

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Financial Statements and Report of
Independent Certified Public Accountants

December 31, 2006 and 2005

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Report of Independent Certified Public Accountants

To the Directors of Mississippi Higher
Education Assistance Corporation

We have audited the accompanying statements of financial position of Mississippi Higher Education Assistance Corporation as of December 31, 2006 and 2005, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Higher Education Assistance Corporation as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Haddox Reid Burkes & Calhoun PLLC

March 27, 2007

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Financial Position

	December 31,	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 302,854,093	184,427,508
Investments	134,398,225	245,606,225
Student loans receivable	1,202,369,835	1,076,708,065
Interest and special allowance receivable	30,127,291	23,178,935
Deferred costs of issuance less accu- mulated amortization of \$4,903,359 in 2006 and \$4,407,258 in 2005	8,393,402	8,070,513
Other assets	<u>1,568,335</u>	<u>1,523,126</u>
Total assets	\$ <u>1,679,711,181</u>	<u>1,539,514,372</u>

LIABILITIES AND UNRESTRICTED NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 1,793,723	1,911,204
Accrued interest payable	9,674,036	7,168,965
Excess interest and rebate payable	24,288,001	33,156,184
Bonds and notes payable	<u>1,528,500,000</u>	<u>1,392,660,000</u>
Total liabilities	<u>1,564,255,760</u>	<u>1,434,896,353</u>
Unrestricted net assets:		
Bond and note funds	75,386,350	75,963,888
General fund	<u>40,069,071</u>	<u>28,654,131</u>
Total unrestricted net assets	<u>115,455,421</u>	<u>104,618,019</u>
Total liabilities and un- restricted net assets	\$ <u>1,679,711,181</u>	<u>1,539,514,372</u>

The accompanying notes are an integral part of these statements.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Activities
and Changes in Unrestricted Net Assets

	Years Ended December 31,	
	<u>2006</u>	<u>2005</u>
Revenues:		
Interest on student loans	\$ 26,959,827	19,678,014
Interest subsidy	6,973,340	5,249,541
Special allowance	33,187,301	22,439,883
Late fees	265,590	286,398
	<u>67,386,058</u>	<u>47,653,836</u>
Interest on investments	17,931,896	11,016,738
	<u>85,317,954</u>	<u>58,670,574</u>
Total unrestricted revenues		
Expenses:		
Interest	64,618,773	40,329,962
Administration and loan servicing	6,070,043	6,040,586
Bond and note fees	3,295,635	3,703,818
Amortization of deferred costs of issuance	496,101	512,160
	<u>74,480,552</u>	<u>50,586,526</u>
Total expenses		
Increase in unrestricted net assets	10,837,402	8,084,048
Unrestricted net assets, beginning of year	<u>104,618,019</u>	<u>96,533,971</u>
Unrestricted net assets, end of year	\$ <u>115,455,421</u>	<u>104,618,019</u>

The accompanying notes are an integral part of these statements.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Cash Flows

	Years Ended December 31,	
	<u>2006</u>	<u>2005</u>
Receipts (disbursements) in cash and cash equivalents:		
Cash flows from operating activities:		
Interest on student loans	\$ 18,657,932	11,155,725
Interest subsidy	6,565,354	4,820,008
Special allowance	31,891,317	19,340,209
Late fees	265,590	286,398
Interest on investments	17,560,541	9,517,896
Interest on bonds and notes	(62,113,703)	(37,633,005)
Administration and loan servicing	(6,364,048)	(6,392,105)
Bond and note fees	<u>(3,310,052)</u>	<u>(3,741,375)</u>
Net cash provided by (used in) operating activities	<u>3,152,931</u>	<u>(2,646,249)</u>
Cash flows from investing activities:		
Collection of student loan principal	132,934,206	125,184,010
Proceeds from sale of student loans	26,286	-
Purchases of student loan principal	(246,739,146)	(231,473,697)
Purchases of student loan accrued interest	(2,645,467)	(387,283)
Investments matured/redeemed (purchased)	111,208,000	(92,747,950)
Loan premiums and origination costs	<u>(17,344,799)</u>	<u>(10,963,494)</u>
Net cash used in investing activities	<u>(22,560,920)</u>	<u>(210,388,414)</u>
Cash flows from financing activities:		
Collection of excess and rebate interest	3,156,447	5,092,874
Payment of excess and rebate interest	(348,698)	(791,291)
Proceeds from bond and note issues	142,900,000	250,000,000
Payments to redeem bonds	(7,060,000)	(47,805,000)
Payments for costs of issuance	<u>(813,175)</u>	<u>(1,316,310)</u>
Net cash provided by financing activities	<u>137,834,574</u>	<u>205,180,273</u>

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Cash Flows - continued:

	Years Ended December 31,	
	<u>2006</u>	<u>2005</u>
Net increase (decrease) in cash and cash equivalents	\$ 118,426,585	(7,854,390)
Cash and cash equivalents:		
Beginning of year	<u>184,427,508</u>	<u>192,281,898</u>
End of year	\$ <u>302,854,093</u>	<u>184,427,508</u>
Reconciliation of increase in unrestricted net assets to net cash provided by (used in) operating activities:		
Increase in unrestricted net assets	\$ <u>10,837,402</u>	<u>8,084,048</u>
Adjustments to reconcile increase in unrestricted net assets to net cash provided by (used in) operating activities:		
Amortization	5,949,925	5,204,605
Capitalized interest on student loans	(11,278,816)	(12,439,318)
Provision for loan losses	(249,340)	782,792
Increase in interest and special allowance receivable	(4,302,890)	(6,586,254)
Increase in other assets	(45,209)	(415,223)
Increase (decrease) in accounts payable	(263,213)	26,147
Increase in accrued interest payable	<u>2,505,072</u>	<u>2,696,954</u>
Total adjustments	<u>(7,684,471)</u>	<u>(10,730,297)</u>
Net cash provided by (used in) operating activities	\$ <u>3,152,931</u>	<u>(2,646,249)</u>

The accompanying notes are an integral part of these statements.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Notes to Financial Statements
December 31, 2006 and 2005

Note 1 - Organization

Mississippi Higher Education Assistance Corporation (the "Corporation"), is a nonprofit corporation organized on January 23, 1980, under the laws of the State of Mississippi for the exclusive purpose of acquiring student loans incurred under the Higher Education Act. The Corporation's primary source of funds for this purpose is the issuance of both tax-exempt and taxable revenue bonds. The Corporation is not an agency or instrumentality of the State of Mississippi or any agency or political subdivision thereof.

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Corporation considers all checking accounts, money market accounts and investment agreements with an original maturity of three months or less to be cash and cash equivalents. All other securities are classified as investments.

Investments

Investments are reported at their cost or amortized cost, which management believes approximates the fair value based upon the monthly resetting of interest rates on substantially all of the investments.

Student Loans Receivable

Student loans are reported at their unpaid principal balances, net of expected loan losses, plus unamortized costs related to loan originations and premiums related to loan purchases. Origination costs and premiums are amortized over sixteen years for consolidation loans and eight years for all other loans, using the effective interest method. Management believes that the reported amount for student loans approximates the fair value based upon the Corporation's current acquisitions of student loans.

Deferred Costs of Issuance

The costs of issuing bonds and notes, which are composed of underwriter's discount, legal costs and other related financing costs, are capitalized and amortized over the expected life of the related debt issue on a weighted average basis.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Notes to Financial Statements
December 31, 2006 and 2005

Note 2 - Summary of Significant Accounting Policies - continued:

Bonds and Notes Payable

Bonds and notes payable are reported at their principal amount outstanding, which management believes approximates the fair value based upon the monthly resetting of interest rates on substantially all of the bonds and notes outstanding.

Income Taxes

The Corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3 - Cash and Investments

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash and investments. The Corporation places its cash and investments with high quality financial institutions. Generally, deposits with banks are in excess of the FDIC insurance limit. The Corporation routinely assesses the financial strength of the institutions and, as a consequence, believes that its cash and investments credit risk exposure is limited. At December 31, 2006 and 2005, the Corporation had cash and cash equivalents and investments consisting of:

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents:		
Cash	\$ 81,324	23,125
Money market instruments	302,772,769	184,404,383
	\$ <u>302,854,093</u>	<u>184,427,508</u>

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Notes to Financial Statements
December 31, 2006 and 2005

Note 3 - Cash and Investments - continued:

	<u>Maturity</u>	<u>2006</u>	<u>2005</u>
Investments:			
Societe Generale	01/01/06- 09/01/35	\$ 18,550,000	129,430,000
Westdeutsche Landesbank	09/01/07- 09/01/33	25,793,000	26,121,000
Bayerische Landesbank	09/01/09- 09/01/16	82,303,225	82,303,225
FSA Capital Management Services	09/01/14- 12/01/21	<u>7,752,000</u>	<u>7,752,000</u>
		\$ <u>134,398,225</u>	<u>245,606,225</u>

Investments consist of guaranteed investment contracts and re-purchase agreements. Substantially all cash and investments are restricted for the acquisition of student loans, repayment of bond and note obligations and to satisfy certain reserve requirements specified by the various bond indentures.

At December 31, 2006 and 2005, \$2,876,723 and \$2,758,349, respectively, of money market instruments was pledged as collateral for the obligations described in Note 8.

Note 4 - Student Loans Receivable

Student loans include Stafford loans, Parent Loans for Undergraduate Students (PLUS) loans, and Consolidation loans. The terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over a period of up to ten years for Stafford and PLUS loans and up to thirty years for Consolidation loans. Substantially all of the student loans are pledged to the repayment of bonds and notes outstanding. Concentrations of credit risk with respect to student loans are limited due to large number of borrowers and the guarantee. Student loans are guaranteed by various guarantors, which are reinsured by the Federal government. The guarantors guarantee 98% of principal and accrued interest for loans disbursed prior to July 1, 2006, and 97% for loans disbursed on or after July 1, 2006.

The U.S. Department of Education (DOE) pays the Corporation an interest subsidy on certain Stafford Student Loans and Federal Consolidation Loans while the student is in school, the loan is in the grace period, or loan repayment is deferred. A special allowance is paid to the Corporation by DOE at the end of each

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Notes to Financial Statements
December 31, 2006 and 2005

Note 4 - Student Loans Receivable - continued:

quarter, consisting of additional interest on all outstanding student loans. The allowance is related to the average of 91-day Treasury Bill rates and 3-month commercial paper rates during each quarter.

At December 31, 2006 and 2005, the Corporation had student loans consisting of:

	<u>2006</u>	<u>2005</u>
Student loans receivable	\$ 1,160,717,363	1,046,890,647
Unamortized premiums and origination costs	<u>42,231,590</u>	<u>30,340,615</u>
	1,202,948,953	1,077,231,262
Provision for loan losses	<u>(579,118)</u>	<u>(523,197)</u>
	<u>\$ 1,202,369,835</u>	<u>1,076,708,065</u>

The Corporation's third party loan servicers who service substantially all of the Corporation's student loans have obtained the DOE Exceptional Performance designation. This entitles the Corporation to receive 100% reimbursement of principal and interest on all claims submitted by these servicers during the period the servicers maintain the Exceptional Performance designation. In 2006, Congress passed legislation reducing the reimbursement on claims submitted by servicers with the DOE Exceptional Performance designation from 100% to 99%. Accordingly, management determined that a provision for loan losses was appropriate at December 31, 2006 and 2005, respectively.

Note 5 - Excess Interest and Rebate Payable

The Corporation records a liability for its estimate of excess interest earnings on student loans financed with proceeds of certain tax-exempt bond issues. The liability must be settled through cash payments to the Federal government beginning ten years after the applicable bond issue date or through reducing the yield on student loans by forgiving student loans. In addition, a rebate payable is recorded for the Corporation's estimate of excess earnings on certain investments made with proceeds of tax-exempt bond issues. The rebate payable must be settled through cash payments to the Federal government beginning five years after the applicable bond issue date. The liability

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Notes to Financial Statements
December 31, 2006 and 2005

Note 5 - Excess Interest and Rebate Payable - continued:

for excess interest and rebate payable is computed in accordance with current Treasury Regulations, and is funded with cash deposits.

During the years ended December 31, 2006 and 2005, the Corporation settled approximately \$11,676,000 and \$7,106,000, respectively, of its excess interest liability through the forgiveness of student loan principal and accrued interest. During the years ended December 31, 2006 and 2005, the Corporation settled approximately \$296,000 and \$535,000, respectively, of its rebate liability through cash payments to the Federal government. During the year ended December 31, 2006, the Corporation settled approximately \$53,000 of its excess interest liability through cash payments to the Federal government.

Note 6 - Bonds and Notes Payable

Bonds and notes payable at December 31, 2006 consisted of:

<u>Series</u>	<u>Amount</u>	<u>Maturity</u>	<u>Status</u>	<u>Rate</u>	<u>Mode</u>
1993-B	\$ 1,320,000	09/01/06-09/01/07	Exempt	5.80 - 5.85	Fixed
1993-C	180,000	09/01/07	Exempt	6.05	Fixed
1994-A	35,000,000	09/01/09	Exempt	3.72	Auction
1994-B	51,700,000	09/01/09	Exempt	3.72	Auction
1994-C	11,300,000	09/01/09	Exempt	7.50	Fixed
1996	108,400,000	10/01/26	Taxable	5.30	Auction
1996-A	39,200,000	09/01/16	Exempt	3.72	Auction
1996-C	10,800,000	09/01/12-09/01/16	Exempt	6.70 - 6.80	Fixed
1998-B	42,100,000	09/01/33	Exempt	3.75	Auction
1999-A-1	26,500,000	08/01/29	Exempt	3.75	Auction
1999-A-2	21,100,000	06/01/07	Exempt	3.72	Auction
1999-A-3	20,000,000	08/01/29	Taxable	5.28	Auction
1999-B-1	8,500,000	08/01/29	Exempt	3.85	Auction
2000	93,200,000	07/01/30	Taxable	5.31	Auction
2000-A-1	72,900,000	09/01/30	Taxable	5.33	Auction
2000-B-1	8,100,000	09/01/30	Taxable	5.40	Auction
2000-A-2	28,400,000	09/01/30	Exempt	3.85	Auction
2000-A-3	84,000,000	09/01/30	Taxable	5.33	Auction
2000-B-2	12,000,000	09/01/30	Exempt	3.85	Auction
2000-A-4	9,100,000	09/01/30	Exempt	3.82	Auction
2000-B-3	20,000,000	09/01/08-03/01/10	Exempt	5.30 - 5.45	Fixed
2001-A-1	27,300,000	09/01/08-09/01/31	Exempt	3.80	Auction
2003-A-1	91,300,000	09/01/33	Taxable	5.32	Auction
2003-A-2	91,300,000	09/01/33	Taxable	5.30	Auction
2003-B-1	15,000,000	09/01/33	Taxable	5.36	Auction
2003-A-3	16,900,000	09/01/33	Taxable	5.28	Auction
2004-A-1	45,000,000	03/01/34	Exempt	3.80	Auction
2004-B-1	5,000,000	03/01/34	Exempt	3.90	Auction

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Notes to Financial Statements
December 31, 2006 and 2005

Note 6 - Bonds and Notes Payable - continued:

<u>Series</u>	<u>Amount</u>	<u>Maturity</u>	<u>Status</u>	<u>Rate</u>	<u>Mode</u>
2004-A-2	\$ 60,000,000	09/01/34	Taxable	5.31	Auction
2004-A-3	35,000,000	09/01/34	Taxable	5.32	Auction
2004-A-4	45,000,000	09/01/34	Taxable	5.32	Auction
2005-A-1	68,700,000	09/01/35	Exempt	3.75	Auction
2005-A-2	37,500,000	09/01/35	Exempt	3.70	Auction
2005-B-1	18,800,000	09/01/35	Exempt	3.85	Auction
2005-A-3	50,000,000	09/01/35	Taxable	5.31	Auction
2005-A-4	37,500,000	09/01/35	Taxable	5.31	Auction
2005-A-5	37,500,000	09/01/35	Taxable	5.31	Auction
2006-A-1	85,700,000	09/01/36	Exempt	3.74	Auction
2006-A-2	42,900,000	09/01/36	Exempt	3.75	Auction
2006-B-1	<u>14,300,000</u>	09/01/36	Exempt	3.86	Auction
	\$ <u>1,528,500,000</u>				

As of December 31, 2006, remaining maturities and sinking fund redemptions of bonds and notes are as follows:

2007	\$ 22,600,000
2008	9,300,000
2009	113,000,000
2010	29,300,000
2011	-
Thereafter	<u>1,354,300,000</u>
	\$ <u>1,528,500,000</u>

Note 7 - Functional Expenses

The Corporation's administration and loan servicing expenses for the years ended December 31, 2006 and 2005 included support services - management and general of approximately \$1,905,032 and \$1,849,244, respectively. All other expenses are for the Corporation's program service - student loans.

Note 8 - Related Party Transactions

The Corporation has entered into a management contract with Education Services Foundation (ESF) whereby ESF manages the Corporation's daily operations. In addition, ESF has entered into agreements to market and sell student loans to the Corporation, and to service student loans owned by the Corporation. Financial information for transactions related to ESF at December 31, 2006 and 2005 and the years then ended is as follows:

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Notes to Financial Statements
December 31, 2006 and 2005

Note 8 - Related Party Transactions - continued:

	<u>2006</u>	<u>2005</u>
Amounts paid to ESF	\$ 8,371,028	8,280,485
Payables to ESF	531,172	427,926
Student loans purchased from ESF	40,154,231	20,770,893

Substantially all of the members of the Corporation's board of directors also serve on ESF's board of directors. Condensed financial information for ESF at December 31, 2006 and 2005 and the years then ended is as follows:

	<u>2006</u>	<u>2005</u>
Total Assets	\$ 34,672,237	29,975,384
Total Liabilities	31,849,158	26,767,891
Unrestricted Net Assets	2,823,079	3,207,493
Total Revenues - Net	10,450,828	9,453,868
Total Expenses	10,835,242	9,558,825

The Corporation has pledged cash to be used as collateral for ESF's notes financings. As of December 31, 2006 and 2005, \$2,876,723 and \$2,758,349, respectively, was being held as collateral.

Note 9 - Supplemental Information on Noncash Operating, Investing and Financing Activities

The Corporation has capitalized certain amounts of accrued interest income on student loans and included the amounts in student loans receivable. For the years ended December 31, 2006 and 2005, capitalized interest amounted to approximately \$11,279,000 and \$12,439,000, respectively.

During the years ended December 31, 2006 and 2005, the Corporation settled approximately \$11,676,000 and \$7,106,000, respectively, of its excess interest liability through the forgiveness of student loan principal and accrued interest.

Note 10 - Commitments and Contingencies

In April 2003, the Corporation entered into a contract with a company to acquire student loans over the next three years. During the years ended December 31, 2006 and 2005, the

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Notes to Financial Statements
December 31, 2006 and 2005

Note 10 - Commitments and Contingencies - continued:

Corporation acquired student loans totaling approximately \$24,452,000 and \$126,345,000, respectively, from this company.

In the normal course of business, the Corporation is subject to consumer credit disputes and potential litigation. The Corporation is not aware of any consumer credit disputes or potential litigation.

SUPPLEMENTAL INFORMATION

HADDOX REID BURKES & CALHOUN PLLC
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Independent Auditor's Report on Additional Information

To the Directors of Mississippi Higher
Education Assistance Corporation

Our report on our audits of the basic financial statements of Mississippi Higher Education Assistance Corporation for the years ended December 31, 2006 and 2005 appears on page 1. The audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



March 27, 2007

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Consolidating Statement of Financial Position
December 31, 2006

	Series 1993, 1994, 1996, 1998 Bonds	Series 1996, 2000 Notes	Series 1999-2001, 2003-2006 Bonds/Notes	Series 2004 A1, B1 Bonds	General Fund	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ -	89,711,560	115,758,209	13,749,681	27,113,051	302,854,093
Investments	-	103,231,725	30,166,500	1,000,000	-	134,398,225
Student loans receivable	-	37,074,395	963,091,649	35,296,532	10,401,961	1,202,369,835
Interest and special allowance receivable	-	3,268,905	4,658,620	1,262,695	244,390	30,127,291
Deferred costs of issuance less accumulated amortization	-	719,917	1,281,775	274,719	221,653	8,393,402
Other assets	-	(143,987)	(263,332)	(192,169)	2,626,434	1,568,335
Total assets	\$ -	<u>233,862,515</u>	<u>1,135,145,766</u>	<u>51,391,458</u>	<u>40,607,489</u>	<u>1,679,711,181</u>
<u>LIABILITIES AND UN-RESTRICTED NET ASSETS</u>						
Liabilities:						
Accounts payable and accrued expenses	\$ -	53,259	1,016,757	60,463	538,418	1,793,723
Accrued interest payable	-	2,659,243	706,309	621,289	-	9,674,036
Excess interest and rebate payable	-	15,965,001	8,323,000	-	-	24,288,001
Bonds and notes payable	-	191,600,000	1,085,300,000	50,000,000	-	1,528,500,000
Total liabilities	-	<u>210,277,503</u>	<u>1,100,326,952</u>	<u>50,681,752</u>	<u>538,418</u>	<u>1,564,255,760</u>
Unrestricted net assets	-	<u>23,585,012</u>	<u>16,272,818</u>	<u>709,706</u>	<u>40,069,071</u>	<u>115,455,421</u>
Total liabilities and unrestricted net assets	\$ -	<u>233,862,515</u>	<u>1,135,145,766</u>	<u>51,391,458</u>	<u>40,607,489</u>	<u>1,679,711,181</u>

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Consolidating Statement of Activities and
Changes in Unrestricted Net Assets
For the Year Ended December 31, 2006

	Series 1993, 1994, 1996, 1998 Bonds	Series 1996, 2000 Notes	Series 1999-2001, 2003-2006 Bonds/Notes	Series 2004 A1, B1 Bonds	General Fund	Total
Revenues:						
Interest on student loans	\$ -	3,890,689	15,928,080	973,869	269,168	26,959,827
Interest subsidy	-	387,177	4,226,560	757,356	19,312	6,973,340
Special allowance	-	512,802	28,470,382	727,577	43,657	33,187,301
Late fees	-	45,652	160,909	3,231	5,870	265,590
Interest on investments	-	4,836,320	48,785,931	2,462,033	338,007	67,386,058
	-	7,700,490	6,924,473	382,410	1,235,630	17,931,896
Total unrestricted revenues	-	12,536,810	55,710,404	2,844,443	1,573,637	85,317,954
Expenses:						
Interest Administration and loan servicing	-	7,979,196	44,612,532	1,798,252	-	64,618,773
Bond and note fees	-	563,854	4,122,105	313,750	61,752	6,070,043
Amortization of deferred costs of issuance	-	491,620	2,039,772	119,819	14,800	3,295,635
	-	103,922	284,034	10,112	37,663	496,101
Total expenses	-	9,138,592	51,058,443	2,241,933	114,215	74,480,552
Increase (decrease) in unrestricted net assets	-	3,398,218	4,651,961	602,510	1,459,422	10,837,402
Unrestricted net assets, beginning of year	13,930,220	20,186,091	15,479,106	81,012	28,654,133	104,618,019
Transfers in (out)	(13,930,220)	703	3,879,396	26,184	9,955,516	-
Unrestricted net assets, end of year	\$ -	23,585,012	34,818,814	709,706	40,069,071	115,455,421