2012 Bond will be issued for each maturity of the Series 2012 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 3.5 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 a Standard & Poor's rating of AA+. 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.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the 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 2012 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 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2012 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 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 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 2012 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 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments, if any, on the Series 2012 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 State or the Paying and Transfer Agent, 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 2012 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 2012 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 2012 Bonds in definitive form will be printed and delivered.

THE STATE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCE THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2012 BONDS (a) PAYMENTS OF PRINCIPAL OR INTEREST ON THE SERIES 2012 BONDS; (b) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2012 BONDS; OR (c) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2012 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 SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

THE STATE AND THE UNDERWRITERS WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (a) THE SERIES 2012 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 2012 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 2012 BONDS; OR (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE SERIES 2012 BONDS.

PLAN OF REFUNDING

Series 2012E Bonds

The Series 2012E Bonds are being issued under and pursuant to the Act and the Series 2012E Bond Resolution for the purpose of (a) advance refunding and defeasing the Taxable Refunded Bonds, as more particularly described below (the "Taxable Refunding Project"), and (b) paying certain costs incident to the sale and issuance of the Series 2012E Bonds.

$97,070,000 (original principal amount) State of Mississippi Taxable General Obligation Bonds (Local Governments Capital Improvements, 2004 Shipyard Improvements, Development Infrastructure Improvements, Small Municipalities Grant Program, Emerging Crops Fund, Major Economic Program, Rural Impact Program, Business Incubator Program, Existing Industry Program, Job Protection, ACE Fund, Museum Program, Children's Museum Program, 2004-2005 IHL Improvements and Series 2005D Refunding Projects), dated as of December 1, 2005

Maturity Date	Interest Rate	Principal Amount	Redemption Date	Redemption Price
12/1/2016	5.125%	$4,855,000	12/1/2015	100%
12/1/2017	5.125	5,160,000	12/1/2015	100
12/1/2018	5.125	5,350,000	12/1/2015	100
12/1/2019	5.250	5,485,000	12/1/2015	100
12/1/2020	5.250	5,825,000	12/1/2015	100
12/1/2021	5.350	6,190,000	12/1/2015	100
12/1/2022	5.400	6,575,000	12/1/2015	100
12/1/2023	5.450	6,990,000	12/1/2015	100
12/1/2024	5.500	7,425,000	12/1/2015	100
12/1/2025	5.550	7,890,000	12/1/2015	100

In order to effect the advance refunding and defeasance of the Taxable Refunded Bonds in accordance with the Series 2012E Bond Resolution, a portion of the proceeds of the Series 2012E Bonds will be deposited in an irrevocable trust fund (the "Taxable Escrow Account") to be created pursuant to an escrow trust agreement to be dated as of the date of delivery thereof (the "Taxable Escrow Agreement") between the State and Deutsche Bank National Trust Company, Olive Branch, Mississippi, as escrow trustee thereunder (the "Escrow Trustee"). The Escrow Trustee shall invest moneys on deposit in the Taxable Escrow Account in direct obligations of or obligations unconditionally guaranteed by the United States of America (the "Taxable Investment Securities"). The calculation of the adequacy of the maturing principal and interest payments from the Taxable Investment Securities to pay the principal of and interest on the Taxable Refunded Bonds when due will be verified by Causey Demgen & Moore Inc. (the "Verification Agent") (see "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS," herein). Neither the principal of nor the interest on the Taxable Investment Securities will be available for payment of the Series 2012E Bonds. A portion of the proceeds of the Series 2012E Bonds will be deposited in an irrevocable trust fund to be created pursuant to the Taxable Escrow Agreement and will be used to pay the costs incident to the sale and issuance of the Series 2012E Bonds.

Series 2012F Bonds

The Series 2012F Bonds are being issued under and pursuant to the Act and the Series 2012F Bond Resolution for the purpose of (a) advance refunding and defeasing the Tax-Exempt Refunded Bonds (the "Tax-Exempt Refunding Project" and together with the Taxable Refunding Project, the "Refunding Projects"), and (b) paying certain costs incident to the sale and issuance of the Series 2012F Bonds.

$150,235,000 (original principal amount) State of Mississippi General Obligation Bonds (Watershed Repair and Rehabilitation Cost-Share Program, Moon Lake State Park, Public Libraries Capital Improvements, DFA Projects, Local System Bridge Replacement and the Rehabilitation Fund, the Rural Fire Truck Act and Refunding Series 2005C Notes Projects), Series 2005, dated as of December 1, 2005

Maturity Date	Interest Rate	Principal Amount	Redemption Date	Redemption Price
12/1/2016	5.000%	$ 7,585,000	12/1/2015	100%
12/1/2018	4.250	8,015,000	12/1/2015	100
12/1/2019	4.250	8,365,000	12/1/2015	100
12/1/2020	5.000	8,780,000	12/1/2015	100
12/1/2021	5.000	9,220,000	12/1/2015	100
12/1/2022	5.000	9,680,000	12/1/2015	100
12/1/2023	5.000	10,165,000	12/1/2015	100
12/1/2024	5.000	10,675,000	12/1/2015	100
12/1/2025	4.500	11,210,000	12/1/2015	100

$167,315,000 (original principal amount) State of Mississippi General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B.B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt) Project), Series 2006D, dated as of November 1, 2006

Maturity Date	Interest Rate	Principal Amount	Redemption Date/Payment Date	Redemption Price
11/1/2013	5.000%	$ 4,415,000	11/1/2013	
11/1/2014	5.000	4,650,000	11/1/2014	
11/1/2021	5.000	10,020,000	11/1/2017	100%
11/1/2022	5.000	10,520,000	11/1/2017	100
11/1/2023	5.000	11,045,000	11/1/2017	100

$299,020,000 State of Mississippi (original principal amount) General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated December 1, 2007

Maturity Date	Interest Rate	Principal Amount	Redemption Date	Redemption Price
12/1/2021	5.000%	$16,890,000	12/1/2017	100%
12/1/2022	5.000	17,650,000	12/1/2017	100
12/1/2023	5.000	18,445,000	12/1/2017	100

In order to effect the advance refunding and defeasance of the Tax-Exempt Refunded Bonds in accordance with the Series 2012F Bond Resolution, a portion of the proceeds of the Series 2012F Bonds will be deposited in an irrevocable trust fund (the "Tax-Exempt Escrow Account") to be created pursuant to an escrow trust agreement to be dated as of the date of delivery thereof (the "Tax-Exempt Escrow Agreement") between the State and the Escrow Trustee. The Escrow Trustee shall invest moneys on deposit in the Tax-Exempt Escrow Account in direct obligations of or obligations unconditionally guaranteed by the United States of America (the "Tax-Exempt Investment Securities" and together with the Taxable Investment Securities, the "Investment Securities"). The calculation of the adequacy of the maturing principal and interest payments from the Tax-Exempt Investment Securities to pay the principal of and interest on the Tax-Exempt Refunded Bonds when due will be verified by the Verification Agent (see "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS," herein). Neither the principal of nor the interest on the Tax-Exempt Investment Securities will be available for payment of the Series 2012F Bonds. A portion of the proceeds of the

Series 2012F Bonds will be deposited in an irrevocable trust fund to be created pursuant to the Tax-Exempt Escrow Agreement and will be used to pay the costs incident to the sale and issuance of the Series 2012F Bonds.

SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of proceeds of the Series 2012 Bonds.

	Series 2012E Bonds	Series 2012F Bonds
Sources		
Par Amount	$ 71,985,000.00	$ 171,860,000.00
Plus Original Issue Premium	0.00	36,845,543.65
Existing Bond Fund	796,212.22	2,268,878.33
Total Sources	$ 72,781,212.22	$ 210,974,421.98
Uses		
For Costs of the Refunding Projects	$ 72,329,090.78	$ 209,947,946.00
For Costs of Issuance[1]	452,121.44	1,026,475.98
Total Uses	$ 72,781,212.22	$ 210,974,421.98

[1] Includes, among other expenses, underwriters' discount, financial advisor, verification agent and legal fees. Payment of such fees is contingent upon the issuance of the Series 2012 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. In most instances, such legislation provides the Commission authority to approve and authorize the sale and issuance of State debt. The 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 Commission, acting on behalf of the State, is authorized to issue in any given fiscal year general obligation short-term notes in an amount not to exceed 7.5% of the total appropriation made by the Legislature in such fiscal year. Such short-term notes may be issued for the purpose of offsetting any temporary cash flow deficiencies in the State's General Fund and to maintain a working balance therein. No such debt is presently outstanding.

The Commission also has the authority to establish lines of credit to provide temporary financing for certain projects for which the 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 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 Commission has not obtained such a line of credit.

Similarly, the Commission is authorized to provide temporary financing for various capital and economic development projects through the sale and issuance of short-term notes. No such debt is presently outstanding.

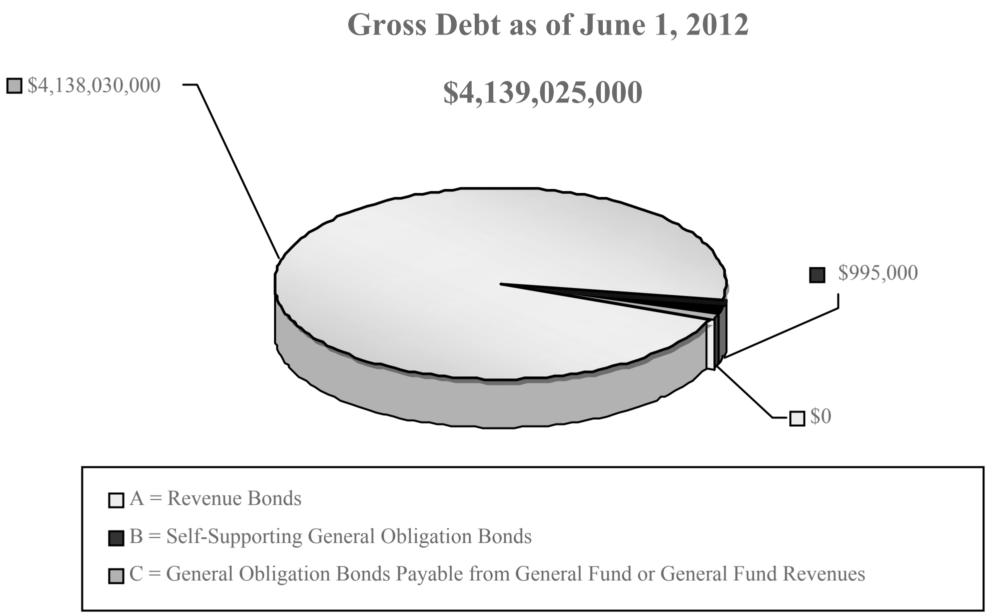
Long Term Indebtedness

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 $4,139,025,000
Gross Direct Debt=Gross Debt - A or $4,139,025,000
Net Direct Debt = Gross Direct Debt - B or $4,138,030,000

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 June 1, 2012

State of Mississippi Bonds		
General Obligation Bonds Payable from General Fund or General Fund Revenues	$4,138,030,000	
Self-Supporting General Obligation Bonds	995,000	
Revenue Bonds	0	
GROSS DEBT		$4,139,025,000
DEDUCTIONS:		
Revenue Bonds		
	$ 0	
Subtotal		0
GROSS DIRECT DEBT		$4,139,025,000
Self-Supporting General Obligation Bonds(2)		
Deer Island Project	$995,000	
Subtotal		(995,000)
DIRECT DEBT		$4,138,030,000

(1) Does not include the effects of the Series 2012 Bonds or the 2012A-D Refunding 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 June 1, 2012, $995,000 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. Since fiscal year 1991, all of this debt has been paid from such revenue sources and has not required the use of General Fund revenues. The $995,000 represents indebtedness incurred to provide funds to finance the acquisition, reclamation and preservation of Deer Island and will be paid in full November 2012.

Outstanding Long Term Indebtedness

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

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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
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
2011	3,780,490,000	0	3,780,490,000	1,955,000	3,778,535,000

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
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
2011	4,580,238,231	360,834,668	7.90

(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.

Long Term Debt Ratios

The following table presents the State's long term debt ratios as of June 1, 2012.

As of June 1, 2012	Amount	Debt Per Capita[1]	Debt to Assessed Valuation[2]	Debt to Estimated Full Valuation[3]	Debt to Personal Income[4]
Gross Debt	$4,139,025,000	$1,389.63	26.43%	3.31%	4.32%
Net Direct Debt	4,138,030,000	1,389.29	26.42	3.31	4.32

(1) Based on 2012 estimated population of 2,978,512. Source: U.S. Department of Commerce, Bureau of the Census. www.census.gov/popest/data/state/totals/2011/index.

(2) Based on FY2011 assessed valuation of $15,663,255,998 (Real Property tax roll). Source: Mississippi Department of Revenue, Annual Report FY Ending June 30, 2011.

(3) Based on 2011 full valuation of $124,884,122,313 (Real Property tax roll). Source: Mississippi Department of Revenue, Annual Report FY Ending June 30, 2011.

(4) Based on 2011 estimated total personal income of $95,835,415. Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/bearfacts last updated April 1, 2012.

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 2002[(1)]

As of July 1	Outstanding	Debt Per Capita	Debt to Assessed Valuation	Debt to Estimated Full Valuation	Debt to Personal Income
2011					
Gross Debt	$3,780,490,000	$1,274.05	24.89%	3.10%	4.09%
Net Direct Debt	3,778,535,000	1,273.39	24.88	3.10	4.08
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

(1) 2002 through 2011 debt per capita, debt to assessed valuation, debt to estimated full valuation and debt to personal income information was based on the Census data from 2000. Source: U.S. Department of Commerce, Bureau of the Census. www.census.gov/popest/data/state/totals/2011/index.

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

Lease Purchase Agreements

Pursuant to the authority granted the State by Section 31-7-10, Mississippi Code of 1972, as amended from time to time (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 June 1, 2012 of $22,901,243.87.

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 June 1, 2012 of $3,430,259.30 and an outstanding balance under the Community College Leases of $1,004,478.85.

Certificates of Participation

Pursuant to Senate Bill 2282, Mississippi Legislature, Regular Session 1993, certificates of participation representing fractional and proportionate undivided interests in a Lease and Option to Purchase (the "Rehab Lease") by and between Bank of Mississippi, Jackson, Mississippi, as lessor, and the State, as lessee, in the principal amount of $10,570,000 were issued on August 1, 1993 to finance the acquisition and improvement of a building to be occupied by the State's Department of Rehabilitation Services. In connection with the refunding of outstanding amounts under the Rehab Lease, the Rehab Lease has been amended and restated and assigned to secure the payment of the $7,215,000 Mississippi Development Bank Special Obligation Bonds, Series 2004 (Mississippi Department of Rehabilitation Services Refunding Project), dated May 25, 2004. The Rehab Lease currently expires on July 1, 2014.

Sections 47-5-1201 *et seq.*, Mississippi Code of 1972, as amended from time to time, 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. The Marshall County Lease currently expires on August 1, 2018.

Section 47-5-941 of the Mississippi Code of 1972, as amended from time to time, 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. The Wilkinson County Lease currently expires on August 1, 2021.

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. The East Mississippi Lease currently expires on August 1, 2027.

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 Walnut Grove Lease currently expires on August 1, 2027.

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 June 1, 2012, the State's Gross Debt was $4,139,025,000. The following table shows the State's constitutional debt limit for the previous nine (9) years and forecasts the State's constitutional debt limit for fiscal year 2012 and the next three (3) fiscal years.

Fiscal Year Ending June 30	Revenues(1)	Constitutional Debt Limit
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	8,300,739,453	12,451,109,180
2009	7,960,861,538	12,451,109,180
2010	7,698,390,482	12,451,109,180
2011	7,866,523,982	12,451,109,180
2012(2)	7,945,189,222	12,575,620,272
2013(2)	8,024,641,114	12,701,376,475
2014(2)	8,104,887,525	12,828,390,239
2015(2)	8,185,936,400	12,956,674,142

(1) Figures represent budgetary basis of revenues.

(2) Assumes a 1.0% growth in Revenue.

Source: Department of Finance and Administration.

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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 June 1, 2012.

Fiscal Year Ending June 30	Principal[(1)(2)]	Interest[(1)(2)(3)]	Total Annual Debt Service[(1)(2)(3)]
2013	$ 241,135,000	$ 182,624,811	$ 423,759,811
2014	250,470,000	171,119,691	421,589,691
2015	258,760,000	159,378,116	418,138,116
2016	260,540,000	147,447,905	407,987,905
2017	270,515,000	135,400,555	405,915,555
2018	227,165,000	124,276,002	351,441,002
2019	218,870,000	114,542,603	333,412,603
2020	190,605,000	105,825,969	296,430,969
2021	179,485,000	98,138,980	277,623,980
2022	171,120,000	90,798,091	261,918,091
2023	165,130,000	83,817,152	248,947,152
2024	167,130,000	77,106,186	244,236,186
2025	159,670,000	70,532,740	230,202,740
2026	166,490,000	62,810,643	229,300,643
2027	150,055,000	58,305,930	208,360,930
2028	143,100,000	51,082,231	194,182,231
2029	121,980,000	45,246,603	167,226,603
2030	98,840,000	39,893,042	138,733,042
2031	103,690,000	34,419,943	138,109,943
2032	108,825,000	28,625,009	137,450,009
2033	114,115,000	22,563,306	136,678,306
2034	119,165,000	16,295,704	135,460,704
2035	124,050,000	9,826,976	133,876,976
2036	82,590,000	4,373,801	86,963,801
2037	44,535,000	1,110,950	45,645,950
TOTAL	$4,138,030,000	$1,935,562,939	$6,073,592,939

(1) Of the principal amounts outstanding, $300,095,000 was issued as variable rate debt, therefore the interest due is indeterminable at this time and is not reflected in this table. All of this debt was currently restructured and/or refunded by the issuance of 2012A-D Refunding Bonds.

(2) Does not include the effects of the 2012A-D Refunding Bonds and the Series 2012 Bonds.

(3) These amounts do not include any subsidy payments due to the State from the United States Treasury pursuant to and in accordance with Section 1531 of the Title 1 of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 115 (2009)) and Sections 54AA(g) and 6431 of the Code (as defined herein).

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, issues various series of Mississippi Development Bank Special Obligation Bonds (the "Development Bank Bonds") which may 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 from time to time (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 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 July 1, 2012, the Development Bank Bonds outstanding carrying a moral obligation pledge of the State totaled $888,075,000. Except for these Development Bank Bonds, no bonds of the State are outstanding as of the date of this Official Statement which carry a pledge of the moral obligation of the State or which contemplate the appropriation by the Legislature of any amount as may be necessary to make up any deficiency in any debt service reserve fund.

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, which includes the debt service requirements for the Series 2012 Bonds, commencing on page A-1 of APPENDIX A.

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, tours and inspects 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 informational 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 Department of Revenue, 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 (4) years (after a statewide election year which last occurred in November 2011), the Executive Budget is prepared and submitted to the Legislature by January 15. The Legislative Budget is submitted to the Legislature at its 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 Department of Revenue, 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. Tax collections for fiscal year 2011 exceeded expectations in excess of $114 million or 2.6 percent. For fiscal year 2012, tax collections have exceeded expectations in excess of $250 million or 5.6 percent.

If at any time during a 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, State Fiscal Officer, may at anytime but shall after October or any month thereafter, 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 Legislature's appropriation bills. The establishment of any State agency's 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 seven major 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 expenditure category 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 funded with 100% federal funds. An escalation of nonfederal funds may be made if allowed within the appropriation bill for such requesting 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 restrict, in its discretion, 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 from time to time. 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 that 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, 2011, 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") has awarded the State a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal years ended June 30, 1987 through 2010, 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 State 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 normally 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. Pursuant to State law, all public funds are fully collateralized by authorized United States of America and State 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 from time to time, it is the duty of the State Treasurer and the Executive Director of the Department of Finance and Administration on or before the tenth (10th) 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 (7) 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 GAAP purposes. Receipts are recorded at the time money or checks are recorded in the State Treasury and disbursements when payment vouchers are recorded into the accounting system. A master inventory of all State-owned land (other than highway right-of-ways), buildings and equipment is maintained by the Inventory Division of the State Department of Audit.

The State is undertaking the MAGIC (Mississippi's Accountability System for Government Information and Collaboration) Project to utilize SAP Public Services Inc. commercial-off-the-shelf Enterprise Resource Planning (ERP) software to implement Financial, Procurement, Human Resource, and Payroll functions into a single, integrated software system. MAGIC will address issues with the State's existing legacy statewide administrative systems to: meet new functional and data requirements; reduce inefficiencies and costs associated with multiple stand alone systems at the statewide and agency levels; maintain enterprise data on a consistent, "real-time" basis; replace aging, incompatible technology; and use state of the art technology based on best business practices. Once MAGIC is fully implemented, it will replace the following legacy systems: SAAS (Statewide Automated Accounting System); SPAHRS (Statewide Payroll and Human Resource System); WebProcure; MERLIN (Mississippi Executive Resource Library and Information Network); MELMS (Mississippi Enterprise Learning Management System); PATS (Project Accounting and Tracking System); and ACE (Access Channel for Employees). The MAGIC implementation schedule begins in 2013 and concludes in 2014.

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.

(a) 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; and

(b) 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, 2011, sales taxes accounted for 38.9%, individual income taxes for 30.1% and corporation income and franchise taxes for 9.73% 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 for Fiscal Years 2011 and 2012 and appropriated 100% of the official revenue estimate pursuant to House Bill 1059. For the fiscal year ending June 30, 2011, appropriation for educational purposes accounted for 58% 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 June 30, 2012, the Working Cash-Stabilization Fund had a fund balance of $115,562,169.40. Pursuant to the appropriate 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)

	2007	2008	2009	2010	2011	Budgeted 2012[2]
TAXES:						
Sales	$1,930,538	$1,947,283	$1,921,637	$1,781,277	$1,790,784	$1,816,900
Individual Income	1,475,359	1,542,099	1,474,787	1,339,889	1,382,736	1,389,100
Corporate Income and Franchise	484,714	500,696	422,040	402,751	447,978	431,500
Use and Wholesale Compensating	218,399	208,965	199,937	202,174	209,672	194,000
Tobacco, Beer and Wine	87,125	89,709	114,934	186,608	188,366	194,200
Insurance	158,842	159,059	153,176	161,228	175,576	191,400
Oil and Gas Severance	59,809	97,774	84,810	65,853	80,756	68,000
Alcohol Excise and Privilege	57,335	60,167	63,777	64,239	63,234	64,800
Other	22,539	21,397	18,634	7,884	9,922	7,200
Interest	34,405	39,588	28,279	16,714	18,472	20,000
Auto Privilege, Tax and Title Fees	17,388	18,364	16,407	16,314	10,835	9,000
Gaming Fees	185,847	194,040	172,429	155,123	146,976	159,800
Highway Safety Patrol Fees	22,499	24,440	22,513	21,824	20,245	21,100
Other Fees and Services	11,917	12,905	11,977	11,699	11,472	25,700
Miscellaneous	3,820	4,200	4,833	4,217	4,325	5,700
Court Assessments and Settlements	14,185	10,012	10,004	53,300	29,700	3,200
TOTAL REVENUES	$4,784,721	$4,930,698	$4,720,174	$4,491,095	$4,591,049	$4,601,600
Expenditures by Major Budgetary Function:						
Legislative	23,231	24,566	25,028	24,489	23,477	25,797
Judiciary & Justice	61,743	64,380	59,522	57,476	60,469	62,309
Executive & Adm	2,806	2,943	3,535	3,266	3,180	2,955
Fiscal Affairs	67,650	70,986	92,100	83,462	54,613	54,224
Public Education[1]	1,993,337	2,202,799	2,168,871	1,925,069	1,918,235	2,012,381
Higher Education	703,216	835,717	799,105	742,147	694,198	763,887
Public Health	33,865	41,594	31,015	28,749	24,798	26,522
Hospitals and Hospital Schools	235,732	268,697	250,128	199,529	202,883	235,348
Agriculture, Commerce & Economic Dev.	99,847	113,963	106,968	102,646	102,978	104,929
Conservation and Recreation	52,360	55,858	52,521	50,240	46,010	45,790
Insurance and Banking	11	0	0	0	0	0
Corrections	227,130	285,764	252,337	237,831	312,907	311,000
Social Welfare	211,428	519,111	519,496	349,821	395,389	312,056
Public Protection and Veterans Assistance	84,702	100,537	90,649	87,081	87,704	85,684
Local Assistance	82,920	84,021	84,897	77,609	75,109	81,109
Motor Veh. & Other Regulatory Agencies	1,860	5,250	1,629	1,824	44	0
Miscellaneous	1,139	1,397	1,327	1,313	1,230	1,213
Public Works	2,500	200	0	0	0	0
Debt Service	212,708	323,548	289,548	347,187	360,242	369,564
TOTAL EXPENDITURES	4,098,185	5,001,331	4,828,676	4,319,740	4,363,466	4,494,767
Excess of Rev. over (under) expenditures	686,536	(70,633)	(108,502)	171,355	227,583	106,833
Other Financing Sources (Uses)						
Transfers In	4,740	23,649	235,119	57,977	8,889	0
Transfers Out	(518,731)	(143,215)	(155,284)	(232,528)	(190,900)	(126,873)
Other Sources (uses) of Cash	18,521	(10)	3	(1)	5	20,040
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	191,066	(190,209)	(28,664)	(3,197)	45,577	0
Budgetary Fund Balances, Beginning	$ 35,882	$226,948	$36,739	$8,075	$ 4,878	$ 0

(1) Public Education reflects all educational activities.

(2) As of June 30, 2012, collections totaled $4,869,639,000. This is $268,039,435 over the budgeted Fiscal Year 2012 or an increase of 5.82%

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 still continue throughout the State. The United States Congress adopted legislation which appropriated in excess of $21 billion for State disaster assistance, rebuilding infrastructures systems and other public facilities and disaster recovery and related activities. Congress adopted the Gulf Opportunity Zone Act of 2005 (the "GO Zone Act"), which established tax benefits for businesses and individuals in the Hurricane Katrina, Rita and Wilma disaster areas. These benefits expired on December 31, 2011.

Education Enhancement Fund. Of the total sales tax revenue collected, $1,666,666 each month is paid into the State Public School Building Fund, 2.266% to be credited to the School Ad Valorem Tax Reduction Fund, 9.073% to the Education Enhancement Fund, 18.5% to 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 is to 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 is to 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)

	2007	**2008**	**2009**	**2010**	**2011**
RESOURCES:					
Surplus from Prior Year	$ 31,240.8	$ 6,153.0	$ 397.8	$ 244.7	$ 11,963.1
Sales Tax	270,277.6	273,263.8	261,356.2	245,288.8	248,666.1
Use Tax	26,819.3	25,283.0	23,009.4	23,576.9	24,639.4
Transfer in from General Fund	0.0	0.0	244.7	0.0	848.9
Total Resources Available	$ 328,337.7	$ 304,699.8	$ 285,008.1	$ 269,110.4	$ 286,117.5
DISBURSEMENTS:					
Education, K-12	$ 215,617.4	$ 204,577.5	$ 190,422.9	$ 171,318.3	$ 201,790.1
Community & Jr. Colleges	41,696.1	38,734.8	36,641.0	33,234.6	32,604.2
Institutions of Higher Learning	62,986.7	58,291.5	55,057.8	50,138.2	49,053.6
Other	0.0	0.0	2,641.7	2,456.2	2,669.6
Total Disbursements	323,013.5	304,302.0	284,763.4	257,147.3	286,117.5
YEAR END SURPLUS	$ 5,324.2	$ 397.8	$ 244.7	$ 11,963.1	$ 0.0

Source: Department of Finance and Administration.

Special Funds

General. The major sources of Special Fund receipts are federal grants-in-aid and diversion of State taxes for special purposes. Special Fund receipts are not estimated on a statewide basis. Expenditures are limited by the receipt of revenues. 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, 2011, Special Funds received approximately $7,448.3 million from the federal government including $4,495.4 million for public health and welfare, $802.0 million for public education and $586.7 million for highways. In addition, State tax receipts of $1,302.1 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 (the "Health Care Trust Fund"), was established pursuant to 43-13-401 *et seq.*, Mississippi Code of 1972, as amended from time to time, 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 Health Care 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 Health Care Trust Fund. Each year, a specified amount of funds from the Health Care 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 Health Care Trust Fund are insufficient to fund the transfer to the Health Care 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 Health Care Trust Fund in the event that general fund revenues in any fiscal year exceed the prior year's revenue by more than five percent (5%). This provision was repealed in the 2006 Legislative Session.

The 2011 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
2011	112,000,000
2012	56,263,438

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 Health Care Trust Fund and the Health Care Expendable Fund. The balance in the Trust Fund is not yet available as of June 30, 2012, however, the balance as of May 30,2012 was $120,978,604.34.

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. The fund will provide moneys for Fiscal Year 2013 appropriations in the amount of $279,239,205. 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 June 30, 2012, the Education Improvement Trust Fund had a balance of $47,239,485.99.

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

	2008	2009	2010	2011
TAXES:				
Department of Revenue	$ 790,466.6	$ 740,641.2	$ 705,356.9	$ 749,699.7
Motor Vehicle Division	532,705.2	520,197.9	494,905.7	525,583.8
Other	45,820.7	43,958.9	43,598.9	26,771.7
Licenses, Fees, Permits & Penalties	606,307.7	553,533.9	628,705.7	677,028.7
Interest on Direct Investments	103,027.2	81,546.8	58,386.9	50,673.3
Sales and Services	812,713.3	827,544.9	832,533.3	857,703.5
Federal Grants-In-Aid				
Education	658,739.8	648,631.3	683,020.0	802,017.0
Highways	755,833.9	563,748.6	644,062.2	586,722.8
Public Health & Welfare	3,438,152.6	4,256,421.9	4,310,440.0	4,495,410.4
Federal-State Local Programs	810,683.7	766,892.8	707,037.9	613,139.9
Agricultural & Economic Dev	21,539.6	30,376.3	5,780.3	14,652.4
Employment Security	104,936.2	124,217.6	122,185.2	93,234.4
Other	776,158.6	560,362.1	817,285.3	843,121.3
Political Subdivisions	112,197.2	256,002.9	167,018.3	120,147.0
Gross Sales of Alcoholic Bev	204,018.2	210,135.8	212,700.3	215,265.0
TOTAL REVENUE RECEIPT	$9,773,300.5	$10,184,212.9	$10,433,016.9	10,671,170.9
Bonds, Notes Issued	546,942.1	596,441.5	732,328.7	745,915.7
Trans, Refunds & Other Rec.	1,664,342.3	2,037,637.9	2,239,802.3	2,770,365.9
TOTAL RECEIPTS	$11,984,584.9	$12,818,292.4	$13,405,147.9	$14,187,452.5

[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)

	2008	2009	2010	2011
Legislative	$ 13.0	$ 16.0	$ 3.0	$ 230.0
Judiciary & Justice	48,312.0	51,617.0	56,797.0	54,205.0
Executive & Administrative	19,131.0	16,856.0	15,911.0	16,879.0
Fiscal Affairs	60,464.0	84,153.0	292,855.0	389,228.0
Public Education	791,242.0	786,177.0	1,062,528.0	1,097,954.0
Higher Education	73,908.0	80,982.0	115,491.0	139,052.0
Public Health & Social Welfare	4,781,651.0	5,729,975.0	6,219,213.0	6,403,501.0
Hospitals & Hospital Schools	377,927.0	306,756.0	392,173.0	363,726.0
Agriculture & Economic Development	793,555.0	767,968.0	821,385.0	632,715.0
Conservation & Recreation	209,439.0	293,818.0	433,446.0	452,808.0
Insurance & Banking	64,019.0	61,558.0	79,641.0	63,512.0
Corrections	62,610.0	95,481.0	99,868.0	20,087.0
Interdepartmental Service	37,212.0	39,906.0	40,383.0	41,691.0
Public Protection & Assistance to Veterans	927,649.0	699,506.0	773,234.0	632,775.0
Local Assistance				
Motor Vehicle & Other Regulatory Agencies	21,395.0	22,265.0	23,398.0	24,966.0
Miscellaneous	2,322.0	2,994.0	1,602.0	1,171.0
Public Works	1,297,617.0	1,227,569.0	1,291,757.0	1,294,659.0
Debt Service	27,994.0	55,628.0	19,834.0	39,145.0
TOTAL DISBURSEMENTS	$9,596,460.0	$10,393,225.0	$11,739,519.0	$11,668,304.0

[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 18.5% 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 Department of Revenue 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, all other tobacco products are taxed at 15% of the manufacturer's list price. 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 Department of Revenue that 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)

	2009		2010		2011	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Total General Fund Receipts	$4,729.9	100.0%	$4,496.8	100.0%	$4,599.9	100.0%
Sales Taxes	1,921.6	40.6	1,781.3	39.6	1,790.8	38.9
Individual Income Taxes	1,474.0	31.2	1,339.9	29.8	1,382.7	30.1
Corporate Income & Franchise Taxes	422.0	8.9	402.8	9.0	448.0	9.7
Use Taxes	199.9	4.2	202.2	4.5	209.7	4.6
Gaming Taxes & Fees	172.4	3.6	155.1	3.4	147.0	3.2
Insurance Premium Taxes	153.2	3.3	161.2	3.6	175.5	3.8
All Other Receipts	386.0	8.2	454.3	10.1	446.2	9.7

Source: Department of Finance and Administration.

RETIREMENT SYSTEM

The Governmental Accounting Standards Board (GASB) approved two (2) new standards on June 25, 2012 that will substantially improve the accounting and financial reporting of public employee pensions by state and local governments, including the State. Statement No. 67, Financial Reporting for Pension Plans, revises existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

The Provisions in Statement 67 are effective for financial statements for period beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. PERS is making plans to fully comply with these statements.

In accordance with State statutes, the Public Employees' Retirement System (the "System") Board of Trustees (the "Board of Trustees") administers the State's four (4) 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 1990, and the Optional Retirement Program ("ORP"), established in 1990 for teaching faculty of the State's eight (8) colleges and universities. Any political subdivision or judicial entity within the State may elect to have its employees covered by PERS. As of June 30, 2011, the System covered 896 public entities within the State

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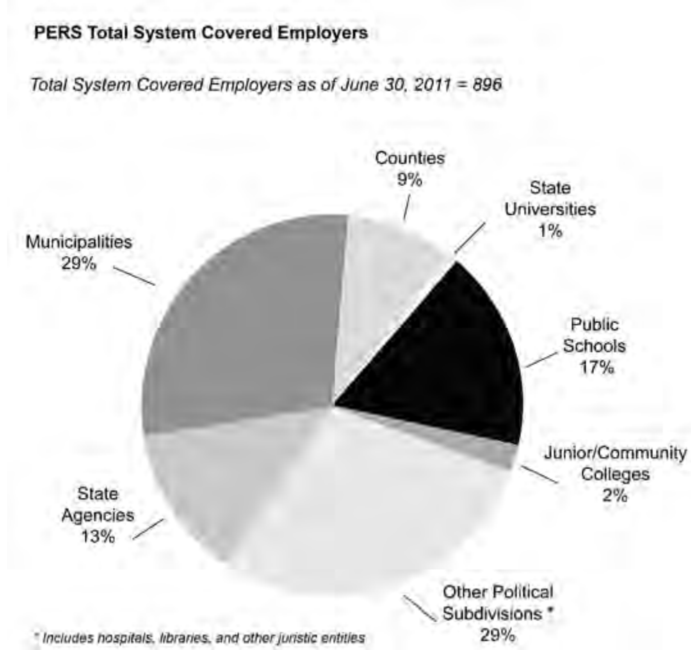
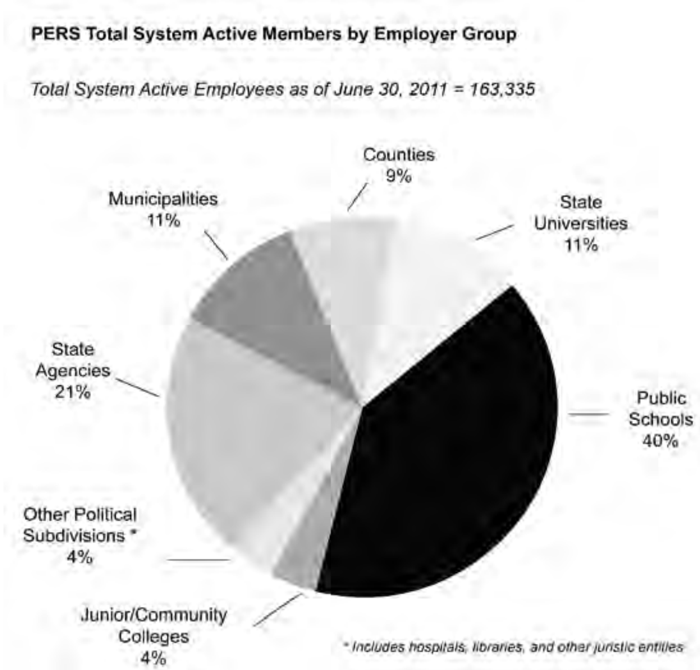


On July 1, 1987, the System assumed responsibility for administration of the Municipal Retirement System ("MRS"), which was closed in 1987, an agent multiple-employer defined benefit public employees' retirement system. The State neither contributes to this plan nor assumes any liability for benefits payable to members but does have the duty of due care required of an ordinary prudent investor.

On July 1, 1989, the System established the SLRP for the purpose of providing supplemental retirement allowances and other benefits for 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, 1990, 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 11 of the Mississippi Code states that 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.

Membership in PERS is a condition of employment and eligibility is granted upon hiring for all State agency and university employees not participating in ORP. 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 retire at or after age 60 with four (4) years of credited service 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% of their average compensation for each year of credited service up to and including 25 years and 2.5 % for each year of credited service over 25 years. "Average compensation" is the average of the employee's earnings during the four (4) highest compensated years of credited service. A member may elect an option for 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. Benefits vest upon completion of four years of credited 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. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code of 1972, as amended, and may be amended from time to time only by the State Legislature.

The System incurs no expense for post-retirement health benefits.

Membership in MHSPRS is a condition of employment and eligibility is granted upon hiring for all officers of the Mississippi Highway Safety Patrol (the "Highway 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 or in the drivers' license division.

Participating employees in MHSPRS who withdraw from service at or after age 55 with at least five (5) years of membership service or, after reaching age 45 with at least 20 years of credited service, or with 25 years of credited 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 (4) highest years 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, as amended, and may be amended from time to time only by the State Legislature.

Employees covered by PERS and MHSPRS were required, as of July 1, 1991, to contribute 7.25% and 6.5% respectively of their salary. Members of SLRP were 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 ("House Bill 1") which amends Sections 25-11-123, 25-11-109 and 25-11-115, Mississippi Code of 1972, as amended, 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 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 employee's beneficiary.

Funding policies and annual pension costs at June 30, 2011 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 20.0% 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 municipality'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 State's consulting actuary recommended, in the June 30, 2006 actuarial valuation report, a PERS employer contribution rate of 12.25% 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% 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% effective July 1, 2007. The employer contribution rate was increased again effective July 1, 2009 to 12%. At June 30, 2011, the actual employer contribution amount for PERS was $723,836,000, which was 100% of actual total contributions. The Annual Required Contribution ("ARC") is set two (2) 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% collection of required contributions for the fiscal year ending June 30, 2010. Actual employer contributions for MHSPRS and SLRP remain at 100% of annual required contribution.

House Bill 1 increased the member contribution rate from 7.25% to 9.0% (as a percentage of gross salary) effective July 1, 2010. Employer contribution rate increases scheduled to go into effect July 1, 2011, were delayed six (6) months. At its October 2010 scheduled meeting, the Board approved rate increases from 12 to 12.93 % for PERS-covered employers, 6.65 to 7.40 % for the Supplemental Legislative Retirement Plan (SLRP) and 30.30 to 35.21 % for the Mississippi Highway Safety Patrol Retirement System (MHSPRS). However, in response to a request from leaders in the Mississippi Legislature, the Board of Trustees took action at its February 2011 meeting and the MHSPRS Administrative Board voted in March 2011 to delay any employer contribution rate increase until January 1, 2012. Effective July 1, 2012, the PERS employer contribution rate will increase from 12.93 to 14.26% and the MHSPRS from 35.21 to 37.0%.

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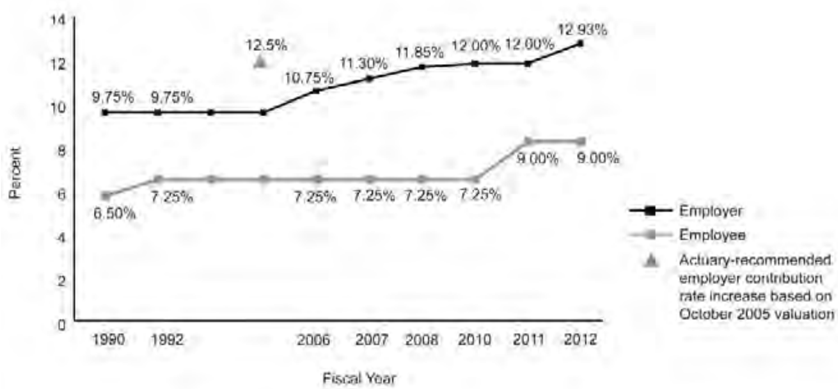
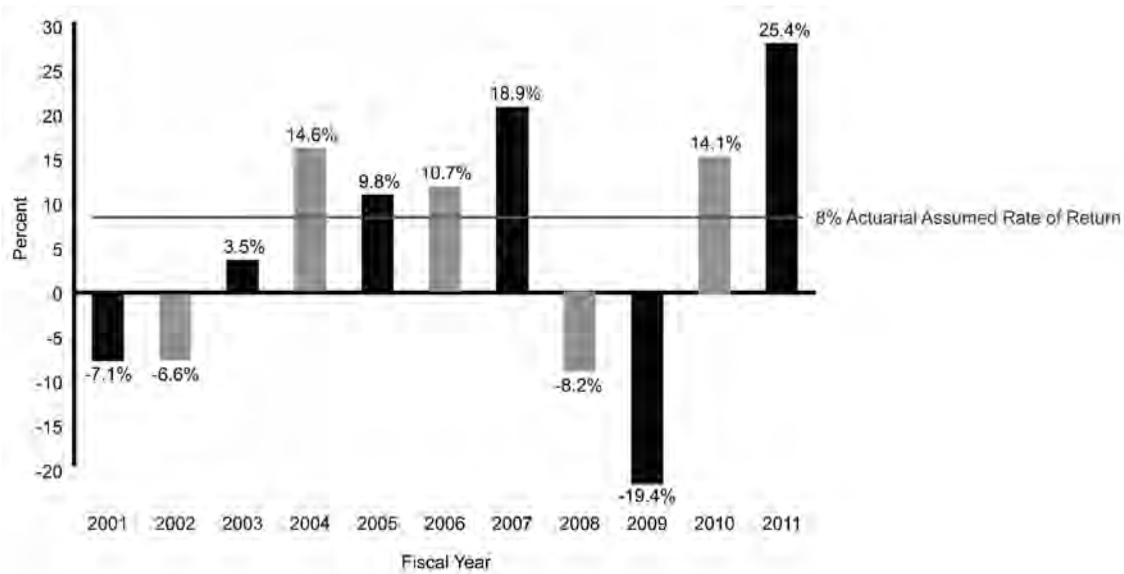
PERS Contribution Rate History



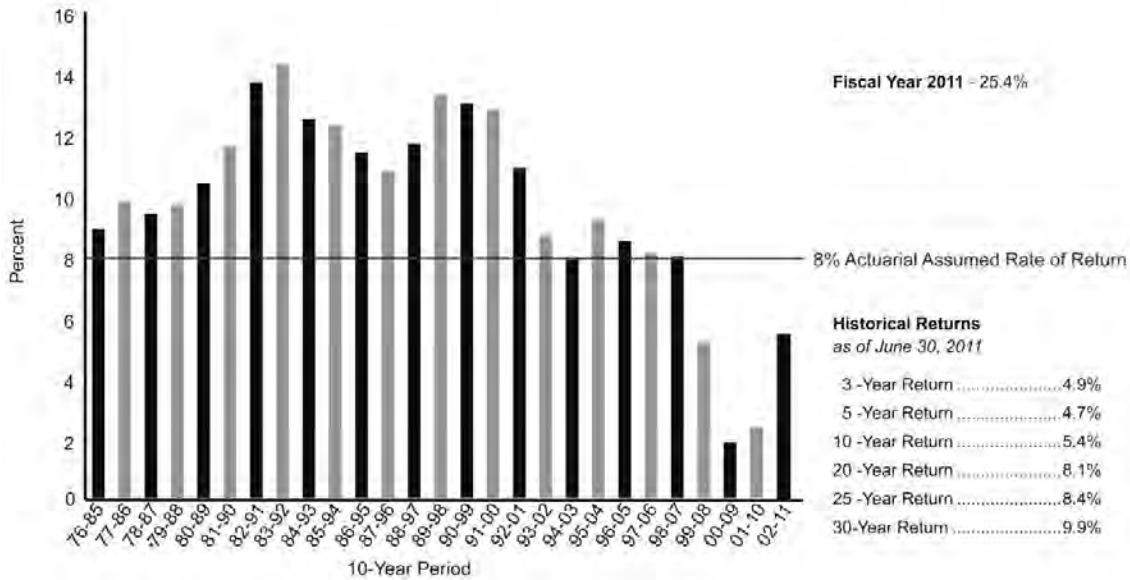
Date From	1/1/90	7/1/91	7/1/05	7/1/06	7/1/07	7/1/09	7/1/10	1/1/12
Employer Rate	9.75%	9.75%	10.75%	11.30%	11.85%	12.00%	12.00%	12.93%
Member Rate	6.50%	7.25%	7.25%	7.25%	7.25%	7.25%	9.00%	9.00%

The defined benefit plans administered by the System were actuarially funded at an average of 62.4% as of June 30, 2011, a decrease from the comparative average of 65.1% as of June 30, 2010. The decrease in funding percentage was primarily due to recognition of investment losses from 2008 and 2009 and lower than expected payroll growth as a result of a decrease in active membership.

PERS Investment Performance



PERS Investment Annualized Rates of Return



* *Calculated - Actual data not available*

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, 2011 actuarial valuation, investment asset appreciation and depreciation for PERS, MHSPRS and SLRP was smoothed over a five-year period recognizing 20% 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.

For fiscal year 2011, the combined net assets of the defined benefit plans administered by PERS increased by $3.9 billion, or 21.4%. This increase was primarily the result of an improvement in overall market performance compared to the fiscal year 2010 market environment.

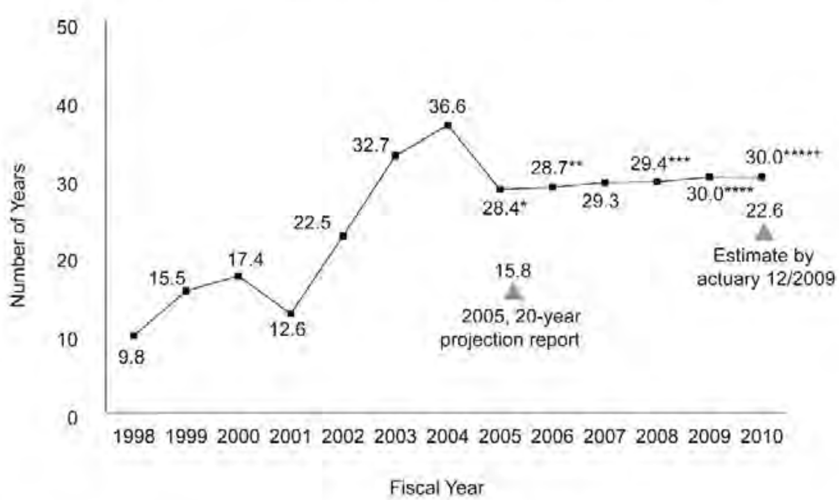
At June 30, 2011, the plans' unfunded pension benefit obligations were as follows (in thousands).

	PERS	MHSPRS	SLRP
Total actuarial accrued liability	$32,654,465	$414,432	$18,605
Assets used in valuation	20,315,165	278,265	13,606
Unfunded (overfunded) actuarial accrued liability	$12,339,300	$136,167	$ 4,999

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, 2011, the most recent valuation date, indicate that the unfunded (overfunded) accrued liability periods of PERS, MHSPRS and SLRP are 30.0, 30.0 and 22.3 years, respectively, using an open amortization approach.

PERS Actuarial Accrued Liability and Funded Ratio

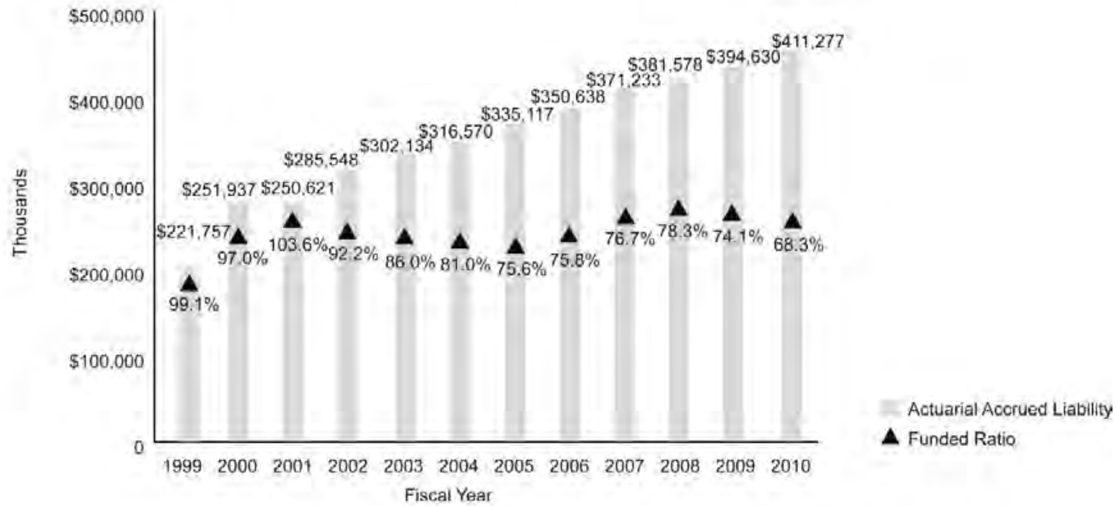
PERS Amortization Period of Unfunded Accrued Liability



* *Incorporating 7/1/2006 increase in employer contribution rate from 10.75% to 11.30%*
** *Incorporating 7/1/2007 increase in employer contribution rate from 11.30% to 11.85%*
*** *Incorporating 7/1/2009 increase in employer contribution rate from 11.85% to 12.00%*
**** *Incorporating 7/1/2010 increase in employer contribution rate from 12.00% to 13.56%*
***** *Incorporating 7/1/2010 increase in employee contribution rate from 7.25% to 9.00% and 7/1/2011 change in employer contribution rate to 12.93%*
▲ *Represents UAL period without benefit improvements implemented 1999 - 2002 with the employer contribution rate at 9.75% and the member rate at 7.25%*

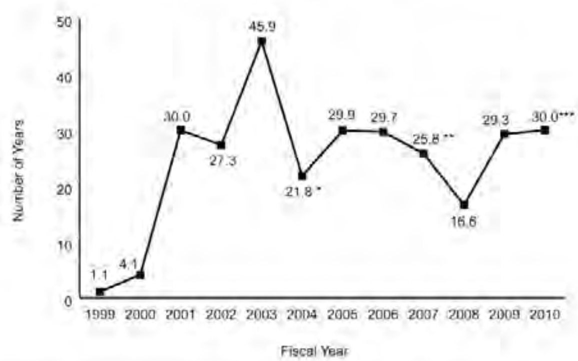
MS Highway Safety Patrol Retirement System (MHSPRS)

Actuarial Accrued Liability and Funded Ratio



MS Highway Safety Patrol Retirement System (MHSPRS)

Amortization Period of Unfunded Accrued Liability

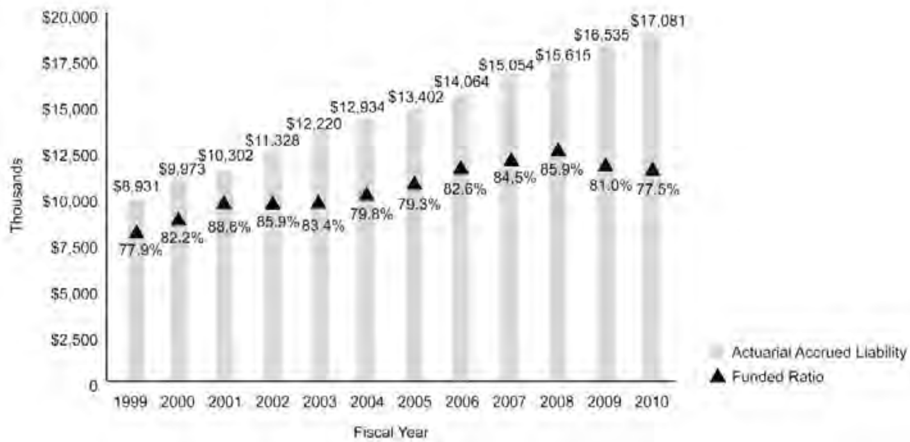


* *Incorporating 7/1/2003 increase in employer contribution rate from 26.16% to 28.16%*

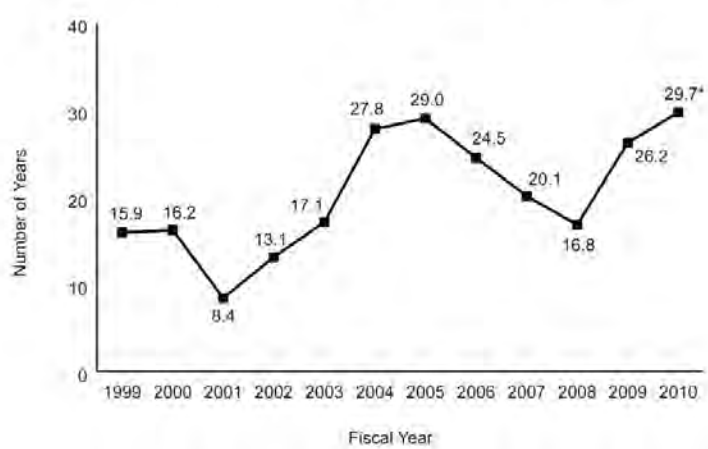
** *Incorporating 7/1/2006 increase in employer contribution rate from 28.16% to 30.30%*

*** *Incorporating 7/1/2011 increase in employer contribution rate from 30.30% to 35.21%*

Supplemental Legislative Retirement Plan (SLRP)
Actuarial Accrued Liability and Funded Ratio



Supplemental Legislative Retirement Plan (SLRP)
Amortization Period of Unfunded Accrued Liability



* *Incorporating 7/1/2011 increase in employer contribution rate from 6.65% to 7.40%*

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

	2008	2009	2010	2011
Additions:				
Employee Contribution	$ 419,483	$ 436,608	$ 527,904	$ 623,043
Employer Contributions	708,791	740,508	762,886	756,134
Total Contributions	1,128,274	1,177,116	1,290,790	1,379,177
Investment Income:				
Net Appreciation (Depreciation) in Fair Value Assets	(2,367,356)	(4,349,736)	1,792,688	3,911,329
Interest and Dividends	636,077	535,625	490,676	557,866
Interest Income on Securities Lending	206,713	64,625	41,223	20,552
Manager's Fees & Trading Costs	(42,849)	(26,574)	(33,904)	(42,765)
Interest Expense on Reverse Repurchase Agreements	(202,071)	(32,192)	(1,342)	(2,445)
Net Investment Income (Loss)	(1,769,486)	(3,808,252)	2,289,341	4,444,537
Other Revenues	3,160	3,865	4,595	3,438
Total Additions (Reductions)	$ (638,052)	$ (2,627,271)	$ 3,584,116	$ 5,827,152
Deductions:				
Retirement Annuities	1,450,185	1,525,236	1,697,234	1,865,929
Refunds to Terminated Employees	72,790	70,143	73,668	88,438
Administrative Expenses	11,078	11,719	12,349	12,637
Loss on Disposal of Equipment	0	0	0	0
Depreciation	455	604	446	409
Total Deductions	$ 1,534,508	$ 1,607,702	$ 1,783,697	$ 1,967,413
Net Increase (Decrease) in Plan Net Assets	(2,172,350)	(4,235,630)	1,801,029	3,859,739
Net Assets held in Trust for Pension Benefits Beginning of Year	21,912,350	19,739,790	16,473,083	18,274,114
End of Year	$19,739,790	$15,504,160	$18,274,112	$22,133,851

Source: State Auditor and Public Employees' Retirement System.

ORGANIZATION OF STATE GOVERNMENT

The State 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, which last occurred in January 2012. 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 the Governor's 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 elected for one additional four-year term. The Governor recommends to the Legislature, by message at the commencement of each session, the passage of such measures as the Governor 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 Department of Revenue and the State Aid Engineer and the Division of State Aid Road Construction. The three (3) 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 (6) 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 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-(3) 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 an intermediate appellate court 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 30 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.

The State 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 2010-2011 school year, public elementary schools (K-6) enrolled 278,487 students. There were 214,717 secondary students, with a total of 493,204 students. The State's public schools employed 33,297 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 of Education, 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 2010-2011 school year was 93,954. 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 2010-2011 academic year enrollment in these State supported institutions of higher learning was 76,886. The State's eight institutions of higher learning are administered by a 12 member Board of Trustees of State Institutions of Higher Learning and a Commissioner of Higher Education.

THE ECONOMY

Location and Geography

The State is centrally located in the southern region of the United States of America. 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. The State 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.

The State 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

News on the economic front continues to improve in the State. Private sector payroll employment has been rising, retail sales growing and General Fund tax collections are exceeding fiscal year 2011 levels. Both the index of leading indicators and the index of coincident indicators for the State have trended upwards for the past five months.

In 2011, gross State product rose an estimated 0.8%, after increasing 1.1% in 2010. Employment remained stable and personal income increased an estimated 3.5%. An unusual string of weather disasters partially accounts for the slower growth in 2011. Most counties in the State were declared federal disaster areas as a result of tornadoes, severe storms, flooding and drought. Flooding along the Mississippi River and tributaries in the spring of 2011 broke records set in the 1920s and 1930s.

The U.S. economy also slowed in 2011, with the growth rate of gross domestic product falling to 1.7% after rising 3.0% in 2010.

Several major investment projects and post-disaster reconstruction efforts are expected to boost economic activity in the state over the coming years. A $1.3 billion Toyota auto plant began production in 2011, as did a $500 million Schultz Extruded plant (metallurgical pipes). A $570 million port upgrade at Gulfport, a $1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), and a $1.4 billion expansion at Chevron located in Pascagoula, are underway. In addition, HCL Cleantech has announced plans to build its headquarters and four plants in the State, for a total investment of $1 billion. The plants will convert pine chips into cellulosic sugars for use in fuel, lubricants, and other products. Two $500 million projects have also been announced: one by Stion (thin film solar panels) and the other by KiOR (crude oil from biomass).

About 2,500 jobs were added by the private sector during 2011, for a modest gain of 0.3%. Public sector employment was 1.2% lower, on the other hand, so that overall payroll employment remained unchanged.

Employment gains in 2011 were greatest in mining & natural resources, which grew 3.9%. Health care & social assistance employment was up 2.6%; transportation & utilities, 2.2%; professional and business services, 2.0%; and retail trade, 0.3%.

Major sectors employing fewer persons in 2011 than in 2010 included government (down 1.2%), construction (down 1.2%), manufacturing (down 1.1%), and finance and leisure & hospitality (each down 0.4%).

January 2012 employment numbers came in 0.2% below year-ago numbers. The losses were broad-based, with only health and education services showing a significant increase (3.0%).

The State's housing market presents a mixed picture. Sales of existing homes were up 13% in the third quarter of 2011 compared to the same quarter in 2010. Housing starts and the value of residential building permits issued have each managed to increase occasionally in recent months but remained below year-ago levels in the final quarter of 2011.

The State's foreclosure rate continues to be lower than the national average. In the final quarter of 2011, the State ranked 20th in the nation in foreclosures, tied with three other states, with a foreclosure rate of 3.5% versus the national average of 4.4%. This was a slight increase from the third quarter of 2011 for the State. The downward trend in housing prices is slowing: the median price of existing homes in the third quarter of 2011 was down 2.5% from a year ago in the State, a drop of about half that experienced nationally (4.7%). When measured against spring 2007 home values, the drop in home prices in the State, at 9.3%, is less than half that suffered by the nation as a whole (23%).

Coastal counties, which account for about 15% of the State's employment and population, continue to recover from the effects of Hurricane Katrina and, to a lesser extent, from the Deepwater Horizon oil spill of 2010. Recovery has been slowed by the nationwide recession and by the increased cost of property insurance. In 2008, payroll employment on the coast was briefly above pre-Katrina levels, but as of January 2012 the number of persons employed on the coast was still 6.7% lower than in August of 2005, the month Katrina hit.

Gaming revenues in the state have been drifting lower since 2008. In 2011, spring flooding closed 17 of 19 Mississippi River casinos for a few weeks, pushing revenues from river casinos down 11% for the year. On the coast, gaming revenues were down 1%. Overall, total gaming revenues in 2011 came in 6% below the $2.4 billion level reached in 2010. Gross revenues of about $2.3 billion are expected in 2012.

Short-Term Outlook

The State's recovery is closely linked to that of the nation, and economic activity in Mississippi will rise in sync with the rest of the nation. The growth rate of gross State product is estimated at 0.8% in 2011, compared to a growth rate of 1.7% nationally. In 2012, the growth rate of gross State product is expected to rise to 1.8%, versus 2.1% for the nation. There was no employment growth in 2011 and the growth rate in 2012 is expected to be a modest 0.8%, with a 1.3% increase predicted in 2013.

Personal income rose an estimated 3.5% in 2011. It is forecast to increase 3.0% in 2012 and 3.4% in 2013. As consumer confidence grows and investment spending increases, the pace of economic activity will also rise.

These projections rest on the assumption that the national economy grows at a modest but positive rate over the next two years.

State Economic Structure

Eighty-three percent of wage and salary employment in the State is in service-providing industries, with the remaining 17% 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 nation as a whole, manufacturing provides 9% of total jobs, but in the State the figure is 12%.

Manufacturing also sustains many of the State's service jobs in transportation, business services, finance and agriculture. Within manufacturing, which employs 134,000 workers, the percentage of employees in furniture and in wood products is more than twice the corresponding percentages for the U.S. These industries, along with food products, account for 37% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 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
Albany Industries.
Alliance Health Center
American Medical Response
American Tank & Vessel
America's Catch, Inc.
Ameristar Casino Vicksburg
Anderson-Tully Worldwide
Applied Geo Technologies
Art Horizon
Ashley Furniture Industries
AT & T Store
Avery Dennison Corporation
AW Manufacturing, Inc.
Babcock & Wilcox Co.
Baddour Center Inc.
Baldor Electric Co.
Bally's Casino & Hotel
Batesville Casket Co.
Bauhaus U.S.A.
Baxter Healthcare Corporation
Beau Rivage Resort & Casino
Blue Cross & Blue Shield of Mississippi
Boomtown Biloxi
BorgWarner
Boswell Industries
Brown Bottling Group
Cal-Maine Foods, Inc.
Caterpillar, Inc
Caye Home Furnishings
Cellular South (Telapex Inc.)
Chevron U.S.A.
Choctaw Resort Dev
Chromcraft Furniture
Clarion-Ledger
Comcast Southern Division – Advanced Solutions Center
Cooper Lighting
Cooper Power Systems
Cooper Tire & Rubber
Corinthian
Country Select
Croft, LLC
Dairy Fresh Corp.
Dart Container Corp.
D G Foods
Day-Brite Group (Phillips Group Band)
Deloitte
Delphi – Brookhaven
Diamond Jacks Casino & Hotel
Dollar General
DuPont DeLisle
Eaton Aerospace Corporation
Entergy Mississippi
Entergy Nuclear
ESCO Corporation
Fitzgeralds Casino & Hotel Tunica
Flexsteel Industries, Inc.
Forman Perry Watkins Krutz & Tardy
Franklin Corporation
Future Electronics
GE Aviation
Genesis Furniture Industries
Georgia-Pacific Corporation – Monticello
Georgia-Pacific Plywood
Georgia-Pacific Plywood Plant
GI Associates & Endoscopy Ctr.
Gold Strike Casino Resort
Golden Age Inc.
Golden Manufacturing, Inc.
Grand Casino Resort – Biloxi
Grand Casino Resort – Tunica
Gulf Coast Pre-Stress
Gulf Ship
Hancock Fabrics, Inc.
Hard Rock Hotel & Casino
Harlow's Casino
Heartland Catfish Company
Heartland Siding
Hillcraft Furniture Manufacturing No. 2
Hollywood Casino Bay Saint Louis
Hollywood Casino Resort
Hood Industries
Horseshoe Hotel Casino
Howard Industries, Inc.
Hudson's
Huntington Ingalls Shipbuilding
International Filing Systems
International Paper Company
IP Casino Resort
Island View Casino Resort
Isle of Capri Casino
Isle of Capri Casino Resort
Jackson Academy
Jarden Consumer Solutions
John Richard Co.
Johnson Controls, Inc.
Kimberly-Clark
Koch Foods, Inc.
Kohler Engines
Kroger
Kuhlman Electric Corp.
L C Industries
L-3 Vertex Aerospace, LLC
Landau Uniforms, Inc.
Lane Furniture Industries, inc
La-Z-Boy South
Leaf River Cellulose
LeTourneau Technologies
Levi Strauss & Co.
Lockheed Martin Space Systems Co.
Luvata HTS NA
Magee Benevolent Association
Magnolia Regional Health Center
Marshall Durbin Poultry, Co.
Masonite International
Master-Bilt Products
Max Home, LLC
McLane Southern
Merchants Foodservice
Milwaukee Electric Tool Corp.
Mississippi College
MTD Products – Tupelo
M-TEK Inc. Mississippi
Mueller Copper Tube Co.
Navistar Defense
New Palace Casino Resort
Newly Weds Food
Nissan North America, Inc.
Nucor Steel Jackson, Inc.
Olin Corporation – Windchester Division
OMNOVA Solutions
Parker-Hannifin Mobile Climate Systs
Parkway Properties
Peavey Electronics Corp.
Peco Foods, Inc.
Pioneer Aerospace Corp.
Plumrose USA
PSL North America, LLC
Quebecor World, Inc.
Rainbow Hotel Casino
Raytheon Space & Airborne System
Regions Bank
Renasant Bank
Resorts Casino & Hotel
Richards
Riverwalk Casino & Hotel
Road Runner High Speed Online
Sam's Town Hotel & Gambling Hall
Sanderson Farms, Inc.
Sanderson Plumbing Products, Inc.
Service Master Co.
Severstal Columbus
Sheraton Casino & Hotel
Siemens Power Transmission & Distributor
Signal International
Silver Slipper Casino
Simpson Dura-Vent Corporation
Sitel
Southern Farm Bureau Life Insurance Company
Southern Motion
Southwire Company
Sta-Home Health Agency
Super 8 - Western Motel
Super Sagless Corp.
SUPERVALU
Sysco Jackson, LLC
T L Wallace Construction, Inc.
Tallahatchie County Correctional
Tecumseh Products Co.
Thomas & Betts, Corp.
Tiffin Motor Homes, Inc.
Toyota Motor Manufacturing Mississippi
Treasure Bay Casino & Hotel
Trinity Yachts
Tronox, Inc.
True Temper Sports
Tyson Foods, Inc.
U.S. Foodservice
United Furniture Industries, Inc.
USG Interiors, Inc.
Viking Range Corp.
VT Halter Marine Inc.
Walmart Distribution Center
Walmart Supercenter
Walnut Grove Youth Facility
Wayne Farms LLC
Weyerhaeuser Company
Xfone, Inc.
Yates Services
YRC

Source: Mississippi Development Authority, June 2012

Economic Development

The Mississippi Development Authority ("MDA") 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 MDA 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 MDA 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 4 federal thrifts, 15 national banks and 72 state-chartered banks. The total number of branches for these institutions stands at 1,305. Total assets held by Mississippi financial institutions on March 31, 2012, were $59,765,637,000.

The State's largest institution, BancorpSouth, has assets of over $13 billion. There are seven institutions with assets over $1.0 billion and whose combined assets total $38,912,197,000. 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 the State.

Manufacturing

The manufacturing sector is a leading employer in the State. Approximately 136,300 persons are employed in more than 2,606 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 seventeen (17) manufacturing companies with 1,000 or more employees.

Every county in the State has a manufacturing facility. Hinds County has the largest number of plants followed by Lee County, Rankin County, DeSoto County and Harrison County. The leading product groups in the State 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 4,100. 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 delayed the opening of the plant but, 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 fourth quarter of 2011. The first car rolled off the production line in October 2011. At full production slated for later in 2012, the plant is expected to make six hundred (600) vehicles a day.

Huntington Ingalls Industries is the State's largest manufacturing employer through its shipyards located in Pascagoula and Gulfport. With current employment above 12,000, Huntington Ingalls Industries has an annual payroll of approximately $400 million. The company develops and produces technologically advanced warships for the United States Navy, Coast Guard, Marine Corps and for foreign and commercial customers. 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 now in full operation.

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 2011 were approximately $2.3 billion. The State's gaming industry has 24,141 State-licensed and casino hotel employees, based on fiscal year 2011 quarterly averages. In addition, the Mississippi Band of Choctaw Indians employs an estimated 3,225 persons at its casino hotels.

According to the Department of Revenue, gross gaming revenues for the first ten months of fiscal year 2012 were $1,914,766,021.99.

Agriculture and Forestry

Agriculture is one of the State's leading industries, employing approximately 17% of the State's workforce either directly or indirectly. Agriculture in the State is a $6.88 billion industry with a $12.7 billion economic impact each year. There are approximately 42,300 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, cotton, hogs, horticulture crops, mill, sweet potatoes, wheat and peanuts.

Forestry and forestry products contribute a total impact of $17.4 billion to the State's economy. 19.8 million acres or about 65% of the total land in the State is devoted to forest production. Mississippi ranks number one in the nation in the number of certified tree farms with more than 3,200. 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 in the State totaled $1.3 billion in 2011 while nonresidential starts in the State totaled $2.2 billion in 2011. Construction employment in February 2012 totaled 49,600, unchanged from February 2011 and a decrease of 22 percent from the State's peak in April 2008. When compared to the national average, construction worker's pay in the State averaged $40,218, 20 percent more than all private sector employees in the State.

During the period 2005 through 2011, building permits issued for residential construction averaged 10,243 annually, with an average annual valuation of $1.2 billion. The following chart presents annual data for residential building activity.

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RESIDENTIAL CONSTRUCTION BUILDING ACTIVITY
(Valuation in Millions)

Year	Building Permits(In Thousands)	Privately-Owned Housing Units Valuation (In Millions)	Contract Construction Employment (In Thousands)
1999	12.3	949.1	55.1
2000	11.4	925.7	54.4
2001	9.8	893.7	51.9
2002	11.0	1,015.0	53.9
2003	12.1	1,254.5	51.3
2004	13.6	1,399.3	50.6
2005	13.0	1,535.2	52.1
2006	15.6	1,891.0	53.0
2007	16.3	1,773.0	58.2
2008	10.0	1,119.3	57.5
2009	6.7	807.2	47.8
2010	4.8	646.3	50.2
2011	5.3	724.1	49.6

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.

The State'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.

The State's public ports continue to play a vital role in the State's transportation system and the State's economy. Currently, there are 16 public ports in the State: the State controls the Port of Gulfport and the Yellow Creek State Inland Port. The remaining 14 ports are locally owned and operated. These ports contribute $1.4 billion to the State economy, representing almost 3 percent of the Gross State Product and including some 34,000 direct and indirect jobs paying $765 million in wages and salaries. On average, over 47.7 million tons of cargo 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 2010 Census, the population of the State was 2,967,297.

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
2010	2,967	.54	308,746	.60
2011	2,979	.40	311,592	.92

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	1980	1990	2000	%Change 1970-1980	%Change 1980-1990	%Change 1990-2000	%Change 2000-2010
Urban	1,192.2	1,213.8	1,388.6	20.7%	1.6%	14.4%	(4.1)%
Rural Non-farm	1,243.6	1,307.2	1,409.7	28.4	5.0	7.8	12.9
Rural Farm	84.8	56.2	46.4	(67.6)	(33.7)	(17.4)	(2.6)
TOTAL/AVERAGE	2,520.6	2,577.2	2,844.7	13.6%	2.1%	10.4%	4.3%

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

Employment

The service producing industries are the leading employers within the State employing 901,900 people or 82% of total non-agricultural employment as of June 2012. Other large employment sectors are government, trade and transportation, and manufacturing with each employing 248,600, 213,500, and 136,300, respectively as of June 2012. Within the goods producing industry, the durable goods segment of the industry employed 89,200 and the nondurable goods segment employ 47,100. The leading manufacturers by product category are transportation equipment which includes ship building (40,000), food manufacturing (22,500) followed by furniture manufacturing (18,100). Although its importance has declined, agriculture continues to contribute significantly to the State's economy. The total employment in agriculture as of June 2012 was 36,500.

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TEN LARGEST MISSISSIPPI MANUFACTURING EMPLOYERS[1]

Manufacturer	Major Product	2012 Employment
Huntington Ingalls Industries	Ship Building	12,030
Tyson Foods	Food Processing	4,853
Howard Industries	Electronics	4,640
Sanderson Farms	Processed Poultry	4,528
Nissan North America	Automobile Manufacturer	4,100
Lane Furniture Industries	Upholstered Furniture	3,802
Ashley Furniture	Upholstered Furniture	3,300
Koch Foods, Inc.	Food Processing	2,035
Toyota Motor Manufacturing	Automobile Manufacturer	2,000
Peco Foods of Mississippi	Food Processing	1,904

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(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 June, 2012.

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	1,575.6	1,411.3	10.4
2011	1,344.6	1,203.6	10.5
2012			
Jan	1,349.0	1,214.3	10.0
Feb	1,343.8	1,215.3	9.6
March	1,337.1	1,216.2	9.0
April	1,333.8	1,216.9	8.8
May	1,336.3	1,219.8	8.7
June	1,336.1[1]	1,218.0[1]	8.8[1]

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(1) Preliminary

Source: U.S. Department of Labor Bureau of Labor Statistics, July 2012.

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MISSISSIPPI ANNUAL EMPLOYMENT STATISTICS
(In Thousands of People)

	2008	2009	2010	2011	Preliminary April 2012
Civilian labor force	1,310.9	1,283.9	1,313.4	1,344.6	1,333.2
Total employment	1,206.4	1,158.7	1,176.3	1,203.6	1,216.9
Agricultural(1)	36.2	34.8	35.3	36.1	36.5
Non-agricultural	1,128.4	1,105.8	1,089.7	1,089.0	1,094.3
All Other	41.8	18.1	51.3	78.5	86.1
Unemployment Rates					
Mississippi	8.0	9.8	10.4	10.5	8.7
United States	7.2	10.0	9.6	9.0	8.1
By Place of Employment					
Non-Agricultural	1,128.4	1,100.3	1,089.7	1,089.0	1,094.3
Manufacturing	157.7	145.0	135.8	134.4	136.3
Durable goods	104.2	93.5	87.2	87.8	89.2
Wood Product	13.9	11.4	8.4	9.3	9.1
Furniture & Related Products	20.7	18.5	18.4	17.5	18.1
Metal Products	10.9	10.7	8.6	8.4	8.4
Machinery Manufacturing	11.8	11.7	9.4	11.1	11.4
Electrical Equipment & Appliance	15.2	12.4	10.2	10.6	10.8
Transportation Equip(2)	46.4	44.2	39.6	40.4	40.0
Nondurable goods	53.5	51.5	49.5	46.6	47.1
Food	23.4	23.6	23.8	23.0	22.5
Paper	4.5	4.4	4.1	3.7	3.7
Plastics & Rubber	7.6	6.8	5.5	5.7	5.7
Service Producing					
Industries	909.9	898.6	886.9	901.9	901.9
Mining(3)	9.9	9.4	8.6	9.2	9.4
Construction	57.5	52.8	48.9	47.2	46.7
Information	13.2	13.0	12.4	11.8	11.8
Trade & Transportation	278.1	257.7	212.7	217.4	213.5
F.I.R. (4)	46.8	43.2	45.0	45.2	45.2
Government	244.7	255.5	248.9	247.9	248.6
Education & Health Services(5)	128.7	133.1	132.3	139.0	138.1
Leisure & Hospitality	119.8	118.3	119.8	113.4	117.8
Professional & Business	91.4	86.3	88.8	93.5	92.4
Other Services	36.7	35.3	34.8	34.2	34.5

(1) Mississippi Agricultural Statistics.

(2) Motor Vehicle Parts, Ship and Boat Building.

(3) Natural Resources and Mining.

(4) Finance, Insurance, Real Estate and Rental.

(5) Education, Health Care and Social Assistance.

Source: Mississippi Department of Employment Security, State & Metro Trends, June 2012.

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Income

Services, government, Trade and Transportation, and Manufacturing 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
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
2010	31,186	40,584	76.8
2011	31,882	41,415	77.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, last updated January 2012.

MISSISSIPPI PERSONAL INCOME STATISTICS
(Rounded in Millions of Dollars)

	2007	2008	2009	2010	2011
Total Personal Income					
(by place of residence)	$86,585	$90,347	$89,743	$92,539	$95,835
Earnings by Industry					
Farm	1,169	1,199	1,167	1,054	1,033
Agricultural Services(1)	479	460	453	496	409
Mining	777	1,166	986	995	745
Utilities	650	701	712	730	730
Construction	963	4,065	3,266	3,147	3,804
Manufacturing	8,388	8,334	7,757	7,749	7,709
Wholesale Trade	2,443	2,444	2,335	2,369	2,241
Retail Trade	4,538	4,385	4,219	4,374	4,647
Transportation and Warehousing	2,380	2,466	2,371	2,450	2,427
Information	788	843	804	814	712
Finance and Insurance	2,163	2,193	2,166	2,132	2,337
Real Estate, Rental and Leasing	582	614	594	575	803
Professional, Scientific and Technical Services	2,782	3,061	2,983	3,020	2,895
Management of Companies and Enterprises	810	793	814	849	965
Administrative and Waste Services	1,647	1,719	1,581	1,801	1,892
Educational Services	502	547	580	622	652
Health Care & Social Assistance	5,789	6,066	6,296	6,513	6,842
Arts, Entertainment and Recreation	417	399	366	363	318
Accommodation and Food Service	2,515	2,422	2,315	2,387	2,556
Other Services except Public Administrative	2,296	2,260	2,213	2,272	2,339
Government and Government Enterprises	13,717	14,576	15,113	15,316	15,254

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. March 2012

(1) Agricultural services include forestry, fishing and related activities.

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

	2007	2008	2009	2010	2011
Total Personal Income (by place of residence)	11,900.6	12,451.7	11,916.8	12,353.6	12,981.7
Earnings by Industry					
Agricultural, Forestry, Fishing, and Hunting	92.6	106.3	91.4	99.8	113.2
Mining	99.3	143.5	75.9	83.1	104.1
Utilities	68.9	78.1	72.8	73.3	75.5
Construction	601.7	574.1	494.0	479.5	485.2
Manufacturing	984.9	987.3	876.9	891.6	933.1
Wholesale Trade	476.8	480.3	447.3	456.2	485.8
Retail Trade	572.6	550.4	537.4	553.5	575.4
Transportation and Warehousing	302.3	302.2	286.9	295.4	309.8
Information	302.0	308.7	288.5	294.3	308.7
Finance, Insurance, Real Estate, Rental and Leasing	844.2	823.6	767.9	795.8	841.0
Professional and Business Services	1,064.8	1,134.5	1,061.5	1,110.3	1,188.2
Educational Services, Health Care & Social Assistance	1,000.0	1,071.6	1,109.4	1,147.0	1,195.7
Arts, Entertainment, Recreation, Accommodation and Food Services	374.5	369.3	355.8	379.8	401.1
Other Services except Government	329.4	322.6	321.1	330.4	341.8
Government	1,475.3	1,555.1	1,607.5	1,642.7	1,643.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, last revised on June 1, 2012.

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

Industry Group	2007	2008	2009	2010	2011
Automotive	$ 6,425.7	$ 6,083.9	$5,023.8	$4,864.0	$5,443.9
Machinery	3,065.2	2,963.0	2,656.0	2,380.9	2,705.0
Food & Beverage	7,183.3	7,503.0	7,658.4	7,712.5	7,889.1
Furniture	1,017.1	960.0	859.0	874.4	864.5
Gen. Merchant	7,517.2	7,339.2	7,697.2	7,496.0	7,592.4
Lumber	3,892.9	3,423.6	2,870.9	2,510.4	2,587.4
Misc. Retail	3,741.9	3,743.7	3,567.7	3,339.7	3,453.4
Misc. Services	2,605.2	2,823.8	2,829.5	2,580.1	2,796.3
Utilities	4,160.8	4,225.3	4,383.7	4,229.6	4,174.7
Contracting	7,289.3	7,887.5	7,771.2	6,088.3	5,694.5
Wholesale	728.8	749.0	763.5	756.6	785.3
Recreation	135.9	134.8	136.4	144.9	145.5
Total Taxable Sales	$47,763.4	$47,836.8	$46,217.2	$43,047.4	$44,132.1

Source: Mississippi Department of Revenue, Fiscal Years 2007-2011.

RATINGS

Standard & Poor's Credit Market Services, a division of The McGraw Hill Companies, Inc. ("S&P"), Fitch Ratings ("Fitch") and Moody's Investors Service, Inc. ("Moody's") have assigned ratings of "AA," "AA+," and "Aa2," respectively, to the Series 2012 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 2012 Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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 were 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 2012 Bonds within the meaning of the Rule.

The State will enter into a written undertaking with the Bondholders for the Series 2012E Bonds and the Series 2012F Bonds 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 - FORMS OF CONTINUING DISCLOSURE CERTIFICATES".

Except as described in the following sentence, the State has complied in all material respects with any previous continuing disclosure undertakings under the Rule. There have been some instances in the previous five (5) years in which the State filed its annual undertakings late. In 2008 and 2010, the late filings were the result of the State's CAFR for such fiscal year not being available by the February 1st disclosure date. The other filings, 2007, 2009 and 2011, were filed untimely by no more than seven (7) days after the February 1st disclosure date as a result of the responsible employee being unexpectedly absent. The State has taken steps to ensure that it will timely comply with all undertakings in the future.

LITIGATION

The Attorney General's Office has reviewed the status of pending litigation involving the State. 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 2012 Bonds provided the same are issued, sold and delivered. To predict with any degree of accuracy the ultimate outcome of any litigation would be conjectural.

UNDERWRITING

The Series 2012E 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 2012E Bonds at a purchase price of $71,647,441.26, representing $71,985,000.00 par amount less an underwriters' discount of $337,558.74. The bond purchase agreement pursuant to which the Underwriters expect to purchase the Series 2012E Bonds provides that the Underwriters will purchase all the

Series 2012E Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2012E Bonds is subject to various conditions stated in such bond purchase agreement.

The Series 2012F Bonds are initially being purchased for reoffering by the Underwriters. Stephens Inc. serves in the capacity of co-manager for the Series 2012F Bonds only. The Underwriters have agreed to purchase the Series 2012F Bonds at a purchase price of $207,900,549.92, representing $171,860,000.00 par amount less an underwriters' discount of $804,993.73 and plus an original issue premium of $36,845,543.65. The bond purchase agreement pursuant to which the Underwriters expect to purchase the Series 2012F Bonds provides that the Underwriters will purchase all the Series 2012F Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2012F Bonds is subject to various conditions stated in such bond purchase agreement.

The Underwriters may offer and sell the Series 2012 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.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the State for which they received or will receive customary fees and expenses. In addition, affiliates of some of the Underwriters are lenders, and in some cases agents or managers for the lenders, under our credit facility.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2012 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. 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, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012 Bonds.

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of Morgan Keegan & Company, Inc. ("Morgan Keegan") from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James | Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Morgan Keegan has entered into a distribution arrangement with Raymond James for the distribution of the Series 2012 Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

Raymond James may also receive compensation for serving as bidding agent in conducting a competitive bid procurement process for the investment of some or all of the proceeds of the Series 2012 Bonds.

Loop Capital Markets LLC, one of the Underwriters of the Series 2012 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement, Loop Capital Markets LLC will share a portion of its underwriting compensation with respect to the Series 2012 Bonds with UBS Financial Services Inc.

VALIDATION

The Series 2012 Bonds have been 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 2012 Bonds are subject to the approving legal opinions of Watkins & Eager, PLLC, Jackson, Mississippi, Bond Counsel, whose approving legal opinions will be available at the time of delivery of the Series 2012 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 Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations supporting the conclusions (a) that the principal amounts and the interest thereon of the Investment Securities to be deposited in trust with the Escrow Trustee (see "PLAN OF REFUNDING" herein) are adequate to provide for the payment when due and upon redemption thereof, of the principal of, premium, if any, and interest on the Refunded Bonds, and (b) that the Series 2012F Bonds are not "arbitrage bonds" under Section 148 of the Code (as defined herein) will be verified by Causey Demgen & Moore Inc., independent certified public accountants. Such verification will be based, in part, upon information supplied to the certified public accountants by the State and the Underwriters.

FINANCIAL ADVISOR

The State has retained Piper Jaffray & Co., Memphis, Tennessee, as independent financial advisor (the "Financial Advisor") in connection with the sale and issuance of the Series 2012 Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the State with respect to the preparation of documents, the preparation for the sale of the Series 2012 Bonds and of the time of the sale, tax-exempt and taxable bond market conditions and other factors related to the sale of the Series 2012 Bonds. Although the Financial Advisor performed an active role in the drafting of this Official Statement, it has not independently verified any of the information set forth herein.

TAX MATTERS

Series 2012E Bonds

INTEREST ON THE SERIES 2012E BONDS SHOULD BE TREATED AS INCLUDABLE IN GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.

In the opinion of Watkins & Eager, PLLC, Jackson, Mississippi ("Bond Counsel"), under existing laws, regulations, rulings and judicial decisions, interest on the Series 2012E Bonds is exempt from income taxation in the State.

Series 2012F Bonds

The Internal Revenue Code of 1986, as amended and supplemented from time to time (the "Code"), includes requirements which the State must continue to meet after the issuance of the Series 2012F Bonds in order that interest on the Series 2012F Bonds not be included in gross income for federal income tax purposes. The State's failure to meet these requirements may cause interest on the Series 2012F Bonds to be included in gross income for federal income tax purposes retroactive to its date of issuance. The State has covenanted in the Series 2012F Bond Resolution to comply with the requirements of the Code in order to maintain the exclusion of interest on the Series 2012F Bonds from gross income for federal income tax purposes.

In the opinion of Bond Counsel, assuming compliance by the State with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2012F Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2012F Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2012F Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2012F Bonds is exempt from income taxation in the State.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2012F Bonds. Ownership of tax-exempt obligations such as the Series 2012F Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2012F Bonds should consult their tax advisors as to the applicability and impact of any such collateral consequences.

Series 2012F Premium Bonds

The initial public offering prices of the Series 2012F Bonds are more than the amounts payable at the maturity dates thereof as set forth on the inside front cover of this Official Statement. Under the Code, the difference between the principal amount of a Series 2012F Bond and the cost basis of such Series 2012F Bond to its owner (other than an owner who holds such a Series 2012F Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is "bond premium." Bond premium is amortized over the term of such a Series 2012F Bond for federal income tax purposes. The owner of a Series 2012F Bond is required to decrease its basis in such Series 2012F Bond by the amount of amortizable bond premium attributable to each taxable year he holds the Series 2012F Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Series 2012F Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Series 2012F Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2012F Bonds.

Future Legislation

The federal government is considering various legislative proposals for reducing the federal budget deficit and the federal debt and promoting economic growth, and some of these proposals, if enacted, could affect the tax-exempt status of state and local bonds, such as the Series 2012F Bonds. Owners of the Series 2012F Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the environmental tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

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 2012 Bonds, the security for the payment of the Series 2012 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: Mr. Mark Valentine.

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

STATE OF MISSISSIPPI

By: *_/s/ Phil Bryant_*
Phil Bryant, Governor

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

By: *_/s/ Lynn Fitch_*
Lynn Fitch, State Treasurer

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

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APPENDIX A

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DEBT SERVICE ON THE SERIES 2012E BONDS

$71,985,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION
REFUNDING BONDS,
SERIES 2012E

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2013	$ 1,265,000.00	$ 1,183,008.30	$ 2,448,008.30
2014	0.00	1,558,373.40	1,558,373.40
2015	0.00	1,558,373.40	1,558,373.40
2016	1,675,000.00	1,551,765.53	3,226,765.53
2017	6,345,000.00	1,509,752.56	7,854,752.56
2018	6,475,000.00	1,430,123.21	7,905,123.21
2019	6,495,000.00	1,330,853.83	7,825,853.83
2020	6,470,000.00	1,214,505.45	7,684,505.45
2021	6,650,000.00	1,077,824.45	7,727,824.45
2022	6,855,000.00	918,575.78	7,773,575.78
2023	7,070,000.00	742,900.91	7,812,900.91
2024	7,310,000.00	550,694.11	7,860,694.11
2025	7,555,000.00	343,501.33	7,898,501.33
2026	7,820,000.00	118,355.70	7,938,355.70
TOTAL	$71,985,000.00	$15,088,607.96	$87,073,607.96

DEBT SERVICE ON THE SERIES 2012F BONDS

$171,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2012F
(Tax-Exempt)

Fiscal Year Ending June 30	Principal	Interest	Total Principal & Interest
2013	$ 1,160,000.00	$ 5,215,557.04	$ 6,375,557.04
2014	0.00	7,723,743.76	7,723,743.76
2015	0.00	7,723,743.76	7,723,743.76
2016	465,000.00	7,719,093.76	8,184,093.76
2017	8,025,000.00	7,553,943.76	15,578,943.76
2018	415,000.00	7,390,071.88	7,805,071.88
2019	8,435,000.00	7,218,000.00	15,653,000.00
2020	8,700,000.00	6,951,425.00	15,651,425.00
2021	9,040,000.00	6,627,550.00	15,667,550.00
2022	36,405,000.00	5,491,425.00	41,896,425.00
2023	37,945,000.00	3,822,400.00	41,767,400.00
2024	39,560,000.00	2,074,500.00	41,634,500.00
2025	10,575,000.00	821,125.00	11,396,125.00
2026	11,135,000.00	278,375.00	11,413,375.00
TOTAL	$171,860,000.00	$76,610,953.96	$248,470,953.96

DEBT SERVICE REQUIREMENTS

STATE OF MISSISSIPPI

GROSS DIRECT DEBT OR TOTAL GENERAL OBLIGATION BONDS ANNUAL DEBT SERVICE REQUIREMENTS(1)(2)

Fiscal Year Ending June 30	Principal(3)	Interest(3)(4)	Total Principal & Interest(3)(4)
2013	$ 242,130,000	$ 182,643,467	$ 424,773,467
2014	250,470,000	171,119,691	421,589,691
2015	258,760,000	159,378,116	418,138,116
2016	260,540,000	147,447,905	407,987,905
2017	270,515,000	135,400,555	405,915,555
2018	227,165,000	124,276,002	351,441,002
2019	218,870,000	114,542,603	333,412,603
2020	190,605,000	105,825,969	296,430,969
2021	179,485,000	98,138,980	277,623,980
2022	171,120,000	90,798,091	261,918,091
2023	165,130,000	83,817,152	248,947,152
2024	167,130,000	77,106,186	244,236,186
2025	159,670,000	70,532,740	230,202,740
2026	166,490,000	62,810,643	229,300,643
2027	150,055,000	58,305,930	208,360,930
2028	143,100,000	51,082,231	194,182,231
2029	121,980,000	45,246,603	167,226,603
2030	98,840,000	39,893,042	138,733,042
2031	103,690,000	34,419,943	138,109,943
2032	108,825,000	28,625,009	137,450,009
2033	114,115,000	22,563,306	136,678,306
2034	119,165,000	16,295,704	135,460,704
2035	124,050,000	9,826,976	133,876,976
2036	82,590,000	4,373,801	86,963,801
2037	44,535,000	1,110,950	45,645,950
TOTAL	$4,139,025,000	$1,935,581,595	$6,074,606,595

(1) As of June 1, 2012.

(2) Does not include the effects of the Series 2012 Bonds or the 2012A-D Refunding Bonds. Gross direct debt includes self-supporting general obligations bonds which are payable from a specific revenue stream. See page A-4 for the debt service requirements of self-supporting general obligation bonds of the State.

(3) Of this amount $305,095,000 has been issued as variable rate debt, therefore the interest due is indeterminable at this time and is not included in this table.

(4) These amounts do not include any subsidy payments due to the State from the United States Treasury pursuant to and in accordance with Section 1531 of the Title 1 of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 115 (2009)) and Sections 54AA(g) and 6431 of the Code.

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

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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
2013	$995,000	$18,656	$1,013,656
Total	$955,000	$18,656	$1,013,656

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 June 1, 2012.

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

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STATE OF MISSISSIPPI

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

Fiscal Year Ending June 30	Principal(3)	Interest(3)(4)	Total Principal & Interest(3)(4)
2013	$ 241,135,000	$ 182,624,811	$ 423,759,811
2014	250,470,000	171,119,691	421,589,691
2015	258,760,000	159,378,116	418,138,116
2016	260,540,000	147,447,905	407,987,905
2017	270,515,000	135,400,555	405,915,555
2018	227,165,000	124,276,002	351,441,002
2019	218,870,000	114,542,603	333,412,603
2020	190,605,000	105,825,969	296,430,969
2021	179,485,000	98,138,980	277,623,980
2022	171,120,000	90,798,091	261,918,091
2023	165,130,000	83,817,152	248,947,152
2024	167,130,000	77,106,186	244,236,186
2025	159,670,000	70,532,740	230,202,740
2026	166,490,000	62,810,643	229,300,643
2027	150,055,000	58,305,930	208,360,930
2028	143,100,000	51,082,231	194,182,231
2029	121,980,000	45,246,603	167,226,603
2030	98,840,000	39,893,042	138,733,042
2031	103,690,000	34,419,943	138,109,943
2032	108,825,000	28,625,009	137,450,009
2033	114,115,000	22,563,306	136,678,306
2034	119,165,000	16,295,704	135,460,704
2035	124,050,000	9,826,976	133,876,976
2036	82,590,000	4,373,801	86,963,801
2037	44,535,000	1,110,950	45,645,950
TOTAL	$4,138,030,000	$1,935,562,939	$6,073,592,939

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 June 1, 2012.

(2) Does not include the effects of the Series 2012 Bonds or the 2012A-D Refunding Bonds.

(3) Of this amount $300,095,000 has been issued as variable rate debt, therefore the interest due is indeterminable at this time and is not included in this table.

(4) These amounts do not include any subsidy payments due to the State from the United States Treasury pursuant to and in accordance with Section 1531 of the Title 1 of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 115 (2009)) and Sections 54AA(g) and 6431 of the Code.

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 June 1, 2012.

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

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BOND AUTHORIZATION AND OUTSTANDING DEBT
As of June 1, 2012(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; 2011 RLS SB 3100	2004	$47,450,000	$34,950,000	$31,870,000	$12,500,000
B B King Museum Fund	2006 RLS SB 3111, as amended; RLS 2009 HB 1722	2006	$2,500,000	$2,500,000	$2,170,000	$0
Business Investment	Ch. 419-Laws of 1986, As Amended; HB 1641 Laws of 2008; RLS 2010 HB 1701; 2011 RLS SB 3100	1986	$331,500,000	$288,677,000	$37,745,000	$42,823,000
Camp Shelby Access Rd	RLS 2010 SB 3181	2010	$10,000,000	$3,000,000	$3,000,000	$7,000,000
Cap Imp to State Owned Shipyard	Ch. 501; 2006RLS SB 2073	2003	$144,000,000	$144,000,000	$86,505,000	$0
Capital Improvements	Ch. 600	2001	$139,770,000	$139,770,000	$9,364,000	$0
Capital Improvements	Ch. 550-Laws of 2002	2002	$157,770,000	$157,770,000	$20,405,000	$0
Capital Improvements	Ch. 522	2003	$156,984,000	$156,234,000	$30,602,000	$0
Capital Improvements	Ch 1 Third Special Session, Laws 2004; HB 1641 Laws of 2008	2004	$281,930,000	$281,930,000	$226,618,500	$0
Capital Improvements	2006 RLS HB 1634; SB 3201 2007RLS	2006	$86,600,000	$86,600,000	$72,836,000	$0
Capital Improvements IHL & CC	2007 RLS HB 246	2007	$122,558,000	$122,558,000	$107,541,000	$0
Capital Improvements State Agencies	2007 RLS SB 3201	2007	$84,300,000	$82,300,000	$69,387,000	$2,000,000
Capital Improvements IHL & CC	HB 1641 Laws of 2008	2008	$48,875,000	$48,875,000	$44,015,000	$0
Capital Improvements	2009 RLS HB 1722	2009	$86,250,000	$85,250,000	$85,250,000	$1,000,000
Capital Improvements	2010 RLS HB 1701	2010	$215,625,000	$201,470,000	$201,470,000	$14,155,000
Capital Improvements	2011 RLS SB 3100	2011	$230,175,000	$132,868,000	$132,868,000	$97,307,000
Children's Museums	Ch. 535-Laws of 1997;2007 RLS SB 3201; 2011 RLS SB 3100	1997	$10,100,000	$10,100,000	$6,845,000	$0
City of Jackson Water and Sewer Loan	RLS 2010 HB 1701	2010	$6,000,000	$6,000,000	$6,000,000	$0
Coahoma County Higher Ed Center R&R	RLS 2009 HB 1722	2009	$250,000	$250,000	$250,000	$0
Community Heritage Preservation	Ch. 541, As Amended; 2006 RLS HB 1634; 2007 RLS SB 3201, 2009 RLS HB 1722; 2010 RLS HB 1701	2001	$29,200,000	$26,950,000	$11,610,000	$2,250,000
County Voting System Assistance	2006RLS HB 562	2006	$6,000,000	$6,000,000	$5,000,000	$0
Crime Lab and Medical Examiner Office Construction	RLS 2009 HB 1722	2009	$12,000,000	$12,000,000	$12,000,000	$0
Cultural Development Act	Ch. 541, as amended; 2006 RLS HB 1634	2001	$21,200,000	$21,200,000	$7,185,500	$0
Economic Development Highway	Ch.463-Laws 1989; 2006 RLS HB 1506; RLS 2009 HB 1722; 2011 RLS SB 3100	1989	$364,500,000	$248,900,000	$135,100,000	$115,600,000
Energy Infrastructure Revolving Loan Program	2009 RLS HB 1722	2009	$20,000,000	$0	$0	$20,000,000

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Farrish Street Historic District Loans	CH 465-Laws of 1999; 2010 RLS HB 1701	1999	$6,500,000	$6,500,000	$3,430,000	$0
Farm Reform	Ch. 482-Laws of 1987, As Amended	1987	$128,000,000	$108,000,000	$3,670,000	$20,000,000
Grand Gulf Access Road	2007 RLS SB 3201	2007	$4,000,000	$0	$0	$4,000,000
Greenville Higher Ed Center	2011 RLS SB 3100	2011	$300,000	$300,000	$300,000	$0
Hancock County Port and Tri-State Commerce Park	CH. 578 As Amended	1999	$39,880,000	$39,880,000	$55,000	$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	$325,000	$0
Hinds CC Plumber Trng Ctr	HB 1641 Laws of 2008	2008	$2,000,000	$2,000,000	$1,770,000	$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	$120,000	$0
Hwy 6 Controlled Access Interchange	2007 RLS SB 3175	2007	$4,000,000	$0	$0	$4,000,000
IHL Learning Facilities	Ch. 594-Laws of 1998	1998	$71,050,000	$71,050,000	$45,000	$0
IHL Learning Facilities	CH. 595	1999	$102,500,000	$102,500,000	$265,000	$0
Infinity Space Science and Ed Center	2006 RLS HB 1634; 2007 RLS SB 3190; 2010 RLS HB 1701	2006	$12,500,000	$12,500,000	$12,500,000	$0
Jackson Redevelopment Authority Loan	2006 RLS HB 1495	2006	$2,000,000	$2,000,000	$1,150,000	$0
Jackson Zoo Improvements	2007 RLS SB 3190	2007	$2,000,000	$2,000,000	$1,720,000	$0
Jackson Zoo Improvements 2009	2009 RLS HB 1722; 2010 RLS HB 1701; 2011 RLS SB 3100	2009	$2,100,000	$2,100,000	$2,100,000	$0
Kemper County Comm Group Home	2007 RLS SB 3191	2007	$700,000	$100,000	$87,000	$600,000
Land Water and Timber Resources	Ch. 538, as amended; HB 1665 Laws of 2008	2001	$38,000,000	$38,000,000	$5,655,000	$0
Landmark Grant Program	Ch 543-Laws of 2002	2002	$700,000	$700,000	$40,000	$0
Loc System Bridge Replacement	Ch. 469;2004 3[Rd] LS SB 2010; 2006 RLS SB 3086; 2007 RLS SB 3201; RLS 2009 HB 1722; 2010 RLS SB 3181; 2011 RLS SB 3100	2003	$175,000,000	$175,000,000	$146,309,000	$0
Local Governments Capital Improvements	Ch. 570-Laws of 1994. As Amended	1994	$128,000,000	$115,500,000	$13,010,000	$12,500,000
Local Governments Rail Program	Ch. 563-Laws of 1995.	1995	$18,000,000	$18,000,000	$1,055,000	$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	$33,843,000	$33,843,000	$11,593,000	$0
Long Leaf Trace Improvements	2010 RLS HB 1701	2010	$800,000	$700,000	$700,000	$100,000
Lynn Meadows Discovery Center	2007 RLS SB 3201	2007	$1,000,000	$1,000,000	$880,000	$0
Major Economic Impact	Ch. 534-Laws of 1989, As Amended; HB1628 HB1404 and SB 2605 Laws of 2009	1989	$1,188,800,000	$1,019,190,000	$666,940,000	$169,610,000

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Marine Resources Equip and Facilities	2006 RLS 3071	2006	$30,000,000	$12,000,000	$11,160,000	$18,000,000
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	$15,672,000	$0
MDA Workforce Training Fund	2010 2nd SS HB 8	2010	$4,000,000	$2,000,000	$1,960,000	$2,000,000
Mental Health Facilities	2007 RLS SB 3201	2007	$6,100,000	$0	$0	$6,100,000
Milk Producers Transportation Loan	2007 RLS SB 3199	2007	$3,500,000	$3,500,000	$2,315,000	$0
MS DOT for Nat'l Forest Service Franklin County	Chapter 532, HB 186 Local & Private Laws	1994	$1,250,000	$1,250,000	$305,000	$0
MS Existing Industry Prod Loan Fund	HB 3 Third Special Session of 2005, as amended; 2009 RLS HB 1722	2005	$65,000,000	$60,000,000	$58,330,000	$5,000,000
MS Crafts Center	2011 RLS SB 3100	2011	$100,000	$100,000	$100,000	$0
MS FFA Center	2011 RLS SB 3100	2011	$750,000	$750,000	$750,000	$0
MS Industry Incentive Financing Program	2010 RLS HB 1701; 2010 2nd SS HB 8; 2911 RLS SB 3100	2010	$468,000,000	$293,000,000	$290,865,000	$175,000,000
MS Job Protection Act Fund	HB 3 Third Special Session of 2005	2005	$12,000,000	$12,000,000	$10,755,000	$0
MS Rural Impact Act	Ch. 506; HB 1641 Laws of 2008; 2009 RLS HB 1722; RLS 2010 HB 1701; 2011 RLS SB 3100	2003	$26,375,000	$24,875,000	$13,100,000	$1,500,000
MS Technology Alliance	2007 RLS HB 1724	2007	$4,000,000	$2,000,000	$1,835,000	$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	$5,500,000	$4,911,500	$0
MS Small Business and Existing Forestry Industry Revolving Loan Program	RLS 2010 HB 1722	2010	$30,000,000	$5,000,000	$4,895,000	$25,000,000
Museum of Mississippi History	2009 RLS HB 1722; 2011 RLS 1463	2009	$40,000,000	$4,000,000	$4,000,000	$36,000,000
Museum of Natural Science Improvements	2009 RLS HB 1722	2009	$1,000,000	$1,000,000	$1,000,000	$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	$5,000,000	$5,000,000	$0
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	$12,232,500	$0
Old Eureka High School Project	2011 RLS SB 3100	2011	$200,000	$0	$0	$200,000
Old Hattiesburg High School Project	2011 RLS SB 3100	2011	$750,000	$0	$0	$750,000
Parks Improvements	CH. 464	1999	$15,925,000	$13,656,373	$750,000	$2,250,000
Port of Greenville Proj	2009 RLS HB 1722	2009	$3,000,000	$3,000,000	$3,000,000	$0
Public Health Laboratory Const	2006 RLS HB 1541	2006	$25,000,000	$25,000,000	$23,160,000	$0
Public Facilities Capital Improvement	Ch. 583	2000	$89,858,000	$89,858,000	$75,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Public Libraries Capital Improvement	Ch 1, Third Special Session, Laws of 2004	2004	$1,600,000	$1,600,000	$1,178,000	$0
Public Safety Improvement Fund	2006 RLS SB 3081	2006	$28,474,000	$28,474,000	$24,205,500	$0
Railroad Improvements Grant Program	2011 RLS SB 3100	2011	$5,000,000	$0	$0	$5,000,000
Railroad Revitalization and Stimulus	2009 RLS HB 1713	2009	$3,000,000	$1,000,000	$980,000	$2,000,000
Railroad Lines and Bridges Improvement	2006 RLS HB 1492	2006	$5,000,000	$5,000,000	$4,715,000	$0
Raspet Flight Research Laboratory	SB 3115 Laws of 2005	2005	$1,200,000	$1,200,000	$884,000	$0
Refunding 1993A	Ch. 429-Laws of 1987.	1987		$89,445,000	$6,175,000	$0
Refunding 2000	Ch. 429	1987		$90,135,000	$20,300,000	$0
Refunding 2001	Ch. 429	1987		$229,980,000	$124,060,000	$0
Refunding 2002A	Ch. 429	1987		$254,915,000	$175,725,000	$0
Refunding 2002D	Ch. 429	1987		$77,340,000	$57,495,000	$0
Refunding 2003A	Ch. 429	1987		$326,150,000	$272,900,000	$0
Refunding 2003B	Ch. 429	1987		$84,505,000	$21,580,000	$0
Refunding 2003D	Ch. 429	1987		$88,105,000	$66,005,000	$0
Refunding 2006B	Ch. 429	1987		$76,135,000	$61,250,000	$0
Refunding 2006C	Ch. 429	2006		$41,355,000	$24,605,000	$0
Refunding 2009A	Ch.429	2009		$60,380,000	$50,935,000	$0
Refunding 2009B	Ch. 429	2009		$16,080,000	$7,260,000	$0
Refunding 2009C	Ch. 429	2009		$25,240,000	$19,175,000	$0
Refunding (Nissan 2003B)	CH. 429	2009		$69,775,000	$67,695,000	$0
Refunding 2009F	CH 429	2009		$64,415,000	$64,415,000	$0
Refunding 2011B	CH 429	2011		$38,280,000	$38,280,000	$0
Refunding 2011D	CH 429	2011		$37,115,000	$37,115,000	$0
Rural Fire Truck Acquisition Fund	Ch1 Third Special Session, Laws of 2004; 2009 RLS HB 1722; 2010 RLS HB 1701; 2011 RLS SB 3100	2004	$17,850,000	$17,250,000	$15,108,000	$600,000
Small Enterprise Development Finance	Ch. 580-Laws of 1988, As Amended	1988	$140,000,000 (1)	$215,817,000	$32,920,000	$107,080,000
Small Municipalities and Limited Population Counties	Ch. 451, as amended, HB 581 Laws of 2002, HB 1595 Laws of 2003; 2006 RLS HB 1509;HB 1656 Laws of 2008; 2009 RLS HB 1722; 2010 RLS HB 1701; 2011 RLS SB 3100	2001	$55,750,000	$55,750,000	$24,310,000	$0
Soil and Water Commission	Ch. 481-Laws of 1998; HB 1506 Laws of 2008	1998	$6,500,000	$6,500,000	$3,087,000	$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	$1,000,000	$1,000,000	$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	$59,500,000	$59,500,000	$40,500,000
State Aid Road Fund	2010 RLS SB 3181	2010	$20,000,000	$20,000,000	$20,000,000	$0
Department of Revenue ITS Modernization	2010 RLS HB 1701	2010	$17,000,000	$17,000,000	$17,000,000	$0

BOND AUTHORIZATION AND OUTSTANDING DEBT (Continued)

ISSUE NAME	SOURCE OF AUTHORITY	YR	BONDS AUTHORIZED	ISSUED	PRINCIPAL BALANCE OUTSTANDING	UNISSUED
Statewide Tourism Projects	2010 RLS HB 1701	2010	$7,325,000	$7,325,000	$7,310,000	$0
Statewide Wireless	2007 RLS SB 3201; 2009 RLS HB 1722; 2010 RLS SB 3184	2007	$57,000,000	$57,000,000	$54,195,000	$0
Stennis Space Center-Lockheed Martin	Ch 1, Third Special Session, Laws of 2004	2004	$2,570,000	$2,570,000	$2,075,000	$0
Sustainable Energy Research	2010 2nd SS HB 8	2010	$2,000,000	$500,000	$490,000	$1,500,000
Transportation Highway 278	2007 RLS SB 3201	2007	$4,000,000	$4,000,000	$3,465,000	$0
University Medical Center Cancer Institute	Ch 1, Third Special Session, Laws of 2004	2004	$5,000,000	$5,000,000	$4,040,000	$0
University Medical Center Equipment Fund	Ch 1, Third Special Session, Laws of 2004	2004	$6,000,000	$6,000,000	$4,418,000	$0
Vision 21 Highway Projects	2010 RLS SB 3181	2010	$50,000,000	$31,000,000	$31,000,000	$19,000,000
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; 2011 RLS SB 3100	2002	$20,653,000	$20,653,000	$12,572,500	$0
DWFP Discretionary Fund	2007 RLS SB 3191	2007	$1,000,000	$1,000,000	$880,000	$0
Total General Obligation Net Direct			**$6,056,715,000**	**$6,898,268,373**	**$4,138,030,000**	**$1,009,925,000**
Self-Supporting General Obligation						
Deer Island Project	Ch. 522-Laws of 2002	2002	$10,000,000	$8,800,000	$995,000	$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**	**$995,000**	**$161,200,000**
Total			**$6,226,715,000**	**$7,045,724,373**	**$4,139,025,000**	**$1,171,125,000**

(1) Represents the total amount authorized to be outstanding at any one time.

(2) Does not include the effects of the Series 2012 Bonds or the 2012A-D Refunding Bonds.

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

GENERAL FUND CASH FLOW BY MONTHS

January 2004 Through May 2012
(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
September	152.8	410.6	419.8	143.6	0.0	0.0
October	143.6	402.3	493.0	52.8	0.0	0.0
November	52.8	326.0	403.1	180.6	178.4	26.5
December	180.6	350.9	296.2	180.9	(54.4)	0.0
2011						
January	180.9	333.1	349.6	164.5	0.0	0.0
February	164.5	234.1	333.4	160.1	95.0	0.0
March	160.1	472.3	403.4	229.1	0.0	0.0
April	229.1	529.2	360.9	177.9	(219.0)	(0.5)
May	177.9	357.3	358.5	176.6	0.0	0.0
June	176.6	597.2	366.9	150.5	(91.0)	(165.5)
July	150.5	245.3	387.2	128.6	0.0	120.0
August	128.6	340.3	416.0	109.4	0.0	56.5
September	109.4	451.7	429.2	131.9	0.0	0.0
October	131.9	423.0	579.9	-25.1	0.0	0.0
November	-25.1	335.2	313.9	256.3	260.0	0.0
December	256.3	363.5	304.1	315.6	0.0	0.0
2012						
January	315.6	349.1	384.1	124.7	(156.0)	0.0
February	124.7	261.8	422.6	128.9	165.0	0.0
March	128.9	517.6	361.1	135.4	(150.0)	0.0
April	135.4	545.3	359.4	121.3	(200.0)	0.0
May	121.3	389.9	357.3	103.9	(7.0)	(43.0)

Source: Department of Finance and Administration.

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APPENDIX B

EXCERPTS FROM COMPREHENSIVE ANNUAL FINANCE REPORT

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi, as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of:

- Government-wide Financial Statements
  - Governmental Activities
    - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 7% and 37%, respectively, of the assets and revenues of the Governmental Activities;
  - Business-type Activities
    - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board and the Unemployment Compensation Fund which, in the aggregate, represent 82% and 95%, respectively, of the assets and revenues of the Business-type Activities;
  - Component Units
    - the Universities and the nonmajor component units.
- Fund Financial Statements
  - Governmental Funds
    - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Department of Corrections, the Department of Environmental Quality, the Office of the Governor - Division of Medicaid, the Military Department, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which represent 21% and 33%, respectively, of the assets and revenues of the General Fund;

- Proprietary Funds

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

- Aggregate Remaining Funds

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

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

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

  - the Pension Trust Funds;

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

  all of which represent 96% and 94%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

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

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.s., the State adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

William R. Doss

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

Jackson, Mississippi
December 19, 2011

Management's Discussion and Analysis

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2011. 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 $13,591,026,000 (reported as "net assets"). Of this amount, a negative $2,430,457,000 was reported as "unrestricted net assets", which means that it would be necessary to convert restricted assets to unrestricted assets if the government's ongoing obligations to citizens and creditors were immediately due and payable. The State had $3,913,905,000 in restricted net assets. Net assets of governmental activities and business-type activities increased by $892,390,000 and $58,696,000, respectively.

Fund Level - At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $4,263,995,000, which is $546,329,000 greater than the previous year. Revenues from taxes grew as the economy slowly recovered. An increase in federal revenue associated with increased health and social services expenditures resulted in a positive change in fund balance.

Long-term Debt - The total outstanding net long-term bonds and notes were $4,854,072,000 at June 30, 2011. During the year, the State issued $874,581,000 in bonds and notes, net of premiums, discounts and deferred amount on refunding. These bonds and notes were issued primarily for capital improvements, the Economic Development Highway program, industry incentive financing, and transportation.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

Net Assets

The State's combined net assets for governmental and business-type activities increased $951,086,000 in fiscal year 2011. Net assets in the prior year totaled $12,639,940,000, as compared to $13,591,026,000 in the current year. Business-type activities reported positive balances in all three net asset categories, while governmental activities and the State as a whole continued to reflect a negative balance in unrestricted net assets.

The largest share of net assets, 89.1 percent, consisted of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets invested in capital assets, net of related debt, increased $490,733,000 from the previous year. Additions to construction in progress and infrastructure for roads, highways, bridges, and building projects provided the majority of the governmental activities' increase of $480,121,000. Most of the business-type activities' increase of $10,612,000 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, comprised 28.8 percent of total net assets, as compared to 8.6 percent in the prior year. Due to the implementation of GASB Statement 54, additional net assets were classified as restricted. The remaining negative balance represented unrestricted net assets of $2,430,457,000. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of $250,052,000 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	
	2011	2010 *	2011	2010	2011	2010 *
Current and other assets	$ 6,274,146	$ 5,692,118	$ 1,064,610	$ 976,753	$ 7,338,756	$ 6,668,871
Capital assets	13,139,932	12,575,641	250,048	243,208	13,389,980	12,818,849
Total Assets	19,414,078	18,267,759	1,314,658	1,219,961	20,728,736	19,487,720
Deferred outflows	30,827	58,072			30,827	58,072
Noncurrent liabilities	4,806,910	4,427,301	353,529	330,080	5,160,439	4,757,381
Other liabilities	1,949,437	2,102,362	58,661	46,109	2,008,098	2,148,471
Total Liabilities	6,756,347	6,529,663	412,190	376,189	7,168,537	6,905,852
Net assets:						
Invested in capital assets, net of related debt	11,888,865	11,408,744	218,713	208,101	12,107,578	11,616,845
Restricted	3,480,202	655,192	433,703	433,216	3,913,905	1,088,408
Unrestricted	(2,680,509)	(267,768)	250,052	202,455	(2,430,457)	(65,313)
Total Net Assets	$ 12,688,558	$ 11,796,168	$ 902,468	$ 843,772	$ 13,591,026	$ 12,639,940

* As restated in Note 2 to the financial statements.

Changes in Net Assets

Operating grants and contributions were the main revenue source with $8,207,580,000 or 47.3 percent of the State's total revenues. Revenue from taxes increased $117,789,000 or 2 percent to boost net assets. Charges for services brought in an additional $165,509,000. The largest share of the State's total expenses was attributed to the health and social services function at $6,871,858,000 or 42 percent. The health and social services function continued to grow this year with an increase of $124,432,000 over the prior year reflecting the continuing trend in rising costs in medical services and program participants. Expenses in the general government function declined by $131,465,000. Unemployment compensation expenses were reduced by $148,889,000 with the conclusion of an ARRA program.

Changes in Net Assets

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010 *	2011	2010	2011	2010 *
Revenues:						
Program Revenues:						
Charges for services	$ 2,155,782	$ 2,130,303	$ 298,208	$ 158,178	$ 2,453,990	$ 2,288,481
Operating grants and contributions	7,896,876	7,795,111	310,704	382,141	8,207,580	8,177,252
Capital grants and contributions	603,098	643,843	16	24	603,114	643,867
General Revenues:						
Taxes	5,921,054	5,803,265			5,921,054	5,803,265
Investment income	91,185	54,935	62,388	44,548	153,573	99,483
Total Revenues	16,667,995	16,427,457	671,316	584,891	17,339,311	17,012,348
Expenses:						
General government	1,880,341	2,011,806			1,880,341	2,011,806
Education	4,138,406	4,082,117			4,138,406	4,082,117
Health and social services	6,871,858	6,747,426			6,871,858	6,747,426
Law, justice and public safety	1,006,887	1,095,181			1,006,887	1,095,181
Recreation and resource development	1,001,306	1,058,604			1,001,306	1,058,604
Regulation of business and professions	37,438	38,188			37,438	38,188
Transportation	592,642	689,802			592,642	689,802
Interest on long-term debt	223,856	146,732			223,856	146,732
Unemployment compensation			520,790	669,679	520,790	669,679
Port Authority at Gulfport			30,276	23,243	30,276	23,243
Prepaid affordable college tuition			45,754	42,183	45,754	42,183
Other business-type			38,671	38,074	38,671	38,074
Total Expenses	15,752,734	15,869,856	635,491	773,179	16,388,225	16,643,035
Excess (deficiency) before Transfers	915,261	557,601	35,825	(188,288)	951,086	369,313
Transfers	(22,871)	(29,896)	22,871	29,896		
Change in Net Assets	892,390	527,705	58,696	(158,392)	951,086	369,313
Net Assets - Beginning, as restated	11,796,168	11,268,463	843,772	1,002,164	12,639,940	12,270,627
Net Assets - Ending	$ 12,688,558	$ 11,796,168	$ 902,468	$ 843,772	$ 13,591,026	$ 12,639,940

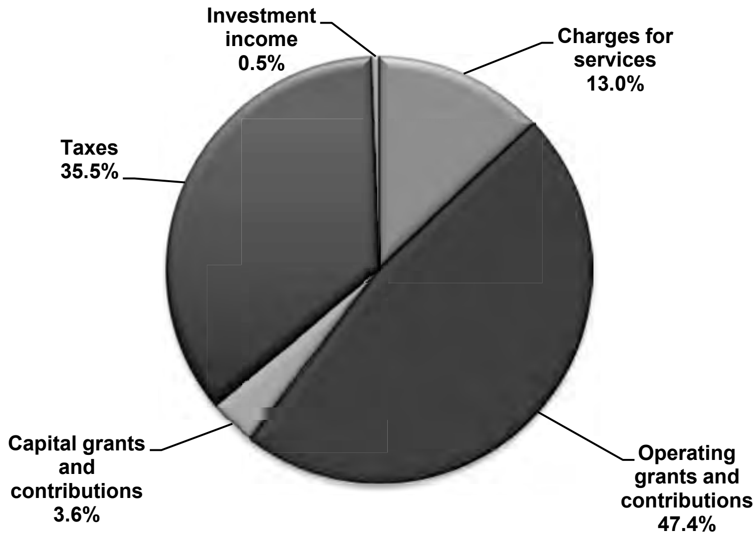
* As restated in Note 2 to the financial statements.

Mississippi

Governmental Activities

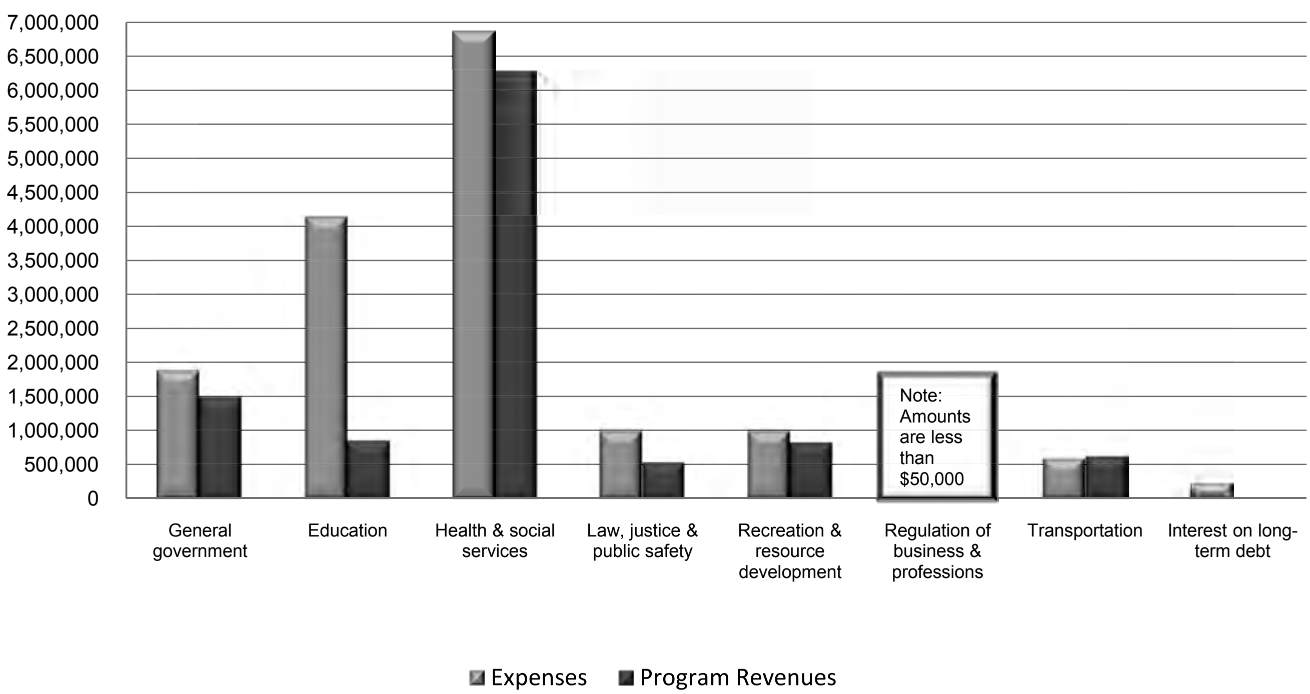
Governmental activities increased the State's net assets by $892,390,000. Operating grants and contributions increased by $101,765,000 and continued to be the largest source of revenue at 47.4 percent. Revenues from taxes followed with the next largest percentage at 35.5. The health and social services function dominated both the expenses and program revenues at $6,871,858,000 and $6,271,200,000, respectively. Education expenses of $4,138,406,000 outpaced program revenues of $855,253,000 leaving a negative $3,283,153,000 to be funded from general revenues.

Governmental Activities - Revenues by Source



Governmental Activities - Expenses and Program Revenues

(amounts expressed in thousands)

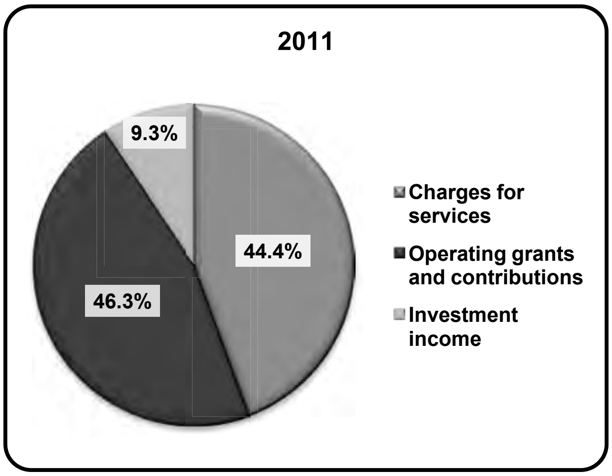


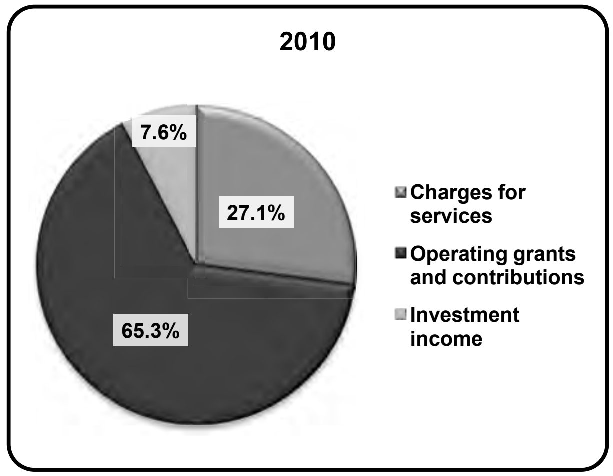
Mississippi

Business-type Activities

Business-type activities increased the State's net assets by $58,696,000. The percentage of revenues by source shifted as operating grants and contributions decreased from $382,141,000 to $310,704,000 and charges for services increased from $158,178,000 to $298,208,000. Investment income had a significant rise from $44,548,000 to $62,388,000. For the current year, program revenues kept pace with expenses with the exception of the Prepaid Affordable College Tuition fund. A positive return on this fund's investments, reported as general revenues, more than offset expenses.

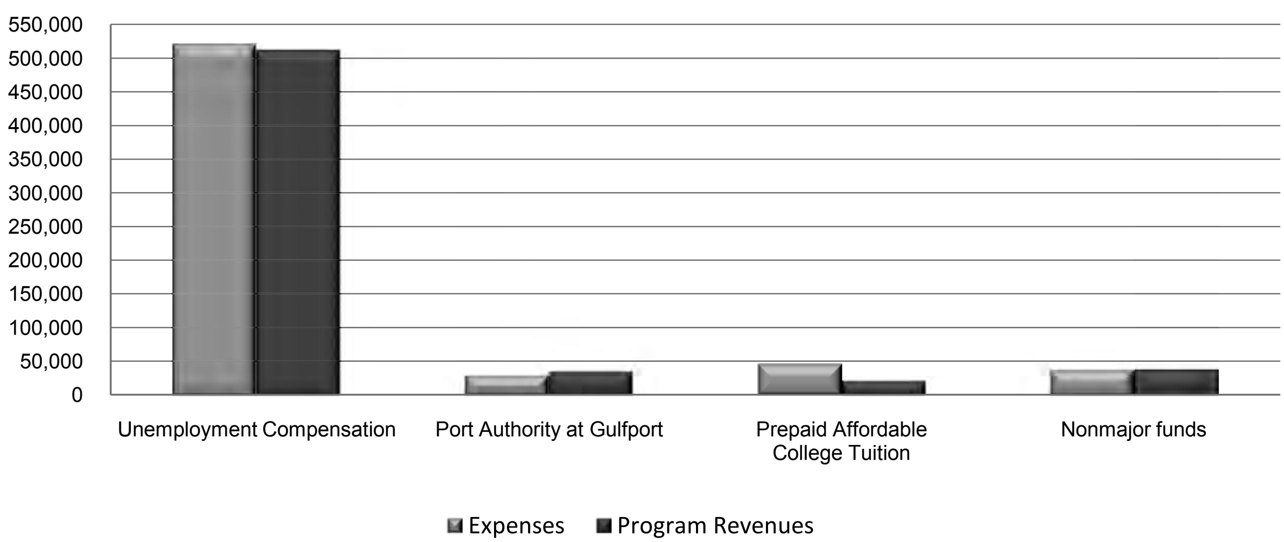
Business-type Activities - Revenues by Source





Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)



Mississippi

Financial Analysis of the State's Individual Funds

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

Governmental Funds

At June 30, 2011, the governmental funds reported combined fund balances of $4,263,995,000, reflecting an increase of $546,329,000 over the prior year. Within fund balances, $107,047,000 or 2.5 percent was deemed as nonspendable. The majority of the fund balance, $3,373,155,000 or 79.1 percent was classified as restricted. Committed fund balance equaled $385,381,000 or 9 percent of the total. Assigned fund balance comprised 2.6 percent or $110,648,000. The remaining 6.8 percent, or $287,764,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The General Fund increased $629,590,000 from the prior year to an ending fund balance of $3,545,029,000. Revenues related to sales and use tax increased by $68,129,000 and individual income tax increased by $72,473,000. Sales and use tax revenues picked up slightly over the reporting period as the economy grew at a relatively sluggish pace. The increase in individual income tax revenues was also an indication of a slowly improving economy. The largest portion of the $111,790,000 increase in health and social services expenditures was attributed to Medicaid. The agency managed more Medicaid beneficiaries and experienced a rising cost in medical services. In addition, there was a short term increase in costs related to a new managed care program. With the rise in expenditures, the corresponding growth in federal revenues occurred.

Proprietary Funds

The Unemployment Compensation Fund reversed its downward trend as net assets increased by $487,000 in contrast to a prior year decrease of $181,972,000. Total operating revenues increased while operating expenses decreased from the prior year. Assessments rose by $124,402,000 over the prior year due to the taxable wage base increase for employers from $7,000 to $14,000. The ARRA program Federal Additional Compensation was phased out which led to an $84,301,000 reduction in federal revenue. The high correlation between the revenue received and benefits paid created a $148,559,000 drop in claims and benefits expense. Federal revenue for the Federal Employees and Ex-servicemembers programs rose by $4,672,000 as claims for these programs grew. Transfers out associated with the Reed Act increased by $4,776,000 over the prior year due to ARRA revenue designated for improving technology in the unemployment insurance program.

The Port Authority at Gulfport Fund reported an increase in net assets of $25,880,000. This was a considerable improvement over the $17,479,000 increase reported in the prior year. The Port received $12,500,000 in insurance proceeds with the completion of its Hurricane Katrina litigation. Restoration of the facilities continued as the Port received federal pass through grants from other state agencies totaling $18,941,000, as well as direct federal monies of $8,192,000 for security lighting and the Transportation and Investment Generating Economic Recovery program. An increase in associated reimbursable expenditures contributed to a 32.4 percent rise in operating expenses.

The Prepaid Affordable College Tuition Fund's change in net assets was $22,716,000, while the increase was only $2,062,000 in the prior year. As the condition of the market strengthened, investment income rose to $46,706,000 in tandem with a $29,130,000 increase in the market value of its investments.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2011 General Fund revenues was 1.2 percent. This estimate was revised to a sine die estimate of 0.3 percent. Actual fiscal year 2011 General Fund revenue collections were 3 percent higher than the prior year. Each of these revenue components grew: 0.5 percent in sales tax, 3.2 percent in individual income tax, and 11.2 percent in corporate income and franchise tax.

Actual fiscal year 2011 revenues were $99,954,000 higher than in the prior year. These same revenues were $122,584,000 above estimated amounts. Positive revenue variances occurred in the three largest General Fund revenue components: corporate income and franchise tax - $54,878,000, individual income tax - $29,736,000, and sales tax - $25,784,000. The final expenditure budget was $13,538,000 less than the original budget and actual expenditures were $2,924,000 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

Net capital assets for the State totaled $13,389,980,000 for the year ended June 30, 2011. This reflected a net increase in both governmental activities and business-type activities for the current fiscal year of 4.5 percent and 2.8 percent, respectively. In comparison, the prior fiscal year also resulted in net increases that were 4.2 percent and 7.9 percent, respectively. The State's depreciation expense for fiscal year 2011 was $344,378,000 resulting in accumulated depreciation of $4,839,405,000.

Major capital asset events during fiscal year 2011 included the following:

Construction in progress for governmental activities boasted the largest increase of any asset class with $789,178,000. Of this amount, $676,078,000 related to roads, highways, and bridges. Department of Finance and Administration building projects added $49,473,000 with the largest expenditures incurred at the Department of Health Laboratory, the Mississippi Children's Museum, and Boswell Regional Center Intermediate Care Facilities. In addition, $21,018,000 was associated with the Mississippi Wireless Interoperable Network and $18,757,000 was connected to software development at the Department of Employment Security.

Within governmental activities, infrastructure increased by $439,064,000 primarily for roads, highways, and bridges. Current year additions included pavement rehabilitation projects which were completed in Hancock, Pearl River, Rankin, and Warren counties. Vision 21 projects were finished in Greene, Harrison, Kemper, Madison, and Wayne counties. In addition, a safety project was completed in Hinds County and a bridge project was completed in Holmes County.

Governmental activities reflected increases of $137,932,000 for land and $112,139,000 for buildings. Additions to land for right-of-way acquisitions totaled $123,573,000. Building additions included $34,234,000 for the NASA Shared Services Center and $18,598,000 for the Sillers Building parking facility.

Business-type activities increased net capital assets by $6,840,000. The Port Authority at Gulfport added $14,881,000 to construction in progress for security lighting, erosion protection, phase III of the fill project, and fender system repairs. Projects completed at the Port and moved out of construction in progress included an addition to land of $28,706,000 for phase II of the fill project and an addition to infrastructure of $19,383,000 for completion of the West Pier Berth 3 rehabilitation.

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	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Land	$ 1,305,370	$ 1,167,729	$ 71,218	$ 42,514	$ 1,376,588	$ 1,210,243
Software	2,556	3,110			2,556	3,110
Buildings	1,308,809	1,232,063	60,061	61,718	1,368,870	1,293,781
Land improvements	115,391	99,387	20,878	19,641	136,269	119,028
Machinery and equipment	189,550	254,167	10,790	11,991	200,340	266,158
Infrastructure	5,623,484	5,430,283	82,561	66,941	5,706,045	5,497,224
Construction in progress	4,594,772	4,388,902	4,540	40,403	4,599,312	4,429,305
Total	$ 13,139,932	$ 12,575,641	$ 250,048	$ 243,208	$ 13,389,980	$ 12,818,849

Debt Administration

As of June 30, 2011, outstanding general obligation debt for the State was $3,837,126,000, net of premiums, discounts and deferred amount on refunding. General Obligation Refunding bonds of $1,526,018,000, Capital Improvements bonds of $994,851,000, and Major Economic Impact bonds of $417,084,000 comprise 76.6 percent of this outstanding debt. During the current fiscal year, the State issued $669,670,000 in general obligation bonds and notes which are reported in governmental activities. These bonds and notes were issued for capital improvements, the Economic Development Highway program, industry incentive financing, and transportation. Within business-type activities, general obligation bonds decreased by $3,050,000 as the Port Authority at Gulfport continued to extinguish its long-term debt.

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

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2011, the State had established a constitutional legal debt limit of $12,451,109,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 13 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds and notes	$ 3,813,700	$ 3,524,006	$ 23,426	$ 26,476	$ 3,837,126	$ 3,550,482
Notes payable	1,016,946	1,044,352			1,016,946	1,044,352
Total	$ 4,830,646	$ 4,568,358	$ 23,426	$ 26,476	$ 4,854,072	$ 4,594,834

Economic Factors and Next Year's Budget

The State's average unemployment rate for the calendar year 2010 average, as well as the average for the twelve months ending October 2011, was 10.4 percent. The national average rates were more favorable at 9.6 percent and 9.1 percent for the same time periods. Current inflationary trends in the region were similar to national indexes.

During fiscal year 2012, the economy of the State is expected to gradually continue to improve. The initial estimated overall fiscal year 2012 General Fund revenue growth rate was zero, with component revenue growth projections of 1.5 percent in sales tax, 0.5 percent in individual income tax and negative 3.7 percent in corporate income and franchise tax. The overall estimate was revised in November 2011 to 1.3 percent. The November component revenue projections were 1.1 percent in sales tax, 2 percent in individual income tax and zero percent in corporate income and franchise tax. At the end of October, General Fund collections had risen above the estimate by 5 percent. Actual component revenue had increased by 6.3 percent in sales tax, 11.7 percent in individual income tax and negative 40.8 percent in corporate income and franchise tax.

Request for Information

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

Basic Financial Statements

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	**Component Units**
Assets				
Current assets:				
Equity in internal investment pool	$ 3,274,830	$ 28,870	$ 3,303,700	$ 22,289
Cash and cash equivalents	344,425	439,627	784,052	370,941
Investments	11,054	56,631	67,685	150,609
Receivables, net	559,559	99,786	659,345	238,374
Restricted assets:				
Cash and cash equivalents		701	701	
Due from other governments, net	598,075	15,709	613,784	234
Internal balances	(7,479)	7,479		
Due from component units	1,052	4	1,056	
Due from primary government				38,328
Inventories	37,571	438	38,009	26,273
Prepaid items		121	121	13,036
Loans and notes receivable, net	19,250	5,726	24,976	28,644
Deferred charges	1,910	17	1,927	
Other assets				2,428
Total Current Assets	4,840,247	655,109	5,495,356	891,156
Noncurrent assets:				
Investments	407,843	239,435	647,278	420,088
Receivables, net	181,748		181,748	
Due from other governments, net	561,978		561,978	
Loans and notes receivable, net	258,504	169,432	427,936	131,690
Deferred charges	23,826	106	23,932	
Restricted assets:				
Cash and cash equivalents		450	450	203,286
Investments				748,316
Capital assets:				
Land and construction in progress	5,900,142	75,758	5,975,900	364,149
Other capital assets, net	7,239,790	174,290	7,414,080	2,680,264
Other assets		78	78	27,548
Total Noncurrent Assets	14,573,831	659,549	15,233,380	4,575,341
Total Assets	19,414,078	1,314,658	20,728,736	5,466,497
Deferred Outflows				
Interest rate swaps	30,827		30,827	
Total Deferred Outflows	$ 30,827	$ 0	$ 30,827	$ 0

(Continued on Next Page)

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	**Component Units**
Liabilities				
Current liabilities:				
Warrants payable	$ 62,143	$ 291	$ 62,434	$
Accounts payable and other liabilities	594,244	15,753	609,997	159,571
Contracts payable	103,223		103,223	
Retainage payable		627	627	
Income tax refunds payable	220,000		220,000	
Due to other governments	334,525	9,767	344,292	
Due to component units	38,326	2	38,328	
Due to primary government				1,056
Claims and benefits payable	121,369	10,446	131,815	
Deposits		1,744	1,744	667
Unearned revenues	89,634	16,970	106,604	59,332
Pollution remediation obligation	6,341		6,341	
Bonds and notes payable, net	373,171	2,634	375,805	23,889
Lease obligations payable	6,461	237	6,698	5,372
Payable from restricted assets		190	190	
Other liabilities				56,260
Total Current Liabilities	1,949,437	58,661	2,008,098	306,147
Noncurrent liabilities:				
Due to other governments		8,249	8,249	
Claims and benefits payable	40,011	323,508	363,519	
Derivative instruments	30,827		30,827	
Other postemployment benefits payable	82,212		82,212	
Pollution remediation obligation	32,813		32,813	
Bonds and notes payable, net	4,502,475	20,792	4,523,267	732,245
Lease obligations payable	7,474	381	7,855	20,232
Liabilities payable from restricted assets:				
Deposits		1	1	
Other liabilities	111,098	598	111,696	241,374
Total Noncurrent Liabilities	4,806,910	353,529	5,160,439	993,851
Total Liabilities	6,756,347	412,190	7,168,537	1,299,998
Net Assets				
Invested in capital assets, net of related debt	11,888,865	218,713	12,107,578	2,316,287
Restricted for:				
General government	206,467		206,467	
Education	223,097		223,097	
Health and social services	438,972		438,972	
Law, justice and public safety	108,979		108,979	
Recreation and resources development	1,299,347		1,299,347	
Regulation of business and professions	49,726		49,726	
Transportation	519,536		519,536	
Capital projects	310,843		310,843	
Debt service	323,235		323,235	
Other purposes		650	650	471,142
Permanent endowments:				
Nonexpendable				584,020
Unemployment compensation benefits		433,053	433,053	
Unrestricted	(2,680,509)	250,052	(2,430,457)	795,050
Total Net Assets	$ 12,688,558	$ 902,468	$ 13,591,026	$ 4,166,499

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

Statement of Activities

For the Year Ended June 30, 2011 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,880,341	$ 1,183,632	$ 314,847	$ 1,117
Education	4,138,406	36,151	818,725	377
Health and social services	6,871,858	622,266	5,643,879	5,055
Law, justice and public safety	1,006,887	101,992	415,189	15,827
Recreation and resource development	1,001,306	132,401	690,605	5,005
Regulation of business and professions	37,438	43,005	819	
Transportation	592,642	36,335	12,812	575,717
Interest on long-term debt	223,856			
Total Governmental Activities	15,752,734	2,155,782	7,896,876	603,098
Business-type activities:				
Unemployment compensation	520,790	209,318	302,512	
Port Authority at Gulfport	30,276	27,807	8,192	
Prepaid affordable college tuition	45,754	21,764		
Other business-type	38,671	39,319		16
Total Business-type Activities	635,491	298,208	310,704	16
Total Primary Government	$ 16,388,225	$ 2,453,990	$ 8,207,580	$ 603,114
Component units:				
Universities	$ 2,914,424	$ 1,375,314	$ 590,107	$ 68,938
Nonmajor	38,310	30,833	3,190	127
Total Component Units	$ 2,952,734	$ 1,406,147	$ 593,297	$ 69,065

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

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (380,745)	$	$ (380,745)	
(3,283,153)		(3,283,153)	
(600,658)		(600,658)	
(473,879)		(473,879)	
(173,295)		(173,295)	
6,386		6,386	
32,222		32,222	
(223,856)		(223,856)	
(5,096,978)		(5,096,978)	
	(8,960)	(8,960)	
	5,723	5,723	
	(23,990)	(23,990)	
	664	664	
	(26,563)	(26,563)	
(5,096,978)	(26,563)	(5,123,541)	
			$ (880,065)
			(4,160)
			(884,225)
2,935,523		2,935,523	
420,410		420,410	
1,374,843		1,374,843	
477,443		477,443	
192,146		192,146	
520,689		520,689	
91,185	62,388	153,573	138,997
			204,507
			751,323
			22,020
(22,871)	22,871		
5,989,368	85,259	6,074,627	1,116,847
892,390	58,696	951,086	232,622
11,796,168	843,772	12,639,940	3,933,877
$ 12,688,558	$ 902,468	$ 13,591,026	$ 4,166,499

Governmental Funds

Balance Sheet

June 30, 2011 (Expressed in Thousands)

	General	Nonmajor Funds	Totals
Assets			
Equity in internal investment pool	$ 2,503,317	$ 530,060	$ 3,033,377
Cash and cash equivalents	249,806	14,979	264,785
Investments	188,850	199,401	388,251
Receivables, net	733,562	7,394	740,956
Due from other governments, net	1,132,023	27,709	1,159,732
Due from other funds	8,729	12,973	21,702
Due from component units	273		273
Inventories	37,571		37,571
Loans receivable, net	277,754		277,754
Total Assets	$ 5,131,885	$ 792,516	$ 5,924,401
Liabilities and Fund Balances			
Liabilities:			
Warrants payable	$ 57,103	$ 4,087	$ 61,190
Accounts payable and accruals	513,482	11,544	525,026
Contracts payable	86,167	17,056	103,223
Income tax refunds payable	220,000		220,000
Due to other governments	327,253	7,265	334,518
Due to other funds	40,554	17,218	57,772
Due to component units	36,186	2,106	38,292
Claims payable	3,477		3,477
Deferred revenues	195,553		195,553
Unearned revenues	62,081	14,164	76,245
Notes payable	45,000		45,000
Other liabilities		110	110
Total Liabilities	1,586,856	73,550	1,660,406
Fund balances:			
Nonspendable			
Inventories	37,571		37,571
Principal	15,000	54,476	69,476
Restricted			
General government	205,054		205,054
Education	161,034	4,130	165,164
Health and social services	404,747	16,343	421,090
Law, justice and public safety	74,585	28,721	103,306
Recreation and resources development	1,221,169	68,585	1,289,754
Regulation of business and professions		49,726	49,726
Transportation	504,983		504,983
Capital projects	2,137	308,706	310,843
Debt service	321,997	1,238	323,235
Committed			
General government	30,664		30,664
Education	18,581		18,581
Health and social services	141,208	183,565	324,773
Law, justice and public safety	2,192	3,474	5,666
Recreation and resources development	5,695	2	5,697
Assigned			
General government	3,330		3,330
Education	25		25
Health and social services	2,090		2,090
Law, justice and public safety	103,565		103,565
Recreation and resources development	1,638		1,638
Unassigned	287,764		287,764
Total Fund Balances	3,545,029	718,966	4,263,995
Total Liabilities and Fund Balances	$ 5,131,885	$ 792,516	$ 5,924,401

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, 2011 (Expressed in Thousands)

Total fund balances for governmental funds		$ 4,263,995
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (excluding amounts for internal service funds' capital assets that are reported in the internal service funds' net reconciling item below):		
Software	$ 5,953	
Land	1,305,370	
Buildings	1,782,943	
Land improvements	191,094	
Machinery and equipment	571,944	
Infrastructure	9,408,585	
Construction in progress	4,594,772	
Accumulated depreciation	(4,727,323)	13,133,338
Derivative instruments reported as deferred outflows in governmental activities are not financial resources and therefore are not reported in the funds.		30,827
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.		195,553
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	(3,764,424)	
Capital lease obligations	(13,935)	
Accrued compensated absences	(117,092)	
Pollution remediation obligation	(39,154)	
Notes payable	(992,210)	
Unamortized charges	78,696	
Unamortized premiums	(126,972)	
Claims payable	(6,060)	
Other postemployment benefits payable	(82,212)	
Accrued interest payable	(55,808)	
Derivative instruments	(30,827)	(5,149,998)
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.		214,843
Net assets of governmental activities		$ 12,688,558

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, 2011 (Expressed in Thousands)

	General	Nonmajor Funds	Totals
Revenues			
Taxes:			
Sales and use	$ 2,916,298	$	$ 2,916,298
Gasoline and other motor fuel	412,150	3,050	415,200
Individual income	1,409,473		1,409,473
Corporate income and franchise	447,322		447,322
Insurance	192,146		192,146
Other	520,660	29	520,689
Licenses, fees and permits	455,932	63,101	519,033
Federal government	8,090,940	405,303	8,496,243
Investment income	35,898	52,655	88,553
Charges for sales and services	366,417	13,324	379,741
Rentals	21,353	7,691	29,044
Court assessments and settlements	32,301	113,161	145,462
Other	444,619	66,991	511,610
Total Revenues	15,345,509	725,305	16,070,814
Expenditures			
Current:			
General government	1,301,010		1,301,010
Education	4,047,006	87,648	4,134,654
Health and social services	6,507,991	355,688	6,863,679
Law, justice and public safety	663,285	290,183	953,468
Recreation and resources development	914,819	87,467	1,002,286
Regulation of business and professions		37,713	37,713
Transportation	1,168,090		1,168,090
Debt service:			
Principal	316,103		316,103
Interest and other fiscal charges	225,764	1,142	226,906
Capital outlay		84,671	84,671
Total Expenditures	15,144,068	944,512	16,088,580
Excess of Revenues over (under) Expenditures	201,441	(219,207)	(17,766)
Other Financing Sources (Uses)			
Bonds and notes issued	425,967	143,827	569,794
Capital leases issued	8,009		8,009
Insurance recovery	103	82	185
Payments on refunded bond anticipation notes	(105,105)		(105,105)
Payments on refunded notes	(183,105)		(183,105)
Premiums on refunding notes issued	13,114		13,114
Refunding bonds and notes issued	284,453		284,453
Transfers in	72,452	66,234	138,686
Transfers out	(87,739)	(74,197)	(161,936)
Net Other Financing Sources (Uses)	428,149	135,946	564,095
Net Change in Fund Balances	629,590	(83,261)	546,329
Fund Balances - Beginning, as restated	2,915,439	802,227	3,717,666
Fund Balances - Ending	$ 3,545,029	$ 718,966	$ 4,263,995

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, 2011 (Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 546,329
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 975,120	
Depreciation expense	(334,106)	641,014
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net income of the internal service funds is reported with governmental activities.		64,255
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.		(79,942)
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 refunding notes issued	(13,114)	
Bonds and notes issued	(569,794)	
Refunding bonds and notes issued	(284,453)	
Capital leases issued	(8,009)	
Payments of debt principal	316,103	
Payments on refunded bond anticipation notes	105,105	
Payments on refunded notes	183,105	
Accrued interest payable	(10,244)	
Deferred bond and note issuance costs	6,399	(274,902)
Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Donations of equipment	2,733	
Change in claims payable	(3,401)	
Change in compensated absences	6,019	
Change in deferred revenues	17,676	
Change in other postemployment benefits payable	(33,877)	
Change in pollution remediation obligation	1,447	
Amortization of deferred charges and premiums	5,039	(4,364)
Change in net assets of governmental activities		$ 892,390

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

Proprietary Funds

Statement of Net Assets

June 30, 2011 (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	$	$ 757	$ 441
Cash and cash equivalents	373,470	29,455	24,285
Investments		56,631	
Receivables, net	89,875	813	4,020
Restricted assets:			
Cash and cash equivalents		201	
Due from other governments	9,309	6,379	
Due from other funds	1,284	10,204	
Due from component units			
Inventories			
Prepaid items		74	
Loans and notes receivable			
Deferred charges		17	
Total Current Assets	473,938	104,531	28,746
Noncurrent assets:			
Investments		3,005	236,430
Loans and notes receivable			
Deferred charges		106	
Restricted assets:			
Cash and cash equivalents		450	
Capital assets:			
Land and construction in progress		70,510	
Other capital assets, net		128,440	
Other assets		78	
Total Noncurrent Assets		202,589	236,430
Total Assets	$ 473,938	$ 307,120	$ 265,176

Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals	
$ 27,672	$ 28,870	$ 241,453
12,417	439,627	79,640
	56,631	7,236
5,078	99,786	335
500	701	
21	15,709	321
2,132	13,620	30,350
4	4	779
438	438	
47	121	
5,726	5,726	
	17	
54,035	661,250	360,114
	239,435	23,410
169,432	169,432	
	106	
	450	
5,248	75,758	
45,850	174,290	6,594
	78	
220,530	659,549	30,004
$ 274,565	$ 1,320,799	$ 390,118

(Continued on Next Page)

Statement of Net Assets

June 30, 2011 (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	$	$	$ 109
Accounts payable and other liabilities	360	8,663	3,579
Retainage payable		627	
Payable from restricted assets			
Due to other governments	8,729		
Due to other funds	4,559	1	1
Due to component units			
Claims and benefits payable	10,446		
Deposits			
Bonds payable		2,634	
Unearned revenues	16,791	94	
Lease obligations payable			
Total Current Liabilities	40,885	12,019	3,689
Noncurrent liabilities:			
Due to other governments			
Claims and benefits payable			323,508
Bonds payable		20,792	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		1	
Other liabilities		190	16
Total Noncurrent Liabilities		20,983	323,524
Total Liabilities	40,885	33,002	327,213
Net Assets			
Invested in capital assets, net of related debt		175,524	
Restricted for other purposes		650	
Restricted for unemployment compensation benefits	433,053		
Unrestricted		97,944	(62,037)
Total Net Assets	$ 433,053	$ 274,118	$ (62,037)

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals	
$ 182	$ 291	$ 953
3,151	15,753	6,192
	627	
190	190	
1,038	9,767	7
1,580	6,141	1,743
2	2	34
	10,446	115,047
1,744	1,744	
	2,634	
85	16,970	13,389
237	237	
8,209	64,802	137,365
8,249	8,249	
	323,508	36,796
	20,792	
381	381	
	1	
392	598	1,114
9,022	353,529	37,910
17,231	418,331	175,275
43,189	218,713	5,972
	650	
	433,053	
214,145	250,052	208,871
$ 257,334	$ 902,468	$ 214,843

Proprietary Funds

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

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	$	$ 14,334	$
Assessments	209,318		
Investment income			
Federal agencies	302,512		
Rentals			
Fees			801
Tuition receipts			20,963
Other			
Total Operating Revenues	511,830	14,334	21,764
Operating Expenses			
Cost of sales and services			
General and administrative		2,564	240
Contractual services		20,352	1,039
Commodities		370	27
Depreciation		6,017	
Claims and benefits	520,790		44,448
Other			
Total Operating Expenses	520,790	29,303	45,754
Operating Income (Loss)	(8,960)	(14,969)	(23,990)
Nonoperating Revenues			
Federal grant		8,192	
Revenue from counties		973	
Insurance recovery		12,500	
Gain on disposal of capital assets		10	
Investment income	14,512	369	46,706
Sale of investments			
Other			
Total Nonoperating Revenues	14,512	22,044	46,706
Nonoperating Expenses			
Loss on disposal of capital assets			
Interest and other fiscal charges		983	
Other			
Total Nonoperating Expenses		983	
Income before Capital Contributions and Transfers	5,552	6,092	22,716
Capital Contributions			
Transfers In		19,788	
Transfers Out	(5,065)		
Change in Net Assets	487	25,880	22,716
Total Net Assets - Beginning	432,566	248,238	(84,753)
Total Net Assets - Ending	$ 433,053	$ 274,118	$ (62,037)

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ 26,714	$ 41,048	$ 847,290
	209,318	
8,422	8,422	
	302,512	
2,636	2,636	
58	859	
	20,963	
989	989	20
38,819	586,747	847,310
14,729	14,729	
10,563	13,367	14,927
8,892	30,283	73,510
2,038	2,435	663
1,984	8,001	2,271
	565,238	695,646
203	203	
38,409	634,256	787,017
410	(47,509)	60,293
	8,192	
	973	
	12,500	
	10	
433	62,020	2,632
368	368	
500	500	
1,301	84,563	2,632
25	25	46
47	1,030	
190	190	
262	1,245	46
1,449	35,809	62,879
16	16	997
9,410	29,198	945
(1,262)	(6,327)	(566)
9,613	58,696	64,255
247,721	843,772	150,588
$ 257,334	$ 902,468	$ 214,843

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2011 (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	$ 302,305	$	$
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		14,352	21,764
Cash receipts from assessments	155,658		
Cash payments to suppliers for goods and services		(17,641)	(1,101)
Cash payments to employees for services		(2,536)	(235)
Cash payments for claims and benefits	(510,031)		(17,207)
Other operating cash receipts			
Other operating cash payments			
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(52,068)	(5,825)	3,221
Cash Flows from Noncapital Financing Activities			
Transfers in		22,949	
Transfers out	(5,065)	(1)	
Federal grants received		1,670	
Revenues from counties		973	
Other cash receipts			
Proceeds from other governments			
Principal paid to other governments			
Net Cash Provided by (Used for) Noncapital Financing Activities	(5,065)	25,591	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(14,828)	
Capital grants received		161	
Proceeds from sales of capital assets		19	
Principal paid on bonds and capital assets contracts		(3,050)	
Interest paid on bonds and capital assets contracts		(986)	
Proceeds from insurance recovery		12,500	
Net Cash Provided by (Used for) Capital and Related Financing Activities		(6,184)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		62,345	88,442
Purchases of investments		(68,335)	(89,327)
Investment income	14,512	408	4,926
Net Cash Provided by (Used for) Investing Activities	14,512	(5,582)	4,041
Net Change in Cash and Cash Equivalents	(42,621)	8,000	7,262
Cash and Cash Equivalents - Beginning	416,091	22,863	17,464
Cash and Cash Equivalents - Ending	$ 373,470	$ 30,863	$ 24,726

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$	$ 302,305	$
		250,839
30,372	66,488	580,662
	155,658	
(25,458)	(44,200)	(76,242)
(10,545)	(13,316)	(14,877)
	(527,238)	(708,331)
536	536	3
(42)	(42)	
24,499	24,499	
(13,322)	(13,322)	
6,040	(48,632)	32,054
9,848	32,797	1,051
(1,150)	(6,216)	(545)
	1,670	
	973	
500	500	
770	770	
(500)	(500)	
9,468	29,994	506
(73)	(14,901)	(1,280)
	161	
43	62	
(223)	(3,273)	
(48)	(1,034)	
	12,500	
(301)	(6,485)	(1,280)
368	151,155	5,092
	(157,662)	(10,857)
430	20,276	2,980
798	13,769	(2,785)
16,005	(11,354)	28,495
24,584	481,002	292,598
$ 40,589	$ 469,648	$ 321,093

(Continued on Next Page)

Statement of Cash Flows

For the Year Ended June 30, 2011 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security		State Treasurer
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	$ (8,960)	$ (14,969)	$ (23,990)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		6,017	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Receivables, net	(57,998)	52	
Due from other governments	1,973		
Due from other funds	(580)	(12)	
Due from component units	86		
Inventories			
Prepaid items		49	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			(45)
Accounts payable and other liabilities	57	3,058	134
Due to other governments	2,413		(6)
Due to other funds	4,031	2	1
Due to component units			
Claims and benefits payable	4,260		27,127
Unearned revenues	2,650	(22)	
Total adjustments	(43,108)	9,144	27,211
Net Cash Provided by (Used for) Operating Activities	$ (52,068)	$ (5,825)	$ 3,221
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Gain (loss) on disposal of capital assets		10	
Change in market value of investments		65	29,130

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

Enterprise Funds		
Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
$ 410	$ (47,509)	$ 60,293
1,984	8,001	2,271
(869)	(58,815)	(88)
12	1,985	(141)
1,584	992	(26,052)
10	96	(684)
35	35	
(5)	44	
3,425	3,425	
(600)	(645)	(558)
(40)	3,209	(1,631)
11	2,418	(3)
400	4,434	192
(28)	(28)	27
	31,387	(12,731)
(289)	2,339	11,159
5,630	(1,123)	(28,239)
$ 6,040	$ (48,632)	$ 32,054
16	16	997
(25)	(15)	(46)
	29,195	(248)

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2011 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund	Agency Funds
Assets			
Equity in internal investment pool	$ 1,185	$ 35	$ 6,613
Cash and cash equivalents	424,626	481	33,081
Investments, at fair value:			
Short-term securities	46,966	4,615	
Debt securities	4,495,656	33,030	
Equity securities	14,945,975	61,730	
Private equity	216,256		
Real estate investments	1,308,391	5,995	
Asset allocation fund	57,901		
Fixed rate and variable	529,433		
Life insurance contracts	358	25,731	
Securities lending:			
Short-term securities	2,252,575		
Debt securities	971,036		
Receivables, net:			
Employer contributions	43,984		
Employee contributions	34,894		
Investment proceeds	190,297		
Interest and dividends	74,059	56	
Other	1,437	13	431
Due from other funds	19		
Commodity inventory			786
Capital assets:			
Land and construction in progress	4,774		
Other capital assets, net	14,720		
Total Assets	25,614,542	131,686	$ 40,911
Liabilities			
Warrants payable	132	1	$ 80
Accounts payable and accruals	256,659	141	21,711
Due to other governments			1,007
Due to other funds	35		
Amounts held in custody for others			18,113
Obligations under securities lending	3,223,865		
Total Liabilities	3,480,691	142	$ 40,911
Net Assets			
Held in trust for pension benefits and trust beneficiaries	$ 22,133,851	$ 131,544	

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

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2011 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Fund
Additions		
Contributions:		
Employer	$ 756,134	$
Plan participant	623,043	39,759
Total Contributions	1,379,177	39,759
Net Investment Income:		
Net change in fair value of investments	3,911,329	15,690
Interest and dividends	557,866	2,469
Securities lending:		
Income from securities lending	20,552	
Interest expense and trading costs from securities lending	(2,445)	
Managers' fees and trading costs	(42,765)	(675)
Net Investment Income	4,444,537	17,484
Other Additions:		
Administrative fees	628	120
Other	3,438	
Total Other Additions	4,066	120
Total Additions	5,827,780	57,363
Deductions		
Benefits	1,865,929	25,635
Refunds to terminated employees	88,438	
Administrative expenses	13,265	163
Depreciation	409	
Total Deductions	1,968,041	25,798
Change in Net Assets	3,859,739	31,565
Net Assets - Beginning	18,274,112	99,979
Net Assets - Ending	$ 22,133,851	$ 131,544

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

Component Units

Statement of Net Assets

June 30, 2011 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	$ 20,340	$ 1,949	$ 22,289
Cash and cash equivalents	353,370	17,571	370,941
Investments	115,871	34,738	150,609
Receivables, net	235,302	3,072	238,374
Due from other governments		234	234
Due from primary government	38,049	279	38,328
Inventories	25,038	1,235	26,273
Prepaid items	12,773	263	13,036
Notes receivable, net	28,644		28,644
Other assets	2,413	15	2,428
Total Current Assets	831,800	59,356	891,156
Noncurrent assets:			
Investments	420,088		420,088
Notes receivable, net	131,690		131,690
Restricted assets:			
Cash and cash equivalents	203,286		203,286
Investments	741,316	7,000	748,316
Capital assets:			
Land and construction in progress	348,175	15,974	364,149
Other capital assets, net	2,511,711	168,553	2,680,264
Other assets	27,548		27,548
Total Noncurrent Assets	4,383,814	191,527	4,575,341
Total Assets	5,215,614	250,883	5,466,497
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	155,524	4,047	159,571
Due to primary government	351	705	1,056
Deposits		667	667
Unearned revenues	58,766	566	59,332
Bonds and notes payable	23,849	40	23,889
Lease obligations payable	5,372		5,372
Other liabilities	56,260		56,260
Total Current Liabilities	300,122	6,025	306,147
Noncurrent liabilities:			
Bonds and notes payable	731,975	270	732,245
Lease obligations payable	20,232		20,232
Other liabilities	240,684	690	241,374
Total Noncurrent Liabilities	992,891	960	993,851
Total Liabilities	1,293,013	6,985	1,299,998
Net Assets			
Invested in capital assets, net of related debt	2,132,071	184,216	2,316,287
Restricted for:			
Other purposes	458,024	13,118	471,142
Permanent endowments:			
Nonexpendable	584,020		584,020
Unrestricted	748,486	46,564	795,050
Total Net Assets	$ 3,922,601	$ 243,898	$ 4,166,499

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, 2011 (Expressed in Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/ Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Universities	Nonmajor	Total
Universities	$ 2,914,424	$ 1,375,314	$ 590,107	$ 68,938	$ (880,065)	$	$ (880,065)
Nonmajor	38,310	30,833	3,190	127		(4,160)	(4,160)
Total	$ 2,952,734	$ 1,406,147	$ 593,297	$ 69,065	(880,065)	(4,160)	(884,225)
		General revenues:					
		Investment income			138,157	840	138,997
		Other			202,101	2,406	204,507
		Payment from State of Mississippi			751,323		751,323
		Contributions to permanent endowments			22,020		22,020
		Total General Revenues and Contributions			1,113,601	3,246	1,116,847
		Change in Net Assets			233,536	(914)	232,622
		Net Assets - Beginning			3,689,065	244,812	3,933,877
		Net Assets - Ending			$ 3,922,601	$ 243,898	$ 4,166,499

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

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June 30, 2011

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, 2011, and their report, dated November 30, 2011, 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 State reports the following major enterprise funds:

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

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

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

Additionally, the State reports the following fund types:

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Committed - amounts where constraints are imposed by formal action of the State Legislature, the highest decision-making authority, which cannot be used for any other purpose unless the State Legislature removes or changes the specified use. These constraints are imposed separately from the creation of the revenue.

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

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

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

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

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

S. Changes in Accounting Standards - The State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in the current fiscal year. The provisions of this standard have been incorporated into the financial statements and the notes.

Note 2 - Other Accounting Disclosures

A. Net Assets Restricted by Enabling Legislation - The State's net assets restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net assets reports $3,913,905,000 of restricted net assets, of which $630,665,000 is restricted by enabling legislation.

B. Deficit Net Assets - At June 30, 2011, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of $62,037,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts. The Department of Corrections Restaurants and Commissary Fund (a nonmajor enterprise fund) has deficit net assets of $4,000, which resulted from legally mandated transfers out of net profit from operations.

C. Working Cash Stabilization Reserve Account - The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches $40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. The Account balance, in excess of $40,000,000, may be permanently transferred to the General Fund to cover deficits up to a maximum of $50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5% maximum is again attained. At June 30, 2011, the Account, as reported in the General Fund, has an unassigned fund balance of $175,538,000.

D. Restatement of Fund Balances/Net Assets - During fiscal year 2011, the State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying existing governmental fund type definitions. Governmental fund balances were analyzed and several funds were reclassified. As part of the analysis, one fund moved from the General Fund to Agency funds leaving a net change in fund balances/net assets of $149,000. The following table summarizes these reclassifications (amounts expressed in thousands):

	June 30, 2010 as previously reported	Fund Reclassifications	June 30, 2010 as restated
Governmental Funds			
General	$ 2,708,794	$ 206,645	$ 2,915,439
Nonmajor Funds:			
Special Revenue	628,521	(209,474)	419,047
Capital Projects	323,080		323,080
Permanent	57,420	2,680	60,100
Total Fund Balances	$ 3,717,815	$ (149)	$ 3,717,666
Governmental Activities			
Invested in capital assets, net of related debt	$ 11,408,744	$	$ 11,408,744
Restricted	655,192		655,192
Unrestricted	(267,619)	(149)	(267,768)
Total Net Assets	$ 11,796,317	$ (149)	$ 11,796,168

Note 3 - Interfund Transactions

At June 30, 2011, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

	Due To							
Due From	General	Nonmajor Governmental	Internal Service	Unemployment Compensation	Port Authority at Gulfport	Nonmajor Enterprise	Fiduciary Funds	Total
Governmental:								
General	$	$ 8,733	$ 28,389	$	$ 1,430	$ 2,002	$	$ 40,554
Nonmajor Governmental	6,549		1,360	534	8,774	1		17,218
Internal Service	626	69	169	750		129		1,743
Proprietary:								
Unemployment Compensation	388	4,171						4,559
Port Authority at Gulfport			1					1
Prepaid Affordable College Tuition	1							1
Nonmajor Enterprise	1,164		416					1,580
Fiduciary	1		15				19	35
Total	$ 8,729	$ 12,973	$ 30,350	$ 1,284	$ 10,204	$ 2,132	$ 19	$ 65,691

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

At June 30, 2011, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

	Due To					
	Primary Government			Component Units		
Due From	General	Internal Service	Nonmajor Enterprise	Universities	Nonmajor	Total
Primary Government:						
General	$	$	$	$ 35,941	$ 245	$ 36,186
Nonmajor Governmental				2,106		2,106
Internal Service				2	32	34
Nonmajor Enterprise					2	2
Component Units:						
Universities	273	74	4			351
Nonmajor		705				705
Total	$ 273	$ 779	$ 4	$ 38,049	$ 279	$ 39,384

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, 2011, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To: General	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:						
General	$	$ 58,202	$ 629	$ 19,508	$ 9,400	$ 87,739
Nonmajor Governmental	71,073	2,519	316	280	9	74,197
Internal Service	118	448				566
Proprietary:						
Unemployment Compensation		5,065				5,065
Nonmajor Enterprise	1,261				1	1,262
Total	$ 72,452	$ 66,234	$ 945	$ 19,788	$ 9,410	$ 168,829

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.

Note 4 - Deposits and Investments

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

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

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

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

Primary Government Deposits (except for the System)

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

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

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

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

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

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2011, $164,707,000 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, 2011, $145,000 was uninsured and uncollateralized, and $112,265,000 was uninsured and collateral held by the pledging financial institution's trust department or agent was not in the government's name.

Primary Government Investment Policies (except for the System)

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

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

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

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

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

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

Mississippi

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

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

School district bonds of the State;

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

Highway bonds of the State;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

Primary Government Investments (except for the System)

A. Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Moody's or S&P credit ratings for the primary government's investments as of June 30, 2011 are as follows (amounts expressed in thousands):

	Quality Ratings					
Investment Type	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**	**Ba/BB**	**Not Rated**
Asset backed securities	$ 2,769	$	$	$	$	$
Collateralized mortgage obligations	476	682	483			449,089
Corporate bonds	1,840	4,439	20,282	4,075	198	197
Guaranteed investment contracts		29,050	135,581			
Mortgage pass-throughs						151,103
Mutual funds	121,876					37,645
State and local obligations	656	4,514	1,157	675		30
U.S. Government agency obligations	1,288,785					
Total	$ 1,416,402	$ 38,685	$ 157,503	$ 4,750	$ 198	$ 638,064

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, 2011, the primary government had the following investments and maturities (amounts expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Asset backed securities	$ 2,769	$	$ 2,769	$	$
Collateralized mortgage obligations	820,635		2,756	37,477	780,402
Corporate bonds	31,717	2,491	18,350	5,925	4,951
Guaranteed investment contracts	164,631		151,202		13,429
Mortgage pass-throughs	132,648	610	11,552	49,886	70,600
Mutual funds	159,521	126,491	3,509	29,521	
Other pass-through securities	245,261	17	971	116,324	127,949
State and local obligations	7,031	562	4,087	743	1,639
U.S. Government agency obligations	1,292,643	58,945	1,224,926	1,291	7,481
U.S. Treasury obligations	49,752	5,652	37,109	5,727	1,264
Zero coupon bonds	2,953		2,165	788	
Total	$ 2,909,561	$ 194,768	$ 1,459,396	$ 247,682	$ 1,007,715

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

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

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

C. Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2011, is as follows (amounts expressed in thousands):

Currency	Cash and Equivalents	Equities	Total Fair Value
Australian dollar	$	$ 4,303	$ 4,303
Brazilian real		884	884
British pound sterling		11,613	11,613
Canadian dollar		481	481
Euro	11	16,399	16,410
Hong Kong dollar		3,122	3,122
Israeli new shekel		923	923
Japanese yen		7,818	7,818
Malaysian ringgit		1,246	1,246
New Taiwan dollar	10	968	978
New Zealand dollar		334	334
Norwegian krone		563	563
Russian ruble		398	398
Singapore dollar		1,217	1,217
Swedish krona		887	887
Swiss franc		5,881	5,881
Total	$ 21	$ 57,037	$ 57,058

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

Federal Home Loan Bank	$ 276,664	7.25 %
Federal Home Loan Mortgage Corporation	535,030	14.02
Federal National Mortgage Association	702,480	18.40
Federal Farm Credit Bank	310,094	8.12

E. Investment Derivative Instruments - During fiscal year 2011, the State issued fixed rate notes to refund variable rate notes which had an associated interest rate swap agreement. The swap agreement was an ineffective hedging derivative instrument as a result of a termination at the time of the refunding. The termination resulted in an investment loss of $21,155,000 in the Statement of Activities.

System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, when possible, the types of collateral securing deposits be limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2011, the System had no deposits in foreign demand deposit accounts.

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

Mississippi

System Investment Policies

The System is authorized to invest in the following:

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

School district bonds of the State;

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

Highway bonds of the State;

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

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

Bonds of the Tennessee Valley Authority;

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

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

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

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

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

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

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

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

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

System Investments

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

The Moody's or S&P credit ratings for the System's investments as of June 30, 2011 are as follows (amounts expressed in thousands):

	Quality Ratings					
Investment Type	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**	**Ba/BB**	**B/B**
Asset backed securities	$ 464,734	$ 48,865	$ 12,183	$ 14	$ 9,530	$ 19
Collateralized mortgage obligations	356,184	20,205	65,181	49,128	1,593	8,548
Commercial paper			968,327			
Corporate bonds	93,331	342,305	579,784	496,598	161,693	70,805
Mortgage pass-throughs	464,100					
Repurchase agreements	1,252,209					
Sovereign agencies debt		285	1,572			
Sovereign governments debt		19,059	22,415	134,950	71,847	42,548
State and local obligations	1,999	36,344	47,786	4,100		
U.S. Government agency obligations	187,184		1,226			
Yankee/Global bonds	18,758	307	7,965	3,642	1,277	
Total	$ 2,838,499	$ 467,370	$ 1,706,439	$ 688,432	$ 245,940	$ 121,920

	Quality Ratings						
Investment Type	**Caa/CCC**	**Ca/CC**	**C/C**	**D/D**	**P**	**WR**	**Not Rated**
Asset backed securities	$ 2,041	$	$ 15	$	$ 44	$ 1,095	$
Collateralized mortgage obligations	16,389	5,574	14,355	1,282		330	
Commercial Paper					30,000		25,001
Corporate bonds	1,505					4	318
Sovereign governments debt							3,615
State and local obligations							2,839
Yankee/Global bonds							154
Total	$ 19,935	$ 5,574	$ 14,370	$ 1,282	$ 30,044	$ 1,429	$ 31,927

B. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership, and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have $24,824,547,000 in investments at June 30, 2011. Of this amount, $3,200,000,000 was exposed to custodial credit risk. These are cash collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty. This is consistent with the securities lending agreement in place with the custodian.

The fair value of the System's cash collateral securities as of June 30, 2011, consisted of (amounts expressed in thousands):

Investment Type		Fair Value
Commercial paper	$	1,023,328
Repurchase agreements		1,229,247
Corporate bonds		510,361
Asset backed securities		437,685
U.S. Government agencies		22,990
Total	$	3,223,611

C. **Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy does not limit foreign currency-denominated investments of the System. The System's exposure to foreign currency risk at June 30, 2011, is as follows (amounts expressed in thousands):

Currency		Cash and Equivalents		Equities and REITs		Debt Securities		Total Fair Value
Australian dollar	$	1,909	$	225,595	$		$	227,504
Brazilian real		(5,705)		235,762		5,989		236,046
British pound sterling		1,998		819,987				821,985
Canadian dollar		895		163,000				163,895
Chilean peso		1		2,911				2,912
Columbian peso		(4,628)		2,848		6,758		4,978
Danish krone		155		33,825				33,980
Egyptian pound				32,240				32,240
Euro		(2,386)		1,246,949		9,093		1,253,656
Hong Kong dollar		264		217,862				218,126
Hungarian forint		38		14,230				14,268
Indian rupee		118		80,644				80,762
Indonesian rupiah		257		62,357				62,614
Israeli new shekel		33		11,269				11,302
Japanese yen		10,181		680,972				691,153
Malaysian ringgit		13		6,361				6,374
Mexican peso		(7,853)		51,309		11,962		55,418
New Taiwan dollar		43		103,200				103,243
New Zealand dollar		58		8,420				8,478
Norwegian krone		(1,154)		73,139				71,985
Pakistani rupee				12,287				12,287
Philippines peso		2		3,669				3,671
Polish zloty		1		6,195				6,196
Singapore dollar		781		93,771				94,552
South African rand		889		136,824		3,773		141,486
South Korean won		118		177,350				177,468
Swedish krona		624		77,741				78,365
Swiss franc		3,433		240,023				243,456
Thailand baht		44		35,026				35,070
Turkish lira		31		68,747				68,778
United Arab Emirates dirham				1,673				1,673
Total	$	160	$	4,926,186	$	37,575	$	4,963,921

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, 2011, 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	$ 538,540	$ 455,065	$ 36,008	$ 13,472	$ 33,995
Collateralized mortgage obligations	538,769	40,670	5,504	14,973	477,622
Commercial paper	1,023,328	1,023,328			
Corporate bonds	1,746,343	145,861	836,474	513,950	250,058
Mortgage pass-throughs	517,503		873	30,621	486,009
Repurchase agreements	1,252,209	1,252,209			
Sovereign agencies debt	1,857		1,572	285	
Sovereign governments debt	294,434	4,734	69,602	110,079	110,019
State and local obligations	93,068	202	6,241	7,072	79,553
U.S. Government agency obligations	188,410	4,267	149,157	23,450	11,536
U.S. Treasury obligations	1,459,549		568,229	600,177	291,143
Yankee/Global bonds	32,103	98	15,539	9,207	7,259
Total	$ 7,686,113	$ 2,926,434	$ 1,689,199	$ 1,323,286	$ 1,747,194

During fiscal year 2011, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, CMOs and ABS. The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at $5,000 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 $538,769,000 in CMOs at June 30, 2011. Of this amount, $158,800,000 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 $538,540,000 in ABS held at June 30, 2011, $51,800,000 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, 2011, the System has invested in $517,503,000 in mortgage pass-through securities issued by the FNMA, FHLMC, and GNMA. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

E. **Investment Derivatives** - The System's derivatives policy limits foreign currency forwards to no more than 100 percent of the aggregate value of the portfolio securities denominated in the hedged currency. The counterparties of the foreign currency forwards have short term credit ratings of A or better as rated by the nationally recognized statistical rating organizations. The System's general policy requires that the counterparty has a long term credit rating of A or better and a short term credit rating of A1/P1 at a minimum. More specifically, the System's policy requires that all over-the-counter derivatives be rated AA or better by the nationally recognized statistical rating organizations. The counterparties of the to-be-announced securities are rated A or better by the nationally recognized statistical rating organizations except for one that was not rated. The foreign currency forwards are presented in the foreign currency risk table, and the to-be-announced securities are disclosed in the interest rate risk table by years to maturity. The investment derivative instruments outstanding as of June 30, 2011 are as follows (amounts expressed in thousands):

Investment Type	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2011	
		Classification	Amount	Classification	Amount
Foreign currency forwards	$ 8,355,652	Investment income	$ (437)	Investment	$ (437)
To-be-announced securities	30,000	Investment income	(67)	Debt securities	31,122

F. **Securities Lending Transactions** - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2011, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent on U.S. securities and international securities denominated in the same currency of the loaned security. For international securities that are denominated in a currency other than the currency of the loaned security, 105 percent collateral is required at the initiation of the loan. In the event the collateral fair value on U.S. securities falls to less than 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. In the event the collateral fair value falls below 102 percent for international same-currency transactions or 105 percent for cross-currency transactions, the borrower is required to provide additional collateral. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

The maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 2 days at June 30, 2011. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, U.S. Government agencies, and ABS. The weighted average effective duration of all collateral investments at June 30, 2011, was 20 days with a weighted average maturity of 20 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, 2011. 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, 2011, the aggregate fair value of securities lending holdings, including accrued interest was $3,224,430,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was $3,137,032,000. The value of the collateral pledged by borrowers at year end was $3,223,865,000.

Note 5 - Receivables

At June 30, 2011, receivables consisted of (amounts expressed in thousands):

	Governmental Funds: General	Governmental Funds: Nonmajor Funds	Internal Service	Receivables Reclass	Total Governmental Activities
Accounts	$ 166,272	$ 19,751	$ 108	$ 16	$ 186,147
Taxes:					
Sales	423,184				423,184
Income	346,955				346,955
Gasoline	47,325				47,325
Other	69,861				69,861
Interest and dividends	8,890	719	227		9,836
Other	252				252
Gross receivables	1,062,739	20,470	335	16	1,083,560
Allowance for uncollectibles	(329,177)	(13,076)			(342,253)
Receivables, net	$ 733,562	$ 7,394	$ 335	$ 16	$ 741,307
Amounts not scheduled for collection in subsequent year	$ 181,440	$ 308			$ 181,748

Business-type Activities

	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	$ 72,623	$ 692	$ 3,529	$ 4,507	$ 81,351
Assessments	84,351				84,351
Interest and dividends		121	491	681	1,293
Gross receivables	156,974	813	4,020	5,188	166,995
Allowance for uncollectibles	(67,099)			(110)	(67,209)
Receivables, net	$ 89,875	$ 813	$ 4,020	$ 5,078	$ 99,786

Component Units

	Universities	Nonmajor	Total
Accounts	$ 1,900,115	$ 2,945	$ 1,903,060
Interest	4,247	127	4,374
Gross receivables	1,904,362	3,072	1,907,434
Allowance for uncollectibles	(1,669,060)		(1,669,060)
Receivables, net	$ 235,302	$ 3,072	$ 238,374

Note 6 - Due From Other Governments

At June 30, 2011, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			
	General	Nonmajor Funds	Internal Service	Total Governmental Activities
Due from other governments	$ 1,132,880	$ 27,709	$ 321	$ 1,160,910
Allowance for uncollectibles	(857)			(857)
Due from other governments, net	$ 1,132,023	$ 27,709	$ 321	$ 1,160,053
Amounts not scheduled for collection in subsequent year	$ 561,978			$ 561,978

Note 7 - Loans and Notes Receivable

At June 30, 2011, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government	Component Units
	Governmental Activities Governmental Funds General	Universities
Loans and notes receivable	$ 278,276	$ 182,778
Allowance for uncollectibles	(522)	(22,444)
Loans and notes receivable, net	$ 277,754	$ 160,334
Amounts not scheduled for collection in subsequent year	$ 258,504	$ 131,690

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2011, was as follows (amounts expressed in thousands):

Governmental Activities:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated:				
Land	$ 1,167,729	$ 137,932	$ 291	$ 1,305,370
Construction in progress	4,388,902	789,178	583,308	4,594,772
Total capital assets not being depreciated	5,556,631	927,110	583,599	5,900,142
Capital assets being depreciated:				
Software	5,953			5,953
Buildings	1,675,360	112,139	4,556	1,782,943
Land improvements	170,047	21,845	758	191,134
Machinery and equipment	654,720	48,132	107,909	594,943
Infrastructure	9,053,874	439,064	82,726	9,410,212
Total capital assets being depreciated	11,559,954	621,180	195,949	11,985,185
Less accumulated depreciation for:				
Software	2,843	554		3,397
Buildings	443,297	34,114	3,277	474,134
Land improvements	70,660	5,384	301	75,743
Machinery and equipment	400,553	55,003	50,163	405,393
Infrastructure	3,623,591	245,863	82,726	3,786,728
Total accumulated depreciation	4,540,944	340,918	136,467	4,745,395
Total capital assets being depreciated, net	7,019,010	280,262	59,482	7,239,790
Governmental activities capital assets, net	$ 12,575,641	$ 1,207,372	$ 643,081	$ 13,139,932

Business-type Activities:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated:				
Land	$ 42,514	$ 28,706	$ 2	$ 71,218
Construction in progress	40,403	14,881	50,744	4,540
Total capital assets not being depreciated	82,917	43,587	50,746	75,758
Capital assets being depreciated:				
Buildings	84,089	13		84,102
Land improvements	36,770	2,580		39,350
Machinery and equipment	21,920	98	384	21,634
Infrastructure	103,831	19,383		123,214
Total capital assets being depreciated	246,610	22,074	384	268,300
Less accumulated depreciation for:				
Buildings	22,371	1,670		24,041
Land improvements	17,129	1,343		18,472
Machinery and equipment	9,929	1,225	310	10,844
Infrastructure	36,890	3,763		40,653
Total accumulated depreciation	86,319	8,001	310	94,010
Total capital assets being depreciated, net	160,291	14,073	74	174,290
Business-type activities capital assets, net	$ 243,208	$ 57,660	$ 50,820	$ 250,048

Mississippi

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

Governmental Activities:	
General government	$ 15,049
Education	5,618
Health and social services	15,890
Law, justice and public safety	31,364
Recreation and resources development	9,147
Regulation of business and profession	145
Transportation	256,893
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets	2,271
Total depreciation expense - governmental activities	$ 336,377
Business-type Activities:	
Port Authority at Gulfport	$ 6,017
Other business-type	1,984
Total depreciation expense - business-type activities	$ 8,001

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

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental Activities:			
Department of Transportation	$ 5,594,216	$ 4,279,309	$ 1,318,060
Information Technology Services	35,277	32,686	722
Wireless Communication Commission	83,276	39,553	43,723
Department of Finance and Administration	60,377	52,626	911
Department of Employment Security	58,672	31,580	17,738
Department of Public Safety	47,900	29,360	5,474
Mississippi Development Authority	43,072	38,449	4,623
Department of Revenue	32,646	4,189	28,320
Department of Health	31,406	29,416	1,784
Department of Wildlife, Fisheries and Parks	20,183	14,494	5,546
Military Department	14,458	5,132	9,326
East MS State Hospital	13,797	2,904	9,524
Other projects less than $10 million	48,289	35,074	4,747
Total governmental activities	6,083,569	4,594,772	1,450,498
Business-type Activities:			
Port Authority at Gulfport	7,374	4,540	2,834
Total construction in progress	$ 6,090,943	$ 4,599,312	$ 1,453,332

Component Units

At June 30, 2011, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	$ 66,882	$ 15,974	$ 82,856
Construction in progress	281,293		281,293
Total capital assets not being depreciated	348,175	15,974	364,149
Capital assets being depreciated:			
Buildings	2,690,898	163,543	2,854,441
Land improvements	269,898	61,945	331,843
Machinery and equipment	966,279	45,092	1,011,371
Total capital assets being depreciated	3,927,075	270,580	4,197,655
Less accumulated depreciation	1,415,364	102,027	1,517,391
Total capital assets being depreciated, net	2,511,711	168,553	2,680,264
Component units capital assets, net	$ 2,859,886	$ 184,527	$ 3,044,413

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, 2011, 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, 2011, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in those funds, the State remains contingently liable for its payment. 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, 2011, the Port of Pascagoula's outstanding general obligation bonds are $20,000.

Bond Anticipation Notes

During fiscal year 2011, the State issued $19,000,000 of general obligation notes in anticipation of the issuance of bonds. These notes were redeemed subsequent to year end with proceeds of long-term Tax-exempt General Obligation Bonds, Series 2011A dated October 26, 2011. The Series 2011A Bonds mature annually beginning in year 2027 through 2036 with interest rates ranging from 3.5% to 5%. The bond anticipation notes meet long-term financing criteria and, therefore, are reported as long-term debt rather than as a fund liability.

Refunding and Defeased Bonds

During fiscal year 2011, the State issued $105,027,000 of general obligation bonds, which are reported in governmental activities, to refund general obligation bond anticipation notes.

In prior years, the State defeased certain outstanding general obligation bonds of the primary government by depositing the net proceeds of refunding bonds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2011, $200,775,000 of outstanding general obligation bonds (including prior years' refunding) are considered defeased.

Demand Bonds

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

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

Outstanding General Obligation VRDBs included in long-term debt at June 30, 2011 and selected SBPA terms are:

Series	Outstanding Amount	Liquidity Provider	Scheduled Termination Date	Commitment Fee	Remarketing Agent
Capital Improvements 2005	$ 41,180,000	Bank of America	7/5/2012	0.67%	Morgan Stanley
Capital Improvements 2007	44,900,000	Bank of America	7/5/2012	0.67	Bank of America
Major Economic Impact 2003A	115,365,000	Bank of America	7/5/2012	0.67	Citigroup
Major Economic Impact 2003B	49,995,000	Bank of America	7/5/2012	0.67	Morgan Stanley
Major Economic Impact 2003C	60,550,000	Bank of America	7/5/2012	0.67	Bank of America

If a tender advance occurs under the Capital Improvements 2005 SBPA, interest accrues at the bank's base rate (the prime lending rate minus 1%) for the first 60 days, the bank's prime lending rate for the period from 61 to 89 days after the purchase date, and the bank's prime lending rate plus 1% beginning 90 days after the purchase date. If the tender advance is in default, interest accrues at the bank's prime rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within 90 days of the purchase date, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's prime rate plus 1%. If the take-out agreement is exercised because the entire issue of $41,180,000 of demand bonds cannot be resold, the State will be required to pay monthly installments of $895,000 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 $44,900,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $5,957,000 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 $115,365,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $15,305,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

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

If a tender advance occurs under the Major Economic Impact 2003C SBPA, interest accrues at the bank's base rate (the prime lending rate plus 2%, the federal funds rate plus 3%, or 10%, whichever is higher). If the tender advance is in default, interest accrues at the bank's base rate plus 3%. If the remarketing agent is unable to resell any bonds purchased by Bank of America under the SBPA within six months, the State has a take-out agreement with Bank of America to convert the bonds to an installment loan payable over a five year period bearing an adjustable interest rate equal to the bank's base rate plus 2%. If the take-out agreement is exercised because the entire issue of $60,550,000 of demand bonds cannot be resold, the State will be required to pay semi-annual installments of $8,033,000 through the term of the loan assuming an 11% interest rate with no prepayment penalty.

Derivative Instruments

The State entered into interest rate swap agreements in connection with $186,080,000 of outstanding variable rate debt in order to hedge changes in cash flows. At June 30, 2011, the State had the following pay-fixed interest rate swap derivative instruments reported in governmental activities:

Associated Bonds	Notional Amount	Effective Date	Final Maturity Date	Terms	Counterparty Credit Rating
2003A	$ 25,005,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A+/Aa3/A+
2003A	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A+/A1/A+
2003B	24,995,000	July 2006	Nov. 2028	Pay 5.708%; receive one-month LIBOR	A+/Aa3/A+
2003B	25,000,000	Mar. 2007	Nov. 2026	Pay 5.248%; receive one-month LIBOR	A+/A1/A+
2005	41,180,000	Oct. 2004	Sept. 2025	Pay 4.037%; receive SIFMA swap index	A/A2/A
2007	44,900,000	May 2005	Sept. 2027	Pay 3.980%; receive SIFMA swap index	A/A2/A

Fair Value - The fair values for the swap transactions were determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The fair values were provided by a third party consultant based on information in the Interest Rate Swap Confirmations supplied by the swap counterparties. Based on that information and the swap market conditions prevailing on June 30, 2011, the third party consultant calculated the estimated market value. The fair values may vary throughout the terms of the swap agreements as a result of fluctuations in the applicable market interest rates. The fair value balances at June 30, 2011 and the changes in fair value of derivative instruments reported in governmental activities are:

Associated Bonds	Notional Amount	Changes in Fair Value		Fair Value at June 30, 2011	
		Classification	Amount	Classification	Amount
2003A	$ 25,005,000	Deferred Outflow	$ 1,349,000	Derivative Instrument	$ (6,191,000)
2003A	25,000,000	Deferred Outflow	1,035,000	Derivative Instrument	(4,610,000)
2003B	24,995,000	Deferred Outflow	1,348,000	Derivative Instrument	(6,189,000)
2003B	25,000,000	Deferred Outflow	1,035,000	Derivative Instrument	(4,610,000)
2005	41,180,000	Deferred Outflow	357,000	Derivative Instrument	(4,487,000)
2007	44,900,000	Deferred Outflow	385,000	Derivative Instrument	(4,740,000)

Hedged Debt and Derivative Instrument Payments - The interest and net swap payments shown assume that interest rates at year end will remain unchanged for the term of the bonds and the hedges. As interest rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on long-term general obligation debt reported for the primary government is presented at the end of this note. At June 30, 2011, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Payment	Total
2012	$ 3,850	$ 226	$ 8,539	$ 12,615
2013	4,015	223	8,383	12,621
2014	4,180	220	8,220	12,620
2015	4,375	218	8,050	12,643
2016	4,550	213	7,873	12,636
2017 - 2021	25,945	1,009	36,421	63,375
2022 - 2026	79,025	769	26,726	106,520
2027 - 2029	60,140	122	4,193	64,455
	$ 186,080	$ 3,000	$ 108,405	$ 297,485

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

Credit Risk - The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparties have credit ratings by at least one nationally recognized statistical rating agency that are within the two highest investment grade categories, and credit ratings by all other nationally recognized statistical rating agencies that are within the three highest grade categories, otherwise the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. Section 31-18-11, Mississippi Code Ann. (1972), also requires that should the credit rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the swap agreements and shall be deposited as directed by the State. Additionally, Section 31-18-11, Mississippi Code Ann. (1972), requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least $100,000,000. The State is not exposed to credit risk at June 30, 2011, as all swap agreements are in a liability position.

Basis Risk - The swap agreements expose the State to basis risk because the applicable interest rates under the swap agreements are based on LIBOR and the SIFMA swap index, which may differ from the interest rates set by the remarketing agents for the State’s variable rate bonds. As of June 30, 2011, the weighted average variable interest rate paid on the bonds was .12287%, while the SIFMA swap index was .09% and one-month LIBOR was .18555%.

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

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

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

Mississippi

At June 30, 2011, 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				
Gaming Highway Improvement	$ 23,060	5%	Oct. 2011	$ 200,000
Telecommunication Conference and				
Training Center	245	5.1% - 5.22%	Nov. 2011	2,000
Ayers Settlement - Allstate Building	415	5.5% - 5.6%	June 2012	3,300
Single Family Residential Housing	625	5.5% - 5.6%	June 2012	5,000
Deer Island Project	1,955	3.6% - 3.75%	Nov. 2012	8,800
Franklin County Lake and Recreation Complex				
Road Construction	480	4.63% - 5%	Sept. 2013	1,250
Land, Water, and Timber Resources	9,953	4% - 5.5%	Nov. 2014	38,000
Local Governments Rail Program	2,625	4% - 5.6%	Nov. 2014	13,000
Milk Producers	2,635	4.75% - 5.17%	Dec. 2017	3,500
Disaster Assistance	440	3% - 4%	Nov. 2019	5,000
Technology Alliance	905	5% - 5.25%	Oct. 2023	1,000
Farish Street Historic District	3,040	.65% - 5.25%	Nov. 2023	4,500
Heritage, History, and Culture Tourism	700	.65% - 4.35%	Nov. 2023	700
Industry Incentive Financing	100,000	.65% - 4.35%	Nov. 2023	100,000
Railroad Lines and Bridges Improvement	2,365	.65% - 5.25%	Nov. 2023	2,500
Small Business and Existing Forestry Industry	5,000	.65% - 4.35%	Nov. 2023	5,000
State Railroad Revitalization	1,000	.65% - 4.35%	Nov. 2023	1,000
Sustainable Energy	500	.65% - 4.35%	Nov. 2023	500
Workforce Training	2,000	.65% - 4.35%	Nov. 2023	2,000
Job Protection	5,130	4.25% - 5.25%	Dec. 2025	6,000
Local Governments Capital Improvements	13,730	4.25% - 5.25%	Dec. 2025	15,500
Raspet Flight Research Laboratory	995	5.5%	Dec. 2025	1,200
State Shipyard Improvements	101,955	4.07% - 5.5%	Dec. 2025	156,000
Stennis Space Center	9,381	4.75% - 5.6%	Dec. 2025	13,050
Small Enterprise Development Finance	37,035	3.25% - 6.5%	July 2028	110,035
ACE Fund	27,829	.65% - 5.67%	Oct. 2029	29,950
Existing Industry	20,805	.65% - 5.55%	Oct. 2029	21,500
Rural Impact	15,765	.65% - 5.75%	Oct. 2029	22,000
Statewide Wireless Communication System	43,524	1.54% - 5.54%	Oct. 2029	45,000
Major Economic Impact *	417,084	.05% -6.09%	Oct. 2032	584,300
Farm Reform	6,120	1.54% - 5.67%	Oct. 2034	11,000
Small Municipalities and Limited				
Population Counties	29,762	.65% - 5.75%	Oct. 2034	54,000
Business Investment	34,105	.65% - 5.75%	Nov. 2034	61,050
Capital Improvements *	994,851	3.25% - 5.67%	Nov. 2034	1,467,025
Economic Development Highway	134,325	1.54% - 5.54%	Nov. 2034	150,000
General Obligation Refunding Bonds	1,502,592	.65% - 7.35%	Nov. 2034	2,062,117
Local Governments Water System Improvement	9,383	4.07% - 5.25%	Nov. 2034	11,143
Local System Bridge Replacement and				
Rehabilitation	100,010	3.75% - 5.25%	Nov. 2034	116,200
Rural Fire Truck Acquisition	14,490	4.25% - 5.75%	Nov. 2034	15,900
Transportation	68,610	4.35% - 5.45%	Nov. 2035	69,000
Total Bonds	3,745,424			5,419,020
Notes				
Local System Bridge Replacement and				
Rehabilitation	19,000	.65%	Oct. 2011	19,000
Premiums	98,166			
Deferred Amount on Refunding	(48,890)			
Total Governmental Activities	3,813,700			5,438,020
Business-type Activities:				
General Obligation Refunding Bonds	23,426	5% - 5.9%	Nov. 2022	37,602
Total General Obligation Bonds and Notes	$ 3,837,126			$ 5,475,622

* Interest on $125,910,000 of outstanding general obligation bonds for Major Economic Impact is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with $86,080,000 of outstanding variable rate general obligation bonds for Capital Improvements where the State pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA swap index. Additionally, interest rate swap agreements have been entered into in connection with $100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2011, 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**
2012	$ 281,046	$ 174,618	$ 2,634	$ 898
2013	238,833	162,595	2,582	817
2014	247,054	150,982	2,707	727
2015	255,327	139,214	2,833	622
2016	239,146	127,797	2,974	505
2017 - 2021	972,608	489,257	9,586	733
2022 - 2026	706,575	306,567	110	5
2027 - 2031	467,285	154,072		
2032 - 2036	356,550	45,662		
Total	3,764,424	1,750,764	23,426	4,307
Premiums	98,166			
Deferred Amount on Refunding	(48,890)			
Total Debt Service, Net	$ 3,813,700	$ 1,750,764	$ 23,426	$ 4,307

Note 10 - Bonds Authorized But Unissued

At June 30, 2011, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds:		
ACE Fund	$ 47,450	$ 17,500
Business Investment Act	331,500	50,623
Capital Improvements	1,082,158	431,561
City of Jackson Water and Sewer Loan	6,000	6,000
Deer Island Project	10,000	1,200
Economic Development Highway	364,500	120,600
Energy Infrastructure Revolving Loan	20,000	20,000
Existing Industry Productivity Loan	65,000	25,000
Farm Reform	128,000	20,000
Industry Incentive Financing	293,000	193,000
Local Governments and Rural Water Systems Improvements	33,843	2,700
Local Governments Capital Improvements	128,000	12,500
Local System Bridge Replacement	175,000	31,000
Major Economic Impact	1,188,800	187,610
North Central Mississippi Regional Railroad Grant	15,000	15,000
Old Capitol Green	20,000	20,000
Railroad Improvements Grant	5,000	5,000
Railroad Revitalization and Stimulus	3,000	2,000
Rural Fire Truck Acquisition	17,850	1,950
Rural Impact	26,375	2,500
Small Business and Existing Forestry Industry Revolving Loan	30,000	25,000
Small Enterprise Development Finance	140,000	103,580
Small Municipalities and Limited Population Counties	55,750	1,750
State Highway Bridge Rehabilitation	100,000	76,500
State Port Improvement (Gulfport)	80,000	80,000
Statewide Tourism	7,325	2,100
Statewide Wireless Communication System	57,000	2,000
Sustainable Energy Research	2,000	1,500
Technology Alliance	4,000	2,000
Transportation - Access Roads	18,000	15,000
Vision 21 Highway Projects	50,000	31,500
Workforce Training	4,000	2,000
	$ 4,508,551	$ 1,508,674

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, 2011, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	$ 733,882	1% - 6.84%	Sept. 2039	$ 875,113
Notes	21,942	0% - 6.29%	Sept. 2039	25,654
Nonmajor Component Units:				
Notes	310	3.137%	Jan. 2018	1,292
Total Component Units	$ 756,134			$ 902,059

At June 30, 2011, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units Principal	Component Units Interest
2012	$ 23,889	$ 36,423
2013	24,073	35,082
2014	27,216	34,022
2015	28,283	32,877
2016	29,229	31,588
2017 - 2021	150,092	138,565
2022 - 2026	152,950	103,621
2027 - 2031	154,742	66,540
2032 - 2036	139,470	25,049
2037 - 2039	26,190	2,322
	$ 756,134	$ 506,089

Note 12 - Other Long-term Liabilities

A. Compensated Absences - The State's liability for compensated absences at June 30, 2011 is $118,289,000 for governmental activities and $628,000 for business-type activities. Internal service compensated absences of $1,197,000 are included in governmental activities. The component units' liability for compensated absences is $103,962,000, of which $103,127,000 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, 2011, 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, 2011, the primary government's pollution remediation obligation is $39,154,000. This estimate is based on professional judgment, experience, historical cost data, and the use of the expected cash flow technique. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time. Estimated costs will vary due to changes in technology, fluctuation in prices, changes in potential responsible parties, and changes in regulations.

C. Notes Payable - At June 30, 2011, the primary government's outstanding notes payable as presented in governmental activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Utility restoration	$ 153,330	5% - 5.45%	Jul. 2019	$ 189,860
Energy efficiency	17,397	4.15% - 5.73%	Apr. 2026	22,406
Buildings	214,662	3.62% - 5.37%	Jun. 2028	219,985
Roads and bridges	606,821	1.72% - 6.59%	Jan. 2040	657,861
Total	992,210			1,090,112
Premiums	28,806			
Deferred Amount on Refunding	(4,070)			
Total Notes Payable, Net	$ 1,016,946			$ 1,090,112

Refunding and Defeased Notes- During fiscal year 2011, the State issued refunding notes to currently refund three notes reported in governmental activities.

Two notes totaling $162,410,000 were issued to currently refund notes for buildings. The current refunding was undertaken to give debt service payment relief by providing a cash flow savings of $9,176,000 over the next eight years. The current refunding resulted in an increase in debt service payments of $13,197,000 over the next 17 years and an economic loss (the difference between the present value of the debt service payments of the refunded and refunding bonds) of $11,338,000.

A note for $17,016,000 was issued to currently refund notes for accelerated construction of roads and bridges. The current refunding results in an increase in debt service payments of $180,000 over the next seven years. The current refunding was undertaken to provide stability under current market conditions and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding notes) of $689,000.

In fiscal year 2010, the State defeased certain outstanding notes of the primary government by depositing the net proceeds of refunding notes in an irrevocable trust to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased notes and the related trust account are not included on the financial statements. At June 30, 2011, $32,975,000 of outstanding notes (including prior years' refundings) are considered defeased.

At June 30, 2011, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest
2012	$ 41,104	$ 50,994
2013	43,029	49,153
2014	45,101	47,137
2015	38,345	44,941
2016	45,097	42,946
2017 - 2021	263,008	176,339
2022 - 2026	229,301	119,193
2027 - 2031	141,375	65,365
2032 - 2036	100,745	31,842
2037 - 2041	45,105	7,382
Total	992,210	635,292
Premiums	28,806	
Deferred Amount on Refunding	(4,070)	
Total Debt Service, Net	$ 1,016,946	$ 635,292

Derivative Instruments

In April 2008, the State entered into a forward interest rate swap agreement in connection with $166,250,000 of variable rate notes. The swap agreement was considered effective at June 30, 2010, and the fair value of negative $21,736,000 was treated as a deferred outflow of resources. In July 2010, the variable rate notes were refunded with fixed rate notes and the swap agreement was terminated, meaning it no longer met the criteria for an effective cash flow hedge. The fair value at June 30, 2010, and the increase in fair value of the swap in fiscal year 2011 of $581,000 are reported as an investment loss of $21,155,000 within the governmental activities' investment revenue classification.

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, 2011, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Land	$	$ 700
Machinery and Equipment	31,485	1,230
Accumulated Depreciation	(13,799)	(305)
Total	$ 17,686	$ 1,625

The discretely presented component units recorded capital assets acquired through capital leases of $20,425,000.

At June 30, 2011, 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
2012	$ 7,003	$ 270	$ 7,273	$ 6,407
2013	3,779	269	4,048	2,808
2014	2,593	135	2,728	1,511
2015	1,165		1,165	1,967
2016	411		411	1,282
2017 - 2021				6,118
2022 - 2026				5,374
2027 - 2031				5,321
2032 - 2036				5,296
2037 - 2041				3,753
Total Minimum Lease Payments	14,951	674	15,625	39,837
Less Interest	1,016	56	1,072	14,233
Present Value of Minimum Lease Payments	$ 13,935	$ 618	$ 14,553	$ 25,604

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2011 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	$ 3,469,356	$ 669,670	$ 374,602	$ 3,764,424	$ 281,046
Premiums/Discounts (Note 9)	109,172		11,006	98,166	9,828
Deferred Amount on Refunding (Note 9)	(54,522)	5,632		(48,890)	(5,449)
Notes Payable (Note 12)	1,029,981	184,577	222,348	992,210	41,104
Premiums (Note 12)	18,002	13,115	2,311	28,806	2,352
Deferred Amount on Refunding (Note 12)	(3,631)	1,587	2,026	(4,070)	(710)
Total Bonds and Notes	4,568,358	874,581	612,293	4,830,646	328,171
Derivative Instruments (Notes 9 and 12)	58,072		27,245	30,827	
Capital Lease Obligations (Note 12)	13,212	8,009	7,286	13,935	6,461
Accrued Compensated Absences (Note 12)	124,386	57,446	63,543	118,289	7,301
Pollution Remediation Obligation (Note 12)	40,601	7,946	9,393	39,154	6,341
	$ 4,804,629	$ 947,982	$ 719,760	$ 5,032,851	$ 348,274
Business-type Activities:					
General Obligation Bonds (Note 9)	$ 26,476	$	$ 3,050	$ 23,426	$ 2,634
Accrued Compensated Absences (Note 12)	676	139	187	628	31
Capital Lease Obligations (Note 12)	841		223	618	237
	$ 27,993	$ 139	$ 3,460	$ 24,672	$ 2,902

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 accrued compensated absences include $1,275,000 and $1,197,000, 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 $374,602,000 in general obligation bonds and notes includes $105,027,000 in refundings. The reduction of $222,348,000 in notes payable includes $183,105,000 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

A. Notes - During fiscal year 2011, the State issued $45,000,000 in notes to provide short-term financing for highway projects. These notes have a final maturity date of December 2011 and carry an interest rate of .45%. Additionally, the State issued $76,246,000 in notes to provide short-term financial assistance for economic development and capital improvement projects. The notes were paid off in November 2010 and carried an interest rate of 1.57% on $76,000,000 and a variable interest rate equal to the weekly SIFMA swap index plus 150 basis points on $246,000. At June 30, 2011, the outstanding short-term notes were $45,000,000. Changes in short-term note activity recorded in governmental activities during fiscal year 2011 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Notes	$ 10,000	$ 121,246	$ 86,246	$ 45,000

B. Credit Agreements - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to $150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2011 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	$ 0	$ 90,000	$ 90,000	$ 0

Note 15 - Retirement Plans

Plan Description

A. General

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

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

B. Membership and Benefit Provisions

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

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

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2011, the total annual COLA payments for PERS were $368,645,000.

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

A COLA payment is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60, plus 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2011, the total annual COLA payments for MHSPRS were $6,693,000.

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

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

The retirees and beneficiaries of MRS plans with provisions for additional payments, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to an additional payment. This payment is equal to the annual percentage change of the Consumer Price Index (CPI) but not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain MRS plans may adopt an annual adjustment other than one linked to the change in the CPI. These additional payments will be made only when funded by the employers. For the year ended June 30, 2011, the total additional annual payments for MRS plans were $5,146,000.

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

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

Retirees and beneficiaries of SLRP may receive additional amounts calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2011, the total additional annual payments for SLRP were $178,000.

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, 2011. 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, 2010. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

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

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

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	12% ****	30.3%	N/A	6.65%
Other employers	N/A	N/A	.99 - 9.51 mills	N/A
Plan members	9%	7.25%	7% - 10%	3% **
Annual pension cost	$ 781,538 *	$ 11,494	$ 17,739	$ 457
Employer contributions made	$ 723,836	$ 11,494 ***	$ 21,429	$ 457
Actuarial valuation date	June 30, 2011	June 30, 2011	Sept. 30, 2010	June 30, 2011
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	30 years	30 years	24 years	22.3 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8%	8%	8%	8%
Wage inflation rate	4.25%	4.25%	4.25%	4.25%
Projected salary increases	4.5% - 20%	5% - 10.52%	4.5% - 6%	4.5%
Increases in benefits after retirement	3% ~	3% @	2% - 3.75% #	3% ~
Proposed annual employer contribution rates for fiscal year 2013 based on the 6/30/11 actuarial valuation	14.26%	37%	-	7.4%

* Calculated based on an employer contribution rate increase from 12% to 13.56%. In lieu of the employer contribution rate increase, the member contribution rate was increased to 9%, which produced a decrease in employer normal cost. As a result, the annual required contributions were $687,016.

** In addition to 9% required by PERS.

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

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

Varies depending on municipality.

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

**** In the June 30, 2009 valuation report, the PERS' consulting actuary recommended an employer contribution rate of 13.56% of covered wages in order to comply with GASB Statement No. 25 and No. 27. The PERS Board of Trustees adopted the contribution rate in order to provide a sufficient funding level with an unfunded accrued liability period no more than 30 years. However, due to an increase in employee contribution rate, from 7.25% to 9% passed by the State Legislature effective July 1, 2010, the PERS Board of Trustees delayed increasing the employer contribution rate until the completion of the June 30, 2010 actuarial valuation. The increase in the member contribution rate served to reduce employer normal cost from 4.13% to 2.49%. This coupled with favorable investment performance for 2010 led the consulting actuary to recommend an employer contribution rate of 12.93% in the June 30, 2010 valuation report. Based on this recommendation, the PERS Board of Trustees approved an increase from 12% to 12.93%. Due to a request by the leadership of State Legislature, the increase is postponed until January 1, 2012. The Board also approved employer contribution rate increases for MHSPRS, from 30.3% to 35.21%, and SLRP from 6.65% to 7.4%. These increases also are delayed until January 1, 2012.

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:				
2009	$ 713,569	$ 12,274	$ 16,132	$ 458
2010	731,544	12,598	16,891	446
2011	723,836	11,494	21,429	457

* Includes fees authorized by the State Legislature that are reported as other additions in the pension trust funds.
** Information furnished for MRS is for the years ended September 30, 2008, 2009, and 2010 respectively.

PERS annual pension cost was calculated based on an employer contribution rate of 13.56%. In lieu of the employer contribution rate increase from 12% to 13.56%, the member contribution rate increased to 9%, which produced a decrease in employer normal cost. As a result, the annual required contributions were $687,016,000 for fiscal year 2011. The annual pension cost was equal to the employer contributions made for the MHSPRS and SLRP plans. For each year the contributions met or exceeded the required contributions, including the MRS where the percent contributed was 106%, 114.4% and 120.8% of the required contributions for the years ended September 30, 2008, 2009, and 2010, 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, 2008, 2009, and 2010, 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, 2011	June 30, 2011	Sept. 30, 2010	June 30, 2011
Actuarial Value of Assets	$ 20,315,165	$ 278,265	$ 175,988	$ 13,606
Actuarial Accrued Liability (AAL) Entry Age	$ 32,654,465	$ 414,432	$ 372,897	$ 18,605
Unfunded AAL	$ 12,339,300	$ 136,167	$ 196,909	$ 4,999
Percent Funded	62.2%	67.1%	47.2%	73.1%
Annual Covered Payroll	$ 5,684,624	$ 24,872	$ 1,425	$ 6,810
Unfunded AAL as a Percentage of Annual Covered Payroll	217.1%	547.5%	13,818.2%	73.4%

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

Note 16 - Other Postemployment Benefits

Plan Description

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

Funding Policy

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

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his State retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2011, retiree premiums range from $186 to $1,472 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2011. 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 $51,735,000 is 1.22 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 2011 (amounts expressed in thousands):

Annual required contribution	$ 51,735
Interest on prior year net OPEB obligation	2,175
Adjustment to annual required contribution	(1,668)
Annual OPEB cost	52,242
Contributions made	(18,365)
Increase in net OPEB obligation	33,877
Net OPEB obligation – Beginning of year	48,335
Net OPEB obligation – End of year	$ 82,212

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 43,205	81.9%	$ 27,212
2010	56,277	62.5	48,335
2011	52,242	35.2	82,212

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, 2011
Actuarial Value of Assets	$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	$ 652,304
Unfunded AAL (UAAL)	$ 652,304
Funded Ratio	0.0%
Annual Covered Payroll	$ 4,238,716
UAAL as a Percentage of Annual Covered Payroll	15.4%

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

Actuarial Methods and Assumptions

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

Actuarial valuation date	June 30, 2011
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*	9.5%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2017
* Includes price inflation at	3.5%
** Includes wage inflation at	4.25%

Note 17 - Commitments

A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2011 are as follows (amounts expressed in thousands):

Year Ending June 30		Amount
2012	$	20,911
2013		15,724
2014		12,744
2015		8,801
2016		7,475
2017 - 2021		8,787
2022 - 2026		771
2027 - 2031		582
2032 - 2036		417
2037 - 2041		269
Thereafter		216
Total Minimum Commitments	$	76,697

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2011 amounted to $21,174,000.

B. Contracts

At June 30, 2011, the Department of Transportation had contracts outstanding of approximately $1,008,253,000 with performance continuing during fiscal year 2012. Of this amount $35,649,000 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 63 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline taxes.

The State Aid Road Division had contracts of $58,943,000 outstanding at June 30, 2011 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 46 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of $106,492,000 at June 30, 2011. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately $9,326,000 at June 30, 2011. Approximately 78 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 $2,834,000 at June 30, 2011. These contracts were primarily for construction costs related to security lighting, erosion protection, and fender system repairs. 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 $70,943,000 at June 30, 2011. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system. Approximately 90 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by capital projects funds.

C. Encumbrances

Encumbrances represent executed but unperformed purchase orders that are reported within governmental funds as restricted, committed, or assigned fund balance. At June 30, 2011, the encumbrance amounts in the General Fund and nonmajor governmental funds were $36,764,000 and $3,584,000, respectively.

Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2010 and 2011 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2010	$ 154,959	$ 750,951	$ 732,599	$ 173,311
2011	173,311	702,621	714,552	161,380

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 $6,053,000. 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, 2011, 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, 2011, outstanding Community Disaster loan guarantees totaled $71,007,000.

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 $2,478,174,000 at June 30, 2011. 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 $42,705,000 at June 30, 2011, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Note 21 - Subsequent Events

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of $176,475,000 from the Working Cash Stabilization Reserve Account and $260,000,000 from budgetary special funds as of December 19, 2011. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

The State called $180,000 of Small Enterprise Development Series 1999-L General Obligation Bonds on July 15, 2011 for bonds maturing in years 2011 through 2014.

The State called $840,000 of Small Enterprise Development Series 2001-A General Obligation Bonds on August 15, 2011 for bonds maturing in years 2012 through 2016.

The State entered into a financing agreement on September 28, 2011 to provide funding for a capital improvements project. This agreement resulted in notes payable totaling $7,000,000 payable beginning in year 2012 through 2031 with interest rates ranging from 2% to 5%

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

Taxable General Obligation Note, Series 2011-B totaling $168,050,000 dated July 5, 2011. This note provided funding for Industry Incentive Financing, Existing Industry, and Capital Improvements. Of the total amount held as a line of credit, only $80,000,000 was issued. The note matured on October 31, 2011 and interest was paid at a rate of 1.45%.

Tax-exempt General Obligation Bonds (Capital Improvements Issue), Series 2011-A totaling $353,730,000 dated October 26, 2011. These bonds provided funding for the Jackson Zoo, Ohr-O'Keefe Museum of Art, Children's Museum, Craft Center, Capital Improvements, Greenville Higher Education Center, Future Farmers of America, Museum of Mississippi History, Civil Rights Museum, Local System Bridge Replacement and Rehabilitation, Rural Fire Truck, Statewide Tourism, Cultural Development, Department of Marine Resources Equipment and Facilities, Community Heritage Preservation, Local Governments and Rural Water Systems, Water Pollution Control, City of Jackson Water and Sewer System, Department of Transportation, and refinancing a general obligation bond anticipation note. These bonds mature annually beginning in year 2027 through 2036 with interest rates ranging from 3.5% to 5%.

Tax-exempt General Obligation Refunding Bonds, Series 2011-B totaling $38,280,000 dated October 26, 2011. These bonds mature serially beginning in year 2014 through 2019 with interest rates ranging from 3% to 5%.

Taxable General Obligation Bonds, Series 2011-C totaling $261,300,000 dated October 26, 2011. These bonds provided funding for Industry Incentive Financing, Existing Industry, ACE, Small Municipalities and Limited Population Counties, Rural Impact, Economic Development Highway, Business Investment, Major Economic Impact, Pat Harrison Waterway District Lake Improvements, Wireless Communications System, Capital Improvements, and refinancing a short-term general obligation note. The bonds mature annually beginning in year 2016 through 2027 with interest rates ranging from 1.799% to 4.053%.

Taxable General Obligation Refunding Bonds, Series 2011-D totaling $37,115,000 dated October 26, 2011. These bonds mature serially beginning in year 2012 through 2018 with interest rates ranging from .45% to 2.577%.

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Required Supplementary Information

Required Supplementary Information

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

For the Year Ended June 30, 2011 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	$ 1,765,000	$ 1,765,000	$ 1,790,784	$ 25,784
Individual income tax	1,353,000	1,353,000	1,382,736	29,736
Corporate income and franchise taxes	393,100	393,100	447,978	54,878
Use and wholesale compensating taxes	206,000	206,000	209,672	3,672
Tobacco, beer and wine taxes	184,700	184,700	188,366	3,666
Insurance tax	188,800	188,800	175,576	(13,224)
Oil and gas severance taxes	65,000	65,000	80,756	15,756
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	65,700	65,700	63,234	(2,466)
Other taxes	7,400	7,400	9,922	2,522
Interest	22,000	22,000	18,472	(3,528)
Auto privilege, tag and title fees	11,065	11,065	10,835	(230)
Gaming fees	153,000	153,000	146,976	(6,024)
Highway Safety Patrol fees	16,600	16,600	20,245	3,645
Other fees and services	12,900	12,900	11,472	(1,428)
Miscellaneous	4,300	4,300	4,325	25
Court assessments and settlements	19,900	19,900	29,700	9,800
Special Fund revenues				
Total Revenues	4,468,465	4,468,465	4,591,049	122,584
Expenditures by Major Budgetary Function				
Legislative	23,962	23,531	23,477	(54)
Judiciary and justice	60,633	60,633	60,469	(164)
Executive and administrative	3,207	3,207	3,180	(27)
Fiscal affairs	54,670	54,670	54,613	(57)
Public education	1,921,851	1,918,275	1,918,235	(40)
Higher education	699,675	694,201	694,198	(3)
Public health	25,876	24,916	24,798	(118)
Hospitals and hospital schools	205,944	202,892	202,883	(9)
Agriculture, commerce and economic development	102,800	103,005	102,978	(27)
Conservation and recreation	46,356	46,106	46,010	(96)
Insurance and banking				
Corrections	312,940	312,940	312,907	(33)
Interdepartmental service				
Social welfare	396,046	396,046	395,389	(657)
Public protection and veterans assistance	88,230	88,230	87,704	(526)
Local assistance	75,109	75,109	75,109	
Motor vehicle and other regulatory agencies	44	44	44	
Miscellaneous	1,232	1,232	1,230	(2)
Public works				
Debt service	361,353	361,353	360,242	(1,111)
Total Expenditures	4,379,928	4,366,390	4,363,466	(2,924)
Excess of Revenues over (under) Expenditures	88,537	102,075	227,583	125,508
Other Financing Sources (Uses)				
Transfers in	15,400	15,400	8,889	(6,511)
Transfers out			(190,900)	(190,900)
Investments purchased, net				
Other sources of cash			5	5
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	103,937	117,475	45,577	(71,898)
Budgetary Fund Balances - Beginning	4,878	4,878	4,878	
Budgetary Fund Balances - Ending	$ 108,815	$ 122,353	$ 50,455	$ (71,898)

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)
$ 215,816	$ 226,428	$ 248,666	$ 22,238	$	$	$	$
22,265	20,963	24,639	3,676				
		35	35				
		1	1				
				12,809,968	15,121,636	11,946,634	(3,175,002)
238,081	247,391	273,341	25,950	12,809,968	15,121,636	11,946,634	(3,175,002)
				2	232	230	(2)
				50,177	65,636	54,205	(11,431)
				14,749	21,415	16,879	(4,536)
				92,578	465,926	389,228	(76,698)
206,279	206,279	203,687	(2,592)	1,048,912	1,210,997	1,097,954	(113,043)
81,695	81,695	78,587	(3,108)	194,340	205,146	139,052	(66,094)
				392,596	411,768	328,066	(83,702)
				430,902	458,351	363,726	(94,625)
2,966	2,966	2,929	(37)	1,397,491	1,406,540	632,715	(773,825)
125	125	111	(14)	366,151	775,951	452,808	(323,143)
				66,018	77,237	63,512	(13,725)
				19,023	23,078	20,087	(2,991)
				40,637	53,984	41,691	(12,293)
				5,981,620	6,746,498	6,075,435	(671,063)
				1,323,878	1,594,937	632,775	(962,162)
				27,759	28,740	24,966	(3,774)
450	450	445	(5)	1,159	1,411	1,171	(240)
				1,278,440	1,490,253	1,294,659	(195,594)
				83,536	83,536	39,145	(44,391)
291,515	291,515	285,759	(5,756)	12,809,968	15,121,636	11,668,304	(3,453,332)
(53,434)	(44,124)	(12,418)	31,706			278,330	278,330
						9,861	9,861
						(12,248)	(12,248)
						(3,300)	(3,300)
(53,434)	(44,124)	(12,418)	31,706			272,643	272,643
		12,812	12,812			1,018,576	1,018,576
$ (53,434)	$ (44,124)	$ 394	$ 44,518	$ 0	$ 0	$ 1,291,219	$ 1,291,219

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

For the Year Ended June 30, 2011

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, 2011 is presented below (amounts expressed in thousands):

Budgetary Funds	**General**	**Education Enhancement**	**Special**
Financial Statement Major Fund	**General**		
Net Change in Budgetary Fund Balances	$ 45,577	$ (12,418)	$ 272,643
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	270,604	12,418	(283,022)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			10,379
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	298,876		
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(198,200)		
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	212,733		
Net Change in GAAP Fund Balances	$ 629,590	$ 0	$ 0

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2011 (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										
2009	$	20,597,581	$	30,594,546	$	9,996,965	67.3%	$	5,831,864	171.4%
2010		20,143,426		31,399,988		11,256,562	64.2		5,763,556	195.3
2011		20,315,165		32,654,465		12,339,300	62.2		5,684,624	217.1
Mississippi Highway Safety Patrol Retirement System										
2009	$	292,322	$	394,630	$	102,308	74.1%	$	26,390	387.7%
2010		281,088		411,277		130,189	68.3		26,353	494.0
2011		278,265		414,432		136,167	67.1		24,872	547.5
Municipal Retirement Systems *										
2008	$	208,479	$	368,131	$	159,652	56.6%	$	1,713	9,320.0%
2009		191,179		381,036		189,857	50.2		1,608	11,807.0
2010		175,988		372,897		196,909	47.2		1,425	13,818.2
Supplemental Legislative Retirement Plan										
2009	$	13,386	$	16,535	$	3,149	81.0%	$	6,803	46.3%
2010		13,241		17,081		3,840	77.5		6,605	58.1
2011		13,606		18,605		4,999	73.1		6,810	73.4

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2011, does not differ materially from the value as of September 30, 2010.

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 2011 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, 2011 (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, 2009	$ 0	$ 755,328	$ 755,328	0.0%	$ 4,613,682	16.4%
June 30, 2010	0	727,711	727,711	0.0	4,470,558	16.3
June 30, 2011	0	652,304	652,304	0.0	4,238,716	15.4

APPENDIX C

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

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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 $71,985,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2012E (the "Series 2012 Bonds"). The Series 2012 Bonds are being issued pursuant to resolutions of the State Bond Commission of the State dated July 3, 2012 (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 2012 Bonds and the beneficial owners of the Series 2012 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 5 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 2012 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. 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.

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.

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 2012 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 2012 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.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events in a timely manner not in excess of ten (10) business days after the occurrence thereof, if material. All fifteen (15) events mandated by the Rule are listed below; however, some may not apply to the Series 2012 Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on the credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modification to rights of security holders.

(8) Bond calls.

(9) Tender offers.

(10) Defeasances.

(11) Release, substitution or sale of property securing repayment of the securities.

(12) Rating changes.

(13) Bankruptcy, insolvency, receivership or similar event of the State.

(14) Consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(15) The appointment of a successor or additional trustee or the change of name of a trustee.

(b) Any Listed Event under subsection (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) of this Section will always be deemed to be material.

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 2012 Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a substitute 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 2012 Bonds or the Participating Underwriter 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 2012 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 2012 Bonds, and beneficial owners of the Series 2012 Bonds and shall create no rights in any other person or entity.

SECTION 13. Prior Disclosure. Except as described in the following sentence, the State has complied in all material respects with any previous continuing disclosure undertakings under the Rule. There have been some instances in the previous five (5) years in which the State filed its annual undertakings late. In 2008 and 2010, the late filings were the result of the State's CAFR for such fiscal year not being available by the February 1st disclosure date. The other filings, 2007, 2009 and 2011, were filed untimely by no more than seven (7) days after the February 1st disclosure date as a result of the responsible employee being unexpectedly absent. The State has taken steps to ensure that it will timely comply with all undertakings in the future.

Date: August 28, 2012

STATE OF MISSISSIPPI

By: ____
Governor and Ex officio Chairman of the
State Bond Commission

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 $171,860,000 State of Mississippi General Obligation Refunding Bonds, Series 2012F (Tax-Exempt) (the "Series 2012 Bonds"). The Series 2012 Bonds are being issued pursuant to resolutions of the State Bond Commission of the State dated July 3, 2012 (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 2012 Bonds and the beneficial owners of the Series 2012 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 5 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 2012 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. 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.

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.

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 2012 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 2012 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.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events in a timely manner not in excess of ten (10) business days after the occurrence thereof, if material. All fifteen (15) events mandated by the Rule are listed below; however, some may not apply to the Series 2012 Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on the credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modification to rights of security holders.

(8) Bond calls.

(9) Tender offers.

(10) Defeasances.

(11) Release, substitution or sale of property securing repayment of the securities.

(12) Rating changes.

(13) Bankruptcy, insolvency, receivership or similar event of the State.

(14) Consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(15) The appointment of a successor or additional trustee or the change of name of a trustee.

(b) Any Listed Event under subsection (a)(1), (3), (4), (5), (6), (9), (10), (12), or (13) of this Section will always be deemed to be material.

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 2012 Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a substitute 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 2012 Bonds or the Participating Underwriter 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 2012 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 2012 Bonds, and beneficial owners of the Series 2012 Bonds and shall create no rights in any other person or entity.

SECTION 13. Prior Disclosure. Except as described in the following sentence, the State has complied in all material respects with any previous continuing disclosure undertakings under the Rule. There have been some instances in the previous five (5) years in which the State filed its annual undertakings late. In 2008 and 2010, the late filings were the result of the State's CAFR for such fiscal year not being available by the February 1st disclosure date. The other filings, 2007, 2009 and 2011, were filed untimely by no more than seven (7) days after the February 1st disclosure date as a result of the responsible employee being unexpectedly absent. The State has taken steps to ensure that it will timely comply with all undertakings in the future.

Date: August 28, 2012

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: $71,985,000 State of Mississippi Taxable General Obligation Refunding Bonds, Series 2012E, dated as of the date of their delivery

$171,860,000 State of Mississippi General Obligation Refunding Bonds, Series 2012F (Tax-Exempt), 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 2012 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 2012 Bonds under the provisions of Section 31-27-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the "Act") and resolutions adopted by the State Bond Commission on May 3, 2012 and July 3, 2012 (the "Resolutions") .

The existing State Constitution is the Mississippi Constitution of 1890. Protection for the contractual obligations owed holders of the Series 2012 Bonds arising from the issuance of the Series 2012 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 2012 Bonds are validated, issued and delivered, such Series 2012 Bonds shall constitute a contract as contemplated by Section 16, supra, and shall enjoy the full protection thereof.

The Series 2012 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 2012 Bonds.

As to general obligations, the Act and the Resolutions provide 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 2012 Bonds have been duly and validly authorized, issued, executed and delivered by and on behalf of the State, that the Series 2012 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 2012 Bonds, the State will deliver its Continuing Disclosure Certificates dated as of the date of the issuance and delivery of the Series 2012 Bonds. The Continuing Disclosure Certificates will be delivered by the State for the benefit of the holders of the Series 2012 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 Certificates have 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 2012 Bonds and in anticipation that it will be relied upon by the parties purchasing the Series 2012 Bonds and by Co-Bond Counsel, in rendering their opinion with respect to the Series 2012 Bonds, and such reliance is hereby specifically authorized.

Very truly yours,

JIM HOOD, Attorney General

APPENDIX E

FORMS OF OPINIONS OF BOND COUNSEL

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FORMS OF OPINIONS OF BOND COUNSEL

State Bond Commission
State of Mississippi
Jackson, Mississippi

To the Members of the State Bond Commission:

We have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Sections 31-27-1 *et seq.,* Mississippi Code of 1972, as amended (the "Act") and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution on July 3, 2012 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$71,985,000
STATE OF MISSISSIPPI
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2012E

dated the date of delivery thereof and maturing in such amounts and at such times, bearing interest and being subject to redemption prior to maturity, all as set forth in the Resolution (the "Series 2012E Bonds"). The Series 2012E Bonds are being issued for the purpose of providing funds to (a) advance refund and defease certain maturities of the State's $97,070,000 (original principal amount) Taxable General Obligation Bonds (Local Governments Capital Improvements, 2004 Shipyard Improvements, Development Infrastructure Improvements, Small Municipalities Grant Program, Emerging Crops Fund, Major Economic Program, Rural Impact Program, Business Incubator Program, Existing Industry Program, Job Protection, ACE Fund, Museum Program, Children's Museum Program, 2004-2005 IHL Improvements and Series 2005D Refunding Projects), dated as of December 1, 2005, and (b) pay the costs incident to the sale, issuance and delivery of the Series 2012E Bonds, all as authorized by the Act and the Resolution.

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 2012E Bonds as executed and assume that all other Series 2012E 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 2012E 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 2012E 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 2012E 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. 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 2012E Bonds as they become due, the deficiency shall be paid by the State Treasurer from funds in the State Treasury not otherwise appropriated.

4. Under and pursuant to the Act, the Series 2012E Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

Interest on the Series 2012E 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 2012E 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.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

WATKINS & EAGER PLLC

State Bond Commission
State of Mississippi
Jackson, Mississippi

To the Members of the State Bond Commission:

We have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Sections 31-27-1 *et seq.,* Mississippi Code of 1972, as amended (the "Act") and certified copies of the proceedings had by the State Bond Commission (the "Commission"), including the adoption of a resolution on July 3, 2012 (the "Resolution"), and other proofs submitted, relative to the sale and issuance by the State, acting by and through the Commission, of

$171,860,000
STATE OF MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2012F
(Tax-Exempt)

dated the date of delivery thereof, and maturing in such amounts and at such times, bearing interest and being subject to redemption prior to maturity, all as set forth in the Resolution (the "Series 2012F Bonds"). The Series 2012F Bonds are being issued for the purpose of providing funds to advance refund and defease certain maturities of the State's (1) $150,235,000 (original principal amount) General Obligation Bonds (Watershed Repair and Rehabilitation Cost-Share Program, Moon Lake State Park, Public Libraries Capital Improvements, DFA Projects, Local System Bridge Replacement and the Rehabilitation Fund, the Rural Fire Truck Act and Refunding Series 2005C Notes Projects), Series 2005, dated as of December 1, 2005, (2) $167,315,000 (original principal amount) General Obligation Bonds (Community Heritage Preservation Grant Program, Local Governments and Rural Water Revolving Loan Fund, Water Pollution Control Revolving Fund, Department of Marine Resources Equipment and Facilities Fund, Mississippi Museum of Art, Local System Bridge Replacement and Rehabilitation Fund, Hillcrest Cemetery Repair Fund, Chalmers Institute Repair Fund, B. B. King Museum, Capital Improvements and GO Captens Series A (Tax-Exempt) Project), Series 2006D, dated as of November 1, 2006, and (3) $299,020,000 (original principal amount) General Obligation Bonds (Capital Improvements Issue), Series 2007B, dated as of December 1, 2007 , and to pay the costs incident to the sale, issuance and delivery of the Series 2012F Bonds, all as authorized by the Act and the Resolution.

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 2012F Bonds as executed and assume that all other Series 2012F 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 2012F 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 2012F 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 2012F 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. 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 2012F Bonds as they become due, the deficiency shall be paid by the State Treasurer from funds in the State Treasury not otherwise appropriated.

4. Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated below, interest on the Series 2012F Bonds is excluded from gross income for federal income tax purposes.

Furthermore, interest on the Series 2012F Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2012F Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2012F Bonds. In rendering the opinion contained in this paragraph 4, we have assumed continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met after the issuance of the Series 2012F Bonds in order that interest on the Series 2012F Bonds not be included in gross income for federal income tax purposes. The failure to meet such requirements may cause interest on the Series 2012F Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012F Bonds. The State has covenanted to comply with or to require compliance with the requirements of the Code in order to maintain the exclusion of interest on the Series 2012F Bonds from gross income for federal income tax purposes. Owners of the Series 2012F Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the environmental tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

5. Under and pursuant to the Act, the Series 2012F Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi.

It is to be understood that the rights of the holders of the Series 2012F 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.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

WATKINS & EAGER PLLC

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STATE OF MISSISSIPPI • Taxable General Obligation Refunding Bonds, Series 2012E and General Obligation Refunding Bonds, Series 2012F (Tax-Exempt)

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