

MISSISSIPPI

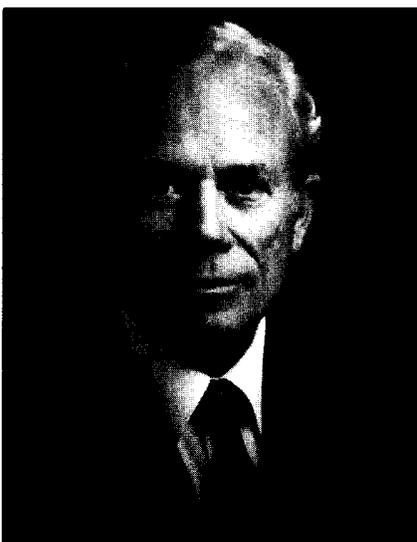


Fiscal Year Ended June 30, 1998

Department of Finance and Administration

Post Office Box 267
Jackson, MS 39205

Edward L. Ranck
Executive Director



December 31, 1998

To the Members of the Legislature and the Citizens of Mississippi:

I hereby submit the State of Mississippi's Comprehensive Annual Financial Report for fiscal year ended June 30, 1998.

The last seven years have proven conclusively that conservative principles of governing and pro-growth policies work. From January through October 1998, the Mississippi economy attracted capital investment of more than \$2.6 billion, which resulted in the creation of more than 10,100 announced jobs. From January 1992 through October 1998, the Mississippi economy generated more than 171,000 announced jobs and attracted capital investment of more than \$16.3 billion. CEO-to-CEO economic development efforts and pro-business policies continue to serve our citizens well.

Government, however, at all levels is becoming larger, more intrusive, more expensive, and increasingly dangerous to the health, wealth, and well-being of all citizens. We live in a complicated world. Even well-intentioned "public servants," responding to the complications of government, overreach -- and the result can be as tyrannical as anything ever proposed by George III.

Until the last day I occupy this office and beyond, I will adhere to conservative principles of governing. Those who oppose my diehard dedication to Mississippi taxpayers only serve to define more clearly the intensity of my conviction. We will continue our efforts to keep government as small, fair, and accountable as possible -- so that George Orwell's terrible vision will never become a reality for the sovereign citizens of our state and nation.

Sincerely

KIRK FORDICE
GOVERNOR

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**STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION**

EDWARD L. RANCK
EXECUTIVE DIRECTOR

December 15, 1998

To Governor Fordice:

It is my pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Mississippi for the year ended June 30, 1998 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the state. I believe the information as presented is accurate in all material aspects and is presented in a manner which sets forth the financial position and results of operations of the state of Mississippi in conformity with generally accepted accounting principles (GAAP). The financial presentations in this report are designed to show the financial activities of the fund types and account groups of the state. All disclosures necessary to enable a reader to gain maximum understanding of the state's financial activities have been included.

The 1998 Comprehensive Annual Financial Report is presented in three sections: the introductory section which provides summary financial data and narrative commentary on matters of interest to the reader; the financial section which includes the state auditor's report, audited general purpose financial statements and notes thereto, and underlying combining and individual fund financial statements and supporting schedules; and the statistical section which sets forth selected unaudited economic, financial trend and demographic information for the state on a multi-year basis.

The state's General Purpose Financial Statements include all funds and account groups that comprise the state's legal entity or primary government. The state's reporting entity is also comprised of its discretely presented component units for which the elected officials of the state's primary government are financially accountable in accordance with criteria established by the Governmental Accounting Standards Board. The criteria used in defining the state's reporting entity are fully discussed in Note 1B to the financial statements. Note 1B more fully explains which financial activities are included in and which are excluded from the state's reporting entity.

Economic Conditions

The overall growth rates of employment and output in 1998 are forecast to be slightly ahead of those of 1997. In 1997, the state posted a growth rate of 1.6 percent in establishment employment, and 5.1 percent in nonfarm personal income, close to the 5.8 percent national growth rate. Although the state's economy has slowed from the mid-90's boom period, the unemployment rate in 1998 is expected to be under 5.7 percent, nonetheless, which will make it the lowest annual rate posted in the state since 1974. Also, employment levels in the vital manufacturing sector have been fairly stable, despite the Asian crisis, with durable goods employment rising about 1.5 percent in 1998, although nondurables employment has continued its slow fall.

Retail sales data, state revenue collections, and other economic indicators fail to reveal any serious weaknesses that could derail the economy in 1999. Residential construction permits were 15 percent higher in the first eight months of 1998 than for the comparable period in 1997, and retail sales were 9 percent higher. Although both business and consumer confidence dipped in the second half of 1998, these indexes remained above last year's levels. Revenues from gaming fees and taxes, which had dipped in FY1996, grew 8.2 percent in FY1997, 6.1 percent in FY1998, and continue strong in early FY1999.

Employment data confirms that a steady, if slow, rate of economic expansion can be expected for the foreseeable future. Residential employment was up 2.3 percent in the first three quarters of 1998 compared to the same period in 1997, and payroll employment was up 1.5 percent. The service sector has been posting solid gains, with the number employed rising 3.0 percent. The downward trend in manufacturing employment appears to be ending: the number employed in this sector has remained at about 241,000 throughout the year. Nondurable goods manufacturing, however, is not expected to return to the employment levels of 1996 for the foreseeable future.

Turning to construction, the boom that began in 1993 shows no sign of ending. Employment in this sector grew 4.3 percent in 1997, and is projected to rise 5.9 percent in 1998. The strong growth in building permits this year will mean continued growth in this sector in 1999, but the slowdown in the national economy is expected to impact this sector adversely by 2000.

While employment in the amusements industry dropped somewhat in 1997, the number of jobs generated by this industry was 10 percent greater in September 1998 than in the same month of 1997. The closely related hotels and lodging industry has decreased its employment level this year by about 2 percent.

Among durable goods manufacturing industries, furniture and fixtures has shown solid growth, as has transportation equipment, both of which enjoyed employment growth of close to 6 percent. Metal products employment was up by over 3 percent by the third quarter. Lumber and wood products and electronic equipment, however, had slight drops.

The apparel industry continued to shrink in 1998, after a 5.6 percent drop in employment in 1997. Textile mill products grew 9.5 percent in 1997, on the other hand, and was up another 4.4 percent in 1998.

Food and kindred products, paper and allied products printing and publishing, and rubber and plastics, whose employment declined in 1997, are also likely to show some drop in the number employed in 1998.

Employment in retail trade has remained stable despite a very respectable growth in sales, and this may be explained in part by the increase in the minimum wage. Government employment has grown at close to two percent, led by growth in state education. Health services employment is not expected to increase in 1998.

The service sector now provides 24 percent of total wage and salary employment. The average annual growth rate of employment in this sector was 8.6 percent over the 1992-97 period. This growth rate is projected to drop to 2.6 percent over the 1998-2003 period. There are two other sectors employing 20 percent or more of workers: retail/wholesale trade and government. These showed only moderate growth over the same period, and their shares in total employment are not expected to increase between 1998 and 2003.

Manufacturing accounts for 20 percent of employment in Mississippi, compared to only 15 percent of U.S. employment. The composition of manufacturing differs as well, with the percentage of employees in furniture, lumber and wood, and apparel each being more than twice the corresponding percentage for the U.S. These three industries account for a third of manufacturing employment. Food products, transportation equipment and electronic equipment excluding computers account for another third of manufacturing employment.

Short-Term Outlook

Mississippi is expected to experience a somewhat slower growth of output and employment in 1998 than the nation as a whole, but the state should match national trends again by 1999 and 2000. Gross state product (GSP) is expected to rise 3.0 percent this year, slowing to a 2.4 percent increase in 1999 and 2.0 percent in 2000. Wage and salary employment has been increasing at an average annual rate of about 1.5 percent this year; this rate will fall closer to 1.0 percent in 1999 and 2000.

The good news on the inflation front nationally means that the rate of inflation here, as measured by the GSP deflator, should stay below 2.0 percent until 2000, when rising petroleum prices and health care costs are likely to nudge up overall inflation. The negative side of the current low prices is that deflationary trends in several product areas have hurt profit margins internationally, with export goods such as computer equipment and farm products particularly affected. Mississippi's top manufacturing exports, accounting for half of the state's 1996 exports, are food and kindred products, chemicals and allied, and paper and allied products; countries on the Pacific Rim account for about 17 percent of the state's export market.

Nonfarm personal income in Mississippi is expected to grow more rapidly in 1998 than the 5.1 percent increase experienced in 1997, but by 1999 and 2000 some slowdown from this pace is expected. Tight labor markets in 1997 and 1998 have contributed to this strong growth in incomes, and wage increases are expected to be ahead of inflation both this year and next. Nationally, the growth of personal income this year is predicted to be below 5 percent, the first time this has occurred since 1994, and this slower growth is expected to continue until 2000, when the growth rate is forecast to be 5.3 percent.

The gross regional product (GRP) for the southeastern region is predicted to be above the national growth rate, at 3.6 percent, in 1998, dropping next year to the national rate of 2.5 percent forecast for 1999, according to the Economic Forecasting Center of Georgia State University. The Center also forecasts Mississippi's growth rate to be 2.4 percent in 1999, in line with the Mississippi state forecast.

Accomplishments

From January 1992 through October 1998, business and industry had invested more than \$16.3 billion private capital in the State of Mississippi, creating a net gain of more than 171,000 announced jobs. During the first nine months of 1998, the Mississippi economy attracted capital investment of more than \$2.6 billion, which resulted in the creation of more than 10,100 announced jobs. All told, Mississippi benefited from 231 announcements of expansions and new locations during the period.

Under Governor Fordice's leadership, \$42.2 million has been appropriated through Fiscal Year 1999 to increase tourism in Mississippi. Our export trade increased 39 percent from 1994 to 1996. Exports in 1997 totaled \$2.71 billion. More than 60 international companies from 16 different countries operate in Mississippi.

The Governor's Commission on Criminal Justice Reform proposed several bills to the 1998 Legislature concerning victims' rights and death penalty reform. Several of these bills were enacted, including: the Crime Victims' Bill of Rights, the Crime Victims' Constitutional Amendment, the establishment of 6:00 p.m. for executions, allowing two family members of victims to witness executions, changing the execution method to lethal injection, and requiring the Supreme Court to act within 270 days on death penalty appeals.

Under Governor Fordice's leadership through July 1998, approximately 36,000 fewer Mississippi families received welfare benefits -- down from 60,210 to less than 24,128 -- a 60 percent reduction in caseload since Governor Fordice first took office. Almost 65,000 fewer Mississippians now receive food stamps.

Economically and socially, the State of Mississippi is stronger and more vibrant because of conservative principles of governing, probusiness policies, and intensified anti-crime initiatives. We have established a strong foundation for the twenty-first century.

Future Initiatives

For the final legislative session of the Fordice administration, the administration will endorse and support an income tax cut for the overtaxed citizens of Mississippi; continued emphasis on accountability in state government; innovative education reform; and, frugal administration of tax dollars.

We will continue to manage the State of Mississippi according to conservative principles of governing and the highly effective, CEO-to-CEO approach to economic development. Lower taxes and a business-friendly environment will supply the means to recruit additional economic development.

The final year of the Fordice administration will be devoted to encouraging citizen involvement in government. The citizens are the sovereigns, not the elected officials. In keeping with tradition, this administration will maintain keen attention to taxpayer dollars and vigorous emphasis on "government of the people, by the people, for the people."

Financial Information

State managers are responsible for establishing and maintaining internal control to ensure that government assets are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow preparation of financial statements in conformity with GAAP. Internal control has been implemented to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that evaluation of

costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. I believe that the state's internal control adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

The state also maintains budgetary controls. The objective is to ensure compliance with legal provisions embodied in the annual budget approved by the legislature. The state's budget is prepared on a modified cash basis utilizing encumbrance accounting. Budgetary control is maintained by a formal appropriation and allotment system. The six-month allotment control process is designed and used as a management tool to enable agencies to operate on a continuing basis.

Unexpended appropriations at June 30 are available for subsequent expenditure only to the extent that encumbrances represented by executed but unperformed purchase orders have been established and are presented for payment during the succeeding 60-day lapse period. Encumbrances are reported in the financial statements as expenditures for budgetary purposes and as a reservation of fund balance for GAAP purposes.

General Government Functions

Most state functions are financed through the governmental fund types, which include the general, special revenue, capital projects and debt service funds. Revenues from governmental fund type sources for fiscal years 1998 and 1997 are compared in the following table (amounts expressed in thousands):

Revenues by Source	FY 1998		FY 1997		Increase (Decrease) from FY 1997	Percent of Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total		
State Taxes	\$ 4,023,265	51.1%	\$ 3,742,013	50.7%	\$ 281,252	7.5%
Licenses, fees and permits	322,081	4.1	298,158	4.0	23,923	8.0
Federal government	2,765,550	35.1	2,778,514	37.6	(12,964)	(.5)
Interest on investments	124,338	1.6	122,271	1.7	2,067	1.7
Departmental services	234,250	3.0	212,532	2.9	21,718	10.2
Other	406,419	5.1	228,781	3.1	177,638	77.6
	<u>\$ 7,875,903</u>	<u>100 %</u>	<u>\$ 7,382,269</u>	<u>100.0 %</u>	<u>\$ 493,634</u>	<u>6.7%</u>

Revenues for the state increased \$493,634,000 for the year. State taxes accounted for the largest dollar amount of the increase. Licenses, fees and permits, departmental services and other revenues also had significant percentage increases. Federal government revenues decreased slightly.

Total state taxes increased \$281,252,000. Sales and use taxes increased \$138,365,000, individual income taxes increased \$103,985,000 and gasoline and other motor fuel taxes increased \$33,394,000. While several categories of taxes increased, corporate income and franchise tax decreased \$12,466,000.

Included in licenses, fees and permits is \$170,908,000 of gaming fees. This amount has increased from the previous year by \$12,454,000 or 7.9 percent. Various fees collected by the Department of Wildlife, Fisheries and Parks increased approximately \$2,600,000, while workers' compensation and secretary of state fees each increased approximately \$1,000,000. Several other agencies had increases in licenses, fees and permits of approximately \$500,000 each.

Overall, federal government revenues decreased slightly however, this is comprised of some significant increases and decreases. Education and recreation and resources development grants increased \$31,000,000 and \$12,000,000, respectively. Military grants decreased \$13,000,000 since many armory construction and repair projects were completed prior to fiscal year 1998. The Department of Human Services received \$83,000,000 less in federal monies in fiscal year 1998. Federal programs are encouraging work in place of federal aid.

Departmental services increased \$21,718,000 over fiscal year 1997. That amount represents a 10.2 percent increase. Revenue for the Board of Veterans' Affairs increased \$11,000,000. Three veterans' nursing homes which had opened prior to fiscal year 1998 were filled to near capacity during this fiscal year. The Department of Human Services recorded an increase in revenue from the Division of Medicaid of slightly over \$8,000,000. This revenue relates to medicaid services performed in previous years.

Other sources of revenue increased by \$177,638,000. Of this amount, \$176,000,000 results from the tobacco litigation settlement.

Expenditures from governmental fund type sources for fiscal years 1998 and 1997 are summarized in the following table (amounts expressed in thousands):

Expenditures by Function	FY 1998		FY 1997		Increase (Decrease) from FY 1997	Percent of Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total		
General government	\$ 919,048	12.6%	\$ 858,218	12.3%	\$ 60,830	7.1%
Education	1,907,632	26.1	1,765,476	25.3	142,156	8.1
Health and social services	2,715,471	37.1	2,736,515	39.2	(21,044)	(0.8)
Law, justice, and public safety	408,957	5.6	381,929	5.5	27,028	7.1
Recreation and resources development	304,795	4.2	266,633	3.8	38,162	14.3
Regulation of business and professions	24,007	0.3	22,518	0.3	1,489	6.6
Transportation	749,466	10.3	694,895	9.9	54,571	7.9
Debt service	193,392	2.6	174,787	2.5	18,605	10.6
Capital outlay	84,883	1.2	86,435	1.2	(1,552)	(1.8)
	<u>\$ 7,307,651</u>	<u>100.0%</u>	<u>\$ 6,987,406</u>	<u>100.0%</u>	<u>\$ 320,245</u>	<u>4.6%</u>

Overall expenditures increased \$320,245,000 due largely to the increase in education. General government, transportation and debt service expenditures also show significant increases, while capital outlay and health and social services show slight decreases. Recreation and resources development and debt service expenditures show the largest percentage increases.

The general government expenditures increased 7.1 percent in fiscal year 1998. Included in this increase is approximately \$42,600,000 of additional diversions generated by the increase in sales tax. This amount alone is 70 percent of the increase in general government expenditures. Expenditures for the Tax Commission increased \$11,475,000. Expenditures of the Alcoholic Beverage Control Division increased by \$5,000,000 due to increased cost of purchases, new license tags were printed costing an additional \$2,300,000 and homestead exemption payments to counties increased \$1,200,000.

Education expenditures increased 8.1 percent or \$142,156,000. Of that amount, Department of Education expenses increased over \$100,000,000. This increase includes \$64,000,000 of additional monies including teacher pay raises, paid to the school districts. Another \$29,000,000 are additional expenditures related to an increase of \$31,000,000 in federal grants. Community and junior college expenses increased \$28,000,000.

Expenditures in recreation and resources development increased 14.3 percent and \$38,162,000. An \$18,000,000 grant was given to a company related to a major economic development growth project. In addition, community development expenditures increased almost \$12,000,000 resulting from a similar increase in federal funding.

Transportation expenditures increased \$54,571,000 or 7.9 percent. Many highway road work projects have been started and are continuing. State highways around the casinos, as well as highways in other areas of the state, have been or are being widened to four lanes.

Debt Service expenditures increased \$18,605,000 during fiscal year 1998. Principal payments and defeasance on general obligation bonds, without an advance refunding increased by approximately \$12,000,000. Principal payments on capital leases and other types of long-term debt increased by \$5,445,000. Bond and other long-term debt issues during fiscal year 1998 totaled \$376,967,000.

General Fund Balance

The General Fund GAAP fund balance at June 30, 1998 of \$2,274,283,000 demonstrates fiscal strength and the result of prudent fiscal practices. The undesignated and uncommitted portion of the fund balance increased from \$467,747,000 to \$514,662,000. The total June 30, 1998 fund balance represents a 14.8 percent increase from June 30, 1997.

Included in the GAAP General Fund is the Working Cash-Stabilization Reserve Account. This account, created by state law, may be used to pay state obligations when there is insufficient cash from other General Fund sources to pay obligations as they become due. It may also be used to cover any projected deficits that may occur in the General Fund as a result of revenue shortfalls. It was funded through transfers from the General Fund. The balance in the account at the end of each fiscal year should equal 7.5 percent of the next year's General Fund Appropriations. If the balance does not equal the 7.5 percent, 50 percent of the excess of the unencumbered cash balance of the General Fund at the close of the year is transferred to this account until the 7.5 percent is reached. Any amount of the 50 percent of the excess not necessary to be transferred to this account is transferred to the Education Enhancement Fund. In fiscal year 1998, for fiscal year 1997, no amount was transferred to the Working Cash-Stabilization Reserve Account, and \$93,536,000 was transferred to the Education Enhancement Fund.

Enterprise Operations

The state's enterprise operations include the Veterans' Home Purchase Board. This agency provides home mortgage loans to qualified Mississippi veterans. During the year, \$14,818,000 of new mortgage loans were issued. Total loans generated \$6,518,000 of interest revenue in fiscal year 1998 that will in turn be used to further expand the program. The enterprise operations generated net income of \$17,029,000 during fiscal year 1998. Current enterprise operations generated a revenue to debt service coverage of 1.21 which meets all bond indenture requirements.

Pension Trust Fund Operations

The operations of the state's three defined benefit pension trust funds are administered by the Public Employees' Retirement System of Mississippi (System). The Public Employees' Retirement System (PERS) covers substantially all employees of the state and its political subdivisions. Uniformed officers of the Department of Public Safety participate in the Mississippi Highway Safety Patrol Retirement System (MHSPRS). Elected members of the state legislature and the president of the senate participate in the Supplemental Legislative Retirement Plan (SLRP) in addition to participating in PERS.

The System also serves as an administrator for the Municipal Retirement Systems and the Optional Retirement Plan. The state, however, does not contribute to these plans. Further information on the state's participation in the retirement systems can be found in Note 16 to the financial statements.

Debt Administration

The State Bond Commission, composed of the governor, state attorney general and state treasurer, approves and authorizes the sale and issuance of state bonds in accordance with authorizing legislation and within the defined constitutional debt limit. The total outstanding general obligation bonded indebtedness of governmental fund types for the state as of June 30, 1998 was \$1,595,044,000. Mississippi has a rating of "AA" from both Standard & Poor's Rating Group, a division of the The McGraw Hill Companies, and Fitch Investors Service, L. P.

During the fiscal year ended June 30, 1998, the State Bond Commission issued \$322,885,000 in general obligation bonds. These bond issues include \$221,805,000 of Capital Improvement Bonds, \$19,000,000 under the Mississippi Business Investment Act, \$17,590,000 under the Mississippi Small Enterprise Development Finance Act, \$14,490,000 under the Mississippi Major Economic Impact Act, \$25,000,000 under the Department of Education Tech-Prep Program, \$5,000,000 under the Mississippi Development Bank and \$20,000,000 under the Local Governments Capital Improvements Revolving Loan Program. Subsequent to June 30, 1998, the state issued \$428,950,000 of general obligation bonds.

At June 30, 1998, 24 percent of the \$6,681,152,000 bonded indebtedness ceiling established by the state constitution was outstanding. Current practice restricts revenues included in the foregoing debt limitation computation to the following governmental fund revenues: taxes, licenses, fees and permits, investment income, rental income, service charges including net income from the Alcoholic Beverage Control Division, fines, forfeitures and penalties. The state's net general obligation debt per capita is \$515.

Cash Management

It is the duty of the state treasurer and the executive director of the Department of Finance and Administration to analyze for cash flow needs and investment purposes the amount of cash in the state General Fund and in the special funds credited to any special purpose designated by the Legislature. The state treasurer deposits available funds with official depositories of the state. In addition, the Public Employees' Retirement System and a small number of other state agencies carry out investment activities separate from the state treasurer. Of \$18,158,542,000 in investments at June 30, 1998, \$16,011,558,000 are classified into categories of credit risk, and \$13,775,209,000 were held by the state's agent in the state's name.

The state's available resources invested in Mississippi bank certificates of deposits and repurchase agreements earn interest at rates that approximate the U.S. Treasury Bill discount rate for those with comparable maturities. During fiscal year 1998, the average rate on the three month U.S. Treasury Bill was 5.05 percent, with a twelve month high of 5.32 percent and a twelve month low of 4.87 percent. The pension trust fund's total portfolio of stocks and bonds had a 19.1 percent total rate of return for fiscal year 1998. The median rate of return for state retirement plans according to Callan Associates Plan Sponsor - Large Funds for the 12 months ended June 30, 1998 was 18.6 percent. The primary government earned interest and dividend income of \$702,312,000 on all investments for the year ended June 30, 1998.

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.

To assure that health and life benefits are distributed to the participants in an efficient and responsible manner, the state incorporates various methods of loss control such as code review, certification of medical necessity, case management and audits of claims administrators to assure claims are adjudicated in accordance with the outlined benefits.

The state has elected to manage tort claims through the retention of all liability exposure. The statutory scheme provides some protection, as well as a limitation of liability. The Tort Claims Act sets limits of liability per occurrence at \$50,000 until July 1, 1997, at \$250,000 from then to July 1, 2001 and at \$500,000 after July 1, 2001. An effective loss control program is being implemented in most state agencies to reduce the number and severity of tort claims made against the state.

To aid in the management of risk for workers' compensation benefits, the state, through the Mississippi State Agencies Self-Insured Workers' Compensation Trust (Trust), has established an effective loss control program to reduce the number and severity of job related injuries. Through the use of contractually established performance criteria for the claims administrator and by converting to agency rates/premiums based on the agency's ultimate loss, the Trust has encouraged better risk management at both the claims administrator and the agency level.

Further information about risk management can be found in Note 18 to the financial statements.

Other Information

Pursuant to Section 7-7-211(d), Mississippi Code Annotated (1972), the state auditor has performed an examination, in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, of the state's general purpose financial statements. His opinion is presented as the first page of the financial section of this report. It has been qualified related to the Year 2000 Issue. Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Also, as required by federal law, the state auditor has undertaken a single audit of the state as a whole, which will include internal control and legal compliance reports on all federal funds received and expended by state government. This report will be published separately.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Mississippi has received a Certificate of Achievement for the last eleven consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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



Edward L. Ranck

Officials of State Government

Executive Branch

Governor

Kirk Fordice

Lieutenant Governor

Ronnie Musgrove

Secretary of State

Eric Clark

State Auditor

Phil Bryant

State Treasurer

Marshall Bennett

Attorney General

Mike Moore

Commissioner of Agriculture and Commerce

Lester Spell

Commissioner of Insurance

George Dale

Transportation Commissioners

Wayne O. Burkes

Ronnie Shows

Zack Stewart

Public Service Commissioners

Nielsen Cochran

Dorlos Robinson

George M. Byars

State Fiscal Officer

Edward L. Ranck

Legislative Branch

Speaker of the House of Representatives

Tim Ford

Speaker Pro Tempore

of the House of Representatives

Robert Clark

President Pro Tempore of the Senate

Tommy Gollott

Secretary of Senate

Amy Tuck

Clerk of the House of Representatives

Charles J. Jackson, Jr.

Legislative Budget Office

Robert A. Greenlee, Director

Joint Legislative Committee on Performance

Evaluation and Expenditure Review

Max Arinder, Director

Judicial Branch

Supreme Court of Mississippi

Chief Justice

Lenore L. Prather

Presiding Justices

Michael Sullivan

Edwin Pittman

Justices

Fred L. Banks, Jr.

C. R. (Chuck) McRae

James L. Roberts

James W. Smith, Jr.

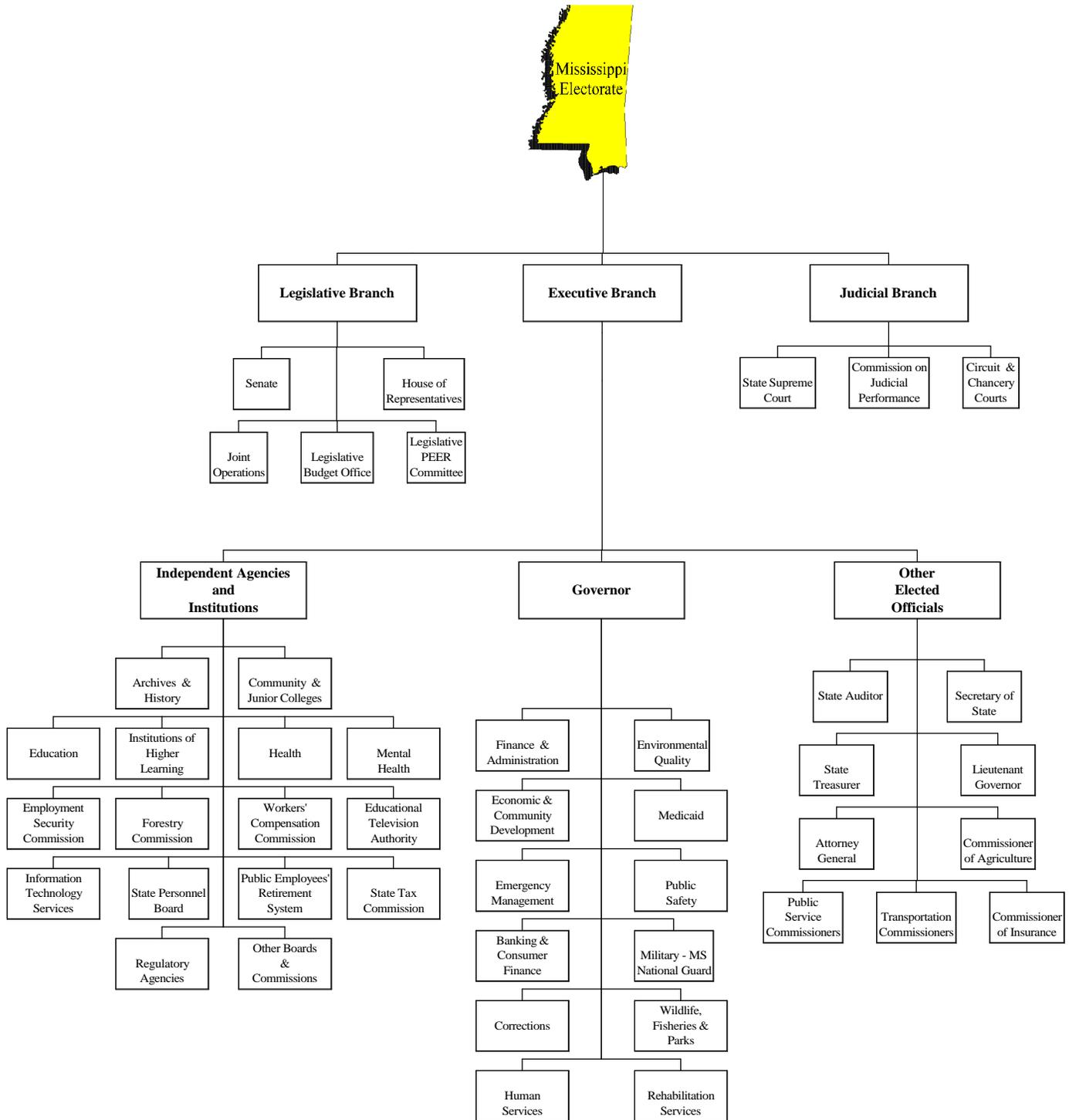
Mike Mills

William L. Waller, Jr.

Clerk of the Supreme Court

Charlotte Williams

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

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



Douglas R. Ellaworth
President

Jeffrey L. Eselle
Executive Director

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State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the State of Mississippi as of and for the year ended June 30, 1998, as listed in the table of contents. The general purpose financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these general purpose financial statements based upon our audit. Except for university funds, we did not audit the financial statements of the component units of the state. We did not audit the financial statements of the pension trust funds and the related schedule of funding progress and certain expendable trust and enterprise funds. These financial statements, which represent 100% of the plan net assets and changes in plan net assets of the pension trust funds; 42% and 41% of the assets and revenues, respectively, of the expendable trust funds; and 46% and 59% of the assets and revenues, respectively, of the enterprise funds, were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the component units other than university funds, pension trust funds and these expendable trust and enterprise funds, is based solely upon the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The State of Mississippi has included such disclosures in Note 20. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of Mississippi's disclosures with respect to the year 2000 issue made in Note 20. Further, we do not provide assurance that the State of Mississippi is or will be year 2000 ready, that the State of Mississippi's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Mississippi does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, based upon our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Mississippi as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types, nonexpendable trust funds and certain component units, changes in plan net assets of its pension trust funds and the related schedule of funding progress, and the changes in fund balances and current fund revenues, expenditures and other changes of the university funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, our report dated December 4, 1998, 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 grants will be issued under separate cover in our *Single Audit Report* in July, 1999.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and related schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State of Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The statistical and economic data listed in the table of contents were not audited by us, and accordingly, we do not express an opinion thereon.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance
Audit Division

Jackson, Mississippi
December 4, 1998

General Purpose Financial Statements

MISSISSIPPI

All Fund Types, Account Groups And Discretely Presented Component Units

Combined Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)
Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Equity in internal investment pool	\$ 1,183,108	\$ 79,324	\$ 6,787	\$ 102,371
Cash and cash equivalents	59,401	8,503		
Amount on deposit with U.S. Treasury				
Investments	640,694	24,031	1,157	284,515
Receivables, net	470,303	6,771	308	1,592
Due from other governments	531,980	48,069		
Due from other funds	9,393	7,734	1,332	593
Due from component units	4,326	17		
Due from primary government				
Inventories	65,691	1,567		
Prepaid expenses				
Loans and notes receivable	158,460	756		
Loans to other funds				
Restricted Assets:				
Equity in internal investment pool				
Cash and cash equivalents				
Investments				
Interest receivable, net				
Property, plant and equipment, net of depreciation where applicable				
Deferred charges and other assets	4,145			
Amount available, designated for debt service				
Amount to be provided from future collections of long-term loans and due from other governments				
Amounts to be provided for retirement of:				
General obligation bonds				
Other obligations				
Total Assets and Other Debits	\$ 3,127,501	\$ 176,772	\$ 9,584	\$ 389,071
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Warrants payable	\$ 113,756	\$ 8,600	\$	\$ 3,774
Accounts payable and accruals	257,454	12,826	44	104
Contracts payable	82,408			30,399
Income tax refunds payable	112,500			
Due to other governments	154,502	2,912		
Due to other funds	18,696	2,394	3,051	
Due to component units	24,281	975		
Due to primary government				
Claims liability				
Amounts held in custody for others				
Obligations under securities lending				
Deferred revenues	89,621	22,325		
Loans from other funds		36		
Tuition benefits payable				
Liabilities payable from restricted assets				
General obligation bonds				
Revenue bonds and notes payable				
Lease obligations payable				
Other liabilities		401		
Total Liabilities	853,218	50,469	3,095	34,277
Fund Equity and Other Credits:				
Investment in fixed assets				
Contributed capital				
Retained earnings:				
Reserved				
Unreserved				
Fund balances:				
Reserved	536,511	22,291		
Unreserved:				
Designated	1,223,110	10,178	6,489	354,794
Undesignated	514,662	93,834		
Total Fund Equity and Other Credits	2,274,283	126,303	6,489	354,794
Total Liabilities, Fund Equity and Other Credits	\$ 3,127,501	\$ 176,772	\$ 9,584	\$ 389,071

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

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only) Primary Government		Total (Memorandum Only) Reporting Entity	
			General Fixed Assets	General Long-term Obligations	June 30, 1998	Component Units	June 30, 1998	June 30, 1997
Enterprise	Internal Service	Trust and Agency						
\$ 14,365	\$ 19,767	\$ 13,644	\$	\$	\$ 1,419,366	\$ 14,671	\$ 1,434,037	\$ 1,293,284
19,694	1,963	222,545			312,106	241,839	553,945	549,038
		594,016			594,016		594,016	562,843
40,502	128,715	16,054,740			17,174,354	188,649	17,363,003	14,868,323
3,016	1,156	360,993			844,139	131,045	975,184	769,858
92	62	1,447			581,650	357	582,007	529,333
570	2,441	525,528			547,591	36,862	584,453	486,009
	117				4,460		4,460	3,674
						25,269	25,269	14,353
943		282			68,483	18,403	86,886	155,517
79					79	9,047	9,126	11,273
99,935					259,151	78,453	337,604	326,374
		36			36		36	44
74					74		74	71
662					662	88	750	488
1,976					1,976	7,396	9,372	11,261
5					5		5	11
103,437	8,849	4,976	1,812,336		1,929,598	1,899,793	3,829,391	3,430,339
					4,145	4,011	8,156	7,779
					30,795	367	31,162	42,132
					137,273		137,273	108,258
					1,431,121		1,431,121	1,215,800
					179,597	5,810	185,407	143,429
\$ 285,350	\$ 163,070	\$ 17,778,207	\$ 1,812,336	\$ 1,778,786	\$ 25,520,677	\$ 2,662,060	\$ 28,182,737	\$ 24,529,491
\$ 935	\$ 1,667	\$ 1,613	\$	\$	\$ 130,345	\$ 8,195	\$ 138,540	\$ 108,216
3,978	3,870	471,442			749,718	100,669	850,387	632,513
42					112,849		112,849	98,600
					112,500		112,500	104,000
9,693	10	13,092			180,209		180,209	161,103
1,532	336	521,582			547,591	36,862	584,453	486,009
	13				25,269		25,269	14,353
						4,460	4,460	3,674
	109,461				109,461		109,461	79,731
		17,996			17,996	9,024	27,020	25,299
		1,691,789			1,691,789		1,691,789	1,855,057
262	1,264	2,606			116,078	28,140	144,218	190,288
					36		36	44
33,226					33,226		33,226	11,341
156					156	44	200	255
31,902				1,595,044	1,626,946	365	1,627,311	1,397,988
960					960	170,332	171,292	159,496
161	1,768				98,235	10,422	110,586	87,932
74					85,507	9,184	95,166	72,870
82,921	118,389	2,720,120		1,778,786	5,641,275	377,697	6,018,972	5,488,769
			1,812,336		1,812,336	1,684,685	3,497,021	3,133,032
37,234					37,234	28,890	66,124	50,328
458					458	7,000	7,458	7,462
164,737	44,681				209,418	27,999	237,417	243,435
		15,056,345			15,615,147	196,539	15,811,686	13,380,572
					1,594,571	122,129	1,716,700	1,509,644
		1,742			610,238	217,121	827,359	716,249
202,429	44,681	15,058,087	1,812,336		19,879,402	2,284,363	22,163,765	19,040,722
\$ 285,350	\$ 163,070	\$ 17,778,207	\$ 1,812,336	\$ 1,778,786	\$ 25,520,677	\$ 2,662,060	\$ 28,182,737	\$ 24,529,491

All Governmental Fund Types, Expendable Trust Funds And Discretely Presented Component Units

Combined Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Fund Balances For the Year Ended June 30, 1998

(Amounts Expressed In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$ 4,017,465	\$ 5,800	\$	\$
Licenses, fees and permits	266,939	55,142		
Federal government	2,508,149	257,401		
Participant contributions				
Interest and other investment income, net	102,111	3,144	3,640	15,443
Charges for sales and services	228,371	5,879		
Rentals	10,263	133		
Other	383,355	9,558		3,110
Total Revenues	7,516,653	337,057	3,640	18,553
Expenditures:				
Current:				
General government	919,048			
Education	1,877,504			30,128
Health and social services	2,589,448	126,023		
Law, justice and public safety	356,829	52,128		
Recreation and resources development	167,524	137,271		
Regulation of business and professions		24,007		
Transportation	749,466			
Debt service:				
Principal	55,854	210	44,234	
Interest and other fiscal charges	54,662	37	35,524	71
Defeasance of debt			2,800	
Capital outlay				84,883
Total Expenditures	6,770,335	339,676	82,558	115,082
Excess of Revenues over (under) Expenditures	746,318	(2,619)	(78,918)	(96,529)
Other Financing Sources (Uses):				
Proceeds from general obligation bonds and notes	110,933			227,723
Proceeds from refunding bonds				
Proceeds from capital leases	36,014			
Proceeds from certificates of participation	3,215			
Payment to refunded bond escrow agent				
Operating transfers in	39,958	39,672	69,831	22,282
Operating transfers out	(133,208)	(27,829)	(275)	(21,920)
Operating transfers from component units				9,813
Operating transfers to component units	(500,663)	(1,224)		(101,364)
Net Other Financing Sources (Uses)	(443,751)	10,619	69,556	136,534
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	302,567	8,000	(9,362)	40,005
Net income from proprietary operations				
Fund Balances July 1, as restated	1,981,571	118,341	15,851	314,789
Increase (Decrease) in Reserve for Inventories	(9,855)	(38)		
Fund Balances June 30	\$ 2,274,283	\$ 126,303	\$ 6,489	\$ 354,794

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

Fiduciary Fund Type	Totals for the Year Ended (Memorandum Only)		Governmental Fund Type	Totals for the Year Ended (Memorandum Only)	
	Primary Government			Reporting Entity	
Expendable Trust	June 30, 1998	Component Units	June 30, 1998	June 30, 1997	
\$ 99,278	\$ 4,122,543	\$ 900	\$ 4,122,543	\$ 3,825,747	
	322,081		322,981	298,925	
3,863	2,769,413		2,769,413	2,782,070	
39,313	39,313		39,313	35,789	
97,523	221,861	332	222,193	214,236	
	234,250	2,099	236,349	214,541	
	10,396	2,378	12,774	11,457	
34	396,057	6,920	402,977	226,208	
240,011	8,115,914	12,629	8,128,543	7,608,973	
10,929	929,977		929,977	866,905	
	1,907,632		1,907,632	1,765,476	
106,357	2,821,828		2,821,828	2,860,049	
	408,957		408,957	381,929	
	304,795	11,181	315,976	277,835	
	24,007		24,007	22,518	
	749,466		749,466	694,895	
	100,298	870	101,168	86,140	
	90,294	314	90,608	89,343	
	2,800		2,800		
	84,883		84,883	86,435	
117,286	7,424,937	12,365	7,437,302	7,131,525	
122,725	690,977	264	691,241	477,448	
	338,656		338,656	237,948	
	36,014		36,014	79,421	
	3,215		3,215	12,592	
				(79,334)	
	171,743		171,743	173,679	
	(183,232)		(183,232)	(183,983)	
	9,813		9,813	7,764	
	(603,251)		(603,251)	(541,001)	
	(227,042)		(227,042)	(292,914)	
122,725	463,935	264	464,199	184,534	
		296	296	500	
970,878	3,401,430	9,054	3,410,484	3,209,814	
	(9,893)		(9,893)	15,636	
\$ 1,093,603	\$ 3,855,472	\$ 9,614	\$ 3,865,086	\$ 3,410,484	

All Budgetary Funds

Combined Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP Basis) For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	General Fund			Education
	Budget	Actual	Variance Favorable (Unfavorable)	Budget
Revenues:				
Sales tax	\$ 1,185,500	\$ 1,227,865	\$ 42,365	\$ 156,056
Individual income tax	842,600	881,604	39,004	
Corporate income and franchise taxes	286,000	286,331	331	
Use and wholesale compensating taxes	145,000	151,749	6,749	16,059
Tobacco, beer and wine taxes	86,000	86,157	157	
Insurance tax	91,500	98,142	6,642	
Oil and gas severance taxes	19,000	18,289	(711)	
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	37,000	39,553	2,553	
Inheritance tax	14,000	21,107	7,107	
Other taxes	14,500	16,131	1,631	
Interest	50,000	42,722	(7,278)	
Auto privilege, tag and title fees	13,700	14,298	598	
Gaming fees	122,000	126,873	4,873	
Highway Safety Patrol fees	16,900	18,496	1,596	
Other fees and services	9,900	9,636	(264)	
Miscellaneous	3,200	3,271	71	
Special Fund revenues				
Total Revenues	2,936,800	3,042,224	105,424	172,115
Expenditures by Major Budgetary Function:				
Legislative	18,280	17,901	379	
Judicial and justice	48,784	46,715	2,069	
Executive and administrative	3,288	3,163	125	
Fiscal affairs	66,957	66,799	158	
Public education	1,162,388	1,160,649	1,739	152,714
Higher education	507,393	507,262	131	90,015
Public health	35,902	35,762	140	
Hospitals and hospital schools	174,202	174,063	139	
Agriculture, commerce and economic development	91,611	91,104	507	6,497
Conservation and recreation	52,844	52,627	217	125
Insurance and banking	105	64	41	
Corrections	193,734	192,383	1,351	
Interdepartmental service	2,000	2,000		
Social welfare	310,885	310,823	62	
Public protection and veterans assistance	66,144	64,703	1,441	2,087
Local assistance	73,950	73,595	355	
Motor vehicle and other regulatory agencies	3,470	3,469	1	
Miscellaneous	7,004	7,004		250
Public works	30,179	30,179		3,982
Debt service	110,516	107,769	2,747	
Total Expenditures	2,959,636	2,948,034	11,602	255,670
Excess of Revenues over (under) Expenditures	(22,836)	94,190	117,026	(83,555)
Other Financing Sources (Uses):				
Operating transfers in	4,700	7,147	2,447	
Transfers in (out) of general fund cash balance		(93,536)	(93,536)	
Investments sold, net				
Other sources (uses) of cash		(4)	(4)	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(18,136)	7,797	25,933	(83,555)
Budgetary Fund Balances July 1	93,505	93,505		
Reclassification Between Budgetary/Nonbudgetary Funds - Net				
Budgetary Fund Balances July 1 as Reclassified	93,505	93,505		
Budgetary Fund Balances (Deficits) June 30	\$ 75,369	\$ 101,302	\$ 25,933	\$ (83,555)

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

Totals for the Year Ended June 30, 1998
(Memorandum Only)

Enhancement Fund			Special Fund			Totals for the Year Ended June 30, 1998 (Memorandum Only)		
Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
\$ 161,668	\$ 5,612				\$ 1,341,556	\$ 1,389,533	\$ 47,977	
					842,600	881,604	39,004	
16,759	700				286,000	286,331	331	
					161,059	168,508	7,449	
					86,000	86,157	157	
					91,500	98,142	6,642	
					19,000	18,289	(711)	
					37,000	39,553	2,553	
					14,000	21,107	7,107	
					14,500	16,131	1,631	
3,416	3,416				50,000	46,138	(3,862)	
					13,700	14,298	598	
					122,000	126,873	4,873	
					16,900	18,496	1,596	
					9,900	9,636	(264)	
5	5				3,200	3,276	76	
		4,552,289	4,135,119	(417,170)	4,552,289	4,135,119	(417,170)	
181,848	9,733	4,552,289	4,135,119	(417,170)	7,661,204	7,359,191	(302,013)	
		150	107	43	18,430	18,008	422	
		23,133	15,441	7,692	71,917	62,156	9,761	
		8,374	7,603	771	11,662	10,766	896	
		34,508	26,506	8,002	101,465	93,305	8,160	
152,354	360	474,174	448,143	26,031	1,789,276	1,761,146	28,130	
89,782	233	18,599	15,918	2,681	616,007	612,962	3,045	
		177,388	139,133	38,255	213,290	174,895	38,395	
		183,825	155,443	28,382	358,027	329,506	28,521	
6,497		142,161	108,096	34,065	240,269	205,697	34,572	
125		158,696	105,324	53,372	211,665	158,076	53,589	
		28,871	23,957	4,914	28,976	24,021	4,955	
		24,543	10,085	14,458	218,277	202,468	15,809	
		32,934	27,188	5,746	34,934	29,188	5,746	
		2,131,365	1,833,494	297,871	2,442,250	2,144,317	297,933	
2,086	1	144,985	96,419	48,566	213,216	163,208	50,008	
					73,950	73,595	355	
		17,590	15,555	2,035	21,060	19,024	2,036	
250		1,753	989	764	9,007	8,243	764	
3,982		894,458	815,924	78,534	928,619	850,085	78,534	
		54,782	52,381	2,401	165,298	160,150	5,148	
255,076	594	4,552,289	3,897,706	654,583	7,767,595	7,100,816	666,779	
(73,228)	10,327		237,413	237,413	(106,391)	258,375	364,766	
2,087	2,087				4,700	9,234	4,534	
93,536	93,536							
			(160,584)	(160,584)		(160,584)	(160,584)	
(208)	(208)					(212)	(212)	
22,187	105,742		76,829	76,829	(101,691)	106,813	208,504	
114,195	114,195		591,650	591,650	93,505	799,350	705,845	
			8	8		8	8	
114,195	114,195		591,658	591,658	93,505	799,358	705,853	
\$ 136,382	\$ 219,937	\$	\$ 668,487	\$ 668,487	\$ (8,186)	\$ 906,171	\$ 914,357	

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All Proprietary Fund Types, Nonexpendable Trust Funds And Discretely Presented Component Units

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust
Operating Revenues:			
Charges for sales and services	\$ 38,272	\$ 316,949	\$
Interest and other investment income, net	9,579		1,721
Rentals	1,077		
Fees	281		561
Excess of tuition receipts over present value of related benefits payable			
Other	367	28	1,353
Total Operating Revenues	49,576	316,977	3,635
Operating Expenses:			
Costs of sales and services	13,987		
Benefit payments	2,523	302,268	
Administrative expenses	23,045	47,755	80
Depreciation and amortization	4,136	1,913	
Loss due to employee fraud			
Other	71		
Total Operating Expenses	43,762	351,936	80
Operating Income (Loss)	5,814	(34,959)	3,555
Nonoperating Revenues	2,523	9,210	
Nonoperating Expenses	(1,864)	(229)	
Income (Loss) Before Operating Transfers	6,473	(25,978)	3,555
Operating Transfers In	10,914	2,158	
Operating Transfers Out	(358)		(1,225)
Operating Transfers from Component Units			
Net Income (Loss)	17,029	(23,820)	2,330
Add Depreciation on Contributed Assets	477		
Increase (Decrease) in Retained Earnings/Fund Balances	17,506	(23,820)	2,330
Retained Earnings/Fund Balances July 1, as restated	147,689	68,501	26,969
Retained Earnings/Fund Balances June 30	\$ 165,195	\$ 44,681	\$ 29,299

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

Totals for the Year Ended (Memorandum Only) Primary Government		Component Units	Totals for the Year Ended (Memorandum Only) Reporting Entity	
June 30, 1998		Enterprise	June 30, 1998	June 30, 1997
\$ 355,221	\$	7,130	\$ 362,351	\$ 322,507
11,300			11,300	7,316
1,077			1,077	716
842		868	1,710	1,691
				340
1,748		7	1,755	1,092
370,188		8,005	378,193	333,662
13,987		1,380	15,367	11,730
304,791			304,791	274,966
70,880		6,826	77,706	69,840
6,049		1,129	7,178	6,077
				7
71		163	234	384
395,778		9,498	405,276	363,004
(25,590)		(1,493)	(27,083)	(29,342)
11,733		1,345	13,078	12,419
(2,093)		(54)	(2,147)	(2,251)
(15,950)		(202)	(16,152)	(19,174)
13,072			13,072	12,054
(1,583)			(1,583)	(1,750)
				270
(4,461)		(202)	(4,663)	(8,600)
477			477	375
(3,984)		(202)	(4,186)	(8,225)
243,159		33,525	276,684	284,710
\$ 239,175	\$	33,323	\$ 272,498	\$ 276,485

All Proprietary Fund Types, Nonexpendable Trust Funds And Discretely Presented Component Units

Combined Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust
Cash Flows from Operating Activities:			
Cash receipts/premiums from quasi-external operating transactions with other funds	\$	\$	\$
		124,882	
Cash receipts/premiums from customers	58,808	193,041	
Cash payments to suppliers for goods and services	(24,984)	(38,351)	(64)
Cash payments to employees for services	(11,263)	(10,162)	
Cash payments for tuition	(28)		
Cash payments for benefits		(272,508)	
Other operating cash receipts	392	28	1,902
Other operating cash payments	(21)		(15)
Loss from employee fraud			
Interest received on tuition receipts	1,258		
Principal and interest received on program loans	16,347		
Issuance of program loans	(14,818)		
Net Cash Provided by (Used for) Operating Activities	25,691	(3,070)	1,823
Cash Flows from Noncapital Financing Activities:			
Operating transfers in	10,890	2,158	
Operating transfers out	(371)		(1,480)
Loans from other funds	754		
Revenues from counties	930		
Contribution to other government			
Net Cash Provided by (Used for) Noncapital Financing Activities	12,203	2,158	(1,480)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(11,403)	(596)	
Proceeds from sale of capital assets	5		
Principal paid on bonds and equipment contracts	(3,769)	(3,880)	
Interest paid on bonds and equipment contracts	(1,912)	(208)	
Net Cash Used for Capital and Related Financing Activities	(17,079)	(4,684)	
Cash Flows from Investing Activities:			
Proceeds from the sale of investments	14,366	162,875	13,983
Purchases of investments	(29,245)	(162,455)	(15,915)
Interest and other investment income, net	1,596	7,804	1,531
Net Cash Provided by (Used for) Investing Activities	(13,283)	8,224	(401)
Net Increase (Decrease) in Cash and Cash Equivalents	7,532	2,628	(58)
Cash and Cash Equivalents July 1, as restated	27,263	19,102	1,404
Cash and Cash Equivalents June 30	\$ 34,795	\$ 21,730	\$ 1,346

Totals for the Year Ended (Memorandum Only) Primary Government		Component Units	Totals for the Year Ended (Memorandum Only) Reporting Entity	
June 30, 1998		Enterprise	June 30, 1998	June 30, 1997
\$		\$	\$	\$
	124,882		124,882	115,538
	251,849	7,558	259,407	226,408
	(63,399)	(4,828)	(68,227)	(56,473)
	(21,425)	(3,171)	(24,596)	(23,370)
	(28)		(28)	
	(272,508)		(272,508)	(267,582)
	2,322	7	2,329	1,565
	(36)		(36)	(363)
				(7)
	1,258		1,258	14
	16,347		16,347	14,768
	(14,818)		(14,818)	(19,955)
	24,444	(434)	24,010	(9,457)
	13,048		13,048	12,045
	(1,851)		(1,851)	(1,510)
	754		754	500
	930		930	790
				(92)
	12,881		12,881	11,733
	(11,999)	(986)	(12,985)	(7,459)
	5		5	42
	(7,649)		(7,649)	(4,659)
	(2,120)		(2,120)	(2,200)
	(21,763)	(986)	(22,749)	(14,276)
	191,224	19,462	210,686	291,416
	(207,615)	(18,497)	(226,112)	(288,678)
	10,931	1,225	12,156	12,563
	(5,460)	2,190	(3,270)	15,301
	10,102	770	10,872	3,301
	47,769	1,681	49,450	45,918
\$	57,871	\$ 2,451	\$ 60,322	\$ 49,219

(Continued on Next Page)

All Proprietary Fund Types, Nonexpendable Trust Funds And Discretely Presented Component Units

Combined Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

(Continued from Previous Page)

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ 5,814	\$ (34,959)	\$ 3,555
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Interest and other investment income, net			(1,665)
Depreciation	4,136	1,913	
Net appreciation in fair value of investments	(1,790)		
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	174	140	
(Increase) decrease in interest receivable	(19)		(56)
(Increase) decrease in due from other governments	(49)	10	
(Increase) decrease in interfund receivables	(103)	(231)	(12)
(Increase) decrease in inventories	(180)		
(Increase) decrease in prepaid expenses	(64)		
Increase in loans and notes receivable, net	(5,150)		
Increase (decrease) in warrants payable	260	(503)	
Increase (decrease) in accounts payable and accruals	852	(229)	1
Increase (decrease) in due to other governments	307	(7)	
Increase (decrease) in interfund payables	(2)	13	
Increase in tuition benefits payable	21,885		
Increase in claims liability		29,729	
Increase (decrease) in deferred revenue	(380)	1,054	
Increase in other liabilities			
Total Adjustments	19,877	31,889	(1,732)
Net Cash Provided by (Used for) Operating Activities	\$ 25,691	\$ (3,070)	\$ 1,823

Noncash Capital and Related Financing and Investing Activities:

The enterprise fund received machinery and equipment of \$8,000 from other state agencies and received donated machinery and equipment of \$25,000. The enterprise fund received contributed capital of \$140,000 from donated fixed assets.

The internal service fund entered into a \$1,320,000 capital lease agreement. Payments on the new lease included principal payments of \$42,000 and interest payments of \$5,000. The internal service fund received donated machinery and equipment of \$1,000 and received machinery and equipment of \$1,000 from another state agency. At June 30, 1998, the internal service fund's investments are reported at fair value, creating a noncash investment income of \$816,000.

The component units received contributed capital of \$10,940,000 from another government. At June 30, 1998, the component units' investments are reported at fair value, creating a noncash investment income of \$113,000.

Reconciliation for Nonexpendable Trust:

Cash and cash equivalents June 30	\$ 1,346
Cash and cash equivalents, expendable trust, pension trust and agency	234,843
Cash and cash equivalents per combining balance sheet, trust and agency	\$ 236,189

Reconciliation for Component Units:

Cash and cash equivalents June 30	\$ 2,451
Cash and cash equivalents, other component units	254,147
Cash and cash equivalents per combining balance sheet, component units	\$ 256,598

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

Totals for the Year Ended (Memorandum Only) Primary Government		Component Units	Totals for the Year Ended (Memorandum Only) Reporting Entity	
June 30, 1998		Enterprise	June 30, 1998	June 30, 1997
\$	(25,590)	\$ (1,493)	\$ (27,083)	\$ (29,342)
	(1,665)		(1,665)	(1,404)
	6,049	1,129	7,178	6,077
	(1,790)		(1,790)	
	314	(404)	(90)	2,646
	(75)		(75)	21
	(39)		(39)	132
	(346)	(22)	(368)	3,417
	(180)	39	(141)	(77)
	(64)	(36)	(100)	606
	(5,150)		(5,150)	(10,570)
	(243)		(243)	441
	624	198	822	455
	300		300	(41)
	11	(5)	6	(229)
	21,885		21,885	11,341
	29,729		29,729	7,429
	674		674	(359)
		160	160	
	50,034	1,059	51,093	19,885
\$	24,444	\$ (434)	\$ 24,010	\$ (9,457)



Pension Trust Funds

Statement of Changes In Plan Net Assets For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions:			
Contributions:			
Employer	\$ 356,903	\$ 5,223	\$ 63,825
Employee	263,007	1,295	1,112
Total Contributions	619,910	6,518	64,937
Net Investment Income:			
Net appreciation			
in fair value of investments	1,717,984	30,205	34,208
Interest and dividends	430,780	7,513	8,509
Securities Lending:			
Income from securities lending	105,791	1,860	2,106
Interest expense and trading costs from securities lending	(100,725)	(1,771)	(2,005)
Managers' fees and trading costs	(17,789)	(310)	(350)
Net Investment Income	2,136,041	37,497	42,468
Other Revenues:			
Rent income	84		
Administrative fees	493		
Other	1		
Total Other Revenues	578		
Total Additions	2,756,529	44,015	107,405
Deductions:			
Retirement annuities	516,678	11,812	26,471
Refunds to terminated employees	60,750	85	72
Total	577,428	11,897	26,543
Administrative expenses:			
Personal services:			
Salaries, wages and fringe benefits	4,062		
Travel	62		
Contractual services	4,835	104	382
Commodities	270		
Total Administrative Expenses	9,229	104	382
Loss on Disposal of Equipment	3		
Depreciation	566		
Total Deductions	587,226	12,001	26,925
Net Increase in Plan Net Assets	2,169,303	32,014	80,480
Net Assets Held in Trust for Pension Benefits:			
Beginning of Year	11,259,690	202,323	184,580
End of Year	\$ 13,428,993	\$ 234,337	\$ 265,060

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

Totals for the Year Ended
(Memorandum Only)

Supplemental Legislative Retirement Plan	June 30, 1998	June 30, 1997
\$ 370	\$ 426,321	\$ 354,236
176	265,590	245,292
546	691,911	599,528
876	1,783,273	1,509,647
218	447,020	419,940
54	109,811	102,971
(51)	(104,552)	(100,779)
(9)	(18,458)	(14,819)
1,088	2,217,094	1,916,960
	84	107
	493	
	1	19
	578	126
1,634	2,909,583	2,516,614
181	555,142	511,528
8	60,915	50,319
189	616,057	561,847
	4,062	3,981
	62	62
7	5,328	3,696
	270	304
7	9,722	8,043
	3	
	566	260
196	626,348	570,150
1,438	2,283,235	1,946,464
5,357	11,651,950	9,705,486
\$ 6,795	\$ 13,935,185	\$ 11,651,950



University Funds

Statement of Changes in Fund Balances Component Unit For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Current Funds			Endowment and Similar
	Unrestricted	Restricted	Loan	
Revenues and Other Additions:				
Tuition and fees	193,139	265		
Federal appropriations, grants and contracts	17,374	168,539	1,420	
State grants and contracts	998	25,943		
Local appropriations, grants and contracts	3,129	1,364		
Private gifts, grants and contracts	10,115	34,689	616	2,252
Endowment income	193	1,162	15	
Investment income	12,793	69	70	8,800
Interest on loans receivable			1,731	
Federal advances			739	
Proceeds from bonds and notes				
Additions to plant facilities				
Retirement of indebtedness				
Sales and services of educational activities	24,343	449		
Sales and services of auxiliary activities	128,722			
Sales and services of hospitals	227,668			
Independent operations	196			
Other	32,572	1,171	496	301
Total Revenues and Other Additions	651,242	233,651	5,087	11,353
Expenditures and Other Deductions:				
Educational and general	697,341	247,572	3,602	
Auxiliary enterprises	128,702	676		
Hospital	214,469			
Independent operations	1,578			
Administrative and indirect costs recovered		11,665	7	
Refunds to grantors	17	13	200	
Loan cancellations and write-offs			1,672	
Collection costs			356	
Expended for plant facilities				
Repairs and maintenance				
Plant assets sold or retired				
Long-term debt incurred				
Retirement of indebtedness				
Interest on indebtedness				
Change in provision for uncollectible accounts	(397)		211	
Other	10,994	1,341	1,649	55
Total Expenditures and Other Deductions	1,052,704	261,267	7,697	55
University Funds Interfund Transfers In (Out):				
Mandatory:				
Principal and interest	(17,446)	(64)		
Restricted fund matching	(7,157)	7,594	(18)	(343)
Loan fund matching	(705)	14	696	(5)
Facility expansion	(200)			
Renewals and replacements	(1,845)			
Nonmandatory:				
Building projects	(13,311)	(8)	(146)	
Other	(13,868)	1,534	1,003	1,609
Total University Funds Interfund Transfers In (Out)	(54,532)	9,070	1,535	1,261
Operating Transfers In from Primary Government	477,919	17,394	6,574	
Operating Transfers Out to Primary Government				
Net Increase (Decrease) in Fund Balances	21,925	(1,152)	5,499	12,559
Fund Balances July 1, as restated	214,364	26,874	81,122	45,598
Fund Balances June 30	\$ 236,289	\$ 25,722	\$ 86,621	\$ 58,157

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

Plant Funds				Totals for the Year Ended (Memorandum Only)	
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	June 30, 1998	June 30, 1997
443		665		194,512	181,131
3,720		51		191,104	180,008
	586			27,527	28,490
		135		4,628	4,326
	46			47,672	45,532
2,373	855	570		1,416	11,379
				25,530	16,074
				1,731	1,340
				739	262
13,120		51,481		64,601	12,597
			268,206	268,206	235,824
			16,554	16,554	10,427
105	8			24,905	28,428
				128,722	128,648
				227,668	207,043
				196	
	449	6,971		41,960	54,816
19,761	1,944	59,873	284,760	1,267,671	1,146,325
		8		948,523	879,499
				129,378	122,810
				214,469	188,807
				1,578	1,524
				11,672	11,300
				230	85
				1,672	2,306
				356	115
137,940	806			138,746	139,323
22,683	669			23,352	13,669
			76,952	76,952	52,065
			28,451	28,451	38,550
		16,554		16,554	10,427
		8,264		8,264	7,195
				(186)	731
1,251	167	55,881		71,338	8,042
161,874	1,642	80,707	105,403	1,671,349	1,476,448
(1,051)	464	18,097			
(75)		(1)			
200					
(9)	1,854				
24,062	(10,094)	(503)			
9,707	511	(496)			
32,834	(7,265)	17,097			
101,364				603,251	541,001
(9,813)				(9,813)	(8,034)
(17,728)	(6,963)	(3,737)	179,357	189,760	202,844
107,276	27,244	14,970	1,415,127	1,932,575	1,730,416
\$ 89,548	\$ 20,281	\$ 11,233	\$ 1,594,484	\$ 2,122,335	\$ 1,933,260



University Funds

Statement of Current Fund Revenues, Expenditures and Other Changes Component Unit For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Current Funds		Totals for the Year Ended (Memorandum Only)	
	Unrestricted	Restricted	June 30, 1998	June 30, 1997
Revenues				
Tuition and fees	\$ 193,139	\$ 265	\$ 193,404	\$ 180,281
Local appropriations	2,722		2,722	2,577
Federal grants and contracts	17,374	175,592	192,966	159,180
State grants and contracts	998	25,943	26,941	28,490
Local grants and contracts	407	1,364	1,771	1,614
Private gifts, grants and contracts	10,115	34,689	44,804	42,955
Endowment income	193	1,162	1,355	10,922
Investment income	12,793	69	12,862	9,038
Sales and services of educational activities	24,343	449	24,792	28,368
Sales and services of auxiliary activities	128,722		128,722	128,648
Sales and services of hospitals	227,668		227,668	207,043
Independent operations	196		196	
Other sources	32,572	1,171	33,743	31,849
Total Current Revenues	651,242	240,704	891,946	830,965
Expenditures and Mandatory Transfers				
Educational and general:				
Instruction	305,738	21,892	327,630	313,310
Research	52,625	83,697	136,322	126,457
Public service	42,994	24,712	67,706	61,179
Academic support	66,168	7,186	73,354	69,271
Student services	34,776	2,020	36,796	32,886
Institutional support	88,115	12,484	100,599	93,132
Operation and maintenance of plant	70,121	164	70,285	67,092
Scholarships and fellowships	36,804	95,417	132,221	96,837
Educational and General Expenditures	697,341	247,572	944,913	860,164
Mandatory transfers for:				
Principal and interest	9,035	64	9,099	9,335
Restricted fund matching	7,114	(7,594)	(480)	(489)
Loan fund matching	705	(14)	691	404
Renewals and replacements	595		595	185
Other	200		200	88
Total Educational and General Expenditures	714,990	240,028	955,018	869,687
Auxiliary enterprises:				
Expenditures	128,702	676	129,378	122,810
Mandatory transfers for:				
Principal and interest	8,411		8,411	6,114
Restricted fund matching	43		43	46
Renewals and replacements	1,250		1,250	140
Total Auxiliary Enterprises	138,406	676	139,082	129,110
Hospital operations expenditures	214,469		214,469	188,807
Independent operations expenditures	1,578		1,578	1,524
Total Expenditures and Mandatory Transfers	1,069,443	240,704	1,310,147	1,189,128
Other Transfers and Additions/(Deductions)				
Excess of restricted receipts over (under) transfers to revenues		(7,053)	(7,053)	10,235
Operating transfers in from primary government	477,919	17,394	495,313	439,225
Operating transfers out to primary government				(270)
Building support	(13,311)	(8)	(13,319)	(17,508)
Indirect and administrative costs recovered		(11,665)	(11,665)	(10,926)
Refunds to grantors	(17)	(13)	(30)	(53)
Provision for uncollectible accounts	397		397	(407)
Provision for accrued leave	(2,519)	(325)	(2,844)	(2,480)
Other	(22,343)	518	(21,825)	(12,176)
Net Increase (Decrease) in Fund Balances	\$ 21,925	\$ (1,152)	\$ 20,773	\$ 47,477

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

Notes to the Financial Statements

June 30, 1998

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 of Mississippi have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The financial statements of the university funds have been prepared in conformity with GAAP as prescribed by the National Association of College and University Business Officers (NACUBO) and the American Institute of Certified Public Accountants (AICPA).

- B. **Financial Reporting Entity** - For GAAP financial reporting purposes, the state of Mississippi's reporting entity includes all fund types and account groups 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.

As required by GAAP, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. 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 four pension trust funds, one expendable trust fund and two agency funds 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, 1998, and their report, dated October 30, 1998, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System of Mississippi, Attention: Financial Reporting Department, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling 1-800-444-PERS.

Discretely presented component units, which are legally separate from the state, are reported in separate component units columns of the combined financial statements. The component units columns include the financial data of these entities.

Mississippi Business Finance Corporation (Proprietary Fund Type) - 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. A large portion of MBFC's current overhead is provided by the state. This includes office space, furniture, equipment and some personnel. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi Coast Coliseum Commission (Proprietary Fund Type) - 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

Mississippi Prison Industries (Proprietary Fund Type) - 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. Neither a financial benefit nor burden exists between the primary government and prison industries. However, because prison industries utilizes state inmates for their workforce, leases state property at below market 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 (Governmental Fund Type) - 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 (Governmental Fund Type) - 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 (Governmental Fund Type) - 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 recreation opportunities.

Tombigbee River Valley Water Management District (Governmental Fund Type) - 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.

Universities (University Funds) - 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. IHL is funded through state appropriations, tuition, federal grants, and private donations and grants.

The discretely presented component units are audited by the Office of the State Auditor or other 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 organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments. These organizations are Mississippi Hospital Equipment and Facilities Authority, Mississippi Home Corporation and Mississippi Industries for the Blind.

- C. Fund Accounting** - The financial activities of the state are recorded in individual funds and account groups used to report financial position and results of operations. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. An account group is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources. Account groups are presented for general fixed assets and general long-term obligations.

Funds reported for the primary government and its component units are classified into four categories: governmental, proprietary, fiduciary and university. Each category is further divided into separate "fund types."



In the primary government's financial statements, each category is divided into separate "fund types", which are described along with the two account groups, as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for all or most of a government's general activities, including collection and disbursement of earmarked monies (special revenue funds), acquisition or construction of general fixed assets (capital projects funds), and servicing of general long-term debt (debt service funds). The General Fund is used to account for all general government activities not accounted for in some other fund. Governmental fund types include:

General - 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, are accounted for in the General Fund. These services include, among others, general government, education (other than institutions of higher learning), health and social services, public safety, recreation and resources, and transportation. 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.

Special Revenue - Transactions related to resources obtained from specific revenue sources (other than for expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes are accounted for in special revenue funds. Special revenue funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

Debt Service - Transactions related to resources obtained and accumulated to pay interest and principal on general long-term obligations (other than capital leases and compensated absences) are generally accounted for in debt service funds.

Capital Projects - Transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities are accounted for in capital projects funds. Such resources are derived principally from proceeds of general obligation bond issues and operating transfers from the General Fund.

PROPRIETARY FUND TYPES

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary fund types include:

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms “nonexpendable” and “expendable” refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. Fiduciary fund types include:

Expendable Trust - Expendable trust funds account for assets held by the state in a trustee capacity where the principal and income may be expended in the course of designated operations.

Nonexpendable Trust - Nonexpendable trust funds account for assets held by the state in a trustee capacity where only income derived from trust principal may be expended in the course of designated operations. Principal must be preserved intact.

Pension Trust - Pension trust funds account for transactions, assets, liabilities and net assets available for plan benefits of the state's public employee retirement systems.

Agency - Agency funds account for various taxes, deposits, and property collected or held by the state, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

ACCOUNT GROUPS

Account groups are accounting entities used to establish control over and accountability for the state's general fixed assets and the unmatured principal of its general long-term obligations. Two account groups are used.

General Fixed Assets - The general fixed assets account group accounts for all fixed assets acquired or constructed for use by the state, other than those accounted for in the proprietary, fiduciary and similar trust funds, and discretely presented component units.

General Long-Term Obligations - The general long-term obligations account group accounts for general obligation bonds, limited obligation bonds, compensated absences and other long-term obligations not recorded in proprietary, fiduciary and similar trust funds, and discretely presented component units.

DISCRETELY PRESENTED COMPONENT UNITS

The discretely presented component units include governmental, proprietary and university fund type organizations that are legally separate from the state but are considered part of the reporting entity. Fixed assets and long-term debt for component units are included in the discrete column of the combined balance sheet.

University funds account for the operations of state universities in accordance with existing authoritative accounting and reporting principles applicable to universities. Accordingly, university funds are an aggregation of the following funds:

Current - Current funds account for resources that will be expended for operating purposes. These include unrestricted funds over which university governing boards retain full control in achieving institutional purposes and restricted funds which may be utilized only for purposes designated by a donor or other external organization.

Loan - Loan funds account for transactions of related resources obtained and used for loans to students, staff and faculty.

Endowment - Endowment funds account for resources held by the institutions that must be administered in accordance with trust agreements.

Plant - Plant funds account for resources available for acquisition, renewal and replacement of institutional properties, resources available to service debt incurred to acquire such properties, and the fixed assets acquired or constructed for use by the institutions.

Unexpended - This subgroup is used to account for the unexpended resources derived from various sources to finance the acquisition of university fixed assets and the associated liabilities.

Renewals and Replacements - This subgroup is used to provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements to plant.

Retirement of Indebtedness - This subgroup is used to account for the accumulation of resources for interest and principal payments and other debt service charges, including contributions for sinking funds, relating to plant fund indebtedness.

Investment in Plant - Except for long-lived assets held as investments in endowment and similar funds and their associated liabilities, this subgroup includes all long-lived assets in the service of the institution and all construction in progress (unless carried in the Unexpended Plant Fund or Fund for Renewals and Replacements subgroup until completion of the project), as well as all associated liabilities.

Agency - Agency funds account for amounts held in custody for students, university-related organizations, and others.

D. Basis of Accounting/Measurement Focus - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus, as described below.

Governmental Fund Types and Expendable Trust and Agency Funds - All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collected in the current year or soon enough after year end to liquidate liabilities existing at the end of the year. 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.

Modifications to the accrual basis of accounting include: principal and interest on long-term debt reflected in the general long-term obligations account group are recorded as fund liabilities when due; inventories of materials and supplies are recorded as expenditures at acquisition; obligations for employee personal leave and major medical leave are recorded as expenditures when paid.

Proprietary Fund Types and Nonexpendable and Pension Trust Funds - All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components for proprietary funds, fund balance for nonexpendable trust and net assets for pension trust funds. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by proprietary fund types, nonexpendable trust funds and

pension trust funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. For pension trust funds, employee and employer contributions are recognized as revenue in the period in which employee services are performed. Investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred.

The state's proprietary and pension trust funds 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.

University Funds - The accounts of the university funds in the discretely presented component unit column are reported using the accrual basis of accounting with the following exceptions: depreciation related to plant fund assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

- E. Budgetary Accounting** - The state's annual budget is prepared principally on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if presented for payment in the 60-day lapse period immediately following the end of the fiscal year and as reservations of fund balance for GAAP purposes. Since the budgetary basis differs from generally accepted accounting principles, budget and actual amounts in the accompanying Combined Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds are presented on the budgetary basis. A reconciliation of the excess of revenues over (under) expenditures and other financing sources (uses) on a budgetary basis at June 30, 1998 to the excess of revenues over (under) expenditures/expenses and other financing sources (uses) presented in conformity with generally accepted accounting principles is set forth in Note 2.

Unexpended appropriations at June 30 are available for subsequent expenditure only to the extent that encumbrances have been established and they are presented for payment during the succeeding 60-day lapse period. Lapse period expenditures are reported as expenditures in the current-year budgetary presentation.

- F. 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 carried at cost, which approximates fair value. Cash and cash equivalents include bank accounts, petty cash, money market demand accounts and certificates of deposit with a maturity date within 90 days of the date acquired by the state. Collateral, as further discussed in Note 4, is pledged by the various banks and investment institutions to guarantee state funds.
- G. Investments** - Investments are recorded at fair value in accordance with GASB statement 31 with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned.

Investments of the pension trust funds and Government Employees' Deferred Compensation Plan Fund (an expendable trust fund) are stated at fair value except for life insurance contracts, which are stated at cash surrender 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. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

The Public Employees' Retirement System of Mississippi is authorized to enter into securities lending transactions. These transactions represent loans of securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The assets and liabilities arising from securities lending transactions are reflected separately under the captions Investments and Obligations under securities lending. In accordance with authorized investment laws, the Public Employees' Retirement System also invests in various mortgage-backed securities such as

collateralized mortgage obligations, interest-only strips and principal-only strips. These securities are reported at fair value and are included in the categories of U. S. Government securities and agencies and Corporate and international obligations in the Note 4 disclosure.

H. Receivables - Receivables in the governmental and fiduciary funds primarily consist of interest and federal revenues, both recorded when earned, taxes that are susceptible to accrual - mainly sales and income taxes and amounts due from other governments. Proprietary fund receivables occur in the ordinary course of business. Trust and agency fund receivables include amounts collectible for investments sold and for accrued interest income as well as contributions payable to pension trust funds which are recognized as revenue in the period in which employee services are performed. The discretely presented university fund receivables include monies due from the federal government, tuition fees and accrued interest income. Receivables are reported net of allowances for uncollectible accounts where applicable.

I. Interfund Transactions - The state has the following types of interfund transactions:

Quasi-External Transactions - Charges for services rendered by one fund to another that are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Reimbursements - Reimbursements of expenditures or expenses made by one fund for another are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the reimbursed fund.

Operating Transfers - Legally authorized transfers are reported as operating transfers. Operating transfers from the General Fund are transfers of appropriated or diverted tax revenues.

The composition of the state's interfund receivables and payables is presented in Note 6.

J. Inventories - Inventories of supplies and materials are stated at cost, which approximates market, generally using the first-in, first-out method. Cost of inventories held for use in constructing highways is determined by weighted average methods. Governmental fund type inventories of supplies and materials are recorded as expenditures at acquisition. Inventories of food stamps are recorded at their face value, with a corresponding deferred revenue. Food stamp revenues and expenditures are recorded simultaneously at the time of distribution.

K. Restricted Assets - Assets from proceeds of general obligation bonds restricted for use in construction are reported in the primary government's enterprise funds for the Port Authority at Gulfport. The component units' restricted assets consist primarily of assets held by the Mississippi Coast Coliseum Commission with use limited to future legislative appropriations.

L. Property, Plant and Equipment - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are stated at cost. Donated assets are valued at estimated market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on general fixed assets.

Certain public domain (infrastructure) general fixed assets, principally highways, bridges and rights-of-way, are not capitalized, as these assets are immovable and of value only to the government. Generally, discretely presented university fund infrastructure assets such as streets, sidewalks, lighting systems and curbs are capitalized. Depreciation is not provided on general fixed assets or on university fund fixed assets.

Proprietary and fiduciary fund type property, plant and equipment, excluding land, are depreciated on the straight-line method over the estimated service lives of the respective assets ranging from 20 to 50 years for buildings and improvements and 3 to 10 years for machinery and equipment.

M. Risk Management - Claims Liability - The state has elected to finance exposures to risk for health and life benefits, tort liability, unemployment benefits and workers' compensation benefits through the retention of risk. The primary government and component units participate in the internal service Risk Management Fund. A liability for a 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.

- N. Accumulated Unpaid Personal Leave and Major Medical Leave** - Mississippi 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 with respect to governmental and expendable trust funds for accumulated unpaid personal leave, up to the maximum of 30 days per employee, is reported in the accompanying general long-term obligations account group. In the university and in the proprietary and similar trust fund types, this obligation is reported as a liability in the respective funds. 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 for accumulated unpaid personal leave applicable to all fund types 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 university funds, 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 university funds 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 Revenue** - Deferred revenues arise when a potential revenue does not meet the "available" criterion for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or for food stamps held pending distribution. In subsequent periods, when the revenue recognition criterion is met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.
- P. Fund Equity** - The equity section of the governmental fund balance sheet is comprised of three major fund balance elements: reserved; unreserved, designated; and unreserved, undesignated. The two primary elements of a proprietary fund's equity are contributed capital and retained earnings. These elements are explained below.

CONTRIBUTED CAPITAL

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from other funds.

RESERVATIONS

Reservations are for the following fund types and purposes:

Fund Types

Governmental and Fiduciary - Fund balances of governmental and fiduciary fund types that are legally restricted to a specific future use or that are not available for appropriation or expenditure are reported as reservations of fund balances.

Proprietary - Reserved retained earnings of the primary government's proprietary funds represent those portions of fund equity that are legally restricted for payment of debt service. The component units' reserved retained earnings represent the portion of fund equity reserved for certain restricted assets.

University - Fund balances of university funds that are legally restricted by outside sources to specific future use are reported as reservations of fund balances.

Purposes

Encumbrances - Represents outstanding commitments at year end that will be liquidated in the lapse period.

Inventories - Represents the portion of fund balance reserved for inventories that is not available spendable resources. Food stamps inventory is offset by deferred revenue because the revenue recognition criteria have not been met.

Long-Term Portion of Loans and Notes Receivable - Represents loans and advanced funds under various programs that will be repaid over a number of years. Fund balance has been reserved in an amount equal to the balance of loans and advances receivable to indicate that it is not available resources for appropriation.

Long-Term Portion of Due From Other Governments - Represents loans to local governments that will be repaid over a number of years. Fund balance has been reserved in an amount equal to the balance of loans receivable to indicate that it is not available resources for appropriation.

Pension Benefits - Represents the portion of fund balance that will be used to provide future retirement benefits to members of the various public employee retirement systems.

Other - Consists principally of unemployment compensation and deferred compensation benefits and administrative expenses. University activities reported in the discretely presented component unit column include loans to students, research projects and endowments.

DESIGNATIONS

Designations of unreserved fund balances are established to reflect tentative plans for future utilization of current financial resources. Designations are established for the following categories:

Debt Service - Amounts anticipated to pay future debt service requirements.

Capital Projects and Road and Highway Construction - Amounts anticipated to be utilized for the construction of state facilities, highways and roads.

Special Treasury Accounts - Special treasury accounts classified within the GAAP General Fund are shown in this designation, because the funds are not available for appropriation by the state legislature unless enabling legislation is approved. The fund balance of the Working Cash-Stabilization Reserve Account is also recorded as designated for other specific purposes.

The Working Cash-Stabilization Reserve Account - State law created the Working Cash-Stabilization Reserve Account into which shall be deposited 100 percent of the unencumbered General Fund cash balance at the close of each fiscal year until such time as the balance reaches \$40,000,000. After the balance in the account reaches \$40,000,000, 50 percent of the unencumbered General Fund cash balance at the close of each fiscal year shall be deposited into the account. Once the account reaches 7.5 percent of General Fund appropriations of the fiscal year, any excess of the 50 percent of the unencumbered cash balance is transferred to the Education Enhancement Account.

The Working Cash-Stabilization Reserve Account in excess of \$40,000,000 may be used to cover unforeseen deficits in revenues, that may occur in the General Fund. If the governor determines that a deficit in revenues from all sources may occur, a maximum of \$50,000,000 may be transferred to the General Fund in any one fiscal year. The amount so applied shall be restored to the Working Cash-Stabilization Reserve Account out of future annual surpluses until the 7.5 percent maximum is again attained. This account may also be used to pay state obligations as they become due when cash flow deficiencies occur. Sums used for this purpose must be reimbursed from General Fund revenues collected during the fiscal year in which such funds are used. As required by law, the Working Cash-Stabilization Reserve Account is not considered as a surplus or available funds when adopting a balanced budget.

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- 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. Total (Memorandum Only) Columns** - “Total (Memorandum Only)” columns have been added to certain statements to reflect totals for both the primary government and the reporting entity. They are presented for information only and do not represent consolidated financial information.
- S. Comparative Data** - On certain statements, 1997 fiscal year “Total (Memorandum Only)” columns are presented for comparative purposes in order to provide an understanding of changes in the state's financial position and operations. However, comparative data have not been provided for individual fund types or in total for all combined financial statements. Certain reclassifications have been made to the 1997 financial statements to conform to the 1998 presentation.

Note 2 - Budgetary Process, Control and Reconciliation to GAAP

Mississippi state law requires both the governor and the Legislative Budget Office to prepare and submit to the legislature at the beginning of each annual session an overall balanced budget for budgeted activities and functions in the ensuing fiscal year. Budgeted expenditures may not exceed the aggregate of 98 percent of estimated revenues plus funds expected to be on hand at the beginning of the year. The legislature compares these budgets, makes any revisions it deems necessary or appropriate, and legally enacts an annual state budget through passage of specific departmental appropriation bills by activity or function for the general and special funds and by major expenditure classification for all funds in total but not for individual funds, the sum of which should not exceed estimated amounts available and projected revenues for those activities and functions. The governor has the power to approve or veto each line item appropriation; however, vetoes are subject to legislative override.

The state has established three budgetary fund groups to account for its budgetary activities and functions:

General - accounts established to receive and distribute general tax revenues and other general revenues and interest generated thereon.

Education Enhancement - accounts established to receive specific tax revenues to support various educational programs.

Special - accounts 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.

The budget covers most governmental funds included in the state reporting entity but excludes certain distributive accounts, debt service funds, endowment funds, research funds from other than state appropriations, and private gifts to designated agencies or for designated purposes which are not subject to appropriation pursuant to state law. Certain accounts recommended by the Department of Finance and Administration as not being subject to appropriation are also excluded. Certain accounts held outside the treasury are similarly not budgeted. The budget does include certain proprietary funds and the administrative costs of operating the Public Employees' Retirement System of Mississippi.

The Department of Finance and Administration monitors agency budget compliance through an allotment process. For the general fund, allotments are established at or below the level of appropriation for each budgetary activity or function. For the special fund, allotments may be established in excess of the original appropriation if revenues from federal funding sources exceed original estimates. To provide sufficient funding for several programs during the fiscal year, supplemental appropriations of \$14,819,000 were approved by the legislature. Budget allotments were increased to reflect these supplemental appropriations.

If, at the end of October or any month thereafter of any fiscal year, general fund revenues collected for the fiscal year fall below 98 percent of the estimate adopted by the Legislative Budget Office at the date of sine die adjournment, the Department of Finance and Administration is required by statute to reduce allotments of appropriations to general fund agencies by the amount necessary to keep expenditures within the actual general fund receipts for the fiscal year. No agency's allotment may be reduced by more than 5 percent unless allotments to all general fund agencies have been reduced by 5 percent. Any required reductions in excess of 5 percent must consist of a uniform percentage reduction to all general fund agencies. Reduced allotments may be restored if revenue collections exceed revised estimates. There were no budget reductions during fiscal year 1998.

State agencies are responsible for exercising budgetary control and ensuring that allotments are not overspent, subject to Department of Finance and Administration review. The legal level of budgetary control is at the agency level by activity or function as well as by major expenditure classification (e.g., personal services, contractual services, commodities) if a major expenditure budget was established by approved appropriation bills. For those appropriations that are not delineated as to major expenditure classification, the lowest level of budgetary control is activity or function. Agencies are authorized to transfer appropriated amounts between major expenditure classifications not to exceed 10 percent, except that the amount budgeted for salaries cannot be changed and the amount budgeted for capital outlay - equipment cannot be increased. In addition, special fund expenditures cannot exceed the amount of cash in the fund at any time.

Budgeted general fund revenues in the accompanying Combined Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds represent the general fund revenue estimate adopted by the Legislative Budget Office at the date of sine die adjournment.

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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 which are anticipated to be expended for special fund purposes.

Because of the complexity of the state's budget, a separate Annual Report of Budgetary Basis Expenditures has been prepared to present budget to actual comparisons. This budgetary report is available at the Department of Finance and Administration.

The Combined Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds presents comparisons of the legally adopted budget with actual data on a budgetary basis. There are no budgeted accounts within the debt service, expendable trust, nonexpendable trust and agency funds. 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 (see Note 1E), a reconciliation of resulting basis, timing, perspective and entity differences in the excess of revenues over (under) expenditures/expenses and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 1998 is presented on the next page (amounts expressed in thousands):

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	Budgetary Funds			Financial Statement Fund Types						Component
	General	Education Enhancement	Special	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Pension Trust	Unit University
Excess of Revenues Over Expenditures and Other Financing Sources (Uses) - Budgetary Funds Budgetary Method	\$ 7,797	\$ 22,187	\$ 76,829	\$	\$	\$	\$	\$	\$	\$
Entity and Perspective Differences:										
Reclassification of budgetary funds to GAAP financial statement fund types	(7,797)	(22,187)	(76,829)	103,001	14,522	(6,916)	2,132	860	898	(7,684)
Add non-budgeted funds				(39,200)	2,970	43,294	11,006	(25,609)	113,932	
Basis Differences:										
Net accrued revenues, related receivables and deferred revenues				889,486	2,604	(1,469)	(11,156)	(55,289)	2,928,572	1,375,134
Net accrued expenditures/expenses and related liabilities				(607,641)	(9,634)	(5,245)	14,948	54,756	(761,522)	(1,179,956)
Timing Differences:										
Lapse period revenues which were not treated as assets				(344,792)	(14,631)	(150)	(436)	(30)	(8)	(157)
Lapse period expenditures/expenses which were not treated as liabilities				301,713	12,169	10,491	1,012	1,492	1,363	2,423
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses) and other Changes in Equity - GAAP Fund Types - GAAP Basis	\$ 0	\$ 0	\$ 0	\$ 302,567	\$ 8,000	\$ 40,005	\$ 17,506	\$ (23,820)	\$ 2,283,235	\$ 189,760

Note 3 - Other Accounting Disclosures

A. Fund Deficit and Retained Earnings Deficits - At June 30, 1998, the Medicaid Fraud Fund (a special revenue fund) has a deficit fund balance of \$2,000 as a result of recognition of fund expenditures in excess of fund revenues. The Veterans' Memorial Stadium Commission Fund and the Prepaid Affordable College Tuition Fund (enterprise funds) have deficit retained earnings of \$1,059,000 and \$52,000, respectively. The deficits are a result of operating expenses exceeding operating revenues for fiscal year 1998.

B. Contributed Capital - The changes in the state's contributed capital accounts for the proprietary funds for fiscal year 1998 were as follows (amounts expressed in thousands):

	Enterprise Fund	Component Units
Beginning balance, contributed capital at June 30, 1997 as previously reported	\$ 32,545	\$ 17,783
Fund not previously included	5,026	
Contributions/fixed assets	140	11,107
Depreciation on contributed assets	(477)	
Ending balance, contributed capital	<u>\$ 37,234</u>	<u>\$ 28,890</u>

C. Reclassifications/Restatements of Fund Equity/Other Credits - GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* was implemented in fiscal year 1998. The Primary Government reported an additional \$2,506,000 in investment income for fiscal year 1998 as a result of reporting at fair value. The fiscal year 1997 fund equities were not restated for the Primary Government; the change to fair value was not considered material. However, the component units' prior year equity was restated.

In addition, the enterprise fund equity has been increased for the addition of a fund not previously included within the reporting entity. A special revenue fund was reclassified to nonexpendable trust. The general fixed assets account group was increased \$44,105,000 to record prior year capital leased facilities and land acquisitions not previously reported and decreased \$1,291,000 to report property currently reported by an enterprise fund. The General Fund fund equity was increased to include other assets to be used for future debt reduction that was not included in the prior year. The general long-term obligations account group was increased \$46,695,000 to report a prior year's capital lease obligation not previously included. The nonexpendable trust and component units fund equities have been decreased for other prior period adjustments. The reclassifications/restatements of fund equity/other credits are summarized as follows (amounts expressed in thousands):

	General	Special Revenue	Enterprise	Nonexpendable Trust	Component Units
Fund Equity at June 30, 1997 as previously reported*	\$ 1,977,426	\$ 121,017	\$ 180,035	\$ 24,349	\$ 2,071,410
Implementation of GASB Statement 31					9,005
Fund not previously included			5,225 @		
Fund reclassification		(2,676)		2,676	
Prior period adjustments	4,145			(56)	(685) @
Fund Equity at June 30, 1997 as restated	<u>\$ 1,981,571</u>	<u>\$ 118,341</u>	<u>\$ 185,260</u>	<u>\$ 26,969</u>	<u>\$ 2,079,730</u>

*Certain other reclassifications have been made to the 1997 financial statements to conform to the 1998 presentation.

@These amounts are not reflected in the June 30, 1997 columns.

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D. Fund Equity - Fund balances reserved and fund balances unreserved, designated are explained as follows (amounts expressed in thousands):

	Governmental Fund Types				Total		Total	
	Special	Debt	Capital	Fiduciary	Primary	Component	Reporting	
	General	Revenue	Service	Projects	Fund Types	Government	Units	Entity
Fund balances reserved :								
Encumbrances	\$ 48,226	\$ 6,480	\$	\$	\$	\$ 54,706	\$ 24,135	\$ 78,841
Inventories	35,672	1,567				37,239	4	37,243
Long-term portion of loans and notes receivable	145,946	451			36	146,433		146,433
Long-term portion of due from other governments	272,542	10,058				282,600		282,600
Unemployment compensation					629,133	629,133		629,133
Disaster relief assistance		3,735				3,735		3,735
Deferred compensation benefits and administrative expenses					464,401	464,401		464,401
Educational and vocational training					24,375	24,375		24,375
University funds loans to students							86,621	86,621
University funds research projects							25,198	25,198
University funds endowments							58,157	58,157
Memorial Burn Center and other					508	508		508
University funds contractual agreements							871	871
University funds temporarily restricted funds							1,268	1,268
University funds continuing education							202	202
Prepaid expenses							4	4
Flood control							25	25
Land management							52	52
Distribution to local governments	34,125					34,125		34,125
Capital improvements							2	2
Wildlife conservation					2,707	2,707		2,707
Employee pension benefits					13,935,185	13,935,185		13,935,185
Total fund balances, reserved	\$ 536,511	\$ 22,291	\$ 0	\$ 0	\$ 15,056,345	\$ 15,615,147	\$ 196,539	\$ 15,811,686
Fund balances unreserved, designated:								
Debt service	\$ 19,131	\$ 6,489	\$ 5,175	\$	\$	\$ 30,795	\$ 31,881	\$ 62,676
Road and highway construction	267,896					267,896		267,896
Future capital projects			349,619			349,619	90,248	439,867
Working cash stabilization reserve	225,434					225,434		225,434
Special treasury accounts	710,649					710,649		710,649
Municipalities crime prevention		2,359				2,359		2,359
Future loans		2,478				2,478		2,478
Energy programs		5,341				5,341		5,341
Total fund balances unreserved, designated	\$ 1,223,110	\$ 10,178	\$ 6,489	\$ 354,794	\$ 0	\$ 1,594,571	\$ 122,129	\$ 1,716,700

Retained earnings, reserved is explained as follows (amounts expressed in thousands):

	Enterprise	Component Units	Total Reporting Entity
Retained earnings, reserved for:			
Bond retirement	\$ 458	\$	\$ 458
Commission trust fund		7,000	7,000
Total retained earnings, reserved	\$ 458	\$ 7,000	\$ 7,458

Note 4 - Deposits and Investments

Investment Policies

The state treasurer maintains a cash and short-term investment pool for all state general and special 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.

State Treasurer - The state treasurer is authorized to invest in certificates of deposit or term repurchase agreements with approved financial institutions, banks and savings associations domiciled in Mississippi which are reflected as deposits or investments in the accompanying financial statements. Financial institutions make annual application to the state treasurer for state funds by signing a contract and supplying their financial report as provided to their regulatory authority to assure the statutory required 5 ½ percent primary capital to total assets ratio. Depositories are required to collateralize at least 105 percent of the amount of funds held on deposit in certificates of deposit that are in excess of the \$100,000 FDIC limit. Substitution based on par is allowed for some collateral securities. The state treasurer is also authorized to invest in repurchase agreements and securities lending transactions (with at least 80 percent of the total dollar amount with qualified state depositories), direct United States Treasury obligations, United States Government instrumentalities, United States Government agency obligations and any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1 et seq., provided that the portfolio is limited to direct obligations issued by the United States (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the United States (or its agencies, instrumentalities or sponsored enterprises).

The state treasurer invests in collateralized mortgage obligations issued by United States Government agencies in order to maximize yield on the state's funds. These securities are based on cash flows from principal payments on underlying mortgages, therefore, they are sensitive to prepayments by mortgagees. In essence, as principal payments are made, cash is received, and the par value of the securities is reduced.

Public Employees' Retirement System - The System is authorized by Section 25-11-121, Mississippi Code Ann. (1972), to invest in the following:

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

School district bonds of the state of Mississippi;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board of Mississippi;

Highway bonds of the state of Mississippi;

Corporate bonds of Grade Baa/BBB or better as rated by Standard & Poor's Corporation or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by Standard & Poor's Corporation or rated P-3 or better by Moody's Investors Service. The Board of Trustees of the System has established a policy which further limits investments of this type to only those corporations whose short-term obligations are rated A-2 or P-2 by Standard & Poor's Corporation or Moody's Investors Service, respectively;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the United States or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the Securities and Exchange Commission;

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Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the United States;

Bonds rated A or better, stocks and convertible securities of established foreign 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 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 which are general obligations of any other state in the United States 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 United States 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 Securities and Exchange Commission 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 Securities and Exchange Commission registered investment advisory firm retained as an investment manager by the Board of Trustees of the System.

During fiscal year 1998, the System invested exclusively in asset/liability based investments such as interest-only strips, principal-only strips and collateralized mortgage obligations (forms of mortgage-backed securities). The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. These securities are held in part to maximize yields and in part to hedge against a rise in interest rates. Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. Interest-only strips are based on cash flows from interest payments on the underlying mortgages. Therefore, they are sensitive to prepayments by mortgagors which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments. If actual prepayment rates are lower than anticipated, the time remaining until the return of principal is increased. The later principal is paid, the lower the present value of the security. Conversely, higher prepayment rates return principal faster causing the PO to appreciate in fair value.

Collateralized mortgage obligations (CMO's) 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 CMO's may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reduction in interest payments cause a decline in cash flows and, thus a decline in 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.

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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 similar to the type on loan at year-end for collateral in the form of either cash, other securities, or irrevocable bank letters of credit. The type of securities on loan at June 30, 1998, by the System are long-term U.S. Government and agency obligations and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent (domestic equities and bonds) and 105 percent (international equities) of the fair value and accrued income of the securities lent. In the event the collateral value 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. The contractual agreement with the System's 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 maturities of the investments made with cash collateral generally do not match the maturities of their 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 97 days at June 30, 1998. Cash collateral is invested in fixed income securities such as U. S. Government and agency obligations and "AAA" asset-backed securities. Additionally, a significant portion is invested in short-term securities, such as repurchase agreements, commercial paper, and bank notes. The weighted-average term to maturity of all collateral investments at year-end was 350 days with a duration of 58 days.

Securities lent at year-end for cash collateral are presented as unclassified in the following schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral. The investments purchased with the cash collateral are presented in category 3 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 owes the borrowers exceeds the amount the borrowers owe the System. At June 30, 1998, the aggregate amount of the securities lending transactions, including accrued interest was \$1,706,658,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$1,714,928,000. The value of the collateral pledged by borrowers at year end was \$1,765,588,000.

All of the investment assets of the Mississippi Highway Safety Patrol Retirement System (MHSPRS), the Municipal Retirement Systems (MRS) and the Supplemental Legislative Retirement Plan (SLRP) are combined with those of the Public Employees' Retirement System (PERS) and invested in short-term, fixed income securities and equity securities. These investments are accounted for as part of the PERS pension trust fund. MHSPRS, MRS and SLRP have an equitable interest in the PERS fund based upon amounts contributed and earnings allocated. Individual investments in the PERS fund are not specifically allocated to MHSPRS, MRS and SLRP. However, a prorata share of total securities lending collateral investments is allocated. The System has no investments (other than those issued or guaranteed by the United States Government or its instrumentalities) in any one organization that represent 5 percent or more of the System's plan net assets.

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by Federal insurance programs. These statutes also require that, where possible, the types of collateral securing deposits are limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to 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.

Deposits

The carrying amount of the primary government's total cash deposits as of June 30, 1998, was \$759,953,000 and the corresponding bank balances which are represented by collected funds were \$760,215,000. The portion of such bank balances covered by federal depository insurance or by collateral held by the primary government's agent in the name of the primary government was \$460,798,000. In addition, \$296,618,000 was collateralized with securities held by a pledging financial institution's agent in the primary government's name. The remaining \$2,799,000 was collateralized with securities held by a pledging financial institution or was uninsured and uncollateralized.

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The carrying amount of the component units' total cash deposits as of June 30, 1998, was \$244,345,000 and the corresponding bank balances which are represented by collected funds were \$320,556,000. Of the bank balance, \$291,839,000 was fully insured or collateralized with securities held by the respective component unit or its agent in the name of the component unit. In addition, \$12,083,000 was collateralized with securities held by a pledging financial institution's trust department or agent in the component unit's name, while \$16,634,000 was collateralized with securities held by a pledging financial institution or was uninsured and uncollateralized.

Investments

The following tables present the reported amount and fair value of investments by type and categorizes the reported amounts as follows:

- category 1 are those which are insured or registered, or securities held by the state or its agent in the state's name;
- category 2 are those which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name;
- category 3 are those which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the state's name.

At June 30, 1998, the primary government's investments consisted of (amounts expressed in thousands):

	Category			Reported Amount	Fair Value
	1	2	3		
Investments:					
Short-term securities:					
Commercial paper	\$ 88,962		\$ 543,838	\$ 632,800	\$ 632,803
Repurchase agreements	479,212		571,291	1,050,503	1,053,774
Negotiable certificates of deposit			14,988	14,988	14,988
U.S. Government securities and agencies	899,092	5,346	3,324	907,762	908,315
Other	6,041		2,383	8,424	8,424
U.S. Government securities and agencies - long-term	2,442,765	26,575	125,347	2,594,687	2,594,683
Corporate and international obligations	1,463,419	8,923	912,414	2,384,756	2,384,810
Corporate and international equities	8,354,560		21,920	8,376,480	8,376,480
Municipal obligations	41,158			41,158	41,158
	<u>\$ 13,775,209</u>	<u>\$ 40,844</u>	<u>\$ 2,195,505</u>	16,011,558	16,015,435
Investments in mutual funds				18,637	18,637
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government securities and agencies				836,826	836,826
Equity securities				398,938	398,938
International equity securities				393,009	393,009
Deferred compensation plan pooled investments:					
International group equity trust				137,000	137,000
Fixed and variable investments				296,598	296,598
Balanced asset fund				16,684	16,684
Fixed income fund				12,344	12,344
Life insurance contracts				1,045	1,045
International equity fund				30,671	30,671
Short term securities				5,232	5,232
Total Investments				<u>\$ 18,158,542</u>	<u>\$ 18,162,419</u>

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In addition to the deposits and investments described above, the primary government had approximately \$594,016,000 on deposit with the United States Government. These funds represent unemployment insurance taxes collected from Mississippi employers which are held by the U.S. Treasury.

At June 30, 1998, the component units' investments consisted of (amounts expressed in thousands):

	Category			Reported Amount	Fair Value
	1	2	3		
Investments:					
Short-term securities:					
Repurchase agreements	\$	\$	\$ 6,206	\$ 6,206	\$ 6,206
U.S. Government securities and agencies	46,411	29,296	33,546	109,253	109,208
Corporate obligations	532			532	532
Corporate equities	11,777	12	69	11,858	11,858
	\$ 58,720	\$ 29,308	\$ 39,821	\$ 127,849	\$ 127,804
Multi-state university investment pool				65,780	65,780
Total Investments				\$ 193,629	\$ 193,584

Note 5 - Receivables

At June 30, 1998, net receivables by fund type consisted of (amounts expressed in thousands):

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Total Primary Government	Component Units
Taxes receivable:									
Sales	\$ 193,729		\$	\$	\$	\$		\$ 193,729	
Income	87,346							87,346	
Gasoline	38,669							38,669	
Unemployment insurance							26,658	26,658	
Other	76,859							76,859	
Total taxes receivable	396,603						26,658	423,261	
Other receivables:									
Patient accounts									743,019
Tuition									32,303
Securities sold							180,375	180,375	
Interest and dividends	14,034	187	308	1,592	643	1,038	82,975	100,777	
Contributions							57,968	57,968	
Other	71,521	6,590			2,385	118	15,180	95,794	31,408
Total receivables	482,158	6,777	308	1,592	3,028	1,156	363,156	858,175	806,730
Allowance for uncollectible receivables	11,855	6			12		2,163	14,036	675,685
Receivables, net	\$ 470,303	\$ 6,771	\$ 308	\$ 1,592	\$ 3,016	\$ 1,156	\$ 360,993	\$ 844,139	\$ 131,045

Note 6 - Interfund Transactions

At June 30, 1998, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Fund Type/Fund	Interfund Receivables		Interfund Payables		
General	\$	\$	13,719	\$	42,977
Special Revenue:					
Community Services - Department of Human Services				811	
Rehabilitation Services		204			
Disability Determination		29		63	
Employment Services		1,650		123	
Alcohol Abuse Program		267		150	
Social Services				18	
Medicaid Fraud		2			
Community Services - Department of Corrections		23			
Inmate Welfare and Training		146		303	
Public Safety Planning				174	
National Guard Facility and Training				15	
Emergency Management		17		14	
Rice and Soybean Promotion				176	
Community Development		42		747	
Energy Conservation				345	
Other Department of Economic and Community Development		5			
Fisheries and Wildlife		2,500		374	
Parks and Recreation				5	
Other Department of Wildlife, Fisheries and Parks		38			
Department of Marine Resources		800		33	
Public Service Commission		2,028		10	
Department of Banking and Consumer Finance				5	
Oil and Gas Board				6	
Other Regulatory Agencies				33	
			7,751		3,405
Debt Service			1,332		3,051
Capital Projects			593		
Enterprise:					
Fair Commission				127	
Veterans' Home Purchase Board				1	
Port Authority at Gulfport				5	
Allied Enterprises		144			
Prepaid Affordable College Tuition				1,254	
Farmers' Central Market Board		1			
Office of Surplus Property		67			
Restaurants		1			
Commissary		54		145	
Prison Agricultural Enterprises		303			
			570		1,532
Internal Service:					
Personnel Board		87		3	
Information Technology Services		2,471		42	
Risk Management				304	
			2,558		349

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Fund Type/Fund	Interfund Receivables		Interfund Payables	
Trust and Agency:	\$	\$	\$	\$
Expendable Trust:				
Deferred Compensation Plan				3
Unemployment Compensation		12,179		121
			12,179	124
Nonexpendable Trust:				
Oil and Gas Taxes on State-owned Land				221
Other Nonexpendable Trust		22		
			22	221
Pension Trust:				
Public Employees' Retirement System		45		504,757
Highway Safety Patrol Retirement System		233,499		29
Municipal Retirement Systems		264,480		7
Supplemental Legislative Retirement Plan		6,777		4
			504,801	504,797
Agency:				
Local Government Distributive Program		2,845		151
Institutional		5,705		15,833
		12		456
			8,562	16,440
Component Units:				
Mississippi Business Finance Corporation		14		
Mississippi Prison Industries Corporation		85		
University:				
Unrestricted		36,002		20,968
Restricted		12,801		20,210
Loan		656		144
Unexpended		8,045		
Renewals and Rplacements		4,432		
Agency		96		
			62,131	41,322
			<u>\$ 614,218</u>	<u>\$ 614,218</u>

Reconciliation for interfund transactions (amounts expressed in thousands):

Due from/to other funds	\$ 584,453	\$ 584,453
Due from/to primary government	25,269	25,269
Due from/to component units	4,460	4,460
Loans from/to other funds	36	36
	<u>\$ 614,218</u>	<u>\$ 614,218</u>

Note 7 - Loans and Notes Receivable

At June 30, 1998, loans and notes receivable by fund type, net of allowances of \$11,054,000 for uncollectible student loans and \$543,000 for energy loans, consisted of (amounts expressed in thousands):

	General Fund	Special Revenue	Enterprise	Total Primary Government	Component Unit University
Mortgage loans (a)	\$	\$	\$ 99,935	\$ 99,935	\$
Railroad revitalization loans	2,740			2,740	
Energy loan program		756		756	
Student loan program (b)					78,453
Small Enterprise Development loans (c)	81,061			81,061	
Mississippi Farm Reform Act loans (d)	61,079			61,079	
Disaster loans	121			121	
Magnolia Capital Corporation (e)	9,051			9,051	
Soil and Water Conservation equipment loan program	134			134	
Water improvement loans (f)	4,274			4,274	
Loans and Notes Receivable, Net	\$ 158,460	\$ 756	\$ 99,935	\$ 259,151	\$ 78,453

- (a) Mortgage loans are made by the Veterans' Home Purchase Board to eligible Mississippi veterans primarily for the purchase of residential housing.
- (b) Student loans are made pursuant to student loan programs funded by the U.S. Government.
- (c) Since fiscal year 1990, the state has issued Small Enterprise Development bonds. The proceeds of the bonds were used to provide loans to private companies for the acquisition, construction and equipping of manufacturing or processing facilities.
- (d) Since fiscal year 1991, the state has issued Mississippi Farm Reform Act bonds. The proceeds of the bonds were used to fund an agribusiness enterprise loan program, a minority business enterprise loan program and an emerging crops loan interest payment program.
- (e) In fiscal year 1995, the state issued Magnolia Venture Capital bonds. The proceeds of the bonds were used to provide a loan to Magnolia Capital Corporation for the purpose of increasing the rate of capital formation, stimulating new growth-oriented business formations, creating new jobs, developing new technology, enhancing tax revenue and supplementing conventional business financing. Security for repayment of this loan is guaranteed by U.S. Treasury zero stripped securities purchased in the state of Mississippi's name which are to mature August 15, 2009, at an amount equal to the loan.
- (f) Water improvement loans are made by the Department of Health to water associations for rural water system improvements.

The long-term portion of the Small Enterprise Development loans aggregating \$73,277,000 will be provided for future debt service upon collection and have been reported as such in the general long-term obligations account group.

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Note 8 - Property, Plant and Equipment

Changes in the general fixed assets account group by major classification for the year ended June 30, 1998, are presented below (amounts expressed in thousands):

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Land	\$ 78,484	\$ 10,043	\$ 20	\$ 88,507
Buildings	683,171	142,298	364	825,105
Improvements other than buildings	56,301	6,612	49	62,864
Machinery and equipment	571,971	87,027	30,491	628,507
Construction in progress	241,495	84,689	118,831	207,353
	<u>\$ 1,631,422</u>	<u>\$ 330,669</u>	<u>\$ 149,755</u>	<u>\$ 1,812,336</u>

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

	Project Authorization	Expended To Date	Outstanding Commitment
Department of Transportation buildings	\$ 21,192	\$ 13,554	\$ 4,449
Military Department	23,326	20,629	2,697
Department of Finance and Administration	67,612	53,452	5,828
Educational Television	11,996	275	9
Veterans' Affairs Board	25,339	24,737	
Department of Corrections	40,019	16,708	18,075
Department of Wildlife, Fisheries and Parks	35,058	18,551	10,783
Department of Mental Health	31,209	12,612	9,702
Department of Education	19,396	9,590	1,630
Department of Health	15,920	5,629	8,763
Other projects less than \$10 million	51,431	31,616	4,066
	<u>\$ 342,498</u>	<u>\$ 207,353</u>	<u>\$ 66,002</u>

No further financing is required on any of the construction in progress.

At June 30, 1998, property, plant and equipment recorded in individual fund types of the primary government, net of accumulated depreciation where applicable, consisted of (amounts expressed in thousands):

	Enterprise	Internal Service	Trust and Agency
Land	\$ 12,476	\$	\$ 508
Buildings	47,959		3,628
Improvements other than buildings	50,958		126
Machinery and equipment	9,314	15,510	4,167
Construction in progress	7,454		
Total fixed assets	128,161	15,510	8,429
Accumulated depreciation, where applicable	24,724	6,661	3,453
Property, Plant and Equipment, Net	<u>\$ 103,437</u>	<u>\$ 8,849</u>	<u>\$ 4,976</u>

At June 30, 1998, property, plant and equipment recorded in the component units, net of accumulated depreciation where applicable, consisted of (amounts expressed in thousands):

	University	Other Component Units	Total Component Units
Land	\$ 27,999	\$ 27,711	\$ 55,710
Buildings	840,287	42,555	882,842
Improvements other than buildings	88,601	51,175	139,776
Machinery and equipment	610,253	23,743	633,996
Construction in progress	202,415	372	202,787
Total fixed assets	1,769,555	145,556	1,915,111
Accumulated depreciation, where applicable		15,318	15,318
Property, Plant and Equipment, Net	<u>\$ 1,769,555</u>	<u>\$ 130,238</u>	<u>\$ 1,899,793</u>



Note 9 - General Obligation and Defeased Bonds

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

General obligation bonds are authorized and issued primarily to provide funds for constructing and improving state-owned facilities, including ports, stadium facilities, university facilities, public schools, parks, bridges and roads. General obligation bonds have also been issued to refund certain outstanding bonds of the state in advance, to provide loans to facilitate and promote further economic development in the state and to purchase land for wildlife conservation.

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 enterprise funds and is therefore recorded in these funds, the state remains contingently liable for its payment. General obligation debt, which was issued to finance the construction and equipping of educational buildings and other facilities for universities (a discretely presented component unit) and is not secured by a pledge of revenues from the related facilities, is a direct obligation of the state and is reported in the general long-term obligations account group. Other general obligation debt of the university funds, which is being retired from pledged resources of those funds, is reported as a liability in the component units column, although the state remains contingently liable for its retirement.

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, 1998, the Port of Pascagoula's outstanding general obligation bonds are \$10,545,000. In addition, at June 30, 1998, \$1,275,000 of the Port's outstanding general obligation bonds are considered defeased.

In prior years, the state defeased certain outstanding general and limited obligation bonds of the primary government by depositing the net proceeds of refunding bonds and additional monies from debt service funds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the defeased bonds. Accordingly, for financial reporting purposes the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 1998, \$568,555,000 of outstanding general obligation bonds and \$76,846,000 of outstanding limited obligation bonds (including prior years' refundings) are considered defeased.

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At June 30, 1998, the primary government's outstanding general obligation bonds are (amounts expressed in thousands):

Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Enterprise Funds:			
Port Improvement (Gulfport)	\$ 31,902	4% - 6.5%	Nov. 2011
General Long-term Obligations Account Group:			
Capital Improvement	725,600	3.95% - 8.6%	Jun. 2018
Correctional Facilities Projects	2,705	6.7%	Aug. 1998
Institution of Higher Learning Facilities	1,755	6.9%	Aug. 1998
Mississippi Business Investment Act	72,365	5% - 9.4%	Sept. 2016
Mississippi Major Economic Impact Act	64,245	4% - 9.4%	Sept. 2016
Mississippi Small Enterprise Development Finance Act	89,489	4.3% - 7.1%	Mar. 2013
Public School Construction	6,000	5.9% - 6.125%	May 2001
State Aid Road Construction	2,305	5.7% - 8%	Sept. 2000
Mississippi Farm Reform Act	59,780	5% - 9.4%	Sept. 2016
Economic Development Highway Act	38,765	5.2% - 8.75%	Mar. 2012
General Obligation Refunding Bonds	330,415	3.9% - 6.2%	Dec. 2014
Small Business Assistance	19,045	5% - 7.05%	Sept. 2010
Magnolia Venture Capital	17,415	7.1% - 8%	Aug. 2009
Local Governments Capital Improvements Revolving Loan Program	89,755	5% - 9.4%	Jun. 2018
Local Governments Water System Improvement Revolving Loan Program	14,000	7.1% - 7.75%	May 2017
Local Governments Rail Revolving Loan Program	4,890	7% - 9.4%	Sept. 2016
Mississippi Home Corporation Act	5,305	7.875% - 8.75%	Oct. 2009
Community and Jr. College Telecommunications Network	21,210	5% - 6.25%	May 2011
Tech Prep A	25,000	5% - 5.5%	Nov. 2007
Mississippi Development Bank	5,000	4.2% - 4.75%	Nov. 2004
	1,595,044		
	\$ 1,626,946		

At June 30, 1998, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Total
1999	\$ 89,615	\$ 92,395	182,010
2000	95,468	85,720	181,188
2001	99,306	80,194	179,500
2002	98,879	74,510	173,389
2003	98,479	68,811	167,290
Thereafter	1,145,199	402,862	1,548,061
	\$ 1,626,946	\$ 804,492	2,431,438

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At June 30, 1998, the component units reported outstanding general obligation bonds for university funds of \$365,000. The final maturity date for these bonds is April 1999, with interest rates ranging from 4.75 to 5.3 percent.

At June 30, 1998, future general obligation debt service requirements of the component units are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Total
1999	\$ 365	\$ 22	\$ 387
	\$ 365	\$ 22	\$ 387

Changes in general obligation bonds recorded in the primary government's general long-term obligations account group during the year ended June 30, 1998, are summarized in Note 12.



Note 10 - 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, 1998, revenue bonds and notes outstanding, net of unamortized discounts and premiums are (amounts expressed in thousands):

Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Primary Government			
Enterprise:			
Mississippi Fair Commission	\$ 960	9% - 9.45%	Dec. 2005
Total Primary Government	<u>\$ 960</u>		
Component Units			
University:			
Alcorn State University	\$ 857	2.875% - 3.5%	Nov. 2002
Jackson State University	11,137	3%	Apr. 2021
Mississippi State University	21,877	2.5% - 11%	Dec. 2021
Mississippi Valley State University	340	3% - 3.5%	July 2008
University of Mississippi	26,899	2.75% - 9.25%	Apr. 2027
University Medical Center	83,351	3.85% - 9%	Dec. 2023
University of Southern Mississippi	20,250	3% - 8.7%	Dec. 2027
Delta State University	1,445	5% - 6.78%	Dec. 2011
	<u>166,156</u>		
Pat Harrison Waterway District:			
Bonds	1,517	4%-5%	May 2005
Notes	2,659	3.137% - 8%	Jan. 2018
	<u>4,176</u>		
Total Component Units	<u>\$ 170,332</u>		

At June 30, 1998, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Primary Government Enterprise			Component Units		
	Principal	Interest	Total	Principal	Interest	Total
1999	\$ 90	\$ 85	\$ 175	\$ 8,769	\$ 8,549	\$ 17,318
2000	95	77	172	8,937	7,814	16,751
2001	105	68	173	7,921	7,601	15,522
2002	115	57	172	7,878	7,240	15,118
2003	125	46	171	7,415	6,909	14,324
Thereafter	430	62	492	129,412	70,370	199,782
	<u>\$ 960</u>	<u>\$ 395</u>	<u>\$ 1,355</u>	<u>\$ 170,332</u>	<u>\$ 108,483</u>	<u>\$ 278,815</u>

Note 11 - Other Long-term Obligations

- A. **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 legislature are considered noncancellable leases for financial reporting purposes.

At June 30, 1998, machinery and equipment recorded under capital leases included in the general fixed assets account group were \$27,915,000. Machinery and equipment recorded under capital leases included in enterprise funds were \$445,000 before accumulated depreciation of \$110,000. Machinery and equipment recorded under capital leases included in internal service funds were \$7,028,000 before accumulated depreciation of \$1,002,000. Buildings recorded under capital leases included in the general fixed assets account group were \$85,110,000. The discretely presented component units recorded capital leases of \$18,395,000.

At June 30, 1998, future minimum commitments under capital leases by fund type are (amounts expressed in thousands):

Year Ending June 30	Enterprise	Internal Service	General Long-term Obligations	Total Primary Government	Component Unit
1999	\$ 93	\$ 1,141	\$ 13,721	\$ 14,955	2,760
2000	67	736	11,062	11,865	2,891
2001	12		10,019	10,031	2,095
2002			9,898	9,898	1,402
2003			8,126	8,126	1,199
Thereafter			96,919	96,919	951
Total Minimum Lease Payments	172	1,877	149,745	151,794	11,298
Less Interest	11	109	51,510	51,630	876
Present Value of Net Minimum Lease Payments	\$ 161	\$ 1,768	\$ 98,235	\$ 100,164	10,422

- B. **Compensated Absences** - The state of Mississippi's liability for compensated absences reported in the primary government's general long-term obligations account group at June 30, 1998 was \$69,987,000. The component units reported a liability of \$46,126,000 for compensated absences, of which \$45,787,000 was for the university funds. 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).
- C. **Notes payable and certificates of participation** - The state of Mississippi's liabilities for notes payable and certificates of participation reported in the primary government's general long-term obligations account group at June 30, 1998 were \$11,967,000 and \$3,215,000, respectively. Notes payable were issued for financing software development and certificates of participation were issued for the purchase of a building.

At June 30, 1998, future debt service requirements for notes payable and certificates of participation are (amounts expressed in thousands):

Year Ending June 30	Notes Payable		Certificates of Participation	
	Principal	Interest	Principal	Interest
1999	\$ 2,765	\$ 588	\$ 40	\$ 180
2000	2,911	442	80	176
2001	3,065	288	95	170
2002	3,226	127	95	163
2003			100	156
Thereafter			2,805	1,381
	\$ 11,967	\$ 1,445	\$ 3,215	\$ 2,226

D. **Claims and Judgments** - The state of Mississippi's liability for claims and judgments reported in the primary government's general long-term obligations account group at June 30, 1998 was \$338,000. This debt represents the long-term portion of a U. S. Department of Labor judgment relating to a Job Training Partnership Act (JTPA) program disallowance.

Changes in capital lease commitments, compensated absences, notes payable, certificates of participation and claims and judgments recorded in the primary government's general long-term obligations account group during the year ended June 30, 1998 are summarized in Note 12.

Note 12 - Changes in Long-term Obligations

Changes in long-term obligations recorded in the primary government's general long-term obligations account group for the year ended June 30, 1998 are summarized below (amounts expressed in thousands):

	General Obligation Bonds (Note 9)	Capital Lease Obligations (Note 11)	Accrued Compensated Absences (Note 11)	Notes Payable (Note 11)	Certificates of Participation (Note 11)	Claims and Judgments (Note 11)	Total
Balance at July 1, 1997	\$ 1,361,693	\$ 72,610	\$ 69,236			\$ 507	\$ 1,504,046
Bonds issued	322,885						322,885
Compensated absences earned			48,048				48,048
Increase in lease obligations		36,014					36,014
Increase in notes payable				14,853			14,853
Increase in certificates of participation					3,215		3,215
Principal retirements and defeased bonds	(89,534)						(89,534)
Compensated absences taken			(47,297)				(47,297)
Decrease in notes payable				(2,886)			(2,886)
Decrease in claims and judgments						(169)	(169)
Decrease in lease obligations		(10,389)					(10,389)
Balance at June 30, 1998	\$ 1,595,044	\$ 98,235	\$ 69,987	\$ 11,967	\$ 3,215	\$ 338	\$ 1,778,786



Note 13 - Bonds Authorized But Unissued

At June 30, 1998, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized Bonds	Authorized But Unissued
General Obligation Bonds:		
Public School Construction	\$ 100,000	\$ 94,000
Mississippi Farm Reform Act	95,000	13,000
Mississippi Business Investment Act	225,000	58,643
Small Enterprise Development Finance	140,000	50,511
Major Economic Impact	270,010	157,370
Public Facilities Capital Improvement	175,053	11,003
Institutions of Higher Learning Equipment	15,000	15,000
Economic Development Highway	105,000	58,100
Port Improvement (Gulfport)	80,000	65,283
Soil and Water Commission	8,500	8,000
Community and Jr. College Telecommunications Network	42,950	19,600
Juvenile Correctional Facilities	19,950	900
Gaming Counties Infrastructure	325,000	325,000
Metro Parkway	20,000	14,268
Zoo Improvement	5,600	4,000
Advance Education Center	19,650	3,400
Telecommunication Center	17,500	17,500
Capitol Complex	43,000	43,000
Institutions of Higher Learning Facilities	197,350	96,700
Juvenile Offender Facilities	11,000	3,000
Strategic Petroleum Reserve	30,000	30,000
Local Governments Water System Improvement	20,000	5,000
Local Governments Rail Program	15,000	10,000
Health Facilities Capital Improvements	18,000	2,000
Childrens Museums	4,500	3,000
Crafts Center	4,000	3,000
Education Technology	55,000	30,000
MC School of Law	4,000	3,950
Stennis Space Center	3,000	3,000
Addie McBryde Center	350	350
Archives & History Facility	34,000	34,000
Project Cougar	50,000	50,000
Rowen Oak	500	500
	2,153,913	1,233,078
Limited Obligation Bonds:		
Highway 4-Lane Program	200,000	200,000
Fire Academy	2,500	300
Education Technology	60,000	60,000
	262,500	260,300
Revenue Bonds:		
Mississippi Fair Commission	4,000	1,525
Veterans' Home Purchase Board	20,000	20,000
Seed Laboratory	800	800
	24,800	22,325
	\$ 2,441,213	\$ 1,515,703

Note 14 - Segment Information - Enterprise Funds

Financial information by enterprise fund segment as of and for the year ended June 30, 1998 is as follows (amounts expressed in thousands):

	Fair Commission (a)	Veterans' Home Purchase Board (b)	Veterans' Memorial Stadium Commission (c)	Port Authority at Gulfport (d)
Operating revenues	\$ 3,599	\$ 6,592	\$ 1,163	\$ 14,984
Depreciation	309	6	250	2,644
Operating income (loss)	(94)	5,932	(225)	7,236
Operating transfers in			300	1,994
Operating transfers out				(5)
Nonoperating revenues	9	305	25	1,862
Nonoperating expenses	94			1,740
Net income (loss)	(179)	6,237	100	9,347
Current capital contributions				140
Property, plant and equipment:				
Additions	37	6	269	10,093
Deletions	3			39
Net working capital	1,059	11,503	435	14,672
Total assets	12,136	108,968	2,453	93,401
Bonds and other long-term liabilities payable from operating revenues	870			28,411
Total equity (deficit)	10,809	107,622	2,111	59,740

	Department of Agriculture and Commerce		Forestry Commission	Department of Finance and Administration
	Farmers' Central Market Board (h)	Agriculture and Forestry Museum (i)	Tree Seedling (j)	Office of Surplus Property (k)
Operating revenues	\$ 367	\$ 667	\$ 437	\$ 1,044
Depreciation	36	127		51
Operating income (loss)	18	(188)	(50)	91
Operating transfers in		210		
Operating transfers out		(130)		
Nonoperating revenues		5		43
Nonoperating expenses	12			15
Net income (loss)	6	(103)	(50)	119
Current capital contributions				
Property, plant and equipment:				
Additions	5	23		122
Deletions	6			15
Net working capital	(10)	200	1	351
Total assets	941	5,189	337	859
Bonds and other long-term liabilities payable from operating revenues				
Total equity (deficit)	831	5,122	1	693

The following types of goods or services are provided by the enterprise funds:

- | | |
|---|--|
| <ul style="list-style-type: none"> (a) State fair and coliseum activities (b) Home mortgage loans to veterans (c) Concessions and ticket sales to sporting events (d) Port facilities (e) Port facilities (f) Miscellaneous goods and services provided by handicapped citizens (g) Prepaid affordable college tuition | <ul style="list-style-type: none"> (h) Processing, storing and marketing agricultural products (i) Museum tours and events (j) Tree planting (k) Federal property distribution (l) Food services (m) Groceries (n) Agricultural products and services |
|---|--|

	Department of Rehabilitation Services	State Treasurer	
Yellow Creek Inland Port Authority	Allied Enterprises	Prepaid Affordable College Tuition	
(e)	(f)	(g)	
\$ 960	\$ 10,685	\$ 3,272	
456		2	
(106)	(5,594)	(228)	
	6,622		
210	49	5	
104	1,077	(223)	
1,081		11	
3,905	4,151	31,438	
14,436	4,512	34,601	
9,351		31,501	
5,037	4,151	(52)	

Department of Corrections

	Restaurants (l)	Commissary (m)	Prison Agricultural Enterprises (n)	Total
\$	312	\$ 3,500	\$ 1,994	\$ 49,576
	4	20	231	4,136
	(7)	235	(1,206)	5,814
			1,788	10,914
		(223)		(358)
	2	8		2,523
			3	1,864
	(5)	20	579	17,029
				140
	15	8	201	11,871
				63
	78	301	2,455	70,539
	160	700	6,657	285,350
			75	70,208
	137	367	5,860	202,429

Note 15 - Deferred Compensation Plan

The state offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term “employee” means any person, whether appointed, elected or under contract, providing services for the state of Mississippi, state agencies, universities, counties, municipalities, or other political subdivisions, for which compensation is paid. The plan permits employees to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets and income of the plan are held for the exclusive benefit of participants and their beneficiaries. The state has no liability for losses under the plan but does have the duty of care that would be required of an ordinary prudent investor.

At June 30, 1998, total plan assets aggregated \$464,555,000 and are reported as an expendable trust fund. Of this amount, \$114,697,000 was applicable to the primary government; \$30,404,000 was applicable to the discretely presented component units, and the remaining \$319,454,000 represents the assets of other jurisdictions participating in the plan.

Note 16 - Retirement Plans

Plan Description

A. General

In accordance with state statutes, Public Employees’ Retirement System (PERS) Board of Trustees (System) administers the state's three defined benefit plans and the state's defined contribution plan. The defined benefit plans are the PERS, a cost-sharing multiple-employer public employee retirement system established in 1953, Mississippi Highway Safety Patrol Retirement System (MHSPRS), a single-employer public employee retirement system established in 1958, and Supplemental Legislative Retirement Plan (SLRP), a single-employer public employee retirement system established in fiscal year 1990. The defined contribution plan is the Optional Retirement Plan (ORP), a multiple-employer public employee retirement plan established in 1990. Any political subdivision or juristic entity within the state of Mississippi may elect to have its employees covered by PERS.

By statute, the System is also responsible for administration of the Municipal Retirement System (MRS), which are agent multiple-employer defined benefit public employee retirement systems. MRS are composed of 19 separate municipal retirement and fire and police disability and relief systems. MRS net assets held in trust for pension benefits (aggregating \$265,060,000) are included in the accompanying financial statements. 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.

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 in the trust and agency fund type. The purpose of these plans is to provide pension benefits for all state employees, uniformed 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, ORP and SLRP, that is available from Public Employees’ Retirement System of Mississippi.

B. Membership and Benefit Provisions

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

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Participating employees who retire at or after age 60 with four 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 1-7/8 percent of their average compensation for each year of credited service up to and including 25 years and 2 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect an option for a reduced 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; the state incurs no expense for postretirement health benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the state legislature.

Retirees and beneficiaries, who on December 1 of each year have been receiving a retirement allowance for at least one full fiscal year, are entitled to an additional payment equal to the annual percentage change of the consumer price index not to exceed 2-1/2 percent of the annual retirement allowance for each full fiscal year of retirement. These persons also may receive an additional amount, as determined by the System's Board of Trustees (contingent on sufficient funding), calculated in increments of 1/4 of 1 percent, not to exceed 1-1/2 percent of the annual retirement allowance for each full year of retirement. For the year ended June 30, 1998, the total additional annual payments of \$94,021,000 were related entirely to the change in the consumer price index.

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

Participating employees who withdraw from service at or after age 55 with at least five years of credited service, or after reaching age 45 with at least 20 years of creditable service, or with 25 years of service at any age are entitled to an annual retirement allowance, payable monthly for life, in an amount equal to 2-1/2 percent of their average compensation during the four highest consecutive years of earnings reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. Benefits vest upon reaching five years of credited service. MHSPRS also provides certain death and disability benefits. Retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the state incurs no expense for postretirement health benefits. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the state legislature.

Retirees and beneficiaries of MHSPRS may receive additional amounts identical to PERS' retirees and beneficiaries, as previously described. For the year ended June 30, 1998, the total additional annual payments of \$2,762,000 were related entirely to the change in the consumer price index.

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

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

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For certain employers, the retirees and beneficiaries, who on December 1 of each year have been receiving a retirement allowance for at least one full fiscal year, may be entitled to an additional payment equal to the annual percentage change in the consumer price index not to exceed 2-1/2 percent of the annual retirement allowance for each full fiscal year of retirement. These additional payments will only be made when funded by the employers. For the year ended June 30, 1998, the total additional annual payments were \$559,000.

Supplemental Legislative Retirement Plan: Membership in SLRP is composed of all elected members of the state legislature and the president of the senate. This plan is designed to supplement the provisions of PERS. Those serving when the SLRP became effective on July 1, 1989, had 30 days to waive membership. Those elected after July 1, 1989, automatically become members. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions plus interest.

The supplemental retirement allowance of an elected senator or representative of the state legislature or of the president of the senate consists of 50 percent of an amount equal to the retirement allowance determined by credited service payable by PERS. However, in no case shall the aggregate amount of an individual's retirement allowance from SLRP and PERS exceed 100 percent of the average compensation as defined by PERS. Benefits vest upon completion of four years of credited service. SLRP also provides certain death and disability benefits. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Annotated (1972), and may be amended only by the state legislature.

Retirees and beneficiaries of SLRP may receive additional amounts identical to PERS' retirees and beneficiaries, as previously described. For the year ended June 30, 1998, the total additional annual payments of \$19,000 were related entirely to the change in the consumer price index.

Optional Retirement Plan: Membership in ORP is composed of teachers and administrators of the institutions of higher learning appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. Membership is offered as a recruitment tool for the institutions of higher learning.

ORP participants direct the investment of their funds among three investment vendors. The employer is responsible for forwarding funds to these vendors as instructed by the ORP participants. The vendors are responsible for individual accounting and other financial and performance reporting. The System is responsible for the general administration and operation of ORP. As such, the combined balance sheet in the accompanying financial statements does not include financial information relating to ORP.

Participating employees who withdraw from service or retire may elect to receive an annuity from one of three participating annuity providers. Benefits are determined based on the value of the member's account(s) at the time of distribution. ORP covered payroll for the year ended June 30, 1998, was \$73,180,000. The employee and employer contributions actually made for the year were \$5,306,000 and \$7,135,000, respectively. Contribution provisions are established by Section 25-11-401 et seq., Mississippi Code Annotated (1972), and may be amended only by the state legislature.

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, 1998. 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, 1997. 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 and may be amended only by the state legislature. 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 policies and annual pension costs (amounts expressed in thousands):

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	9.75%	26.16%	N/A	6.33%
Other employers	N/A	N/A	1.76 - 10.35 mills	N/A
Plan members	7.25%	6.50%	7.00 - 10.00%	3.00% *
Annual pension cost	\$ 321,236	\$ 5,091	\$ 20,674	\$ 334
Employer contributions made	\$ 356,903	\$ 5,223	\$ 71,350	\$ 370
Actuarial valuation date	6/30/98	6/30/98	9/30/97	6/30/98
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll contributions, open	Level percentage of payroll contributions, open	Level percentage of assessed property valuation, closed	Level percentage of payroll contributions, open
Remaining amortization period	9.8 years	6.0 years	23.0 years	13.2 years
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Projected salary increases**	4.00%	4.00%	4.0%	4.00%
Additional projected salary increases***	0.10% - 5.80%	1.50% - 6.20%	1.00%	1.00%
Increase in benefits after retirement****	2.50%	2.50%	2.50%	2.50%

*In addition to 7.25% required by PERS.

**Compounded annually and attributable to inflation. MRS individual systems pay cost-of-living increases, if funding is available.

***Compounded annually and attributable to seniority/merit.

****Calculated on a simple interest basis.

E. Three-Year Trend Information

The following table provides an analysis of funding progress for the last three fiscal years (amounts expressed in thousands):

Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
PERS			
6/30/96	\$ 290,478	100%	\$ 0
6/30/97	310,566	100%	0
6/30/98	321,236	100%	0
MHSPRS			
6/30/96	4,968	100%	0
6/30/97	5,171	100%	0
6/30/98	5,091	100%	0
MRS			
9/30/95	22,205	81.3%	11,198
9/30/96	21,681	93.8%	13,428
9/30/97	20,674	345.1%	0
SLRP			
6/30/96	285	100%	0
6/30/97	274	100%	0
6/30/98	334	100%	0

Note 17 - Commitments

A. Operating Leases

The state of Mississippi 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. Future minimum commitments due under operating leases for land and buildings as of June 30, 1998 were as follows (amounts expressed in thousands):

Year Ending June 30	Amount
1999	\$ 12,401
2000	8,940
2001	6,844
2002	4,229
2003	3,239
Thereafter	2,827
Total Minimum Commitments	\$ 38,480

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 1998 amounted to \$13,045,000.

B. Contracts

At June 30, 1998, the Department of Transportation had long-term contracts outstanding of approximately \$583,537,000 with performance continuing during fiscal year 1999. These contracts will be paid through the General Fund. Approximately 39 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline and gaming taxes.

The State Aid Road Division had long-term contracts of \$36,885,000 outstanding at June 30, 1998 for construction of state and county roads. These contracts will be paid through the General Fund. Approximately 27 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 contracts of \$119,453,000 at June 30, 1998. These contracts will be paid from capital projects funds.

Certain discretely presented universities have contracted for the construction of various facilities. At June 30, 1998, contracts of \$68,977,000 were outstanding. These contracts will be paid through the university funds with proceeds from long-term financing and institutional funds.

Note 18 - Risk Management

The state has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the state are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The state utilizes the internal service Risk Management Fund to account for these activities.

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 benefit coverage through this plan. All state and state retiring employees must be offered benefits through the life benefit plan.

The benefits are financed through collection of premiums, based on an actuarial estimate, thereby providing a stable cash flow for payment of claims. Additional financial stability is provided through contractual pricing with various networks of medical providers.

Estimates of the liabilities for incurred (both reported and unreported) but 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 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 made through a case-by-case review of all claims.

Unemployment Benefits: Unemployment benefits are established in statute and administered by the Mississippi Employment Security Commission. 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. The exposure of risk 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.

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The following table provides a reconciliation of changes in the liabilities for claims for fiscal years 1997 and 1998 (amounts expressed in thousands):

	Health and Life		Unemployment		Workers' Compensation		Total Risk Management Fund	
	Benefits	Tort Claims	Benefits	Benefits	Benefits			
1997								
Beginning Balance	\$ 52,971	\$ 1,865	\$ 2,652	\$ 14,814	\$ 72,302			
Current Year Claims/Changes in Estimates	261,826	2,284	929	9,972	275,011			
Claims Payments	(258,532)	(1,398)	(981)	(6,671)	(267,582)			
Ending Balance	\$ 56,265	\$ 2,751	\$ 2,600	\$ 18,115	\$ 79,731			
1998								
Beginning Balance	\$ 56,265	\$ 2,751	\$ 2,600	\$ 18,115	\$ 79,731			
Current Year Claims/Changes in Estimates	287,520	3,281	880	10,557	302,238			
Claims Payments	(263,299)	(1,439)	(776)	(6,994)	(272,508)			
Ending Balance	\$ 80,486	\$ 4,593	\$ 2,704	\$ 21,678	\$ 109,461			

Note 19 - Component Unit Funds

Condensed financial statements for the component unit funds for the fiscal year ended June 30, 1998 are as follows (amounts expressed in thousands):

Condensed Balance Sheet - Component Units

	Governmental Fund Types			Proprietary Fund Types				Total
	Pat Harrison Waterway District	Pearl River Valley Water Supply District	Other	Mississippi Coast Coliseum Commission	Other	University		
Assets:								
Current assets	\$ 2,155	\$ 4,920	\$ 4,075	\$ 4,091	\$ 11,297	\$ 550,023	\$ 576,561	
Due from other funds						36,862	36,862	
Due from primary government					99	25,170	25,269	
Inventories	4		37		420	17,942	18,403	
Loans and notes receivable						78,453	78,453	
Restricted assets	313		25	7,146			7,484	
Property, plant and equipment	21,520	55,067	21,666	30,108	1,877	1,769,555	1,899,793	
Other assets	371			147	47	12,860	13,425	
Amounts to be provided	3,946	1,780	84				5,810	
Total assets	\$ 28,309	\$ 61,767	\$ 25,887	\$ 41,492	\$ 13,740	\$ 2,490,865	\$ 2,662,060	
Liabilities:								
Current liabilities	\$ 592	\$ 727	\$ 183	\$ 187	\$ 491	\$ 106,684	\$ 108,864	
Due to other funds						36,862	36,862	
Due to primary government						4,460	4,460	
Deferred revenues			75			28,065	28,140	
Liabilities payable from restricted assets				44			44	
Bonds and notes payable	4,176					166,521	170,697	
Other liabilities	137	1,780	84	349	342	25,938	28,630	
Total liabilities	4,905	2,507	342	580	833	368,530	377,697	
Equity:								
Investment in general fixed assets	21,520	47,015	21,666			1,594,484	1,684,685	
Contributed capital		8,394		15,204	5,292		28,890	
Retained earnings		1,676		25,708	7,615		34,999	
Fund balances	1,884	2,175	3,879			527,851	535,789	
Total equity	23,404	59,260	25,545	40,912	12,907	2,122,335	2,284,363	
Total liabilities and equity	\$ 28,309	\$ 61,767	\$ 25,887	\$ 41,492	\$ 13,740	\$ 2,490,865	\$ 2,662,060	

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Condensed Statement of Revenues, Expenditures, and Changes in Fund Equity - Governmental Fund Types - Component Units

	Pat Harrison Waterway District	Pearl River Valley Water Supply District	Other	Total
Revenues	\$ 4,273	\$ 5,913	\$ 2,443	\$ 12,629
Expenditures:				
Operating and other	3,175	5,912	2,094	11,181
Debt service	661	523		1,184
Excess of revenues over (under) expenditures	437	(522)	349	264
Net income from proprietary operations		296		296
Net changes in equity	437	(226)	349	560
Fund equity July 1	1,447	4,077	3,530	9,054
Fund equity June 30	\$ 1,884	\$ 3,851	\$ 3,879	\$ 9,614

Condensed Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Fund Types - Component Units

	Mississippi Coast Coliseum Commission	Other	Total
Operating revenues	\$ 3,869	\$ 4,136	\$ 8,005
Operating expenses:			
Depreciation	953	176	1,129
Other	4,225	4,144	8,369
Operating loss	(1,309)	(184)	(1,493)
Nonoperating revenues	828	517	1,345
Nonoperating expenses	(54)		(54)
Net income (loss)	(535)	333	(202)
Retained Earnings July 1	26,243	7,282	33,525
Retained Earnings June 30	\$ 25,708	\$ 7,615	\$ 33,323

Note 20 - Contingencies

- A. **Federal Grants** - The state has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the state. The state estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.
- B. **Litigation** - The state is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the state with respect to the various proceedings; however, the state's legal counsel believes that any ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the state.
- C. **The Year 2000 Issue** - Some computer programs were written using two digits rather than four to define the applicable year. As a result, those programs have time-sensitive software that recognize a date using "00" as the year 1900 rather than the year 2000. This could cause those systems to fail or make miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or engage in other normal business activity as early as fiscal year 1999.

Management of the state believes the Year 2000 Issue will not pose significant operational problems for its computer systems. However, because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the state is or will be Year 2000 ready, that the state's remediation efforts will be successful in whole or in part, or that parties with whom the state does business will be year 2000 ready.

The Information Technology Services agency is coordinating and monitoring the Year 2000 conversion process within the state. The awareness and assessment stages have been completed for all mission critical computer systems in the state. The state's central accounting system and payroll and human resource system have been converted and tested for Year 2000 compliance. In addition, approximately 35 percent of other mission critical systems have completed the remediation stage and are in the validation and testing stage. The other 65 percent of mission critical systems are in the remediation stage. The state estimates that additional Year 2000 project costs will not be material, and no material amount was committed at June 30, 1998 for subsequent Year 2000 expenditures.

Note 21 - Subsequent Events

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

Tax-exempt, General Obligation Bonds, Mississippi Gaming Counties Highway Improvements Project Series A totaling \$125,000,000 dated July 1, 1998. The bonds mature serially through the year 2018 at interest rates ranging from 5 percent to 5.5 percent.

Tax-exempt, General Obligation Bonds, Port of Pascagoula Project Issue, Archusa Water Park Dam Project Issue, Department of Education Tech-Prep Issue, Series B and Community and Junior College Telecommunications Issue, Series B totaling \$57,100,000 dated August 1, 1998. The bonds mature serially through the year 2008 at interest rates ranging from 4.25 percent to 5 percent.

Tax-exempt, General Obligation Port Improvement Bonds, Series 16 (For the Port of Gulfport) totaling \$40,000,000 dated September 1, 1998. The bonds mature serially through the year 2018 at interest rates ranging from 4 percent to 5.5 percent.

Taxable, General Obligation Bonds, Mississippi Farm Reform Act Issue, Series N and Economic Development Highway Act Issue, Series F totaling \$33,000,000 dated September 1, 1998. The bonds mature serially through the year 2013 at interest rates ranging from 5.85 percent to 6.5 percent.

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Taxable, General obligation Bonds, Mississippi Business Investment Act Issue, Series U, Mississippi Major Energy Project Development Issue and Mississippi Small Business Assistance Act Issue, Series C totaling \$57,650,000 dated October 1, 1998. The bonds mature serially through the year 2018 at interest rates ranging from 5.6 percent to 6.75 percent.

Tax-exempt, General Obligation bonds, Mississippi Small Enterprise Development Finance Act Issue, 1998 Series I through R totaling \$11,370,000 dated November 1, 1998. The bonds mature serially through the year 2013 at interest rates ranging from 4.15 percent to 6 percent.

Tax-exempt, General Obligation Bonds, Capital Improvements Issue, Series 1998B totaling \$104,830,000 dated November 1, 1998. The bonds mature serially through the year 2018 at interest rates ranging from 4.5 percent to 5.25 percent.

Required Supplementary Information

June 30, 1998

Schedule of Funding Progress

(Amounts Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b - a) / c)
Public Employees' Retirement System of Mississippi						
1996	\$ 8,025,533	\$ 10,572,035	\$ 2,546,502	75.9 %	\$ 3,185,289	79.9 %
1997	9,351,842	11,681,476	2,329,634	80.1	3,294,731	70.7
1998	11,058,602	13,004,063	1,945,461	85.0	3,450,176	56.4
Mississippi Highway Safety Patrol Retirement System						
1996	\$ 149,448	\$ 178,005	\$ 28,557	84.0 %	\$ 19,766	144.5 %
1997	168,270	189,901	21,631	88.6	19,460	111.2
1998	192,433	201,861	9,428	95.3	19,531	48.3
Municipal Retirement Systems*						
1995	\$ 117,406	\$ 355,195	\$ 237,789	33.1 %	\$ 15,105	1,574.2 %
1996	130,425	358,703	228,278	36.4	13,253	1,722.5
1997	197,815	358,428	160,613	55.2	11,874	1,352.6
Supplemental Legislative Retirement Plan						
1996	\$ 3,564	\$ 5,846	\$ 2,282	61.0 %	\$ 4,322	52.8 %
1997	4,482	6,970	2,488	64.3	5,277	47.1
1998	5,637	7,907	2,270	71.3	5,853	38.8

*Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 1998, does not differ materially from the value as of September 30, 1997.

See Notes to Required Supplementary Information.



Notes to Required Supplementary Information

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 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 past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the plan's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date. For additional information regarding this schedule, refer to the separately issued Comprehensive Annual Financial Report of the Public Employees' Retirement System for 1998.

General Fund

The General Fund accounts for resources obtained and used for those services traditionally provided by state government which are not required to be accounted for in another fund.

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General Fund

Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	June 30, 1998	June 30, 1997
Assets:		
Equity in internal investment pool	\$ 1,183,108	\$ 1,024,446
Cash and cash equivalents	59,401	20,421
Investments	640,694	592,744
Receivables, net:		
Taxes	394,907	353,138
Interest	14,034	15,995
Other	61,362	59,072
Due from other governments	531,980	483,489
Due from other funds	9,393	10,428
Due from component units	4,326	3,584
Food stamp and commodity inventory	30,019	90,054
Inventories	35,672	45,527
Loans and notes receivable	158,460	148,668
Other assets	4,145	4,145
	\$ 3,127,501	\$ 2,851,711
Liabilities:		
Warrants payable	\$ 113,756	\$ 90,278
Accounts payable and accruals	257,454	291,234
Contracts payable	60,423	45,900
Retainage payable	21,985	18,850
Income tax refunds payable	112,500	104,000
Due to other governments	154,502	140,495
Due to other funds	18,696	24,517
Due to component units	24,281	13,835
Deferred revenues	89,621	141,031
	853,218	870,140
Fund Balance:		
Reserved for:		
Encumbrances	48,226	39,903
Inventories	35,672	45,527
Long-term portion of loans and notes receivable	145,946	137,363
Long-term portion of due from other governments	272,542	235,535
Distribution to local governments	34,125	46,608
Unreserved:		
Designated for debt service	19,131	16,768
Designated for road and highway construction	267,896	317,493
Designated for working cash stabilization reserve account	225,434	212,802
Designated for special treasury accounts	710,649	461,825
Undesignated	514,662	467,747
	2,274,283	1,981,571
Total Fund Balance		
	\$ 3,127,501	\$ 2,851,711
Total Liabilities and Fund Balance		

MISSISSIPPI

General Fund

Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Fund Balance For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	For the Year Ended	
	June 30, 1998	June 30, 1997
Revenues:		
Taxes:		
Sales and use	\$ 2,059,249	\$ 1,920,884
Gasoline and other motor fuel	386,460	353,216
Privilege	66,290	65,288
Motor vehicle registration	28,023	25,406
Individual income	894,790	790,805
Alcoholic beverage	43,261	42,530
Corporate income and franchise	280,361	292,827
Severance	29,573	31,841
Inheritance	21,471	12,638
Tobacco	57,344	57,201
Insurance	112,207	107,224
Nuclear power	20,000	20,000
Other	18,436	16,503
Licenses, fees and permits:		
Gaming	170,908	158,454
User fees	13,417	12,807
Drivers' licenses	20,364	19,409
Other	62,250	59,002
Federal government	2,508,149	2,521,568
Interest	102,111	96,382
Charges for sales and services:		
Intergovernmental	22,713	12,885
Non-state government	205,658	194,497
Rentals	10,263	8,990
Other	383,355	205,339
Total Revenues	7,516,653	7,025,696
Expenditures:		
Current:		
General government	919,048	858,218
Education	1,877,504	1,741,910
Health and social services	2,589,448	2,621,315
Law, justice and public safety	356,829	311,275
Recreation and resources development	167,524	147,074
Transportation	749,466	694,895
Debt service:		
Principal	55,854	39,616
Interest and other fiscal charges	54,662	53,773
Total Expenditures	6,770,335	6,468,076
Excess of Revenues over Expenditures	746,318	557,620
Other Financing Sources (Uses):		
Proceeds from bonds and notes issued	110,933	131,710
Proceeds from capital leases	36,014	12,592
Proceeds from certificates of participation	3,215	
Operating transfers in	39,958	37,225
Operating transfers out	(133,208)	(136,448)
Operating transfers to component units	(500,663)	(454,399)
Net Other Financing Uses	(443,751)	(409,320)
Excess of Revenues and Other Sources over Expenditures and Other Uses	302,567	148,300
Fund Balance July 1, as restated	1,981,571	1,817,587
Increase (Decrease) in Reserve for Inventories	(9,855)	15,684
Fund Balance June 30	\$ 2,274,283	\$ 1,981,571

MISSISSIPPI

General Fund

Schedule of Current Expenditures by Function and Department For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	For the Year Ended	
	June 30, 1998	June 30, 1997
General Government:		
Legislative (includes Legislative Budget Office and Legislative Office of Performance Evaluation and Expenditure Review)	\$ 17,911	\$ 18,190
Governor's Office and Mansion	2,941	2,582
Secretary of State	7,610	6,577
Department of Audit	9,741	9,219
Department of Finance and Administration	27,620	23,608
Treasurer	2,059	1,552
Tax Commission	239,239	227,764
Department of Archives and History	5,938	5,495
Department of Insurance	5,339	4,446
Diversions to Counties and Cities	589,596	546,982
Gaming Commission	8,469	8,925
Other	2,585	2,878
Total General Government	919,048	858,218
Education:		
Department of Education	1,676,963	1,569,280
Junior Colleges	176,243	147,967
Educational Television Authority	14,533	13,711
Library Commission	9,765	10,952
Total Education	1,877,504	1,741,910
Health and Social Services:		
Department of Health	178,883	178,204
Division of Medicaid (Governor's Office)	1,542,505	1,520,203
Department of Mental Health and Related Institutions	311,506	287,201
Department of Human Services	493,931	581,029
Department of Rehabilitation Services	43,824	42,981
Other	18,799	11,697
Total Health and Social Services	2,589,448	2,621,315
Law, Justice and Public Safety:		
Attorney General	11,582	10,364
Circuit and Chancery Judges and District Attorneys	16,961	15,317
Department of Corrections	218,731	178,010
Military Department	7,906	13,440
Department of Public Safety	58,313	56,995
Bureau of Narcotics	10,162	7,731
Supreme Court	30,064	26,709
Other	3,110	2,709
Total Law, Justice and Public Safety	356,829	311,275
Recreation and Resources Development:		
Department of Agriculture and Commerce	12,593	13,671
Department of Economic and Community Development	81,140	60,452
Forestry Commission	29,513	27,733
Department of Environmental Quality	37,091	35,862
Department of Wildlife, Fisheries and Parks	4,961	4,782
Other	2,226	4,574
Total Recreation and Resources Development	167,524	147,074
Transportation:		
Department of Transportation	749,466	694,895
Total Expenditures by Function and Department	\$ 6,659,819	\$ 6,374,687

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Significant Special Revenue Funds Descriptions

The numerous special revenue funds used by the state have been grouped by organizational unit and combined into specific functions.

Health and Social Services

Department of Human Services - The **Community Services Fund** accounts for federal grant monies received to provide services and programs for children and youth, aging adults and economically disadvantaged citizens.

Department of Rehabilitation Services - The **Rehabilitation Services Fund** accounts for federal and state monies used to provide vocational rehabilitation programs for the blind. The **Disability Determination Fund** accounts for funds received from the federal government for the specific purpose of evaluating applicants for Social Security benefits consistent with laws and regulations pertaining to disability eligibility.

Employment Security Commission - The **Employment Services Fund** accounts for monies received from the federal government for administering the Unemployment Compensation Act.

Department of Mental Health - The **Alcohol Abuse Program Fund** accounts for a three percent tax on alcoholic beverages collected by and transferred from the General Fund for the purpose of administering alcohol abuse treatment and rehabilitation programs. Expenditures consist primarily of grants for regional alcohol treatment programs, vocational rehabilitation services, inpatient treatment programs and alcohol rehabilitation programs for the Department of Corrections.

Law, Justice and Public Safety

Department of Corrections - The **Community Services Fund** provides alternative diversionary programs which subject individuals to the minimum supervision and control that the inmate requires in lieu of incarceration within the penitentiary. Revenue is provided by probation release fees.

Department of Public Safety - The **Public Safety Planning Fund** accounts for federal grant monies received to provide for criminal justice planning, national highway traffic safety and drug-free communities.

Military Department - The **National Guard Facility and Training Fund** accounts for monies received from the federal government to maintain, expand, and improve facilities within the state and to pay the salaries of state employees working at training sites. The **Camp Shelby Operations Fund** accounts for federal monies received for the specific purpose of training troops. The fund also accounts for funds received from sale of timber, mineral leases on lands, and store sales. Expenditures are for the maintenance of Camp Shelby.



Emergency Management - The **Emergency Management Fund** accounts for grant monies received from the federal government and transfers from the General Fund. Expenditures are restricted by the various grant agreements but all pertain to emergency management programs and their administration.

Recreation and Resources Development

Department of Agriculture and Commerce - The **Rice and Soybean Promotion Fund** accounts for fees charged for the sale of rice and soybeans. This revenue is expended to promote the rice and soybean industries, through research, education and advertising.

Department of Economic and Community Development - The **Community Development Fund** accounts for federal grant monies received to provide various community development programs including job development and training. The **Energy Conservation Fund** accounts for state and federal monies and other revenues used to coordinate the state's energy activities, needs, and programs.

Department of Wildlife, Fisheries and Parks - The **Fisheries and Wildlife Fund** accounts for expenditures of enforcing laws for the preservation and protection of the state's wildlife resources and enhancing their environments. Additional responsibilities and expenses of this fund are enforcement of boating safety on state lakes and streams and enforcement of hunter safety. The Fisheries and Wildlife Fund also shares in administrative costs of the Department of Wildlife, Fisheries and Parks through operating transfers to the administrative fund. Revenues are derived from the sale of hunting and fishing licenses, fees and permits, taxes and federal grants. The **Parks and Recreation Fund** accounts for expenditures to support the varied activities to promote, operate and maintain the twenty-seven park sites located throughout the state. Funding is provided by user fees, federal grants and transfers from the General Fund. The **Motor Vehicle Fund** accounts for the purchase of motor vehicles for the Department of Wildlife, Fisheries and Parks. Funding is provided primarily by eight percent of the proceeds from the sale of hunting and fishing licenses, fees and permits.

Department of Marine Resources - The **Marine Resources Fund** accounts for expenditures of conserving and protecting marine resources and of administering coastal zone, liaison and statistical programs as directed by the National Office of Marine Fisheries. Funding is provided by transfers from the General Fund and by federal grants.

Regulation of Business and Professions

Public Service Commission - The **Public Service Commission Fund** accounts for the costs of regulating all for-hire transportation and communication, electric, gas, water and sewer utilities. Revenue is derived principally from motor carrier application and registration fees and utilities tax assessments.

Workers' Compensation Commission - The **Workers' Compensation Commission Fund** accounts for expenditures relating to administering the provisions of the Mississippi Workers' Compensation Law, which include cooperating with other state and federal authorities for the prevention of injuries and occupational diseases and, in the event of such injuries and diseases, coordinating the rehabilitation or restoration to health and vocational opportunity of the affected worker.

Department of Banking and Consumer Finance - The **Banking and Consumer Finance Fund** accounts for assessment fees charged to banks to fund the regulation and supervision of banks operating within the state. This fund also accounts for funds collected in the examining and licensing of motor vehicle finance organizations and small loan organizations.

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Oil and Gas Board - The **Oil and Gas Board Fund** accounts for fees imposed on producing wells, drilling and operations. Funds are used to protect public and private interests against waste in the production and use of oil and gas, to obtain full development in oil production within the state and to maintain records of all oil and gas wells drilled and producing.

Other Regulatory Agencies - The **Other Regulatory Agencies Fund** provides for the control and regulation of various professions by boards and commissions established for this purpose. Revenue is provided by examination and license renewal fees. Each board or commission has its own account within this fund to account for its operation.

Special Revenue Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development
Assets:			
Equity in internal investment pool	\$ 8,568	\$ 15,963	\$ 23,848
Cash and cash equivalents	666	2,558	1,684
Investments	95	350	21,786
Receivables, net:			
Interest	1	2	168
Other	4,076	656	1,355
Due from other governments	15,683	12,941	18,680
Due from other funds	2,150	171	3,385
Due from component units		17	
Inventories	81	1,144	342
Loans and notes receivable			756
Total Assets	\$ 31,320	\$ 33,802	\$ 72,004
Liabilities:			
Warrants payable	\$ 2,507	\$ 1,825	\$ 3,493
Accounts payable and accruals	7,490	2,208	2,893
Due to other governments	210	475	2,227
Due to other funds	1,095	444	801
Due to component units	34	62	879
Deferred revenues	12,785	8,799	617
Loans from other funds	36		
Other liabilities			
Total Liabilities	24,157	13,813	10,910
Fund Balances:			
Reserved for:			
Encumbrances	1,727	2,945	1,420
Inventories	81	1,144	342
Long-term portion of loans and notes receivable			451
Long-term portion of due from other governments			10,058
Disaster relief assistance		3,735	
Unreserved:			
Designated for municipalities crime prevention		2,359	
Designated for future loans			2,478
Designated for energy programs			5,341
Undesignated	5,355	9,806	41,004
Total Fund Balances	7,163	19,989	61,094
Total Liabilities and Fund Balances	\$ 31,320	\$ 33,802	\$ 72,004

Regulation of Business and Professions		Totals	
		June 30, 1998	June 30, 1997
\$	30,945	\$ 79,324	\$ 64,728
	3,595	8,503	6,415
	1,800	24,031	26,631
	16	187	110
	497	6,584	3,526
	765	48,069	44,239
	2,028	7,734	13,257
		17	
		1,567	1,605
		756	1,236
\$	39,646	\$ 176,772	\$ 161,747
\$	775	\$ 8,600	\$ 8,625
	235	12,826	11,486
		2,912	1,917
	54	2,394	3,935
		975	491
	124	22,325	16,655
		36	44
	401	401	253
	1,589	50,469	43,406
	388	6,480	5,051
		1,567	1,605
		451	828
		10,058	9,184
		3,735	3,404
		2,359	2,965
		2,478	3,478
		5,341	12,643
	37,669	93,834	79,183
	38,057	126,303	118,341
\$	39,646	\$ 176,772	\$ 161,747

MISSISSIPPI

Special Revenue Funds

Combining Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Fund Balances For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development
Revenues:			
Taxes	\$	\$	\$ 5,800
Licenses, fees and permits	251	3,221	24,910
Federal government	107,213	44,656	104,409
Interest	71	470	2,374
Charges for services	1,232	1,282	3,293
Rentals			133
Court assessments			348
Other	3,839	4,263	940
Total Revenues	112,606	53,892	142,207
Expenditures:			
Current:			
Health and social services	126,023		
Law, justice and public safety		52,128	
Recreation and resources development			137,271
Regulation of business and professions			
Debt service:			
Principal		210	
Interest		37	
Total Expenditures	126,023	52,375	137,271
Excess of Revenues over (under) Expenditures	(13,417)	1,517	4,936
Other Financing Sources (Uses):			
Operating transfers in	18,173	4,523	16,976
Operating transfers out	(6,358)	(4,484)	(16,529)
Operating transfers to component units		(881)	(343)
Net Other Financing Sources (Uses)	11,815	(842)	104
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(1,602)	675	5,040
Fund Balances July 1, as restated	8,757	19,085	56,329
Increase (Decrease) in Reserve for Inventories	8	229	(275)
Fund Balances June 30	\$ 7,163	\$ 19,989	\$ 61,094

Regulation of Business and Professions	Totals for the Year Ended	
	June 30, 1998	June 30, 1997
\$	\$ 5,800	\$ 5,650
26,760	55,142	48,486
1,123	257,401	256,946
229	3,144	3,230
72	5,879	5,150
	133	152
	348	210
168	9,210	8,665
28,352	337,057	328,489
	126,023	115,200
	52,128	70,654
	137,271	119,559
24,007	24,007	22,518
	210	204
	37	13
24,007	339,676	328,148
4,345	(2,619)	341
	39,672	33,289
(458)	(27,829)	(31,344)
	(1,224)	
(458)	10,619	1,945
3,887	8,000	2,286
34,170	118,341	116,104
	(38)	(49)
\$ 38,057	\$ 126,303	\$ 118,341

Special Revenue Funds

Combining Balance Sheet Health and Social Services June 30, 1998

(Amounts Expressed in Thousands)

	Department of Human Services		Department of Rehabilitation Services	
	Community Services	Rehabilitation Services	Disability Determination	
Assets:				
Equity in internal investment pool	\$ 2,374	\$ 10	\$ 2,944	
Cash and cash equivalents	2			
Investments		95		
Receivables, net:				
Interest		1		
Other	3,827			3
Due from other governments	14,209	100		850
Due from other funds		204		29
Inventories				
Total Assets	\$ 20,412	\$ 410	\$ 3,826	
Liabilities:				
Warrants payable	\$ 1,087	\$ 7	\$ 697	
Accounts payable and accruals	5,502	2	525	
Due to other governments				
Due to other funds	811			63
Due to component units				
Deferred revenues	12,650	2		
Loans from other funds				
Total Liabilities	20,050	11	1,285	
Fund Balances (Deficit):				
Reserved for:				
Encumbrances	466			948
Inventories				
Unreserved:				
Undesignated	(104)	399		1,593
Total Fund Balances	362	399	2,541	
Total Liabilities and Fund Balances	\$ 20,412	\$ 410	\$ 3,826	

Employment Security Commission	Department of Mental Health			Totals	
	Employment Services	Alcohol Abuse Program	Social Services	June 30, 1998	June 30, 1997
\$ 2,729	\$ 511	\$	\$	\$ 8,568	\$ 5,632
344			320	666	796
				95	90
				1	2
108	49		89	4,076	1,594
524				15,683	10,610
1,650	267			2,150	3,562
81				81	73
\$ 5,436	\$ 827	\$	\$ 409	\$ 31,320	\$ 22,359
\$ 527	\$ 189	\$	\$	\$ 2,507	\$ 2,106
1,192	220		49	7,490	2,831
210				210	136
53	150		18	1,095	1,353
34				34	26
133				12,785	7,106
36				36	44
2,185	559		67	24,157	13,602
313				1,727	1,675
81				81	73
2,857	268		342	5,355	7,009
3,251	268		342	7,163	8,757
\$ 5,436	\$ 827	\$	\$ 409	\$ 31,320	\$ 22,359

Special Revenue Funds

**Combining Statement of Revenues, Expenditures, Other Financing Sources and Uses,
and Changes in Fund Balances
Health and Social Services
For the Year Ended June 30, 1998**

(Amounts Expressed in Thousands)

	Department of Human Services	Department of Rehabilitation Services		Employment Security Commission
	Community Services	Rehabilitation Services	Disability Determination	Employment Services
Revenues:				
Licenses, fees and permits	\$	\$	\$	\$
Federal government	54,143	1,390	19,042	32,638
Interest		7	54	5
Charges for services	4	170	163	
Other	136	88	2,047	1,568
Total Revenues	54,283	1,655	21,306	34,211
Expenditures:				
Health and social services	57,538	1,618	19,643	43,241
Excess of Revenues over (under) Expenditures	(3,255)	37	1,663	(9,030)
Other Financing Sources (Uses):				
Operating transfers in	5,433			9,054
Operating transfers out	(4,475)	(100)	(571)	(168)
Net Other Financing Sources (Uses)	958	(100)	(571)	8,886
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,297)	(63)	1,092	(144)
Fund Balances July 1	2,659	462	1,449	3,387
Increase (Decrease) in Reserve for Inventories				8
Fund Balances June 30	\$ 362	\$ 399	\$ 2,541	\$ 3,251

Department of Mental Health		Totals for the Year Ended	
Alcohol Abuse Program	Social Services	June 30, 1998	June 30, 1997
\$	\$ 251	\$ 251	\$ 258
		107,213	105,462
	5	71	22
	895	1,232	838
		3,839	3,703
	1,151	112,606	110,283
2,916	1,067	126,023	115,200
(2,916)	84	(13,417)	(4,917)
3,686		18,173	16,254
(1,044)		(6,358)	(8,156)
2,642		11,815	8,098
(274)	84	(1,602)	3,181
542	258	8,757	5,592
		8	(16)
\$ 268	\$ 342	\$ 7,163	\$ 8,757

Special Revenue Funds

Combining Balance Sheet Law, Justice and Public Safety June 30, 1998

(Amounts Expressed in Thousands)

	Attorney General	Department of Corrections		Department of Public Safety
	Medicaid Fraud	Community Services	Inmate Welfare and Training	Public Safety Planning
Assets:				
Equity in internal investment pool	\$ 26	\$ 1,931	\$ 127	3,453
Cash and cash equivalents		173	1,375	
Investments				
Receivables, net:				
Interest				
Other		26	292	331
Due from other governments	1			1,109
Due from other funds	2	23	146	
Due from component units				
Inventories				
Total Assets	\$ 29	\$ 2,153	\$ 1,940	\$ 4,893
Liabilities:				
Warrants payable	\$ 25	\$ 245	\$	\$ 406
Accounts payable and accruals	6	107	123	826
Due to other governments			3	
Due to other funds			303	126
Due to component units				48
Deferred revenues				426
Total Liabilities	31	352	429	1,832
Fund Balances (Deficit):				
Reserved for:				
Encumbrances	42	111	981	26
Inventories				
Disaster relief assistance				
Unreserved:				
Designated for municipalities crime prevention				2,359
Undesignated	(44)	1,690	530	676
Total Fund Balances (Deficit)	(2)	1,801	1,511	3,061
Total Liabilities and Fund Balances	\$ 29	\$ 2,153	\$ 1,940	\$ 4,893

Military Department				Totals	
National Guard					
Facility and Training	Camp Shelby Operations	Emergency Management	Other	June 30, 1998	June 30, 1997
\$ 926	\$ 695	\$ 7,925	\$ 880	\$ 15,963	\$ 15,365
	383		627	2,558	2,936
	350			350	350
	2			2	1
	7			656	419
7,405	3,995	431		12,941	15,383
				171	205
		17		17	
	1,144			1,144	915
\$ 8,331	\$ 6,576	\$ 8,373	\$ 1,507	\$ 33,802	\$ 35,574
\$ 493	\$ 559	\$ 97	\$	\$ 1,825	\$ 1,742
509	536	82	19	2,208	5,156
7	3	460	2	475	775
15				444	1,187
		14		62	92
4,953	3,124	296		8,799	7,537
5,977	4,222	949	21	13,813	16,489
1,104	635	46		2,945	959
	1,144			1,144	915
		3,735		3,735	3,404
				2,359	2,965
1,250	575	3,643	1,486	9,806	10,842
2,354	2,354	7,424	1,486	19,989	19,085
\$ 8,331	\$ 6,576	\$ 8,373	\$ 1,507	\$ 33,802	\$ 35,574

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Special Revenue Funds

Combining Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Fund Balances Law, Justice and Public Safety For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	<u>Attorney General</u>	<u>Department of Corrections</u>		<u>Department of Public Safety</u>
	Medicaid Fraud	Community Services	Inmate Welfare and Training	Public Safety Planning
Revenues:				
Licenses, fees and permits	\$	\$ 2,846	\$	\$
Federal government	821			10,556
Interest		5	43	13
Charges for services				
Other		35	3,374	576
Total Revenues	821	2,886	3,417	11,145
Expenditures:				
Current:				
Law, justice and public safety	1,020	1,910	2,166	10,999
Debt service:				
Principal			210	
Interest			37	
Total Expenditures	1,020	1,910	2,413	10,999
Excess of Revenues over (under) Expenditures	(199)	976	1,004	146
Other Financing Sources (Uses):				
Operating transfers in	197	235	491	1,488
Operating transfers out		(622)	(1,788)	(1,036)
Operating transfers to component units				(881)
Net Other Financing Sources (Uses)	197	(387)	(1,297)	(429)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2)	589	(293)	(283)
Fund Balances July 1		1,212	1,804	3,344
Increase (Decrease) in Reserve for Inventories				
Fund Balances (Deficit) June 30	\$ (2)	\$ 1,801	\$ 1,511	\$ 3,061

<u>Military Department</u>				<u>Totals for the Year Ended</u>			
National Guard							
Facility and Training	Camp Shelby Operations	Emergency Management	Other	June 30, 1998	June 30, 1997		
\$	\$	\$	12 \$	363 \$	3,221 \$	2,728 \$	
16,650	12,780	3,849		44,656	62,311		
	28	368		470	481		
	1,282			1,282	1,206		
		278		4,263	4,179		
16,650	14,090	4,507	376	53,892	70,905		
15,991	14,218	5,436	388	52,128	70,654		
				210	204		
				37	13		
15,991	14,218	5,436	388	52,375	70,871		
659	(128)	(929)	(12)	1,517	34		
664		1,448		4,523	4,078		
		(1,038)		(4,484)	(5,705)		
				(881)			
664		410		(842)	(1,627)		
1,323	(128)	(519)	(12)	675	(1,593)		
1,031	2,253	7,943	1,498	19,085	20,750		
	229			229	(72)		
\$ 2,354	\$ 2,354	\$ 7,424	\$ 1,486	\$ 19,989	\$ 19,085		

Special Revenue Funds

Combining Balance Sheet Recreation and Resources Development June 30, 1998

(Amounts Expressed in Thousands)

	Department of Agriculture and Commerce	Department of Economic and Community Development			Department of Finance and Administration
	Rice and Soybean Promotion	Community Development	Energy Conservation	Other	Court Assessments and Settlements
Assets:					
Equity in internal investment pool	\$ 1,257	\$ 1,939	\$ 780	\$ 5	\$
Cash and cash equivalents	488			84	
Investments	850		12,246	231	1,418
Receivables, net:					
Interest		103	16	1	
Other	293	655			
Due from other governments		16,613	101	5	
Due from other funds		42		5	
Inventories					
Loans and notes receivable			756		
Total Assets	\$ 2,888	\$ 19,352	\$ 13,899	\$ 331	\$ 1,418
Liabilities:					
Warrants payable	\$	\$ 1,525	\$ 66	\$	\$
Accounts payable and accruals	400	1,383	46		
Due to other governments		2,189			
Due to other funds		721	25		
Due to component units	176	26	320		
Deferred revenues		553			
Total Liabilities	576	6,397	457		
Fund Balances:					
Reserved for:					
Encumbrances		17	153		
Inventories					
Long-term portion of loans and notes receivable			451		
Long-term portion of due from other governments		10,058			
Unreserved:					
Designated for future loans		2,478			
Designated for energy programs			5,341		
Undesignated	2,312	402	7,497	331	1,418
Total Fund Balances	2,312	12,955	13,442	331	1,418
Total Liabilities and Fund Balances	\$ 2,888	\$ 19,352	\$ 13,899	\$ 331	\$ 1,418

Department of Wildlife, Fisheries and Parks						Totals	
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other	Department of Marine Resources	Other	June 30, 1998	June 30, 1997
\$ 9,354	\$ 1,042	\$ 1,236	\$ 3,764	\$ 3,836	\$ 635	\$ 23,848	\$ 17,965
390	381	22	83	4	232	1,684	1,442
3,000	200	175	2,975		691	21,786	22,391
9			27		12	168	97
365	18	10	3	11		1,355	1,195
1,635				326		18,680	17,563
2,500			38	800		3,385	5,690
146	196					342	617
						756	1,236
\$ 17,399	\$ 1,837	\$ 1,443	\$ 6,890	\$ 4,977	\$ 1,570	\$ 72,004	\$ 68,196
\$ 837	\$ 616	\$ 17	\$ 31	\$ 355	\$ 46	\$ 3,493	\$ 3,962
379	275		1	393	16	2,893	3,317
				28	10	2,227	1,006
53				2		801	1,321
321	5			31		879	373
		64				617	1,888
1,590	896	81	32	809	72	10,910	11,867
208	392	643			7	1,420	2,105
146	196					342	617
						451	828
						10,058	9,184
						2,478	3,478
						5,341	12,643
15,455	353	719	6,858	4,168	1,491	41,004	27,474
15,809	941	1,362	6,858	4,168	1,498	61,094	56,329
\$ 17,399	\$ 1,837	\$ 1,443	\$ 6,890	\$ 4,977	\$ 1,570	\$ 72,004	\$ 68,196

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Special Revenue Funds

Combining Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Fund Balances Recreation and Resources Development For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Department of Agriculture and Commerce	Department of Economic and Community Development			Department of Finance and Administration
	Rice and Soybean Promotion	Community Development	Energy Conservation	Other	Court Assessments and Settlements
Revenues:					
Taxes	\$	\$	\$	\$	\$
Licenses, fees and permits	1,739			5	
Federal government		93,108	374		
Interest	81	568	649	14	65
Charges for services	912	16		150	
Rentals					
Court assessments			27		321
Other		267	19		
Total Revenues	2,732	93,959	1,069	169	386
Expenditures:					
Recreation and resources development	2,700	77,052	2,300	173	
Excess of Revenues over (under) Expenditures	32	16,907	(1,231)	(4)	386
Other Financing Sources (Uses):					
Operating transfers in	200			5	
Operating transfers out		(15,238)	(214)		
Operating transfers to component units		(343)			
Net Other Financing Sources (Uses)	200	(15,581)	(214)	5	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	232	1,326	(1,445)	1	386
Fund Balances July 1, as restated	2,080	11,629	14,887	330	1,032
Increase (Decrease) in Reserve for Inventories					
Fund Balances June 30	\$ 2,312	\$ 12,955	\$ 13,442	\$ 331	\$ 1,418

Department of Wildlife, Fisheries and Parks					Totals for the Year Ended			
Fisheries and Wildlife	Parks and Recreation	Motor Vehicle	Other	Department of Marine Resources	Other	June 30, 1998	June 30, 1997	
\$ 5,000	\$	\$	\$	\$ 800	\$	\$ 5,800	\$ 5,650	
12,946	7,236	951	437	732	864	24,910	21,867	
8,904	71			1,952		104,409	88,092	
579	84	65	219		50	2,374	2,473	
757	46	591	91	663	67	3,293	2,931	
101	32					133	152	
						348	210	
345	185		46	28	50	940	617	
28,632	7,654	1,607	793	4,175	1,031	142,207	121,992	
26,896	14,576	1,904	2,762	8,801	107	137,271	119,559	
1,736	(6,922)	(297)	(1,969)	(4,626)	924	4,936	2,433	
(29)	7,116 (233)		3,996	5,659 (2)	(813)	16,976 (16,529) (343)	12,803 (17,026)	
(29)	6,883		3,996	5,657	(813)	104	(4,223)	
1,707	(39)	(297)	2,027	1,031	111	5,040	(1,790)	
14,125 (23)	1,232 (252)	1,659	4,831	3,137	1,387	56,329 (275)	58,080 39	
\$ 15,809	\$ 941	\$ 1,362	\$ 6,858	\$ 4,168	\$ 1,498	\$ 61,094	\$ 56,329	

Special Revenue Funds

Combining Balance Sheet Regulation of Business and Professions June 30, 1998

(Amounts Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
Assets:			
Equity in internal investment pool	\$ 15,712	\$ 1,440	\$ 2,531
Cash and cash equivalents		3,300	
Investments		1,800	
Receivables, net:			
Interest		16	
Other	6	468	8
Due from other governments	765		
Due from other funds	2,028		
Total Assets	\$ 18,511	\$ 7,024	\$ 2,539
Liabilities:			
Warrants payable	\$ 215	\$ 154	\$ 64
Accounts payable and accruals	146	26	
Due to other funds	10		5
Deferred revenues			
Other liabilities		401	
Total Liabilities	371	581	69
Fund Balances:			
Reserved for:			
Encumbrances		45	
Unreserved:			
Undesignated	18,140	6,398	2,470
Total Fund Balances	18,140	6,443	2,470
Total Liabilities and Fund Balances	\$ 18,511	\$ 7,024	\$ 2,539

Oil and Gas Board	Other Regulatory Agencies	Totals	
		June 30, 1998	June 30, 1997
\$ 1,529	\$ 9,733	\$ 30,945	\$ 25,766
	295	3,595	1,241
		1,800	3,800
		16	10
12	3	497	318
		765	683
		2,028	3,800
<u>\$ 1,541</u>	<u>\$ 10,031</u>	<u>\$ 39,646</u>	<u>\$ 35,618</u>
\$ 58	\$ 284	\$ 775	\$ 815
52	11	235	182
6	33	54	74
	124	124	124
		401	253
<u>116</u>	<u>452</u>	<u>1,589</u>	<u>1,448</u>
2	341	388	312
<u>1,423</u>	<u>9,238</u>	<u>37,669</u>	<u>33,858</u>
<u>1,425</u>	<u>9,579</u>	<u>38,057</u>	<u>34,170</u>
<u>\$ 1,541</u>	<u>\$ 10,031</u>	<u>\$ 39,646</u>	<u>\$ 35,618</u>

Special Revenue Funds

**Combining Statement of Revenues, Expenditures, Other Financing Sources and Uses,
and Changes in Fund Balances
Regulation of Business and Professions
For the Year Ended June 30, 1998**

(Amounts Expressed in Thousands)

	Public Service Commission	Workers' Compensation Commission	Department of Banking and Consumer Finance
Revenues:			
Licenses, fees and permits	\$ 8,870	\$ 4,489	\$ 2,815
Federal government	1,081		
Interest		179	
Charges for services	12	35	
Other	86	2	
Total Revenues	10,049	4,705	2,815
Expenditures:			
Regulation of business and professions	7,941	4,105	2,706
Excess of Revenues over Expenditures	2,108	600	109
Other Financing Sources (Uses):			
Operating transfers in			
Operating transfers out	(456)		
Net Other Financing Uses	(456)		
Excess of Revenues and Other Sources over Expenditures and Other Uses	1,652	600	109
Fund Balances July 1	16,488	5,843	2,361
Fund Balances June 30	\$ 18,140	\$ 6,443	\$ 2,470

		<u>Totals for the Year Ended</u>				
<u>Oil and Gas</u>	<u>Other</u>					
<u>Board</u>	<u>Regulatory</u>					
<u>Agencies</u>			<u>June 30, 1998</u>	<u>June 30, 1997</u>		
\$ 1,946	\$ 8,640	\$ 26,760	\$ 23,633			
42		1,123	1,081			
	50	229	254			
	25	72	175			
	80	168	166			
1,988	8,795	28,352	25,309			
1,700	7,555	24,007	22,518			
288	1,240	4,345	2,791			
			154			
	(2)	(458)	(457)			
	(2)	(458)	(303)			
288	1,238	3,887	2,488			
1,137	8,341	34,170	31,682			
\$ 1,425	\$ 9,579	\$ 38,057	\$ 34,170			

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Debt Service Fund

The debt service fund accounts for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations which have been authorized and issued to provide funds for constructing and improving state-owned facilities (including ports, university facilities, public schools, parks, bridges and roads), to provide loans to facilitate and promote further economic development and for the purpose of refunding outstanding bonds of the state. The obligations are backed by the full faith, credit and taxing power of the state.

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Debt Service Fund

Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	June 30, 1998	June 30, 1997
Assets:		
Equity in internal investment pool	\$ 6,787	\$ 8,638
Investments	1,157	2,587
Interest receivable	308	253
Due from other funds	1,332	
Loan receivable		8,410
Total Assets	\$ 9,584	\$ 19,888
Liabilities:		
Accounts payable	\$ 44	\$ 107
Due to other funds	3,051	3,930
Total Liabilities	3,095	4,037
Fund Balance:		
Unreserved, designated for future debt service	6,489	15,851
Total Fund Balance	6,489	15,851
Total Liabilities and Fund Balance	\$ 9,584	\$ 19,888

Debt Service Fund

Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Fund Balance For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	For the Year Ended	
	June 30, 1998	June 30, 1997
Revenues:		
Interest and other investment income, net	\$ 3,640	\$ 4,422
Expenditures:		
Debt service:		
Bond principal retirement	44,234	45,859
Interest and other fiscal charges	35,524	35,272
Defeasance of debt	2,800	
Total Expenditures	82,558	81,131
Excess of Revenue under Expenditures	(78,918)	(76,709)
Other Financing Sources (Uses):		
Proceeds of refunding bonds		79,421
Payment to refunded bond escrow agent		(79,334)
Operating transfers in	69,831	72,487
Operating transfers out	(275)	(2,002)
Net Other Financing Sources	69,556	70,572
Excess of Revenues and Other Sources under Expenditures and Other Uses	(9,362)	(6,137)
Fund Balance July 1	15,851	21,988
Fund Balance June 30	\$ 6,489	\$ 15,851

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of major governmental general fixed assets. Funding is provided principally by long-term bonds. Other revenue is provided by state and local funding. The revenue is used for the construction, renovation and repair of buildings and the purchase of equipment to be used by various state agencies and educational institutions. Expenditures other than capital outlay are on behalf of organizations outside the state reporting entity, such as community colleges, cities, counties or school districts.

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Capital Projects Fund

Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	June 30, 1998	June 30, 1997
Assets:		
Equity in internal investment pool	\$ 102,371	\$ 150,180
Investments	284,515	193,160
Interest receivable	1,592	4,732
Due from other funds	593	2,901
Total Assets	\$ 389,071	\$ 350,973
Liabilities:		
Warrants payable	\$ 3,774	\$ 2,409
Accounts payable	104	
Contracts payable	18,239	21,085
Retainage payable	12,160	12,690
Total Liabilities	34,277	36,184
Fund Balance:		
Unreserved, designated for debt service	5,175	9,161
Unreserved, designated for future capital projects	349,619	305,628
Total Fund Balance	354,794	314,789
Total Liabilities and Fund Balance	\$ 389,071	\$ 350,973

Capital Projects Fund

Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Fund Balance For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	For the Year Ended	
	June 30, 1998	June 30, 1997
Revenues:		
Interest	\$ 15,443	\$ 18,237
Other	3,110	5,425
Total Revenues	18,553	23,662
Expenditures:		
Current:		
Education	30,128	23,566
Debt service:		
Bond issuance costs	71	50
Capital outlay	84,883	86,435
Total Expenditures	115,082	110,051
Excess of Revenues under Expenditures	(96,529)	(86,389)
Other Financing Sources (Uses):		
Proceeds from general obligation bond issues	227,723	106,238
Operating transfers in	22,282	30,678
Operating transfers out	(21,920)	(13,845)
Operating transfers from component units	9,813	7,764
Operating transfers to component units	(101,364)	(86,602)
Net Other Financing Sources	136,534	44,233
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	40,005	(42,156)
Fund Balance July 1	314,789	356,945
Fund Balance June 30	\$ 354,794	\$ 314,789

Enterprise Funds

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

Enterprise Funds Descriptions

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

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

Veterans' Memorial Stadium Commission- The **Veterans' Memorial Stadium Commission Fund** accounts for operations of the Veterans' Memorial Stadium in Jackson. Funding is provided by admission fees and concessions.

Port Authority at Gulfport - 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 interest income. Expenses include port operation, construction and the payment of maturing bond interest and principal.

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

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

State Treasurer - 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 interest on investments.

Other Enterprise Operations

Department of Agriculture and Commerce - The **Farmers' Central Market Board Fund** accounts for the construction, maintenance and operation of facilities for processing, storing and marketing agricultural products. Funding is derived from rental income. The **Agriculture and Forestry Museum Fund** accounts for operations of the museum. Revenue is generated from the sale of goods, ticket sales and rental income.

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Forestry Commission - The **Tree Seedling Fund** accounts for the production or purchase of forest tree seedlings for resale to Mississippi landowners.

Department of Finance and Administration - The **Office of Surplus Property Fund** receives and maintains an inventory of surplus federal property and redistributes it to state agencies and departments, counties, municipalities and other eligible donees within the state. Fees are collected from the donees to offset operating costs.

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

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All Enterprise Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission
Assets:			
Current assets:			
Equity in internal investment pool	\$ 1,313	\$ 8,532	\$ 364
Cash and cash equivalents	88	2	11
Investments			401
Receivables, net:			
Accounts	115	13	
Interest		450	1
Due from other governments		17	
Due from other funds			
Due from component units			
Inventories			
Prepaid expenses			
Loans and notes receivable, current portion		3,835	
Total Current Assets	1,516	12,849	777
Restricted assets:			
Equity in internal investment pool			
Cash and cash equivalents			
Investments			
Interest receivable, net			
Total Restricted Assets			
Loans receivable, net of current portion		96,100	
Fixed Assets:			
Land	945		143
Buildings and improvements, net	9,570		1,379
Machinery and equipment, net	105	19	154
Construction in progress			
Total Fixed Assets	10,620	19	1,676
Total Assets	\$ 12,136	\$ 108,968	\$ 2,453

Port Authority at Gulfport	Yellow Creek Inland Port Authority	Department of Rehabilitation Services	State Treasurer	Other	Totals	
		Allied Enterprises	Prepaid Affordable College Tuition		June 30, 1998	June 30, 1997
\$ 3	\$	\$	\$ 775	\$ 3,378	\$ 14,365	\$ 10,892
10,851	3,787	2,779	1,607	569	19,694	15,954
7,907			32,194		40,502	21,725
791	123	1,244		87	2,373	2,548
161	17		14		643	659
		144		75	92	43
		345		426	570	442
				598	943	757
53	26				79	15
					3,835	3,740
19,766	3,953	4,512	34,590	5,133	83,096	56,776
74					74	71
662					662	115
1,976					1,976	4,085
5					5	11
2,717					2,717	4,282
					96,100	91,045
7,362	2,198			1,828	12,476	10,786
57,986	5,500			4,014	78,449	70,035
1,578	1,342		11	1,849	5,058	5,353
3,992	1,443			2,019	7,454	4,564
70,918	10,483		11	9,710	103,437	90,738
\$ 93,401	\$ 14,436	\$ 4,512	\$ 34,601	\$ 14,843	\$ 285,350	\$ 242,841

(Continued on Next Page)

All Enterprise Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

(Continued from Previous Page)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission
Liabilities:			
Current Liabilities:			
Warrants payable	\$ 40	\$ 555	\$ 22
Accounts payable and accruals	194	788	320
Retainage payable			
Due to other governments, current portion	6		
Due to other funds	127	1	
Tuition benefits payable, current portion			
Current portion of long-term general obligation bonds			
Current portion of long-term revenue bonds	90		
Deferred revenues		2	
Notes payable			
Lease obligations payable, current portion			
Total Current Liabilities	457	1,346	342
Current Liabilities Payable from Restricted Assets:			
Accounts payable and accruals			
Retainage payable			
Customer deposits			
Total Current Liabilities Payable from Restricted Assets			
Long-Term Liabilities:			
Due to other governments, net of current portion			
Tuition benefits payable, net of current portion			
General obligation bonds payable, net of current portion and unamortized discount			
Revenue bonds payable, net of current portion and unamortized discount	870		
Lease obligations payable, net of current portion			
Total Long-Term Liabilities	870		
Total Liabilities	1,327	1,346	342
Fund Equity (Deficit):			
Contributed capital	5,946	9,600	3,170
Retained earnings:			
Reserved for bond retirement			
Unreserved (deficit)	4,863	98,022	(1,059)
Total Fund Equity (Deficit)	10,809	107,622	2,111
Total Liabilities and Fund Equity	\$ 12,136	\$ 108,968	\$ 2,453

Port Authority at Gulfport	Yellow Creek Inland Port Authority	Department of Rehabilitation Services	State Treasurer	Other	Totals	
		Allied Enterprises	Prepaid Affordable College Tuition		June 30, 1998	June 30, 1997
\$	\$	\$	\$	\$	\$	\$
1,556	48	101	66	252	935	675
42			107	864	3,978	2,893
					42	75
				336	342	35
5			1,254	145	1,532	795
			1,725		1,725	516
3,491					3,491	3,583
					90	85
		260			262	641
				74	74	89
				86	86	73
5,094	48	361	3,152	1,757	12,557	9,460
19					19	
2					2	
135					135	135
156					156	135
	9,351				9,351	9,401
			31,501		31,501	10,825
28,411					28,411	31,902
					870	960
				75	75	123
28,411	9,351		31,501	75	70,208	53,211
33,661	9,399	361	34,653	1,832	82,921	62,806
12,411	1,191			4,916	37,234	32,545
458					458	462
46,871	3,846	4,151	(52)	8,095	164,737	147,028
59,740	5,037	4,151	(52)	13,011	202,429	180,035
\$ 93,401	\$ 14,436	\$ 4,512	\$ 34,601	\$ 14,843	\$ 285,350	\$ 242,841

All Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Port Authority at Gulfport
Operating Revenues:				
Charges for sales and services	\$ 3,452	\$	\$ 1,140	\$ 14,978
Interest and other investment income, net		6,518		
Rentals				
Fees		70		
Excess of tuition receipts over present value of related benefits payable				
Other	147	4	23	6
Total Operating Revenues	3,599	6,592	1,163	14,984
Operating Expenses:				
Cost of sales and services				
General and administrative	1,068	460	235	1,672
Contractual services	2,142	169	851	3,102
Commodities	173	15	52	330
Depreciation	309	6	250	2,644
Tuition benefit payments				
Loss due to employee fraud				
Other	1	10		
Total Operating Expenses	3,693	660	1,388	7,748
Operating Income (Loss)	(94)	5,932	(225)	7,236
Nonoperating Revenues:				
Gain on disposal of assets	4			
Revenue from counties				930
Interest and other investment income, net	5	305	25	932
Other				
Total Nonoperating Revenues	9	305	25	1,862
Nonoperating Expenses:				
Loss on disposal of assets	2			2
Interest	92			1,738
Total Nonoperating Expenses	94			1,740
Income (Loss) Before Operating Transfers	(179)	6,237	(200)	7,358
Operating Transfers In			300	1,994
Operating Transfers Out				(5)
Net Income (Loss)	(179)	6,237	100	9,347
Add Depreciation on Contributed Assets				353
Increase (Decrease) in Retained Earnings	(179)	6,237	100	9,700
Retained Earnings (Deficit) July 1, as restated	5,042	91,785	(1,159)	37,629
Retained Earnings (Deficits) June 30	\$ 4,863	\$ 98,022	\$ (1,059)	\$ 47,329

Yellow Creek Inland Port Authority	Department of Rehabilitation Services		State Treasurer		Totals for the Year Ended	
	Allied Enterprises	Prepaid Affordable College Tuition	Other	June 30, 1998	June 30, 1997	
\$ 888	\$ 10,605	\$ 3,061	\$ 7,209	\$ 38,272	\$ 32,105	
72		211	1,005	9,579	5,933	
				1,077	716	
				281	502	
	80		107		340	
				367	326	
960	10,685	3,272	8,321	49,576	39,922	
	9,619		4,368	13,987	10,099	
363	5,136	145	2,414	11,493	10,488	
218	1,457	814	1,220	9,973	7,817	
29	46	16	918	1,579	1,436	
456		2	469	4,136	3,448	
		2,523		2,523		
	21		39	71	7	
					371	
1,066	16,279	3,500	9,428	43,762	33,666	
(106)	(5,594)	(228)	(1,107)	5,814	6,256	
				4	8	
				930	790	
210	49		29	1,555	1,676	
		5	29	34	296	
210	49	5	58	2,523	2,770	
			20	24	41	
			10	1,840	2,064	
			30	1,864	2,105	
104	(5,545)	(223)	(1,079)	6,473	6,921	
	6,622		1,998	10,914	9,531	
			(353)	(358)	(211)	
104	1,077	(223)	566	17,029	16,241	
			124	477	375	
104	1,077	(223)	690	17,506	16,616	
3,742	3,074	171	7,405	147,689	130,874	
\$ 3,846	\$ 4,151	\$ (52)	\$ 8,095	\$ 165,195	\$ 147,490	

All Enterprise Funds

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 3,638	\$	\$ 1,140
Cash payments to suppliers for goods and services	(2,303)	(259)	(849)
Cash payments to employees for services	(1,053)	(435)	(232)
Cash payments for tuition			
Other operating cash receipts	1	176	23
Other operating cash payments			
Loss from employee fraud			
Interest received on tuition receipts			
Principal and interest received on program loans		16,347	
Issuance of program loans		(14,818)	
Net Cash Provided by (Used for) Operating Activities	283	1,011	82
Cash Flows from Noncapital Financing Activities:			
Operating transfers in			300
Operating transfers out			
Loans from other funds			
Revenues from counties			
Net Cash Provided by Noncapital Financing Activities			300
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(37)	(6)	(12)
Proceeds from sale of capital assets	4		
Principal paid on bonds and equipment contracts	(85)		
Interest paid on bonds and equipment contracts	(93)		
Net Cash Used for Capital and Related Financing Activities	(211)	(6)	(12)
Cash Flows from Investing Activities:			
Proceeds from sales of investments			
Purchases of investments			(51)
Interest on investments	5	305	30
Net Cash Provided by (Used for) Investing Activities	5	305	(21)
Net Increase (Decrease) in Cash and Cash Equivalents	77	1,310	349
Cash and Cash Equivalents July 1, as restated	1,324	7,224	26
Cash and Cash Equivalents June 30	\$ 1,401	\$ 8,534	\$ 375

	Port Authority at Gulfport	Yellow Creek Inland Port Authority	Department of Rehabilitation Services		State Treasurer		Totals for the Year Ended	
			Allied Enterprises		Prepaid Affordable College Tuition	Other	June 30, 1998	June 30, 1997
\$	14,687	\$ 917	\$ 10,583	\$ 19,640	\$ 8,203	\$ 58,808	\$ 44,573	
	(3,182)	(271)	(11,193)	(843)	(6,084)	(24,984)	(19,030)	
	(1,591)	(347)	(5,259)	(124)	(2,222)	(11,263)	(10,232)	
	6		79	(28)		(28)		
			(21)		107	392	265	
						(21)	(7)	
				1,258		1,258	14	
						16,347	14,724	
						(14,818)	(19,955)	
	9,920	299	(5,811)	19,903	4	25,691	10,002	
	1,994		6,622		1,974	10,890	9,252	
					(371)	(371)	(193)	
				754		754	500	
	930					930	790	
	2,924		6,622	754	1,603	12,203	10,349	
	(9,909)	(1,081)		(7)	(351)	(11,403)	(5,648)	
					1	5	42	
	(3,583)	(50)			(51)	(3,769)	(3,790)	
	(1,809)				(10)	(1,912)	(2,119)	
	(15,301)	(1,131)		(7)	(411)	(17,079)	(11,515)	
	11,204	3,162				14,366	15,897	
	(8,700)			(20,494)		(29,245)	(26,581)	
	961	217	49		29	1,596	1,600	
	3,465	3,379	49	(20,494)	29	(13,283)	(9,084)	
	1,008	2,547	860	156	1,225	7,532	(248)	
	10,582	1,240	1,919	2,226	2,722	27,263	27,280	
\$	11,590	\$ 3,787	\$ 2,779	\$ 2,382	\$ 3,947	\$ 34,795	\$ 27,032	

(Continued on Next Page)

All Enterprise Funds

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

(Continued from Previous Page)

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Port Authority at Gulfport
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	\$ (94)	\$ 5,932	\$ (225)	\$ 7,236
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	309	6	250	2,644
Net appreciation in fair value of investments				
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable, net	39	(13)		109
Increase in interest receivable on loans		(5)		
(Increase) decrease in due from other governments		(17)		
(Increase) decrease in interfund receivables				
Increase in inventories				
(Increase) decrease in prepaid expenses				(41)
Increase in loans and notes receivable, net		(5,150)		
Increase (decrease) in warrants payable	(23)	180	10	
Increase (decrease) in accounts payable and accruals	50	80	47	372
Increase (decrease) in due to other governments	2	(1)		
Decrease in interfund payables		(1)		
Increase in tuition benefits payable				
Increase (decrease) in deferred revenue				(400)
Total adjustments	377	(4,921)	307	2,684
Net Cash Provided by (Used for) Operating Activities	\$ 283	\$ 1,011	\$ 82	\$ 9,920

Noncash Capital and Related Financing and Investing Activities:

During the fiscal year ended June 30, 1998, Prepaid Affordable College Tuition received machinery and equipment of \$4,000 from other state agencies and Port Authority at Gulfport received contributed capital of \$140,000 from donated fixed assets.

Yellow Creek Inland Port Authority	Department of Rehabilitation Services	State Treasurer	Other	Totals for the Year Ended	
	Allied Enterprises	Prepaid Affordable College Tuition		June 30, 1998	June 30, 1997
\$ (106)	\$ (5,594)	\$ (228)	\$ (1,107)	\$ 5,814	\$ 6,256
456		2 (1,790)	469	4,136 (1,790)	3,448
(43)	(9)	(14)	91	174 (19)	(342)
	(34)		(32)	(49)	121
	(65)		(115)	(103)	106
(23)				(180)	(69)
				(64)	562
		5	88	(5,150)	(10,614)
15	(129)	44	373	260	(727)
		(1)	306	852	487
		21,885		307	(51)
				(2)	(127)
				21,885	11,341
	20			(380)	(389)
405	(217)	20,131	1,111	19,877	3,746
\$ 299	\$ (5,811)	\$ 19,903	\$ 4	\$ 25,691	\$ 10,002

Other Enterprise Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Department of Agriculture and Commerce		Forestry Commission	Department of Finance and Administration	
	Farmers' Central Market Board	Agriculture and Forestry Museum	Tree Seedling	Office of Surplus Property	
Assets:					
Current assets:					
Equity in internal investment pool	\$ 78	\$ 84	\$ 337	\$ 329	
Cash and cash equivalents		173			
Accounts receivable, net	21			46	
Due from other governments				75	
Due from other funds	1			67	
Due from component units					
Inventories		10			
Total Current Assets	100	267	337	517	
Land	38	1,690		100	
Buildings and improvements, net	764	3,152		74	
Machinery and equipment, net	39	80		168	
Construction in progress					
Total Assets	\$ 941	\$ 5,189	\$ 337	\$ 859	
Liabilities:					
Current liabilities:					
Warrants payable	\$ 16	\$ 16		\$ 59	
Accounts payable and accruals	20	51		107	
Due to other governments			336		
Due to other funds					
Notes payable	74				
Lease obligations payable, current portion					
Total Current Liabilities	110	67	336	166	
Lease obligations payable, net of current portion					
Total Liabilities	110	67	336	166	
Fund Equity:					
Contributed capital	8	4,902			
Retained earnings	823	220	1	693	
Total Fund Equity	831	5,122	1	693	
Total Liabilities and Fund Equity	\$ 941	\$ 5,189	\$ 337	\$ 859	

Department of Corrections			Totals		
Restaurants	Commissary	Prison Agricultural Enterprises	June 30, 1998	June 30, 1997	
\$	\$	\$	2,550	\$ 3,378	\$ 2,186
93	303			569	305
	20			87	179
				75	43
1	54	303		426	332
					1
7	257	324		598	477
101	634	3,177		5,133	3,523
				1,828	138
24				4,014	900
35	66	1,461		1,849	1,758
		2,019		2,019	2,004
\$ 160	\$ 700	\$ 6,657	\$ 14,843	\$ 8,323	
\$	\$	\$	161	\$ 252	\$ 164
23	188	475		864	461
	145			336	30
				145	163
				74	89
		86		86	73
23	333	722		1,757	980
		75		75	123
23	333	797		1,832	1,103
6				4,916	14
131	367	5,860		8,095	7,206
137	367	5,860		13,011	7,220
\$ 160	\$ 700	\$ 6,657	\$ 14,843	\$ 8,323	

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Other Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Department of Agriculture and Commerce		Forestry Commission	Department of Finance and Administration
	Farmers' Central Market Board	Agriculture and Forestry Museum	Tree Seedling	Office of Surplus Property
Operating Revenues:				
Charges for sales and services	\$	\$ 308	\$ 437	\$ 1,044
Rentals	365	341		
Other	2	18		
Total Operating Revenues	367	667	437	1,044
Operating Expenses:				
Cost of sales and services		48	336	
General and administrative	198	211		523
Contractual services	103	349		347
Commodities	12	86	151	32
Depreciation	36	127		51
Other		34		
Total Operating Expenses	349	855	487	953
Operating Income (Loss)	18	(188)	(50)	91
Nonoperating Revenues:				
Interest		3		18
Other		2		25
Total Nonoperating Revenues		5		43
Nonoperating Expenses:				
Loss on disposal of assets	5			15
Interest	7			
Total Nonoperating Expenses	12			15
Income (Loss) Before Operating Transfers	6	(183)	(50)	119
Operating Transfers In		210		
Operating Transfers Out		(130)		
Net Income (Loss)	6	(103)	(50)	119
Add Depreciation on Contributed Assets		124		
Increase (Decrease) in Retained Earnings	6	21	(50)	119
Retained Earnings July 1, as restated	817	199	51	574
Retained Earnings June 30	\$ 823	\$ 220	\$ 1	\$ 693

Department of Corrections			Totals for the Year Ended		
Restaurants	Commissary	Prison Agricultural Enterprises	June 30, 1998	June 30, 1997	
\$ 271	\$ 3,482	\$ 1,667	\$ 7,209	\$ 5,084	
41	18	299	1,005	644	
		28	107	54	
312	3,500	1,994	8,321	5,782	
190	2,569	1,225	4,368	2,884	
65	617	800	2,414	1,853	
25	27	369	1,220	714	
32	32	573	918	863	
4	20	231	469	324	
3		2	39	16	
319	3,265	3,200	9,428	6,654	
(7)	235	(1,206)	(1,107)	(872)	
2	6		29	19	
	2		29	37	
2	8		58	56	
			20	7	
		3	10	22	
		3	30	29	
(5)	243	(1,209)	(1,079)	(845)	
		1,788	1,998	1,446	
	(223)		(353)	(210)	
(5)	20	579	566	391	
			124		
(5)	20	579	690	391	
136	347	5,281	7,405	6,815	
\$ 131	\$ 367	\$ 5,860	\$ 8,095	\$ 7,206	

Other Enterprise Funds

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Department of Agriculture and Commerce		Forestry Commission		Department of Finance and Administration	
	Farmers' Central Market Board	Agriculture and Forestry Museum	Tree Seedling		Office of Surplus Property	
Cash Flows from Operating Activities:						
Cash receipts from customers	\$ 351	\$ 649	\$ 437	\$	968	
Cash payments to suppliers for goods and services	(116)	(493)	(151)		(364)	
Cash payments to employees for services	(197)	(210)			(497)	
Other operating cash receipts	2	18				
Net Cash Provided by (Used for) Operating Activities	40	(36)	286		107	
Cash Flows from Noncapital Financing Activities:						
Operating transfers in		210				
Operating transfers out		(130)				
Net Cash Provided by (Used for) Noncapital Financing Activities		80				
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(5)	(21)			(97)	
Proceeds from sale of capital assets	1					
Principal paid on bonds and equipment contracts	(16)					
Interest paid on bonds and equipment contracts	(7)					
Net Cash Used for Capital and Related Financing Activities	(27)	(21)			(97)	
Cash Flows from Investing Activities:						
Interest on investments			3		18	
Net Cash Provided by Investing Activities			3		18	
Net Increase (Decrease) in Cash and Cash Equivalents	13	26	286		28	
Cash and Cash Equivalents July 1, as restated	65	231	51		301	
Cash and Cash Equivalents June 30	\$ 78	\$ 257	\$ 337	\$	329	

Department of Corrections			Totals for the Year Ended		
Restaurants	Commissary	Prison Agricultural Enterprises	June 30, 1998	June 30, 1997	
\$ 275	\$ 3,557	\$ 1,966	\$ 8,203	\$ 5,829	
(255)	(2,601)	(2,104)	(6,084)	(4,894)	
(67)	(618)	(633)	(2,222)	(1,748)	
41	18	28	107	52	
(6)	356	(743)	4	(761)	
		1,764	1,974	1,167	
	(241)		(371)	(192)	
	(241)	1,764	1,603	975	
(15)	(6)	(207)	(351)	(419)	
		(35)	1		
		(3)	(51)	(84)	
			(10)	(23)	
(15)	(6)	(245)	(411)	(526)	
2	6		29	19	
2	6		29	19	
(19)	115	776	1,225	(293)	
112	188	1,774	2,722	2,784	
\$ 93	\$ 303	\$ 2,550	\$ 3,947	\$ 2,491	

(Continued on Next Page)

Other Enterprise Funds

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

(Continued from Previous Page)

	Department of Agriculture and Commerce		Forestry Commission	Department of Finance and Administration	
	Farmers' Central Market Board	Agriculture and Forestry Museum	Tree Seedling	Office of Surplus Property	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss)	\$ 18	\$ (188)	\$ (50)	\$	91
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	36	127			51
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(13)				10
(Increase) decrease in due from other governments					(32)
(Increase) decrease in interfund receivables	(1)				(54)
(Increase) decrease in inventories		(5)			
Increase (decrease) in warrants payable	(1)	16			22
Increase (decrease) in accounts payable and accruals	1	14			49
Increase (decrease) in due to other governments				336	(30)
Decrease in interfund payables					
Total adjustments	22	152	336		16
Net Cash Provided by (Used for) Operating Activities	\$ 40	\$ (36)	\$ 286	\$	107

Noncash Capital and Related Financing Activities:

During the fiscal year ended June 30, 1998, Agriculture and Forestry Museum and Commissary received machinery and equipment of \$2,000 and \$2,000 respectively from other state agencies and Office of Surplus Property received machinery and equipment of \$25,000 from donations.

Department of Corrections			Totals for the Year Ended		
Restaurants	Commissary	Prison Agricultural Enterprises	June 30, 1998	June 30, 1997	
\$	(7) \$	235 \$	(1,206) \$	(1,107) \$	(872)
	4	20	231	469	324
	6	88		91	(60)
	(1)	(13)		(32)	70
	1	(11)	(100)	(69)	88
			51	(115)	(59)
	(9)	37	281	88	(152)
				373	65
				306	(50)
					(115)
	1	121	463	1,111	111
\$	(6) \$	356 \$	(743) \$	4 \$	(761)

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Internal Service Funds

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

Internal Service Funds Descriptions

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

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

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

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Internal Service Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Department of Finance and Administration			Totals	
	Personnel Board	Information Technology Services	Risk Management	June 30, 1998	June 30, 1997
Assets:					
Current assets:					
Equity in internal investment pool	\$ 1,808	\$ 4,803	\$ 13,156	\$ 19,767	\$ 18,962
Cash and cash equivalents			1,963	1,963	140
Investments			104,848	104,848	126,454
Receivables, net:					
Accounts	1	117		118	258
Interest			1,038	1,038	449
Due from other governments	2	60		62	71
Due from other funds	87	2,354		2,441	2,239
Due from component units		117		117	89
Total Current Assets	1,898	7,451	121,005	130,354	148,662
Long-term investments			23,867	23,867	1,840
Machinery and equipment, net	196	8,564	89	8,849	8,720
Total Assets	\$ 2,094	\$ 16,015	\$ 144,961	\$ 163,070	\$ 159,222
Liabilities:					
Current liabilities:					
Warrants payable	\$ 110	\$ 674	\$ 883	\$ 1,667	\$ 2,145
Accounts payable and accruals	261	1,434	2,175	3,870	4,034
Due to other governments		10		10	18
Due to other funds	3	29	304	336	310
Due to component units		13		13	27
Claims liability			109,461	109,461	79,731
Deferred revenues			1,264	1,264	210
Lease obligations payable, current portion		1,063		1,063	1,408
Total Current Liabilities	374	3,223	114,087	117,684	87,883
Lease obligations payable, net of current portion		705		705	2,838
Total Liabilities	374	3,928	114,087	118,389	90,721
Fund Equity:					
Retained earnings, unreserved	1,720	12,087	30,874	44,681	68,501
Total Liabilities and Fund Equity	\$ 2,094	\$ 16,015	\$ 144,961	\$ 163,070	\$ 159,222

MISSISSIPPI

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Personnel Board	Information Technology Services	Department of	Totals for the Year Ended	
			Finance and Administration	Risk Management	June 30, 1998
Operating Revenues:					
Charges for goods and services/premiums	\$ 4,726	\$ 20,800	\$ 291,423	\$ 316,949	\$ 283,300
Other		28		28	4
Total Operating Revenues	4,726	20,828	291,423	316,977	283,304
Operating Expenses:					
Personal services:					
Salaries, wages and fringe benefits	2,579	6,597	1,021	10,197	10,379
Travel	37	98	22	157	136
Contractual services	1,693	12,448	22,705	36,846	33,137
Commodities	118	328	109	555	568
Benefit payments			302,268	302,268	274,966
Depreciation	70	1,823	20	1,913	1,742
Total Operating Expenses	4,497	21,294	326,145	351,936	320,928
Operating Income (Loss)	229	(466)	(34,722)	(34,959)	(37,624)
Nonoperating Revenues:					
Gain on disposal of assets					410
Interest and other investment income			9,209	9,209	8,002
Other		1		1	24
Total Nonoperating Revenues		1	9,209	9,210	8,436
Nonoperating Expenses:					
Loss on disposal of assets	4	16	1	21	2
Interest		208		208	81
Total Nonoperating Expenses	4	224	1	229	83
Income (Loss) Before Operating Transfers	225	(689)	(25,514)	(25,978)	(29,271)
Operating Transfers In		2,158		2,158	2,523
Operating Transfers Out					(46)
Operating Transfers from Component Units					270
Net Income (Loss)	225	1,469	(25,514)	(23,820)	(26,524)
Retained Earnings July 1	1,495	10,618	56,388	68,501	95,025
Retained Earnings June 30	\$ 1,720	\$ 12,087	\$ 30,874	\$ 44,681	\$ 68,501

MISSISSIPPI

Internal Service Funds

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Department of Finance and Administration			Totals for the Year Ended	
	Personnel Board	Information Technology Services	Risk Management	June 30, 1998	June 30, 1997
Cash Flows from Operating Activities:					
Cash receipts/premiums from quasi-external operating transactions with other funds	\$ 4,670	\$ 18,961	\$ 101,251	\$ 124,882	\$ 115,538
Cash receipts/premiums from customers	56	1,757	191,228	193,041	173,963
Cash payments to suppliers for goods and services	(1,881)	(12,804)	(23,666)	(38,351)	(32,817)
Cash payments to employees for services	(2,559)	(6,585)	(1,018)	(10,162)	(10,375)
Cash payments for benefits			(272,508)	(272,508)	(267,582)
Other operating cash receipts		28		28	4
Net Cash Provided by (Used for) Operating Activities	286	1,357	(4,713)	(3,070)	(21,269)
Cash Flows from Noncapital Financing Activities:					
Operating transfers in		2,158		2,158	2,793
Operating transfers out					(46)
Net Cash Provided by Noncapital Financing Activities		2,158		2,158	2,747
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(86)	(494)	(16)	(596)	(859)
Principal paid on capital lease contracts		(3,880)		(3,880)	(869)
Interest paid on capital lease contracts		(208)		(208)	(81)
Net Cash Used for Capital and Related Financing Activities	(86)	(4,582)	(16)	(4,684)	(1,809)
Cash Flows from Investing Activities:					
Proceeds from sales of investments			162,875	162,875	246,361
Purchases of investments			(162,455)	(162,455)	(228,122)
Interest on investments			7,804	7,804	8,323
Net Cash Provided by Investing Activities			8,224	8,224	26,562
Net Increase (Decrease) in Cash and Cash Equivalents	200	(1,067)	3,495	2,628	6,231
Cash and Cash Equivalents July 1, as restated	1,608	5,870	11,624	19,102	12,871
Cash and Cash Equivalents June 30	\$ 1,808	\$ 4,803	\$ 15,119	\$ 21,730	\$ 19,102

(Continued on Next Page)

Internal Service Funds

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

(Continued From Previous Page)

	Personnel Board	Information Technology Services	Department of Finance and Administration	Totals for the Year Ended	
			Risk Management	June 30, 1998	June 30, 1997
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)					
Operating Activities:					
Operating income (loss)	\$ 229	\$ (466)	\$ (34,722)	\$ (34,959)	\$ (37,624)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	70	1,823	20	1,913	1,742
Changes in assets and liabilities:					
Decrease in accounts receivable, net		139	1	140	2,820
Decrease in due from other governments	2	6	2	10	11
(Increase) decrease in interfund receivables	(1)	(230)		(231)	3,340
Increase (decrease) in warrants payable	(8)	(188)	(307)	(503)	1,165
Increase (decrease) in accounts payable and accruals	25	266	(520)	(229)	(85)
Increase (decrease) in due to other governments		(7)		(7)	10
Increase (decrease) in interfund payables	(31)	14	30	13	(107)
Increase in claims liability			29,729	29,729	7,429
Increase in deferred revenues			1,054	1,054	30
Total adjustments	57	1,823	30,009	31,889	16,355
Net Cash Provided by (Used for) Operating Activities	\$ 286	\$ 1,357	\$ (4,713)	\$ (3,070)	\$ (21,269)

Noncash Capital and Related Financing and Investing Activities:

During the fiscal year ended June 30, 1998, Information Technology Services entered into a capital lease agreement totaling \$1,320,000. Payments on the new lease included principal payments of \$42,000 and interest payments of \$5,000. Information Technology Services received donated machinery and equipment of \$1,000 and Risk Management received machinery and equipment of \$1,000 from another state agency. At June 30, 1998, Risk Management's investments are reported at fair value, creating a noncash investment income of \$816,000.

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Trust and Agency Funds

Trust and agency funds account for assets held by the state in a fiduciary capacity.

Significant Trust and Agency Funds Descriptions

Expendable Trust Funds

Public Employees' Retirement System - The Deferred Compensation Plan Fund accounts for deposits of gross compensation deferred by employees of the state and its political subdivisions. These deposits are invested until retirement, severance from public service, death or extreme hardship of the individual participants.

Employment Security Commission - The Unemployment Compensation Fund accounts for the collection of unemployment insurance taxes from employers and the payment of unemployment benefits to eligible claimants. Funds are also provided by the federal government and interest income. Administrative expenses incurred by the Employment Security Commission are accounted for in a special revenue fund.

Nonexpendable Trust Funds

Treasurer - The Oil and Gas Taxes on State-owned Land Fund accounts for oil and gas royalties collected on state-owned lands. The principal is required by statute to remain inviolate. Income derived from investment of the principal may be appropriated by the legislature for specific uses.

Pension Trust Funds

Public Employees* Retirement System - The Public Employees* Retirement System Fund provides retirement and disability benefits to substantially all employees of the state and its political subdivisions. Benefits are funded by contributions from the members, the state, and political subdivisions and by investment income. The **Mississippi Highway Safety Patrol Retirement System Fund** provides retirement and disability benefits to uniformed officers of the Department of Public Safety. Benefits are funded by contributions from the members and the state and by investment income. The **Municipal Retirement Systems Fund** provides retirement and disability benefits to employees, firemen, and policemen of participating municipalities. Benefits are funded by contributions from the members and the municipalities and by investment income. The **Supplemental Legislative Retirement Plan Fund** provides retirement and disability benefits supplemental to the benefits of the Public Employees* Retirement System to all elected members of the legislature and the president of the senate. Benefits are funded by contributions from the members and the state and by investment income.



Agency Funds

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

MISSISSIPPI

Trust and Agency Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Trust			Agency	Totals	
	Expendable	Nonexpendable	Pension		June 30, 1998	June 30, 1997
Assets:						
Equity in internal investment pool	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	4,000	1,199	2,494	9,951	13,644	6,357
Amount on deposit with		147	205,991	12,407	222,545	251,092
U.S. Treasury	594,016				594,016	562,843
Investments	459,614	27,752	15,565,062	2,312	16,054,740	13,719,289
Receivables, net:						
Taxes	26,354				26,354	22,736
Investment proceeds			180,375		180,375	48,203
Interest and dividends	92	419	82,462	2	82,975	82,533
Contributions	2,166		55,802		57,968	42,131
Other	273		8	13,040	13,321	15,076
Due from other governments	1,447				1,447	1,237
Due from other funds	12,143	22	504,801	8,562	525,528	411,933
Commodity inventory				282	282	47
Loans to other funds	36				36	44
Land			508		508	508
Buildings, net			2,466		2,466	2,549
Improvements other than buildings, net			71		71	75
Machinery and equipment, net			1,931		1,931	2,276
Total Assets	\$ 1,100,141	\$ 29,539	\$ 16,601,971	\$ 46,556	\$ 17,778,207	\$ 15,168,929
Liabilities:						
Warrants payable	\$	\$	\$	\$	\$	\$
Accounts payable and accruals	2,596	4	236	1,373	1,613	348
Due to other governments	1,212	15	468,826	5	471,442	226,962
Due to other funds	124	221	504,797	11,880	13,092	9,237
Amounts held in custody for others			1,138	16,440	521,582	407,713
Obligations under securities lending			1,691,789	16,858	17,996	16,086
Deferred revenues	2,606				1,691,789	1,855,057
					2,606	3,729
Total Liabilities	6,538	240	2,666,786	46,556	2,720,120	2,519,132
Fund Balances:						
Reserved for:						
Employees' pension benefits			13,935,185		13,935,185	11,651,950
Unemployment compensation benefits	629,133				629,133	593,931
Loans to other funds	36				36	44
Deferred compensation benefits and administrative expenses	464,401				464,401	376,885
Educational and Vocational Training		24,375			24,375	23,022
Memorial Burn Center and other		508			508	380
Wildlife Conservation		2,707			2,707	2,267
Unreserved:						
Undesignated	33	1,709			1,742	1,318
Total Fund Balances	1,093,603	29,299	13,935,185		15,058,087	12,649,797
Total Liabilities and Fund Balances	\$ 1,100,141	\$ 29,539	\$ 16,601,971	\$ 46,556	\$ 17,778,207	\$ 15,168,929

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Expendable Trust Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Public Employees' Retirement System	Employment Security Commission	Other	Totals	
	Deferred Compensation Plan	Unemployment Compensation		June 30, 1998	June 30, 1997
Assets:					
Cash and cash equivalents	\$ 2,683	\$ 1,284	\$ 33	\$ 4,000	\$ 3,408
Amount on deposit with U.S. Treasury		594,016		594,016	562,843
Investments	459,614			459,614	372,178
Receivables, net:					
Taxes		26,354		26,354	22,736
Interest and dividends	92			92	93
Contributions	2,166			2,166	2,627
Other		273		273	224
Due from other governments		1,447		1,447	1,237
Due from other funds		12,143		12,143	13,715
Loans to other funds		36		36	44
Total Assets	\$ 464,555	\$ 635,553	\$ 33	\$ 1,100,141	\$ 979,105
Liabilities:					
Accounts payable and accruals	\$ 151	\$ 2,445	\$	\$ 2,596	\$ 3,097
Due to other governments		1,212		1,212	1,311
Due to other funds	3	121		124	90
Deferred revenues		2,606		2,606	3,729
Total Liabilities	154	6,384		6,538	8,227
Fund Balances:					
Reserved for:					
Unemployment compensation benefits		629,133		629,133	593,931
Loans to other funds		36		36	44
Deferred compensation benefits and administrative expenses	464,401			464,401	376,885
Unreserved:					
Undesignated			33	33	18
Total Fund Balances	464,401	629,169	33	1,093,603	970,878
Total Liabilities and Fund Balances	\$ 464,555	\$ 635,553	\$ 33	\$ 1,100,141	\$ 979,105

MISSISSIPPI

Expendable Trust Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Public Employees' Retirement System	Employment Security Commission	Totals for the Year Ended		
	Deferred Compensation Plan	Unemployment Compensation	Other	June 30, 1998	June 30, 1997
Revenues:					
Taxes	\$	\$ 99,278	\$	\$ 99,278	\$ 83,734
Federal government		3,863		3,863	3,556
Participant contributions	39,313			39,313	35,789
Interest and other investment income, net	59,132	38,391		97,523	91,629
Other revenue			34	34	
Total Revenues	98,445	141,532	34	240,011	214,708
Expenditures:					
General government:					
Benefits	9,565			9,565	7,561
Administrative expenses	1,364			1,364	1,126
Health and social services:					
Benefits		106,338	19	106,357	123,534
Total Expenditures	10,929	106,338	19	117,286	132,221
Excess of Revenues over Expenditures	87,516	35,194	15	122,725	82,487
Other Financing Uses:					
Operating transfers out					344
Net Other Financing Uses					344
Excess of Revenues over Expenditures and Other Uses	87,516	35,194	15	122,725	82,143
Fund Balances July 1	376,885	593,975	18	970,878	888,735
Fund Balances June 30	\$ 464,401	\$ 629,169	\$ 33	\$ 1,093,603	\$ 970,878

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Nonexpendable Trust Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Treasurer		Totals	
	Oil and Gas Taxes on State- owned Land	Other	June 30, 1998	June 30, 1997
Assets:				
Current assets:				
Equity in internal investment pool	\$ 705	\$ 494	\$ 1,199	\$ 1,226
Cash and cash equivalents		147	147	178
Investments	5,746	3,056	8,802	8,945
Interest receivable	342	77	419	363
Due from other funds		22	22	10
Total Current Assets	6,793	3,796	10,589	10,722
Long-term investments	18,911	39	18,950	16,740
Total Assets	\$ 25,704	\$ 3,835	\$ 29,539	\$ 27,462
Liabilities:				
Warrants payable	\$ 4	\$	\$ 4	\$ 4
Accounts payable and accruals	15		15	14
Due to other funds	221		221	475
Total Liabilities	240		240	493
Fund Balances:				
Reserved for:				
Scholarships		20	20	20
Books and historical manuscripts		5	5	5
Education and vocational training	24,375		24,375	23,022
Memorial Burn Center		483	483	355
Wildlife Conservation		2,707	2,707	2,267
Unreserved	1,089	620	1,709	1,300
Total Fund Balances	25,464	3,835	29,299	26,969
Total Liabilities and Fund Balances	\$ 25,704	\$ 3,835	\$ 29,539	\$ 27,462

Nonexpendable Trust Funds

Combining Statement of Revenues, Expenses and Changes in Fund Balances For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Treasurer		Totals for the Year Ended	
	Oil and Gas Taxes on State- owned Land	Other	June 30, 1998	June 30, 1997
Operating Revenues:				
Interest and other investment income, net	\$ 1,544	\$ 177	\$ 1,721	\$ 1,383
Fees		561	561	535
Oil and gas royalties	1,311		1,311	732
Donations	42		42	30
Total Operating Revenues	2,897	738	3,635	2,680
Operating Expenses:				
Administrative	65	15	80	75
Total Operating Expenses	65	15	80	75
Operating Income Before Operating Transfers	2,832	723	3,555	2,605
Operating Transfers Out	(1,225)		(1,225)	(1,493)
Net Income	1,607	723	2,330	1,112
Fund Balances July 1, as restated	23,857	3,112	26,969	25,857
Fund Balances June 30	\$ 25,464	\$ 3,835	\$ 29,299	\$ 26,969

Nonexpendable Trust Funds

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Treasurer		Totals for the Year Ended	
	Oil and Gas Taxes on State- owned Land	Other	June 30, 1998	June 30, 1997
Cash Flows from Operating Activities:				
Cash payments to suppliers	\$ (64)	\$	\$ (64)	\$ (58)
Other operating cash receipts	1,353	549	1,902	1,296
Other operating cash payments		(15)	(15)	(13)
Net Cash Provided by Operating Activities	1,289	534	1,823	1,225
Cash Flows from Noncapital Financing Activities:				
Operating transfers out			(1,480)	(1,271)
Net Cash Used for Noncapital Financing Activities			(1,480)	(1,271)
Cash Flows from Investing Activities:				
Proceeds from sale of investments	13,983		13,983	13,425
Purchases of investments	(15,315)	(600)	(15,915)	(16,279)
Interest and other investment income, net	1,371	160	1,531	1,460
Net Cash Provided by (used for) Investing Activities	39	(440)	(401)	(1,394)
Net Increase (Decrease) in Cash and Cash Equivalents	(152)	94	(58)	(1,440)
Cash and Cash Equivalents July 1	857	547	1,404	2,844
Cash and Cash Equivalents June 30	\$ 705	\$ 641	\$ 1,346	\$ 1,404
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	\$ 2,832	\$ 723	\$ 3,555	\$ 2,605
Adjustments to reconcile operating income to net cash provided by operating activities:				
Interest and other investment income, net	(1,505)	(160)	(1,665)	(1,404)
Changes in assets and liabilities:				
(Increase) decrease in interest receivable	(39)	(17)	(56)	21
Increase in interfund receivable		(12)	(12)	
Increase in warrants payable				3
Increase in accounts payable and accruals	1		1	
Total adjustments	(1,543)	(189)	(1,732)	(1,380)
Net Cash Provided by Operating Activities	\$ 1,289	\$ 534	\$ 1,823	\$ 1,225

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Pension Trust Funds

Combining Statement of Plan Net Assets June 30, 1998

(Amounts Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets:			
Equity in internal investment pool	\$ 2,494	\$	\$
Cash and cash equivalents	205,937		35
Investments:			
Investments, at fair value	13,866,557		
Securities lending	1,636,318	28,769	32,583
Receivables:			
Employer contributions	31,316	609	356
Employee contributions	23,290	151	80
Investment proceeds	180,375		
Interest and dividends	82,462		
Other	8		
Due from other funds	45	233,499	264,480
Land	508		
Buildings, net	2,466		
Improvements other than buildings, net	71		
Machinery and equipment, net	1,931		
Total Assets	16,033,778	263,028	297,534
Liabilities:			
Warrants payable	236		
Accounts payable and accruals	468,806	7	13
Due to other funds	504,757	29	7
Amounts held in custody for others	1,138		
Obligations under securities lending	1,629,848	28,655	32,454
Total Liabilities	2,604,785	28,691	32,474
Net Assets Held in Trust for Pension Benefits	\$ 13,428,993	\$ 234,337	\$ 265,060

		<u>Totals</u>	
Supplemental Legislative Retirement Plan		June 30, 1998	June 30, 1997
\$		\$ 2,494	\$ 971
	19	205,991	236,579
		13,866,557	11,447,071
	835	1,698,505	1,870,626
		32,281	22,839
		23,521	16,665
		180,375	48,203
		82,462	82,073
		8	76
	6,777	504,801	390,429
		508	508
		2,466	2,549
		71	75
		1,931	2,276
	7,631	16,601,971	14,120,940
		236	253
		468,826	222,914
	4	504,797	389,628
		1,138	1,138
	832	1,691,789	1,855,057
	836	2,666,786	2,468,990
\$	6,795	\$ 13,935,185	\$ 11,651,950

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Agency Funds

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Local Government			Totals	
	Distributive	Program	Institutional	June 30, 1998	June 30, 1997
Assets:					
Equity in internal investment pool	\$ 2,186	\$ 7,765	\$	\$ 9,951	\$ 4,160
Cash and cash equivalents	30	9,154	3,223	12,407	10,927
Investments	1,923		389	2,312	3,729
Receivables, net:					
Interest and dividends			2	2	4
Other		13,005	35	13,040	14,776
Due from other funds	2,845	5,705	12	8,562	7,779
Commodity inventory		282		282	47
Total Assets	\$ 6,984	\$ 35,911	\$ 3,661	\$ 46,556	\$ 41,422
Liabilities:					
Warrants payable	\$ 398	\$ 975	\$	\$ 1,373	\$ 91
Accounts payable and accruals		5		5	937
Due to other governments	4,412	7,462	6	11,880	7,926
Due to other funds	151	15,833	456	16,440	17,520
Amounts held in custody for others	2,023	11,636	3,199	16,858	14,948
Total Liabilities	\$ 6,984	\$ 35,911	\$ 3,661	\$ 46,556	\$ 41,422

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All Agency Funds

Combining Statement of Changes in Assets and Liabilities For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

Fund	Assets							Total Assets
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Investments	Receivables	Due from Other Funds	Commodity Inventory		
Local Government Distributive:								
Balance July 1, 1997	\$ 1,410	\$ 61	\$ 3,337	\$ 1	\$ 4,478		\$	9,287
Additions	17,389	3,398	606		2,845			24,238
Deductions	16,613	3,429	2,020	1	4,478			26,541
Balance June 30, 1998	2,186	30	1,923	0	2,845			6,984
Program:								
Balance July 1, 1997	2,750	8,007		14,750	3,293	47		28,847
Additions	28,603	130,448		3,030	4,568	10,642		177,291
Deductions	23,588	129,301		4,775	2,156	10,407		170,227
Balance June 30, 1998	7,765	9,154		13,005	5,705	282		35,911
Institutional:								
Balance July 1, 1997		2,859	392	29	8			3,288
Additions		15,742	57	311	12			16,122
Deductions		15,378	60	303	8			15,749
Balance June 30, 1998		3,223	389	37	12			3,661
Total - All Agency Funds:								
Balance July 1, 1997	4,160	10,927	3,729	14,780	7,779	47		41,422
Additions	45,992	149,588	663	3,341	7,425	10,642		217,651
Deductions	40,201	148,108	2,080	5,079	6,642	10,407		212,517
Balance June 30, 1998	\$ 9,951	\$ 12,407	\$ 2,312	\$ 13,042	\$ 8,562	\$ 282	\$	46,556

Fund	Liabilities						Total Liabilities
	Warrants Payable	Accounts Payable and Accruals	Due to Other Governments	Due to Other Funds	Amounts Held In Custody for Others		
Local Government Distributive:							
Balance July 1, 1997	\$ 3	\$ 935	\$ 5,778	\$ 143	\$ 2,428	\$	9,287
Additions	16,972	9,083	10,262	151	141		36,609
Deductions	16,577	10,018	11,628	143	546		38,912
Balance June 30, 1998	398	0	4,412	151	2,023		6,984
Program:							
Balance July 1, 1997	88	2	2,148	17,085	9,524		28,847
Additions	24,466	2,791	7,840	23,004	124,751		182,852
Deductions	23,579	2,788	2,526	24,256	122,639		175,788
Balance June 30, 1998	975	5	7,462	15,833	11,636		35,911
Institutional:							
Balance July 1, 1997				292	2,996		3,288
Additions			6	1,348	15,233		16,587
Deductions				1,184	15,030		16,214
Balance June 30, 1998			6	456	3,199		3,661
Total - All Agency Funds:							
Balance July 1, 1997	91	937	7,926	17,520	14,948		41,422
Additions	41,438	11,874	18,108	24,503	140,125		236,048
Deductions	40,156	12,806	14,154	25,583	138,215		230,914
Balance June 30, 1998	\$ 1,373	\$ 5	\$ 11,880	\$ 16,440	\$ 16,858	\$	46,556

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General Fixed Assets Account Group

The General Fixed Assets Account Group accounts for fixed assets acquired for general governmental purposes. These include all fixed assets except those accounted for in the proprietary and fiduciary fund types.

MISSISSIPPI

General Fixed Assets

Schedule of General Fixed Assets by Function June 30, 1998

(Amounts Expressed in Thousands)

	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Total
General government	\$ 11,530	\$ 83,911	\$ 3,020	\$ 35,086	\$ 133,547
Education	224	7,500	1,091	184,657	193,472
Health and social services	3,006	140,822	11,919	110,163	265,910
Law, justice and public safety	4,411	419,764	15,530	70,631	510,336
Recreation and resources development	61,336	107,763	31,248	97,842	298,189
Regulation of business and professions		1,503	56	5,574	7,133
Transportation	8,000	63,842		124,554	196,396
Total General Fixed Assets Allocated to Functions	\$ 88,507	\$ 825,105	\$ 62,864	\$ 628,507	1,604,983
Construction in progress					207,353
Total General Fixed Assets					\$ 1,812,336

General Fixed Assets

Schedule of Changes in General Fixed Assets For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Land	\$ 78,484	\$ 10,043	\$ 20	\$ 88,507
Buildings	683,171	142,298	364	825,105
Improvements other than buildings	56,301	6,612	49	62,864
Machinery and equipment	571,971	87,027	30,491	628,507
Construction in progress	241,495	84,689	118,831	207,353
Total	\$ 1,631,422	\$ 330,669	\$ 149,755	\$ 1,812,336

General Fixed Assets

Schedule of Changes in General Fixed Assets by Function For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
General government	\$ 120,186	\$ 15,437	\$ 2,076	\$ 133,547
Education	171,158	30,753	8,439	193,472
Health and social services	250,471	21,588	6,149	265,910
Law, justice and public safety	378,093	136,216	3,973	510,336
Recreation and resources development	275,889	28,302	6,002	298,189
Regulation of business and professions	6,785	894	546	7,133
Transportation	187,345	12,790	3,739	196,396
Total by Function	1,389,927	245,980	30,924	1,604,983
Construction in progress	241,495	84,689	118,831	207,353
Total	\$ 1,631,422	\$ 330,669	\$ 149,755	\$ 1,812,336

Component Units are organizations which are legally separate from the state for which the state is financially accountable, or for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. They are presented here in three separate reporting groups: governmental, proprietary and university fund types.

Component Units Descriptions

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

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

Mississippi Prison Industries Corporation - The corporation accounts for a printing and book bindery operation, a garment and glove operation, a woodworking operation, a metal fabrication operation and an equine tack operation. Revenue is generated from the charges for goods and services.

University Funds

Current Funds - The **Unrestricted Fund** accounts for currently expendable resources which may be either designated or not designated by the universities for specific purposes. The **Restricted Fund** accounts for resources restricted by the donor or external agency for a specific use or program.

Loan Fund - The fund accounts for resources provided by the federal government, private gifts and other university funds which are available for loans to students.

Endowment Fund - The fund accounts for resources which are invested in accordance with donor restrictions.

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Plant Funds - The funds account for the various unexpended resources to finance the acquisition and/or repair or replacement of long-lived plant facilities, for renewal and replacement of those facilities constructed from bond proceeds which remain governed under a related bond indenture of trust, for the resources restricted to interest and principal payments and other debt service charges related to plant indebtedness and for all long-lived assets in the service of the universities and all construction in progress and their associated liabilities.

Agency Fund - The fund accounts for amounts held in custody for students, university-related organizations and others.

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Component Units

Combining Balance Sheet June 30, 1998

(Amounts Expressed in Thousands)

	Governmental Fund Types		
	Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District
Assets:			
Equity in internal investment pool	\$	\$	\$
Cash and cash equivalents	988	74	2,893
Investments	1,080	888	1,968
Receivables, net	18		59
Due from other governments	69	253	
Due from other funds			
Due from primary government			
Inventories	4		
Prepaid expenses	4		
Loans and notes receivable			
Restricted assets:			
Cash and cash equivalents	63	25	
Investments	250		
Property, plant and equipment, net of depreciation where applicable	21,520	5,953	55,067
Deferred charges and other assets			
Amount available, designated for debt service	367		
Amounts to be provided for retirement of other obligations	3,946	32	1,780
Total Assets, Amounts Available and Amounts to be Provided for Retirement of Long-Term Obligations	<u>\$ 28,309</u>	<u>\$ 7,225</u>	<u>\$ 61,767</u>
Liabilities:			
Warrants payable	\$	\$	\$
Accounts payable and accruals	592	162	727
Due to other funds			
Due to primary government			
Amounts held in custody for others			
Deferred revenues		75	
Liabilities payable from restricted assets			
General obligation bonds			
Revenue bonds and notes payable	4,176		
Lease obligation bonds			
Other liabilities	137	32	1,780
Total Liabilities	<u>4,905</u>	<u>269</u>	<u>2,507</u>
Fund Equity and Other Credits:			
Investment in fixed assets	21,520	5,953	47,015
Contributed capital			8,394
Retained earnings:			
Reserved for Commission trust fund			
Unreserved			1,676
Fund balances:			
Reserved for:			
Encumbrances	45	134	
Inventories	4		
Capital improvements	2		
Research projects			
Student loans			
Endowments			
Prepaid expenses	4		
Flood control		25	
Land management		52	
Contractual agreements			
Temporarily restricted funds			
Continuing education			
Unreserved:			
Designated for debt service	367		
Designated for future capital projects			
Undesignated	1,462	792	2,175
Total Fund Equity and Other Credits	<u>23,404</u>	<u>6,956</u>	<u>59,260</u>
Total Liabilities and Fund Equity and Other Credits	<u>\$ 28,309</u>	<u>\$ 7,225</u>	<u>\$ 61,767</u>

Tombigbee River Valley Water Management District	Proprietary Fund Types				Totals			
	Mississippi Coast Coliseum Commission	Mississippi Business Finance Corporation	Mississippi Prison Industries Corporation	University	June 30, 1998	June 30, 1997		
\$	\$	\$	2 \$	\$	14,669	\$	14,671 \$	9,081
2,756	226	1,698	525	232,679	241,839	255,016		
	3,510	8,373	150	172,680	188,649	183,893		
69	355	90	459	129,995	131,045	118,439		
35					357	254		
				36,862	36,862	44,809		
		14	85	25,170	25,269	14,353		
37			420	17,942	18,403	17,527		
	147		47	8,849	9,047	11,258		
				78,453	78,453	73,275		
					88	373		
	7,146				7,396	7,176		
15,713	30,108	5	1,872	1,769,555	1,899,793	1,694,051		
				4,011	4,011	3,634		
					367	352		
52					5,810	5,221		
\$	\$	\$	\$	\$	\$	\$	\$	\$
18,662	41,492	10,182	3,558	2,490,865	2,662,060	2,438,712		
\$	\$	\$	\$	\$	\$	\$	\$	\$
21	187	128	363	8,195	8,195	3,736		
				98,489	100,669	95,797		
				36,862	36,862	44,809		
				4,460	4,460	3,674		
	52			8,972	9,024	9,213		
	44			28,065	28,140	28,022		
					44	120		
				365	365	810		
				166,156	170,332	158,451		
				10,422	10,422	10,880		
52	297	342		6,544	9,184	2,785		
73	580	470	363	368,530	377,697	358,297		
15,713				1,594,484	1,684,685	1,501,610		
	15,204	4,995	297		28,890	17,783		
	7,000				7,000	7,000		
	18,708	4,717	2,898		27,999	27,906		
17				23,939	24,135	49,193		
					4	5		
					2			
				25,198	25,198	21,925		
				86,621	86,621	88,090		
				58,157	58,157	45,598		
					4	14		
					25	24		
					52	52		
				871	871	529		
				1,268	1,268	1,368		
				202	202	287		
				31,514	31,881	42,174		
				90,248	90,248	108,856		
2,859				209,833	217,121	168,001		
18,589	40,912	9,712	3,195	2,122,335	2,284,363	2,080,415		
\$	\$	\$	\$	\$	\$	\$	\$	\$
18,662	41,492	10,182	3,558	2,490,865	2,662,060	2,438,712		

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Component Units

Combining Balance Sheet University Funds June 30, 1998

(Amounts Expressed in Thousands)

	Current Funds			Loan	Endowment and Similar
	Unrestricted	Restricted			
Assets:					
Equity in internal investment pool	\$ 10,914	\$		\$ 12	\$
Cash and cash equivalents	130,714		12,130	7,707	3,600
Investments	78,390		104	250	53,215
Accounts receivable, net	99,636		30,090		2
Due from other funds	23,721		502	66	
Due from primary government	12,281		12,299	590	
Inventories	17,942				
Prepaid expenses	7,734		300		
Loans and notes receivable, net				78,453	
Land					
Buildings					
Improvements other than buildings					
Furniture, machinery and equipment					
Construction in progress					
Books and films					
Assets under capital lease					
Livestock					
Other assets					1,340
Total Assets	\$ 381,332	\$ 55,425	\$ 87,078	\$ 58,157	
Liabilities:					
Warrants payable	\$ 8,195	\$		\$	\$
Accounts payable and accruals	83,235		7,890	18	
Due to other funds	16,508		20,210	144	
Due to primary government	4,460				
Deferred revenue	26,376		1,603	20	
General obligation bonds payable					
Revenue bonds and notes payable					
Obligations under capital lease					
Amount held in custody for others					
Other liabilities	6,269			275	
Total Liabilities	145,043	29,703	457		
Fund Balances:					
Investment in fixed assets					
Reserved for:					
Encumbrances	23,415		524		
Research projects			25,198		
Student loans				86,621	
Endowments					58,157
Contractual agreements	871				
Temporarily restricted funds	1,268				
Continuing education	202				
Unreserved:					
Designated for debt service					
Designated for future capital projects	700				
Undesignated	209,833				
Total Fund Balances	236,289	25,722	86,621	58,157	
Total Liabilities and Fund Balances	\$ 381,332	\$ 55,425	\$ 87,078	\$ 58,157	

Plant Funds				Agency Fund	Totals	
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		June 30, 1998	June 30, 1997
\$ 3,743	\$	\$	\$	\$	\$ 14,669	\$ 9,070
57,570	6,753	7,545		6,660	232,679	247,255
25,480	9,077	3,637		2,527	172,680	167,346
	19	3		245	129,995	117,783
8,045	4,432			96	36,862	44,809
					25,170	14,276
					17,942	17,021
511		197		107	8,849	11,087
					78,453	73,275
			27,999		27,999	22,022
			840,287		840,287	707,207
			88,601		88,601	81,146
			433,412		433,412	396,340
			202,415		202,415	207,202
			158,446		158,446	146,902
			18,395		18,395	17,761
			1,794		1,794	1,705
799			78		2,217	1,929
\$ 96,148	\$ 20,281	\$ 11,382	\$ 1,771,427	\$ 9,635	\$ 2,490,865	\$ 2,284,136
\$ 6,534	\$	\$ 149	\$	\$ 663	\$ 8,195	\$ 3,736
					98,489	94,391
					36,862	44,809
					4,460	3,669
66					28,065	28,022
			365		365	810
			166,156		166,156	153,854
			10,422		10,422	10,880
				8,972	8,972	9,166
					6,544	1,539
6,600		149	176,943	9,635	368,530	350,876
			1,594,484		1,594,484	1,414,817
					23,939	49,165
					25,198	21,925
					86,621	88,090
					58,157	45,598
					871	529
					1,268	1,368
					202	287
89,548	20,281	11,233			31,514	41,822
					90,248	108,856
					209,833	160,803
89,548	20,281	11,233	1,594,484		2,122,335	1,933,260
\$ 96,148	\$ 20,281	\$ 11,382	\$ 1,771,427	\$ 9,635	\$ 2,490,865	\$ 2,284,136

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Component Units

Combining Statement of Revenues, Expenditures, Other Financing Sources and Uses, and Changes in Fund Balances For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Governmental Fund Types		
	Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District
Revenues:			
Licenses, fees and permits	\$	\$	\$ 900
Interest	67	40	106
Charges for sales and services	1,984	101	14
Rentals			2,378
Other	2,222	757	2,515
Total Revenues	4,273	898	5,913
Expenditures:			
Current:			
Recreation and resources development	3,175	900	5,912
Debt service:			
Principal	430		440
Interest and other fiscal charges	231		83
Total Expenditures	3,836	900	6,435
Excess of Revenues over (under) Expenditures	437	(2)	(522)
Net income from proprietary operations			296
Fund Balances July 1	1,447	1,005	4,077
Increase in Reserve for Inventories			
Fund Balances June 30	\$ 1,884	\$ 1,003	\$ 3,851

Totals for the Year Ended

Totals for the Year Ended			
Tombigbee River Valley Water Management District			
		June 30, 1998	June 30, 1997
\$		\$ 900	\$ 767
	119	332	336
		2,099	2,009
		2,378	2,315
	1,426	6,920	6,569
	1,545	12,629	11,996
	1,194	11,181	11,202
		870	461
		314	235
	1,194	12,365	11,898
	351	264	98
		296	500
	2,525	9,054	8,455
			1
\$	2,876	\$ 9,614	\$ 9,054

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Component Units

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Proprietary Fund Types			Totals for the Year Ended	
	Mississippi Coast Coliseum Commission	Mississippi Business Finance Corporation	Mississippi Prison Industries Corporation	June 30, 1998	June 30, 1997
Operating Revenues:					
Charges for sales and services	\$ 3,869		\$ 3,261	\$ 7,130	\$ 7,102
Fees		868		868	654
Other			7	7	
Total Operating Revenues	3,869	868	3,268	8,005	7,756
Operating Expenses:					
Costs of sales and services			1,380	1,380	1,631
General and administrative	4,225	940	1,661	6,826	5,804
Depreciation	953	5	171	1,129	887
Other		160	3	163	13
Total Operating Expenses	5,178	1,105	3,215	9,498	8,335
Operating Income (Loss)	(1,309)	(237)	53	(1,493)	(579)
Nonoperating Revenues	828	466	51	1,345	1,213
Nonoperating Expenses	(54)			(54)	(63)
Net Income (Loss)	(535)	229	104	(202)	571
Retained Earnings July 1	26,243	4,488	2,794	33,525	32,954
Retained Earnings June 30	\$ 25,708	\$ 4,717	\$ 2,898	\$ 33,323	\$ 33,525

Component Units

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

	Proprietary Fund Types			Totals for the Year Ended	
	Mississippi Coast Coliseum Commission	Mississippi Business Finance Corporation	Mississippi Prison Industries Corporation	June 30, 1998	June 30, 1997
Cash Flows from Operating Activities:					
Cash receipts from customers	\$ 3,783	\$ 843	\$ 2,932	\$ 7,558	\$ 7,872
Cash payments to suppliers for goods and services	(2,838)	(99)	(1,891)	(4,828)	(4,568)
Cash payments to employees for services	(1,433)	(812)	(926)	(3,171)	(2,763)
Other operating cash receipts			7	7	
Principal and interest received on program loans					44
Net Cash Provided by (Used for) Operating Activities	(488)	(68)	122	(434)	585
Cash Flows from Noncapital Financing Activities:					
Contribution to other government					(92)
Net Cash Used for Noncapital Financing Activities					(92)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(226)	(2)	(758)	(986)	(952)
Net Cash Used for Capital and Related Financing Activities	(226)	(2)	(758)	(986)	(952)
Cash Flows from Investing Activities:					
Proceeds from the sale of investments	113	15,799	3,550	19,462	15,733
Purchases of investments		(15,642)	(2,855)	(18,497)	(17,696)
Interest on investments	691	483	51	1,225	1,180
Net Cash Provided by (Used for) Investing Activities	804	640	746	2,190	(783)
Net Increase (Decrease) in Cash and Cash Equivalents	90	570	110	770	(1,242)
Cash and Cash Equivalents July 1	136	1,130	415	1,681	2,923
Cash and Cash Equivalents June 30	\$ 226	\$ 1,700	\$ 525	\$ 2,451	\$ 1,681

(Continued on Next Page)

Component Units

Combining Statement of Cash Flows For the Year Ended June 30, 1998

(Amounts Expressed in Thousands)

(Continued from Previous Page)

	Proprietary Fund Types			Totals for the Year Ended	
	Mississippi Coast Coliseum Commission	Mississippi Business Finance Corporation	Mississippi Prison Industries Corporation	June 30, 1998	June 30, 1997
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)					
Operating Activities:					
Operating income (loss)	\$ (1,309)	\$ (237)	\$ 53	\$ (1,493)	\$ (579)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	953	5	171	1,129	887
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(86)		(318)	(404)	168
Increase in interfund receivables		(14)	(8)	(22)	(29)
(Increase) decrease in inventories			39	39	(8)
(Increase) decrease in prepaid expenses	(27)		(9)	(36)	44
Decrease in loans and notes receivable					44
Increase (decrease) in accounts payable and accruals	(19)	23	194	198	53
Increase (decrease) in interfund payables		(5)		(5)	5
Increase in other liabilities		160		160	
Total Adjustments	821	169	69	1,059	1,164
Net Cash Provided by (Used for)					
Operating Activities	\$ (488)	\$ (68)	\$ 122	\$ (434)	\$ 585

Noncash Capital and Related Financing and Investing Activities:

During the fiscal year ended, June 30, 1998, Mississippi Coast Coliseum Commission received contributed capital of \$10,940,000 from another government. At June 30, 1998, Mississippi Coast Coliseum Commission's investments are reported at fair value, creating a noncash investment income of \$113,000.

Statistical and Economic Data

The accompanying statistical tables of the state of Mississippi reflect social and economic data to allow a broader understanding of the environment in which the state operates, as well as historical perspectives and financial trends to assess the fiscal capacity of state government. Statistical tables differ from financial statements because they usually cover more than two fiscal years and present certain nonaccounting data.

Expenditures by Function

All Governmental Fund Types For the Last Ten Fiscal Years

Table I

(Amounts Expressed in Thousands)

Function	1998	1997	1996	1995
General government	\$ 919,048	\$ 858,218	\$ 817,625	\$ 727,065
Education	1,907,632	1,765,476	1,793,100	1,677,577
Health and social services	2,715,471	2,736,515	2,633,871	2,583,972
Law, justice and public safety	408,957	381,929	339,796	282,667
Recreation and resources development	304,795	266,633	249,433	228,555
Regulation of business and professions	24,007	22,518	22,734	22,319
Transportation	749,466	694,895	651,044	532,217
Other				
Debt service	193,392	174,787	134,406	214,495
Capital outlay	84,883	86,435	126,592	56,134
Total Expenditures - All Governmental Fund Types	\$ 7,307,651	\$ 6,987,406	\$ 6,768,601	\$ 6,325,001

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Governmental Fund Types of the primary government are described in Note 1C of the Notes to the Financial Statements

Revenues by Source

All Governmental Fund Types For the Last Ten Fiscal Years

Table II

(Amounts Expressed in Thousands)

Source	1998	1997	1996	1995
State taxes	\$ 4,023,265	\$ 3,742,013	\$ 3,563,533	\$ 3,351,746
Licenses, fees and permits	322,081	298,158	270,438	250,994
Federal government	2,765,550	2,778,514	2,729,566	2,717,589
Interest and other investment income, net	124,338	122,271	122,682	112,186
Charges for sales and services	234,250	212,532	194,764	184,284
Rentals	10,396	9,142	10,591	10,175
Other	396,023	219,639	185,472	216,057
Total Revenues - All Governmental Fund Types	\$ 7,875,903	\$ 7,382,269	\$ 7,077,046	\$ 6,843,031

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Governmental Fund Types of the primary government are described in Note 1C of the Notes to the Financial Statements

State Tax Revenues by Source

All Governmental Fund Types For the Last Ten Fiscal Years

Table III

(Amounts Expressed in Thousands)

Source	1998	1997	1996	1995
Sales and use	\$ 2,059,249	\$ 1,920,884	\$ 1,847,589	\$ 1,721,214
Gasoline and other motor fuel	392,260	358,866	354,104	347,015
Privilege	66,290	65,288	67,630	57,060
Motor vehicle registration	28,023	25,406	24,700	23,949
Individual income	894,790	790,805	730,035	663,292
Alcoholic beverage	43,261	42,530	41,270	41,667
Corporate income and franchise	280,361	292,827	262,728	264,638
Severance	29,573	31,841	29,057	28,059
Inheritance	21,471	12,638	14,208	12,513
Tobacco	57,344	57,201	55,121	57,483
Insurance	112,207	107,224	101,472	100,043
Nuclear power	20,000	20,000	20,000	20,000
Other	18,436	16,503	15,619	14,813
Total Tax Revenues - All Governmental Fund Types	\$ 4,023,265	\$ 3,742,013	\$ 3,563,533	\$ 3,351,746

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Governmental Fund Types of the primary government are described in Note 1C of the Notes to the Financial Statements

	1994	1993	1992	1991	1990	1989
\$	616,453	\$ 555,839	\$ 534,695	\$ 502,922	\$ 503,451	\$ 580,595
	1,479,242	1,389,598	1,338,587	1,247,374	1,258,523	1,172,932
	2,393,508	2,226,713	2,096,952	1,730,372	1,512,829	1,304,660
	258,928	199,389	187,192	187,964	171,819	156,893
	204,695	182,746	184,081	180,033	158,759	86,744
	20,240	18,406	18,399	15,596	14,855	13,463
	497,877	507,738	502,580	451,903	378,542	381,578
						6,044
	107,682	105,784	113,027	87,100	78,020	78,563
	11,330	22,797	18,047	12,305	26,988	34,275
\$	5,589,955	\$ 5,209,010	\$ 4,993,560	\$ 4,415,569	\$ 4,103,786	\$ 3,815,747

	1994	1993	1992	1991	1990	1989
\$	3,126,925	\$ 2,859,833	\$ 2,494,487	\$ 2,394,092	\$ 2,303,886	\$ 2,246,035
	208,240	153,971	98,946	88,455	72,834	70,254
	2,518,279	2,390,803	2,280,181	1,898,506	1,662,310	1,495,329
	52,194	34,185	44,373	62,461	67,455	63,008
	186,888	183,798	171,041	165,740	159,413	151,959
	191,328	174,238	143,258	61,589	59,599	42,935
\$	6,283,854	\$ 5,796,828	\$ 5,232,286	\$ 4,670,843	\$ 4,325,497	\$ 4,069,520

	1994	1993	1992	1991	1990	1989
\$	1,585,132	\$ 1,410,372	\$ 1,174,950	\$ 1,114,670	\$ 1,094,136	\$ 1,036,729
	339,876	319,670	307,135	291,749	293,252	281,007
	58,197	55,317	37,993	39,488	42,653	42,890
	23,951	23,111	22,560	26,987	27,648	27,278
	630,168	571,860	499,196	468,747	429,847	404,417
	41,291	38,483	38,437	37,702	36,907	36,203
	219,838	210,896	189,459	186,895	160,670	190,448
	32,387	41,666	42,322	50,792	45,319	45,394
	10,886	9,411	11,235	7,413	10,256	13,375
	54,498	53,025	51,995	51,161	50,539	53,167
	97,215	93,677	90,467	90,759	87,496	90,547
	19,999	20,001	20,000	20,039	19,193	19,196
	13,487	12,344	8,738	7,690	5,970	5,384
\$	3,126,925	\$ 2,859,833	\$ 2,494,487	\$ 2,394,092	\$ 2,303,886	\$ 2,246,035

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Net General Long-term Bonded Debt Per capita

For the Last Ten Fiscal Years

Table IV

Fiscal Year	Population	General Long-term Bonded Debt <i>(Amounts Expressed in Thousands)</i>			Net	Net General Long-term Debt Per capita
		Principal Outstanding	Less: Debt Service Fund			
1998	2,770,000	\$ 1,595,044	\$ 168,068	\$ 1,426,976	\$ 515	
1997	2,750,000	1,361,693	145,623	1,216,070	442	
1996	2,720,000	1,205,498	143,191	1,062,307	391	
1995	2,700,000	981,058	142,997	838,061	310	
1994	2,670,000	824,151	230,795	593,356	222	
1993	2,640,000	677,906	220,165	457,741	173	
1992	2,610,000	634,933	229,296	405,637	155	
1991	2,590,000	646,662	230,650	416,012	161	
1990	2,580,000	584,058	221,595	362,463	140	
1989	2,570,000	523,638	194,169	329,469	128	

Source: Population -- Mississippi Econometric Model
 General Long-term Bonded Debt -- State Treasurer
 Debt Service Funds Available -- Mississippi Comprehensive Annual Financial Report, GAAP Basis

Notes:

- (1) Total general long-term bonded debt and notes exclude general obligation bonds payable from enterprise and university funds.
- (2) Debt service fund represents the amount available, designated for debt service and the amount to be provided from future collections of long-term loans as reflected in the Mississippi Comprehensive Annual Financial Report.

Ratio of Annual Debt Service for General Long-term Bonded Debt to Total Revenues and Expenditures

For the Last Ten Fiscal Years

Table V

Fiscal Year	<i>(Amounts Expressed in Thousands)</i>					
	Total Debt Service	Revenues	Ratio	Expenditures	Ratio	
1998	\$ 193,392	\$ 7,875,903	2.5	\$ 7,307,651	2.6	
1997	170,630	7,382,820	2.3	6,987,406	2.4	
1996	134,406	7,077,046	1.9	6,768,601	2.0	
1995	127,283	6,843,031	1.9	6,325,001	2.0	
1994	107,682	6,283,854	1.7	5,589,955	1.9	
1993	105,784	5,796,829	1.8	5,209,011	2.0	
1992	108,611	5,232,286	2.1	4,993,561	2.2	
1991	87,100	4,670,842	1.9	4,415,569	2.0	
1990	78,020	4,325,497	1.8	4,103,787	1.9	
1989	78,563	4,069,520	1.9	3,815,747	2.1	

Source: Total Debt Service, Revenues and Expenditures -- Mississippi Comprehensive Annual Financial Report, GAAP Basis

Note: Total debt service represents principal and interest paid on general and limited obligation bonds.

MISSISSIPPI

Computation of Legal Debt Margin

June 30, 1998

Table VI

(Amounts Expressed in Thousands)

Legal debt limit (1 1/2 times revenue collected during any one of the four preceding years, whichever is higher) (1)		\$	6,681,152
Amount of debt applicable to debt limit (2)		\$	1,595,044
Less: amounts available for debt service			168,068
Net amount of debt applicable to debt limit			1,426,976
Legal Debt Margin			\$ 5,254,176

Notes:

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

Fiscal Year	Applicable Governmental Fund Revenues
1997	\$ 4,454,101
1996	4,358,083
1995	4,021,673
1994	3,647,481

- (2) The legal debt limit applies to total general long-term bonded debt which excludes general obligation bonds payable from enterprise and university funds.

Revenue Bond Coverage

For the Last Ten Fiscal Years

Table VII

(Amounts Expressed in Thousands)

MISSISSIPPI FAIR COMMISSION

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998	\$ 3,599	\$ 3,384	\$ 215	\$ 85	\$ 92	\$ 177	1.21
1997	3,703	3,327	376	80	100	180	2.09
1996	3,580	3,087	493	75	107	182	2.71
1995	3,390	2,983	407	70	112	182	2.23
1994	3,274	2,936	338	65	118	183	1.85
1993	2,840	2,775	65	60	123	183	.35
1992	2,803	2,724	79	55	128	183	.43
1991	2,642	2,561	81	50	132	182	.44
1990	2,507	2,450	57	45	138	183	.31
1989	2,530	2,363	167	40	139	179	.93

Source: Mississippi Comprehensive Annual Financial Report, GAAP Basis

Notes:

- (1) Total operating revenues.
 (2) Total operating expenses exclusive of interest and depreciation.

MISSISSIPPI

Demographic Statistics

For the Last Ten Calendar Years

Table VIII

Calendar Year	Population	Per Capita Income (Current \$)	Public School Enrollment	Unemployment Rate
1997	2,750,000	18,151	503,967	5.7%
1996	2,720,000	17,531	503,602	6.1
1995	2,700,000	16,738	503,301	6.1
1994	2,670,000	15,912	503,374	6.6
1993	2,640,000	14,930	504,229	6.4
1992	2,610,000	14,180	501,577	8.2
1991	2,590,000	13,406	500,122	8.7
1990	2,580,000	12,744	502,020	7.6
1989	2,570,000	12,045	503,326	7.8
1988	2,560,000	11,334	505,550	8.4

Source: Population -- Mississippi Econometric Model
 Per Capita Income -- Mississippi Econometric Model
 Public Schools -- Kindergarten - Grade 12 -- Academic Year -- Mississippi State Department of Education
 Unemployment Rate -- Mississippi Employment Security Commission

Economic Characteristics

For the Last Ten Calendar Years

Table IX

Calendar Year	<i>(Amounts Expressed in Thousands)</i>				
	Gross State Product (Current \$)	Gross State Product (Inflation- Adjusted \$)	Personal Income (Current \$)	Personal Income (Inflation- Adjusted \$)	Average Annual Consumer Price Index
1997	\$ 57,944,000	\$ 36,102,200	\$ 49,891,000	\$ 31,084,700	160.5
1996	55,435,000	35,331,400	47,735,000	30,423,800	156.9
1995	52,938,000	34,736,200	45,147,000	29,624,000	152.4
1994	50,587,000	34,134,300	42,507,000	28,682,200	148.2
1993	46,062,000	31,876,800	39,465,000	27,311,400	144.5
1992	43,317,000	30,874,600	37,073,000	26,424,100	140.3
1991	40,067,000	29,417,800	34,738,000	25,505,100	136.2
1990	37,963,000	29,045,900	32,792,000	25,089,500	130.7
1989	36,647,000	29,554,000	30,913,000	24,929,800	124.0
1988	35,029,000	29,610,300	29,029,000	24,538,500	118.3

Source: Gross State Product (GSP) -- Mississippi Econometric Model
 Gross State Product (Inflation Adjusted) -- GSP divided by Average Annual Consumer Price Index (CPI)
 Personal Income (PI) -- Mississippi Econometric Model
 Personal Income (Inflation Adjusted) -- PI divided by CPI
 Average Annual Consumer Price Index -- U.S. Department of Labor, Bureau of Labor Statistics

MISSISSIPPI

Bank Deposits, Retail Sales, Median Household Disposable Income

For the Last Ten Calendar Years

Table X

Calendar Year	(Amounts Expressed in Thousands)		Median Household Disposable (Aftertax) Income
	Bank Deposits	Retail Sales	
1997	\$ 25,851,444	\$ 28,677,726	\$ 26
1996	24,802,701	24,643,485	25
1995	23,960,825	25,796,258	24
1994	22,832,705	24,059,806	27
1993	20,493,525	21,240,615	25
1992	19,700,197	19,778,000	23
1991	19,068,256	19,108,000	22
1990	18,501,795	18,631,000	20
1989	17,219,683	17,883,000	18
1988	16,511,181	17,207,000	17

Source: Bank Deposits -- Mississippi Department of Banking and Consumer Finance
 Retail Sales -- Mississippi State Tax Commission
 Median Household Disposable (Aftertax) Income -- Sales and Marketing Management, Survey of Buying Power

Population and Employment

For the Last Ten Calendar Years

Table XI

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Population	2,750,000	2,720,000	2,700,000	2,670,000	2,640,000	2,610,000	2,590,000	2,580,000	2,570,000	2,560,000
Employed	1,192,700	1,181,400	1,180,000	1,169,800	1,138,200	1,093,700	1,086,000	1,093,500	1,076,000	1,046,000
Unemployed	72,600	77,100	77,000	82,900	78,300	97,700	104,100	90,100	91,000	96,000
Total Labor Force	1,265,300	1,258,500	1,257,000	1,252,700	1,216,500	1,191,400	1,190,100	1,183,600	1,167,000	1,142,000
Mississippi Unemployment Rate	5.7%	6.1%	6.1%	6.6%	6.4%	8.2%	8.7%	7.6%	7.8%	8.4%
U.S. Unemployment Rate	4.9%	5.4%	5.6%	6.1%	6.9%	7.5%	6.8%	5.6%	5.3%	5.5%

Source: Population -- Mississippi Econometric Model
 Employed, Unemployed, Mississippi Unemployment Rate -- Mississippi Employment Security Commission
 U.S. Unemployment Rate -- U. S. Department of Labor, Bureau of Labor Statistics

Principal Industrial Employers

(Ranked by Number of Employees)

Table XII

Company	Number of Plants	Number of Employees
Litton Industries	2	10,265
Tyson Foods, Inc.	7	4,488
Sanderson Farms, Inc.	8	4,286
International Paper Company	11	3,789
Georgia-Pacific Corporation	18	3,265
B. C. Rogers Poultry, Inc.	4	3,133
Howard Industries, Inc.	2	3,050
Peavey Electronics Corporation	4	2,975
Lennox International	3	2,704
Furniture Brands International	4	2,579
Sunbeam Corporation	2	2,250
Choctaw Maid Farms	3	2,210
Halter Marine Group, Inc.	6	2,164
General Motors Corporation	3	2,020
MTD Products	3	2,000
Sara Lee Corporation	3	1,940
Peco Foods, Inc.	4	1,835
Weyerhaeuser Company	10	1,774
Leggett & Platt, Inc.	9	1,748
Kellwood Company	6	1,651
The Stratford Company	5	1,650
Cooper Industries, Inc.	6	1,614
La-Z-Boy Chair Company	3	1,592
KLH Industries, Inc.	4	1,576
Lifestyle Furnishings, International	8	1,561

Source: Mississippi Department of Economic and Community Development - 1998/99 Mississippi Manufacturers' Directory

Mississippi Average Annual Employment by Sector

For the Last Ten Calendar Years

Table XIII

Employment by Sector	1997	1996	1995	1994
Manufacturing	241,300	245,600	257,800	261,000
Construction	50,700	48,600	45,400	43,500
Mining	5,900	5,300	4,900	5,100
Trade	237,100	232,900	228,200	219,400
Services	257,700	246,100	232,400	224,700
Finance, insurance and real estate	41,300	40,900	40,000	39,700
Transportation and public utilities	53,000	52,800	51,100	48,600
Government	219,200	217,800	214,700	213,700

Source: Mississippi Employment Security Commission

Mississippi Average Annual Wages by Sector

For the Last Ten Calendar Years

Table XIV

Wages by Sector	1997	1996	1995	1994
Agriculture, forestry and fisheries	\$ 17,318	\$ 16,501	\$ 16,153	\$ 15,276
Manufacturing	25,584	24,323	23,301	22,593
Construction	24,369	23,294	22,188	21,928
Mining	34,674	31,661	30,025	29,175
Wholesale trade	29,636	28,275	27,179	26,275
Retail trade	13,333	12,747	12,369	12,053
Services	21,980	21,222	20,569	19,416
Finance, insurance and real estate	28,030	26,707	25,916	24,748
Transportation, communication and utilities	32,041	30,406	29,520	28,983
Government	21,703	20,731	19,923	18,965

Source: Mississippi Employment Security Commission

1993	1992	1991	1990	1989	1988
255,700	251,900	246,900	246,500	243,600	238,800
39,600	35,400	34,800	37,200	35,900	35,200
5,200	5,200	5,700	6,000	6,000	6,300
209,800	201,000	196,800	198,400	196,000	191,400
196,700	175,500	165,800	161,000	153,900	145,400
38,800	38,400	38,700	38,800	38,900	38,900
46,300	45,000	45,000	45,300	45,100	44,200
210,100	207,900	203,900	203,400	199,800	196,000

1993	1992	1991	1990	1989	1988
\$ 14,457	\$ 14,395	\$ 13,758	\$ 12,889	\$ 11,951	\$ 11,673
21,768	21,119	20,022	19,385	18,637	18,341
20,782	19,961	19,237	18,906	17,926	16,959
27,829	27,367	26,245	25,490	24,223	23,702
25,226	24,545	23,495	22,343	21,341	20,575
11,691	11,536	10,987	10,511	10,164	10,048
18,713	18,302	17,718	17,009	16,425	15,581
24,112	23,198	21,546	20,837	20,070	19,424
27,952	27,710	26,285	25,526	24,168	23,219
18,156	17,540	17,410	16,498	15,801	15,194

MISSISSIPPI

Public School Enrollment

For the Last Ten Academic Years

Table XV

Grade	1997/1998	1996/1997	1995/1996	1994/1995
Kindergarten	40,667	40,511	40,559	39,545
Grades 1-3	123,254	120,952	118,376	117,407
Grades 4-6	112,996	113,212	114,646	116,375
Grades 7-9	120,205	122,732	123,903	125,306
Grades 10-12	92,183	90,311	89,375	88,419
Special Education	15,487	16,249	16,743	16,249
Total Enrollment	504,792	503,967	503,602	503,301

Source: Mississippi State Department of Education

Full-time Equivalent Student Enrollment - Community and Junior Colleges

For the Last Ten Academic Years

Table XVI

Community and Junior College	1997/1998	1996/1997	1995/1996	1994/1995
Coahoma Community College	1,458	1,457	1,576	1,410
Copiah-Lincoln Community College	3,047	2,984	2,941	2,790
East Central Community College	2,463	2,358	4,404	1,800
East Mississippi Community College	2,725	3,426	2,896	1,876
Hinds Community College	10,635	10,745	10,290	10,668
Holmes Community College	2,854	2,968	2,492	2,549
Itawamba Community College	3,820	4,302	3,957	4,122
Jones County Junior College	5,133	5,128	5,073	4,828
Meridian Community College	3,271	3,213	2,963	2,868
Mississippi Delta Community College	3,597	3,576	3,343	3,931
Mississippi Gulf Coast Community College	9,965	10,203	10,550	12,393
Northeast Mississippi Community College	4,416	4,044	3,879	3,915
Northwest Mississippi Community College	5,247	5,276	4,653	4,889
Pearl River Community College	2,967	3,049	2,840	3,038
Southwest Mississippi Community College	1,997	1,900	1,792	1,549
Total Community and Junior Colleges	63,595	64,629	63,649	62,626

Source: Mississippi State Board for Community and Junior Colleges

Full-time Equivalent Student Enrollment - Universities

For the Last Ten Academic Years

Table XVII

University	1997/1998	1996/1997	1995/1996	1994/1995
Alcorn State University	2,847	3,073	2,989	2,756
Delta State University	4,085	4,015	3,288	3,199
Jackson State University	6,333	6,218	5,479	5,273
Mississippi State University	15,645	14,859	12,185	11,680
Mississippi University for Women	3,309	3,277	2,055	2,060
Mississippi Valley State University	2,253	2,199	2,145	2,177
University of Mississippi	11,301	10,993	9,449	9,253
University of Southern Mississippi	14,593	14,117	11,689	10,516
Total Universities	60,366	58,751	49,279	46,914
University of Mississippi Medical School	1,877	1,806	2,450	2,045

Source: Office of Planning and Budget, Institutions of Higher Learning, State of Mississippi

1993/1994	1992/1993	1991/1992	1990/1991	1989/1990	1988/1989
38,523	37,077	36,954	37,810	37,302	37,825
117,362	119,904	121,500	124,205	127,678	129,254
118,755	121,097	122,108	121,426	119,277	117,844
123,797	121,260	118,497	116,436	114,854	112,438
88,936	88,962	88,322	87,961	90,526	93,998
16,001	15,929	14,196	12,284	12,383	11,967
503,374	504,229	501,577	500,122	502,020	503,326

1993/1994	1992/1993	1991/1992	1990/1991	1989/1990	1988/1989
1,332	818	1,216	1,840	1,737	1,685
2,597	2,542	2,618	2,350	2,341	2,084
1,647	2,112	1,568	1,677	1,437	1,467
1,331	1,493	1,388	984	1,034	966
10,065	10,508	10,078	9,804	9,083	8,712
2,465	2,173	2,074	1,865	1,832	1,790
3,989	3,934	3,954	3,748	3,658	3,328
4,772	4,937	4,435	4,285	4,046	3,887
3,059	3,047	2,805	2,608	2,511	2,677
3,515	3,723	3,622	3,278	3,042	2,793
13,852	10,266	10,203	10,034	8,836	8,545
3,634	3,817	3,587	3,483	3,409	3,205
4,566	4,319	3,919	4,037	3,793	3,834
3,109	3,083	3,101	3,083	2,907	2,807
1,638	1,536	1,561	1,574	1,548	1,425
61,571	58,308	56,129	54,650	51,214	49,205

1993/1994	1992/1993	1991/1992	1990/1991	1989/1990	1988/1989
2,671	2,872	3,204	2,790	2,744	2,525
3,298	3,205	3,454	3,358	3,193	3,075
5,477	5,506	5,946	6,144	6,308	6,081
11,894	12,232	12,192	12,407	12,286	11,646
1,945	1,959	1,942	1,833	1,597	1,524
2,299	2,217	2,051	1,908	1,692	1,715
9,516	9,948	10,207	10,231	9,869	9,069
10,429	10,742	11,254	11,296	10,927	10,044
47,529	48,681	50,250	49,967	48,616	45,679
2,377	2,272	2,311	2,254	2,076	1,404

Miscellaneous Statistics

June 30, 1998

Table XVIII

Date Entered Union	December 10, 1817
Form of Government	Legislative - Executive - Judicial
Miles of State Highway	10,652
Land Area	47,233 Square Miles

State Highway Patrol:

Number of Stations	9
Number of Sworn Officers	493

Higher Education (Universities and Community and Junior Colleges):

Number of Campuses in State	53
Number of Educators	7,659
Number of Students	125,838

Recreation:

Number of State Parks	29	
Area of State Parks	24,542	Acres
Area of State Forests	133,118	Acres

State Employees:

Full-Time	30,286
Part-Time(Permanent)	1,025

Source: Mississippi Statistical Abstract
 Mississippi Department of Transportation
 Mississippi Department of Public Safety
 Board of Trustees of State Institutions of Higher Learning, State of Mississippi
 Mississippi State Board for Community and Junior Colleges
 Mississippi Department of Wildlife, Fisheries and Parks
 Mississippi Forestry Commission
 Mississippi State Personnel Board