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**MISSISSIPPI AFFORDABLE
COLLEGE SAVINGS PROGRAM**

**Financial Statements
June 30, 2007 and 2006**



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INDEPENDENT AUDITORS' REPORT

To the College Savings Plans of Mississippi Board of Directors
Mississippi Affordable College Savings Program
Jackson, Mississippi

We have audited the accompanying statements of fiduciary net assets of Mississippi Affordable College Savings Program (the "Program") as of June 30, 2007 and 2006, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the financial statements of the Program are intended to present the fiduciary net assets and changes in fiduciary net assets for only that portion of the fiduciary activities of the State of Mississippi that is attributable to the transactions of the Program. They do not purport to, and do not present fairly, the fiduciary net assets of the State of Mississippi as of June 30, 2007 and 2006, and the changes in its fiduciary net assets, for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the fiduciary net assets of Mississippi Affordable College Savings Program as of June 30, 2007 and 2006, and the changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain

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

Management of the Program has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements of state and local governments.

Can, Rigg & Ingram, LLC

Ridgeland, Mississippi
October 5, 2007

Mississippi Affordable College Savings Program

Statements of Fiduciary Net Assets

<u>At June 30,</u>	<u>2007</u>				<u>2006</u>
	Trust Fund	Administrative Fund	Endowment Fund	Total	Total
ASSETS					
Cash and cash equivalents	\$ 708,563	\$ 100,298	\$ 1,000	\$ 809,861	\$ 748,087
Dividend and interest receivable	13,681			13,681	8,847
Due from transfer agent	90,039			90,039	29,556
Investment securities	80,419,861			80,419,861	60,351,026
Total assets	\$ 81,232,144	\$ 100,298	\$ 1,000	\$ 81,333,442	\$ 61,137,516
LIABILITIES AND NET ASSETS					
Warrants payable		\$ 1,230		\$ 1,230	\$ 493
Accrued investment management fee	\$ 40,918			40,918	90,439
Payable for securities transactions	27,923			27,923	14,697
Compensated absences		6,332		6,332	4,306
Total liabilities	68,841	7,562	-	76,403	109,935
Net assets held in trust	81,163,303	92,736	\$ 1,000	81,257,039	61,027,581
Total liabilities and net assets	\$ 81,232,144	\$ 100,298	\$ 1,000	\$ 81,333,442	\$ 61,137,516

The accompanying notes are an integral part of these financial statements.

Mississippi Affordable College Savings Program

Statements of Changes in Fiduciary Net Assets

<i>For the years ended June 30,</i>	2007				2006
	Trust Fund	Administrative Fund	Endowment Fund	Total	Total
ADDITIONS					
Investment earnings					
Interest	\$ 264,011	\$ 4,797		\$ 268,808	\$ 223,767
Dividends	2,174,587			2,174,587	2,703,649
Net realized gain on investments	1,553,692			1,553,692	191,050
Net change in unrealized gain on investments	5,661,030			5,661,030	928,609
Total investment earnings	9,653,320	4,797	-	9,658,117	4,047,075
Less investment expenses -					
Management fees	445,137			445,137	332,691
Net investment earnings	9,208,183	4,797	-	9,212,980	3,714,384
Other receipts					
Customer subscriptions	15,356,389			15,356,389	13,220,512
Program manager transfers		175,000		175,000	175,000
Total other receipts	15,356,389	175,000	-	15,531,389	13,395,512
Total additions	24,564,572	179,797	-	24,744,369	17,109,896
DEDUCTIONS					
Customer redemptions	4,375,238			4,375,238	2,589,383
Salaries and travel		99,503		99,503	100,160
Contractual services		39,268		39,268	23,093
Commodities and supplies		902		902	1,226
Total deductions	4,375,238	139,673	-	4,514,911	2,713,862
Change in net assets	20,189,334	40,124		20,229,458	14,396,034
Net assets at beginning of year	60,973,969	52,612	\$ 1,000	61,027,581	46,631,547
Net assets at end of year	\$ 81,163,303	\$ 92,736	\$ 1,000	\$ 81,257,039	\$ 61,027,581

The accompanying notes are an integral part of these financial statements.

Mississippi Affordable College Savings Program

Notes to Financial Statements

NOTE 1 - ORGANIZATION

The Mississippi Affordable College Savings Program (MACS) was created by the 2000 Session of the Mississippi Legislature to assist qualified students in financing costs of attending institutions of higher education, to encourage timely financial planning for higher education, provide a savings program for those persons who wish to save to meet post secondary educational needs beyond the traditional baccalaureate curriculum, and to provide a choice of programs to persons who determine that the overall educational needs of their families are best provided by either a savings trust agreement under MACS or a prepaid tuition contract under the Mississippi Prepaid Affordable College Tuition (MPACT) Program. MACS is governed by the Board of Directors of the College Savings Plans of Mississippi, with administration functions delegated to the Mississippi Treasury Department. The Board has authority to appoint investment managers, adopt resolutions for the administration of the program and establish investment policies for the program. TIAA-CREF Tuition Financing, Inc. ("TFI"), an indirect subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Board entered into a Management Agreement under which TFI serves as Program Manager. MACS is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940.

An individual participating in the Program establishes an Account in the name of a Beneficiary. The Program consists of two investment programs: (1) the Mississippi Affordable College Savings Program (the "Direct Program") and (2) the Mississippi Affordable College Savings Advisor Program (the "Advisor Program"). These financial statements include both programs.

Contributions to the Direct Program can be made among three investment options: the Managed Allocation Option, the 100% Equity Option and the Guaranteed Option. Contributions in the Managed Allocation Option are allocated among six age bands, based on the age of the beneficiary. Each age band invests in varying percentages in the International Equity, Bond, Inflation-linked Bond, Equity Index, Real Estate Securities, Large-Cap Value Index, S&P 500 Index, Small-Cap Blend Index, and Money Market Funds of the TIAA-CREF Institutional Mutual Funds. The 100% Equity Option invests in varying percentages in the Growth Equity, Equity Index, Real Estate Securities, Large-Cap Value Index, Small-Cap Equity and International Equity Funds of the TIAA-CREF Institutional Mutual Funds. The Guaranteed Option invests in a Fund Agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA, which guarantees principal and a minimum return of 3% per annum. All allocation percentages are determined by the Board and are subject to change.

Contributions to the Advisor Program can be made among eight investment options, which are subject to a sales charge imposed at time of purchase and paid prior to investment of contributions in the Trust. The Advisor program investment options are the Growth and Income Option, Equity Index Option, Large-Cap Value Index Option, Small-Cap Blend Index Option, Bond Option, Balanced Option, International Equity Option, and Guaranteed Option.

Teachers Advisors, Inc., an affiliate of TFI, is registered with the Securities and Exchange Commission ("Commission") as an investment advisor, and provides investment advisory services to the TIAA-CREF Institutional Mutual Funds. Teachers Personal Investor Services, Inc., an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, Inc., also an affiliate

Mississippi Affordable College Savings Program

Notes to Financial Statements

NOTE 1 - ORGANIZATION (Continued)

of TFI, both of which are registered with the Commission as broker-dealers and are members of the National Association of Securities Dealers, Inc., provide the telephone counseling, marketing and information services required of TFI.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements contained in this report are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when services or benefits are received. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and standards of the Government Accounting Standards Board. The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Program defines cash equivalents as demand deposit accounts and cash in the State Treasury.

Investments

The market value of the investments in mutual funds is based on the net asset values of the funds as of the close of business on the valuation date. The value of the TIAA-CREF Life Funding Agreement is based on the principal contributed and interest credited less any amounts withdrawn.

Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses are based upon the specific identification method.

The Program provides for investments in various investments, and investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net assets.

Contributions and Withdrawals

Contributions by a participant are evidenced through the issuance of units in the particular assigned investment option. Contributions received by the Program Manager before the close of trading on the New York Stock Exchange on any business day are credited to the account to which the contribution is made within one business day thereafter. Contributions are invested in units of the assigned investment option on the business day the contribution is credited to the participant's account. Withdrawals are based on the net asset value calculated for such investment option on the business day on which the Program Manager processes the withdrawal request.

Mississippi Affordable College Savings Program

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Penalty Fees

The Program does not retain penalty fees on non-qualified withdrawals; however, the Account Owner may be subject to additional federal income taxes relating to any earnings on non-qualified withdrawals.

Tax Status

MACS is exempt from federal income tax as a qualified state tuition program under Section 529 of the Internal Revenue Code of 1986. Section 1806 of the Small Business Job Protection Act of 1996 added Section 529. That code section provides that a "qualified state tuition program" is exempt from all federal income taxation except that relating to unrelated business income. The term "qualified state tuition program" is defined generally in Code Section 529 as a program established and maintained by a state or agency and instrumentality thereof under which, among other things, a person may make cash contributions to an account established solely for meeting the qualified higher education expenses of the designated beneficiary of the account. To the extent necessary and applicable, the Program documents include the qualification criteria required by Section 529.

Reporting Entity

MACS is part of the State of Mississippi's reporting entity and is reported as a private purpose trust fund (fiduciary fund) in the State of Mississippi Comprehensive Annual Financial Report (CAFR). These financial statements and the accompanying notes relate solely to MACS. The MPACT Program issues separate financial statements.

NOTE 3 - MANAGEMENT AGREEMENT

For its services as Program Manager, TFI, and related entities, are paid an annual fee of 0.7% of the average daily net assets of the Program, plus the specific investment management fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds. Total fees earned by TFI, and related entities, for the years ended June 30, 2007 and 2006 were \$616,935 and \$422,682, respectively, which included \$445,137 (2007) and \$332,691 (2006) of fees on average daily net assets of the Program and \$171,798 (2007) and \$89,991 (2006) of fees on underlying Program investments in the TIAA-CREF Institutional Mutual Funds.

NOTE 4 - ADMINISTRATIVE FUNDING

Expenditures from the Administrative Fund for fiscal years 2007 and 2006 were funded through payments to the State Treasury by TFI from the fees charged to MACS account owners as specified by the Management Agreement.

Mississippi Affordable College Savings Program

Notes to Financial Statements

NOTE 5 - INVESTMENTS

As of June 30, 2007 and 2006, investments consisted of the following:

<i>June 30,</i>	Cost	Fair Value	Cost	Fair Value
	2007		2006	
TIAA-CREF Institutional				
Mutual Funds				
International Equity Fund	\$ 3,953,334	\$ 5,503,351	\$ 2,874,332	\$ 3,826,001
Growth and Income Fund	1,596,127	1,910,771	1,232,716	1,269,886
Growth Equity Fund	4,863,165	5,648,417	3,998,583	4,014,321
Inflation Linked Bond Fund	4,775,981	4,554,041	3,507,123	3,307,208
Equity Index Fund	8,758,912	10,640,788	7,511,615	8,021,193
Real Estate Securities Fund	3,922,775	4,227,899	2,921,445	3,277,567
Large Cap Value Index Fund	7,253,487	8,769,623	5,835,228	6,309,248
Small Cap Blend Index Fund	2,114,004	2,424,835	1,700,333	1,873,930
Institutional Bond Fund	15,253,580	14,833,023	11,264,607	10,769,020
Money Market Fund	3,329,944	3,329,962	2,272,348	2,272,348
Small Cap Equity Fund	1,156,407	1,245,552	851,785	891,721
International Equity Index Fund	3,035,475	4,472,007	2,704,805	3,442,937
S&P 500 Fund	4,311,677	5,330,276	3,716,130	4,020,317
TIAA-CREF Life Insurance Company				
Funding Agreement	7,529,316	7,529,316	7,055,329	7,055,329
Total	\$71,854,184	\$80,419,861	\$ 57,446,379	\$ 60,351,026

At June 30, 2007, the net unrealized appreciation of portfolio assets was \$8,565,677, consisting of gross unrealized appreciation of \$9,208,174 and gross unrealized depreciation of \$642,497. At June 30, 2006 the net unrealized appreciation of portfolio assets was \$2,904,647, consisting of gross unrealized appreciation of \$3,600,149 and gross unrealized depreciation of \$695,502.

Purchases and sales of portfolio securities for the year ended June 30, 2007 were \$18,892,618 and \$5,378,471, respectively. Purchases and sales of portfolio securities for the year ended June 30, 2006 were \$16,689,840 and \$4,557,469, respectively.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MACS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the government and are held by either the counterparty or the counterparty's trust department or agent. Investments of the Program are entirely uninsured and are held by third parties in the name of MACS for the benefit of account owners. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Deposits of the program are entirely insured or collateralized with securities.

Mississippi Affordable College Savings Program

Notes to Financial Statements

NOTE 5 - INVESTMENTS (Continued)

Interest Rate and Credit Risk

Market or interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates.

Debt securities in the preceding table are investments in mutual funds holding U.S. Government securities and corporate bonds. The Institutional Bond Fund is invested in approximately 82% AAA, 6% AA, 7% A and 5% BBB rated corporate bond securities as of June 30, 2007. The bonds in this fund have an average maturity of approximately 6.7 years. The Inflation Linked Bond Fund is invested in approximately 100% U.S. Government securities at June 30, 2007. These securities are considered equivalent to an AAA rating by Standard & Poor's. Money market funds have a maximum maturity of one year.

MACS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Foreign Currency Risk

All foreign currency-denominated investments are in equities and foreign cash. The International Fund has a policy of maintaining investments of equity securities of foreign issuers located in at least three different countries other than the United States.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the College Savings Plans of Mississippi Board of Directors
Mississippi Affordable College Savings Program
Jackson, Mississippi

We have audited the financial statements of Mississippi Affordable College Savings Program ("MACS" or the "Program") as of and for the year ended June 30, 2007, and have issued our report thereon dated October 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MACS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MACS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MACS' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether MACS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and the Mississippi State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Can, Riggo & Ingram, LLC

Ridgeland, Mississippi
October 5, 2007