MISSISSIPPI HOME CORPORATION

Audited Financial Statements

Years Ended June 30, 2007 and 2006

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HORNE LLP
CPAs & Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mississippi Home Corporation

We have audited the accompanying combined statements of net assets of Mississippi Home Corporation (the "Corporation") (an instrumentality of the State of Mississippi) as of June 30, 2007 and 2006, and the related combined statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined 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 for 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Home Corporation as of June 30, 2007 and 2006 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic combined financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining financial statements presented on pages 30 through 57 are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Horne LLP

Jackson, Mississippi
September 28, 2007

This Management's Discussion and Analysis ("MD&A") seeks to provide readers with a narrative overview of Mississippi Home Corporation's (the "Corporation") financial activities for the fiscal years ending June 30, 2007 and 2006. This MD&A should be read in conjunction with the included basic combined financial statements and notes thereto, as well as our independent auditors' report thereon.

Required Basic Financial Statements

The basic combined financial statements of the Corporation report information about the Corporation using accounting methods similar to those used by private sector companies. These statements offer information about the Corporation's activities. The statement of net assets includes all of the Corporation's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Corporation's creditors (liabilities). The assets are presented in order of liquidity and liabilities are presented in order of nearness to payment.

All of the reporting period's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the activities of the Corporation's operations over the past two years and can be used to determine whether the Corporation has successfully recovered all its costs through its services provided.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Corporation's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, investing, non-capital financing and financing activities and provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

Financial Highlights - 2007

- Total assets increased $317.5 million or 44.9 percent
- Total liabilities increased $325.0 million or 49.3 percent
- Cash and investments increased $315.8 million or 46.4 percent
- Bonds payable increased $328.7 million or 67.6 percent
- Notes payable decreased $11.5 million or 7.2 percent
- Total net assets decreased $7.6 million or 15.5 percent, including a $12.7 million decrease in the fair value of investments
- Total operating revenues (excluding fair value adjustments) increased $15.9 million or 42.9 percent
- Total operating expenses increased $13.6 million or 39.6 percent
- Total operating income (excluding fair value adjustments) increased $2.3 million or 82.5 percent
- Interest income increased $12.9 million or 40.3 percent
- Interest expense increased $12.8 million or 46.5 percent

The Corporation reported total assets of $1.0 billion at June 30, 2007. This represented an increase of $317.5 million compared to June 30, 2006. Total liabilities for the same period increased $325.0 million while total net assets decreased $7.6 million.

The increase in total liabilities in 2007 was attributable primarily to an increase of $328.7 million in bonds payable. The increase in bonds payable was a result of increased demand for the Corporation's single family mortgage loans. The increased demand was due to a favorable interest rate environment, coupled with a significant portion of the State of Mississippi being declared a target area as the result of Hurricane Katrina.

Investments increased $277.1 million to $671.0 million at June 30, 2007 compared to June 30, 2006. Substantially all of the increase was in mortgage-backed securities which were purchased with the bond proceeds previously mentioned. Cash and cash equivalents were $325.8 million at June 30, 2007 having increased $38.7 million since June 30, 2006. This increase consisted primarily of funds from bond proceeds invested in short-term securities until mortgage-backed securities are available to be purchased for bond issues.

Total operating revenues before fair value adjustments for fiscal year 2007 were $53.0 million compared to $37.1 million for fiscal year 2006. The increase in operating revenues was attributable primarily to two factors:

- An increase in interest income of $12.9 million which resulted from higher interest rates and a higher level of earning assets; and
- Increased revenues of $4.0 million from the low income housing tax program.

Total operating expenses were $47.9 million in fiscal year 2007, up from $34.3 million in fiscal year 2006. The primary factor causing the increase was an increase in interest expense of $12.8 million which resulted from a higher interest rate environment as well as a higher level of bonds outstanding.

As a result of the above factors, operating income before fair value adjustments was $5.1 million compared to $2.8 million in 2006.

The following table summarizes the changes in the Corporation's assets and liabilities that occurred during the fiscal year ended June 30, 2007:

	2007	2006	Change Dollars	Change %
Cash and cash equivalents	$ 325,775,080	$ 287,043,332	$ 38,731,748	13.5%
Investments, at fair value	670,962,106	393,883,466	277,078,640	70.3%
Mortgage loans, net	9,499,144	8,355,200	1,143,944	13.7%
Unamortized bond issuance costs	8,601,113	5,366,197	3,234,916	60.3%
Other assets	10,168,807	12,906,952	(2,738,145)	-21.2%
Total assets	$ 1,025,006,250	$ 707,555,147	$ 317,451,103	44.9%
Bonds payable, net	$ 815,255,813	$ 486,512,639	$ 328,743,174	67.6%
Notes payable	147,341,330	158,792,058	(11,450,728)	-7.2%
All other liabilities	21,105,092	13,378,793	7,726,299	57.8%
Total liabilities	$ 983,702,235	$ 658,683,490	$ 325,018,745	49.3%
Restricted net assets	$ 12,078,114	$ 19,763,867	$ (7,685,753)	-38.9%
Unrestricted net assets	29,225,901	29,107,790	118,111	0.4%
Total net assets	$ 41,304,015	$ 48,871,657	$ (7,567,642)	-15.5%

The following table summarizes the changes in the Corporation's operating revenues and expenses, before fair value adjustments, for the fiscal year ended June 30, 2007:

	2007	2006	Change Dollars	Change %
Interest on cash and investments	$ 15,413,136	$ 12,059,400	$ 3,353,736	27.8%
Interest on mortgage-backed securities	29,115,079	19,566,579	9,548,500	48.8%
Interest on mortgage loans	301,960	316,706	(14,746)	-4.7%
Low income housing tax credits	6,536,249	2,556,011	3,980,238	155.7%
All other revenues	1,644,269	2,607,790	(963,521)	-36.9%
Total operating revenues	$ 53,010,693	$ 37,106,486	$ 15,904,207	42.9%
Interest expense	$ 40,484,286	$ 27,635,399	$ 12,848,887	46.5%
Amortization of bond issuance costs	875,536	988,733	(113,197)	-11.4%
Loss on early extinguishment of debt	558,667	-	558,667	0.0%
Salaries and benefits	2,586,991	2,268,091	318,900	14.1%
All other expenses	3,384,461	3,407,805	(23,344)	-0.7%
Total operating expenses	$ 47,889,941	$ 34,300,028	$ 13,589,913	39.6%
Operating income (before fair value adjustments)	$ 5,120,752	$ 2,806,458	$ 2,314,294	82.5%

Financial Highlights - 2006

- Total assets increased $55.9 million or 8.6 percent
- Total liabilities increased $71.8 million or 12.2 percent
- Cash and investments increased $54.4 million or 8.7 percent
- Bonds payable increased $133.6 million or 37.8 percent
- Notes payable decreased $64.7 million or 29.0 percent
- Total net assets decreased $15.8 million or 24.5 percent, including a $18.7 million decrease in the fair value of investments
- Total operating revenues (excluding fair value adjustments) increased $5.8 million or 18.3 percent
- Total operating expenses increased $1.1 million or 3.3 percent
- Total operating income (excluding fair value adjustments) increased $4.7 million
- Interest income increased $3.5 million or 12.3 percent
- Interest expense increased $2.4 million or 9.4 percent

The following table summarizes the changes in the Corporation's assets and liabilities that occurred during the fiscal year ended June 30, 2006:

			Change	
	2006	2005	Dollars	%
Cash and cash equivalents	$ 287,043,332	$ 275,504,891	$ 11,538,441	4.2%
Investments, at fair value	393,883,466	350,980,030	42,903,436	12.2%
Mortgage loans	8,355,200	8,179,630	175,570	2.1%
Unamortized bond issuance costs	5,366,197	4,198,057	1,168,140	27.8%
Other assets	12,906,952	12,781,571	125,381	1.0%
Total assets	$ 707,555,147	$ 651,644,179	$ 55,910,968	8.6%
Bonds payable, net	$ 486,512,639	$ 352,952,860	$ 133,559,779	37.8%
Notes payable	158,792,058	223,540,733	(64,748,675)	-29.0%
All other liabilities	13,378,793	10,433,188	2,945,605	28.2%
Total liabilities	$ 658,683,490	$ 586,926,781	$ 71,756,709	12.2%
Restricted net assets	$ 19,763,867	$ 33,791,441	$ (14,027,574)	-41.5%
Unrestricted net assets	29,107,790	30,925,957	(1,818,167)	-5.9%
Total net assets	$ 48,871,657	$ 64,717,398	$ (15,845,741)	-24.5%

The following table summarizes the changes in the Corporation's operating income and expenses, before fair value adjustments, for the fiscal year ended June 30, 2006:

	2006	2005	Change Dollars	Change %
Interest on cash and investments	$ 12,059,400	$ 8,147,201	$ 3,912,199	48.0%
Interest on mortgage-backed securities	19,566,579	19,936,092	(369,513)	-1.9%
Interest on mortgage loans	316,706	349,707	(33,001)	-9.4%
Low income housing tax credits	2,556,011	1,799,953	756,058	42.0%
All other revenues	2,607,790	1,120,967	1,486,823	132.6%
Total operating revenues	$ 37,106,486	$ 31,353,920	$ 5,752,566	18.3%
Interest expense	$ 27,635,399	$ 25,257,900	$ 2,377,499	9.4%
Amortization of bond issuance costs	988,733	1,130,484	(141,751)	-12.5%
Loss on early extinguishment of debt	-	1,853,089	(1,853,089)	-100.0%
Salaries and benefits	2,268,091	2,072,525	195,566	9.4%
All other expenses	3,407,805	2,894,148	513,657	17.7%
Total operating expenses	$ 34,300,028	$ 33,208,146	$ 1,091,882	3.3%
Operating income (before fair value adjustments)	$ 2,806,458	$ (1,854,226)	$ 4,660,684	251.4%

The Corporation reported total assets of $707.6 million at June 30, 2006. This represented an increase of $55.9 million compared to June 30, 2005. Total liabilities for the same period increased $71.8 million while total net assets decreased $15.8 million.

The increase in total liabilities in 2006 was attributable primarily to an increase of $133.6 million in bonds payable, offset by a redemption of notes payable of $64.7 million. The increase in bonds payable was a result of increased demand for the Corporation's single family mortgage loans. This demand was due to a favorable interest rate environment, coupled with a significant portion of the State of Mississippi being declared a target area as the result of Hurricane Katrina.

Investments increased $42.9 million to $393.9 million at June 30, 2006 compared to June 30, 2005. Substantially all of the increase was in mortgage-backed securities which were purchased with the bond proceeds previously mentioned. Cash and cash equivalents were $287.0 million at June 30, 2006 having increased $11.5 million since June 30, 2005. This increase consisted primarily of funds from bond proceeds invested in short-term securities until mortgage-backed securities are available to be purchased for bond issues.

Total operating revenues before fair value adjustments for fiscal year 2006 were $37.1 million compared to $31.4 million for fiscal year 2005. The increase in operating revenues was attributable primarily to three factors:

- An increase in interest income of $3.5 million which resulted from higher interest rates and a higher level of earning assets;
- Other income from a one-time grant of $900,000 in response to Hurricane Katrina to purchase travel trailers for hurricane victims; and
- Increased revenues of $756,000 from the low income housing tax program

Total operating expenses were $34.3 million in fiscal year 2006, up from $33.2 million in fiscal year 2005. The primary factor causing the increase was an increase in interest expense of $2.4 million which resulted from a higher interest rate environment as well as a higher level of bonds outstanding. A loss on early extinguishment of debt of $1.9 million in 2005 reduced the increase in operating expenses in 2006 since it occurred in the prior year. Also contributing to the increase in operating expenses in 2006 was a one-time expense of $831 thousand for travel trailers for Hurricane Katrina victims from the grant discussed in the previous paragraph.

As a result of the above factors, operating income before fair value adjustments was $2.8 million compared to an operating loss of $1.9 million in 2005.

Debt Administration

The Corporation sells bonds to investors in order to raise capital. These bonds are marketable securities backed by mortgage loans on residential properties. The Corporation's bond issues require cash reserves along with mortgage insurance and other safeguards in addition to the mortgage on the property being financed, all of which gives the investor or bondholder additional assurance that the issuer, in this case the Corporation, will repay the loan.

Economic Factors

The primary business activity of the Corporation is funding the purchase of single-family home mortgages. The Corporation's mortgage financing activities are sensitive to the level of interest rates, the spread between the rate available on the Corporation's loans and the rates available in the conventional mortgage markets, and the availability of affordable housing. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Corporation to continue its mortgage financing activities.

Contact Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with interest. Questions concerning any of the information contained in this report or requests for any additional information should be addressed to the Chief Financial Officer at Mississippi Home Corporation, P.O. Box 23369, Jackson, MS 39225-3369 or contact our website at www.mshomecorp.com.

MISSISSIPPI HOME CORPORATION
Combined Statements of Net Assets
June 30, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents		
Cash	$ 1,948,426	$ 1,106,694
Restricted cash	3,885,512	2,792,876
Cash equivalents	104,149	75,256
Restricted cash equivalents	319,836,993	283,068,506
Total cash and cash equivalents	325,775,080	287,043,332
Accrued interest receivable	4,501,988	3,665,404
Total current assets	330,277,068	290,708,736
Non-current assets		
Investments, at fair value	670,962,106	393,883,466
Mortgage loans receivable, net of allowance for loan losses (2007 - $999,060; 2006 - $452,868)	9,499,144	8,355,200
Unamortized bond issuance costs	8,601,113	5,366,197
Other assets	5,666,819	9,241,548
Total non-current assets	694,729,182	416,846,411
Total assets	$ 1,025,006,250	$ 707,555,147
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable, net	$ 26,920,000	$ 1,430,000
Notes payable	340,861	-
Accrued interest payable	3,835,609	3,095,969
Total current liabilities	31,096,470	4,525,969
Non-current liabilities		
Bonds payable, net of premium or discount and current portion	788,335,813	485,082,639
Notes payable	147,000,469	158,792,058
Other liabilities and accrued expenses	17,269,483	10,282,824
Total non-current liabilities	952,605,765	654,157,521
Total liabilities	$ 983,702,235	$ 658,683,490
Restricted	$ 12,078,114	$ 19,763,867
Unrestricted	29,225,901	29,107,790
Total net assets	$ 41,304,015	$ 48,871,657

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION

Combined Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2007 and 2006

	2007	2006
Operating revenues		
Interest income		
Cash and cash equivalents	$ 13,826,761	$ 10,712,411
Mortgage-backed securities	29,115,079	19,566,579
Other investments	1,586,375	1,346,989
Mortgage loans	301,960	316,706
Total interest income	44,830,175	31,942,685
Net decrease in fair value of investments	(12,688,394)	(18,652,199)
Reservation fees	693,495	456,686
Low income housing tax credit program	6,536,249	2,556,011
Hurricane related contribution	-	900,000
Other income	950,774	1,251,104
Total operating revenues	40,322,299	18,454,287
Operating expenses		
Interest expense	40,484,286	27,635,399
Amortization of bond issuance costs	875,536	988,733
Loss on early extinguishment of debt	558,667	-
Hurricane related expenses	36,234	831,749
Salaries and related benefits	2,586,991	2,268,091
Other	3,348,227	2,576,056
Total operating expenses	47,889,941	34,300,028
Operating loss	(7,567,642)	(15,845,741)
Net assets, beginning of year	48,871,657	64,717,398
Net assets, end of year	$ 41,304,015	$ 48,871,657

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION

Combined Statements of Cash Flows

For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Loan principal payments received	$ 1,937,998	$ 1,810,886
Loan interest payments received	298,098	229,409
Loan disbursements	(3,291,946)	(1,951,157)
Payments to employees	(2,561,472)	(2,222,194)
Payments to vendors	(2,093,038)	(2,996,083)
Fee income received	13,134,197	4,834,040
Other income received	1,126,992	2,224,342
Net cash provided by (used in) operating activities	8,550,829	1,929,243
Cash flows from noncapital financing activities		
Proceeds from issuance of bonds	394,393,640	200,000,000
Proceeds from issuance of notes	-	202,274,552
Principal repayment of bonds	(65,339,988)	(65,905,271)
Premium paid on early redemptions	(429,400)	-
Principal repayment of notes	(10,117,500)	(266,589,502)
Interest paid	(39,954,134)	(27,321,046)
Bond issuance costs paid	(4,275,927)	(2,156,870)
Net cash provided by (used in) noncapital financing activities	274,276,691	40,301,863
Cash flows from capital and related financing activities		
Property and equipment additions	(195,050)	(115,917)
Proceeds from sale of property and equipment	1,659,062	506,192
Principal repayment of notes payable	(1,333,228)	(526,542)
Interest paid	(66,862)	(91,997)
Net cash provided by (used in) capital and related financing activities	63,922	(228,264)
Cash flows from investing activities		
Purchase of investments	(375,311,693)	(177,041,385)
Redemption of investments	86,623,351	115,998,168
Interest received on investments	44,528,648	30,578,816
Net cash provided by (used in) investing activities	(244,159,694)	(30,464,401)
Net increase in cash and cash equivalents	38,731,748	11,538,441
Cash and cash equivalents, beginning of year	287,043,332	275,504,891
Cash and cash equivalents, end of year	$ 325,775,080	$ 287,043,332
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (7,567,642)	$ (15,845,741)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Interest paid	40,020,996	27,413,043
Amortization of bond issuance costs	875,536	988,733
Amortization of bond premium	(341,461)	(596,505)
Accretion of bond discount	65,114	61,556
Amortization of investment premium	85,613	185,343
Net decrease in fair value of investments	12,688,394	18,613,308
Realized (gain) loss on investments	146,839	38,891
Loss on early extinguishment of debt	558,667	-
Gain on sale of property and equipment	(110,359)	(23,017)
Interest received on investments	(44,528,648)	(30,578,816)
(Increase) decrease in mortgage loans receivable, net	(1,143,942)	(175,570)
(Increase) decrease in accrued interest receivable	(836,586)	(1,078,571)
(Increase) decrease in other assets	909,934	(19,008)
Increase (decrease) in accrued interest payable	739,639	757,317
Increase (decrease) in deferred gains	(53,200)	(53,200)
Increase (decrease) in other liabilities and accrued expenses	7,041,935	2,241,480
Total adjustments	16,118,471	17,774,984
Net cash provided by (used in) operating activities	$ 8,550,829	$ 1,929,243

See accompanying notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Mississippi Home Corporation (the "Corporation"), formerly known as Mississippi Housing Finance Corporation, is a governmental instrumentality of the State of Mississippi (the "State") created under the Mississippi Home Corporation Act of 1989 (the "Act"). Pursuant to the Act, the Corporation is authorized and empowered, among other things, to issue bonds to provide monies for financing residential housing and provide other services in regard to housing for persons and families of low and moderate income in the State. Bonds and other obligations issued by the Corporation are not a debt or liability of the State, but are secured solely by assets of the individual mortgage purchase programs. The reporting entity includes the Corporation (the primary government entity) and the Mississippi Affordable Housing Development Fund (see note 6) for which the Corporation is accountable.

Members of the Board of Directors of the Corporation are appointed by the Governor and the Lieutenant Governor of the State. The appointed members serve six-year staggered terms and cannot be removed without cause. The Board controls the appointment of the Executive Director, who is responsible for the staffing of the Corporation. The State assumes no responsibility for the Corporation's day-to-day operations. The Board is solely responsible for reviewing, approving and revising the Corporation's budget. The State is not responsible for financing any Corporation deficit or operating deficiencies. The Corporation controls the use of surplus funds.

The significant accounting policies used by the Corporation in preparing and presenting its financial statements follow:

Accounting Method

The accounting and reporting policies of the Corporation conform with accounting principles generally accepted in the United States of America. As required by these principles, the Corporation has applied all applicable Governmental Accounting Standards Board ("GASB") pronouncements, as well as applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins ("ARBs") issued on or before November 30, 1989. Additionally, the Corporation has elected to apply all applicable FASB Statements and Interpretations issued after November 30, 1989, to the extent that they do not conflict with or contradict GASB pronouncements.

The Corporation's accounts are organized as a separate set of self-balancing accounts that comprise the assets, liabilities, net assets, revenues and expenses of the individual mortgage purchase programs, the down payment assistance program, the Mississippi Affordable Housing Development Program, the House Bill 530 Program and the general corporate account (each of the programs are further described in the accompanying notes). The measurement focus is on determining net income and capital maintenance.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

The accompanying financial statements present the activities of the individual mortgage purchase programs, the down payment assistance program, the Mississippi Affordable Housing Development Program, the House Bill 530 Program and the general corporate account. Since the assets and net assets of each program are generally restricted, aggregating the accounts of the separate programs does not indicate that the assets and net assets are available in any manner other than that provided for in the bond resolutions or other agreements of the separate programs. All material inter-fund balances and transactions have been eliminated in the combined financial statements.

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

Cash and cash equivalents include general corporate account cash, general corporate account investments with original maturities of less than three months at date of purchase and unrestricted cash in certain other funds.

Restricted cash consists of cash which is restricted as to its use and is held primarily by the Mississippi Affordable Housing Development Program, the House Bill 530 Program, the 2002 Lease Purchase Program, and the general corporate account.

Restricted cash equivalents consist primarily of proceeds from the sales of bonds pending the purchase of Government National Mortgage Association Mortgage Backed Securities ("GNMA securities or certificates"), proceeds from the issuance of notes payable and principal and interest payments of the GNMA securities. These funds are primarily held in guaranteed investment contracts. The indentures of the respective mortgage purchase programs stipulate that these funds may be used only for the acquisition of GNMA securities or the early redemption of the respective mortgage revenue program bonds outstanding. These instruments are considered cash equivalents because they have no stated maturity and are readily convertible to cash at the discretion of the Corporation.

Mortgage Loans Receivable, GNMA Certificates and Investments

Mortgage loans in the general corporate account are secured by first liens on single-family residential properties. Mortgage loans in the Down Payment Assistance Program are secured by second liens on single-family residential properties. A portion of the mortgage loans in the Mississippi Affordable Housing Development Program is secured by second liens on single-family residential properties, while the remainder is secured by first liens on multi-family residential properties. Proceeds from bond issues are principally invested in GNMA certificates, representing pools of mortgage loans originated under the respective programs.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Allowance for Losses on Mortgage Loans

Losses incurred on mortgage loans are charged to the allowance for losses on mortgage loans (the "allowance"). The allowance is established with a corresponding amount charged to expense when, in management's opinion, the realization of all or a portion of the loans or recovery on properties owned is doubtful.

In evaluating the allowance, management considers the age of the various loans, the relationship of the allowances to outstanding mortgage loans, collateral values, insurance claims and economic conditions.

Management of the Corporation believes that the allowance is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions. Losses on mortgage loans totaled $246,792 and $124,489 in 2007 and 2006, respectively.

Unamortized Bond Issuance Costs, Discounts and Premiums

Costs related to the issuance of bonds are capitalized in the respective bond issues and amortized over the term of the bonds using the effective interest method. During the years ended June 30, 2007 and 2006, $4,275,927 and $2,156,870 of issuance costs were capitalized, respectively. In addition, discounts and premiums on the sale of bonds are deferred and amortized over the life of the bonds. Prepayments of principal are not anticipated in amortizing bond issuance costs, bond discounts, or bond premiums. Approximately $165,000 of unamortized bond issue cost relating to defeased bonds was expensed during 2007.

Reservation Fees

Reservation fees are those fees paid to the Corporation by mortgage lenders within the State to reserve their respective allocation of bond proceeds or downpayment assistance money for the purpose of having the right to originate mortgage loans under the program. These reservation fees are recognized as income when received.

Income Taxes

As a tax-exempt, quasi-governmental organization created by legislative statute, the Corporation is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been included in the combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Fair Value of Financial Instruments

FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Loans and bonds are valued at their carrying amounts, which approximate fair value, due to the structured financing characteristics of the Corporation's bond issues. Mortgage rates on loans originated, and subsequently securitized into GNMA certificates, from bond proceeds are based directly on the bond rates established at the time of issuance. The GNMA certificates are specifically identified with a particular bond issue and pledged under the applicable trust indenture. Any changes in market interest rates subsequent to bond issuance and loan origination would be expected to equally affect the fair redemption associated with mortgage prepayments. The Corporation is restricted under various trust indentures from selling GNMA certificates at a value which would impair its ability to service the bonds to which those certificates are specifically pledged.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2006 amounts have been reclassified to conform with the 2007 presentation. There was no impact on net assets or operating loss as previously presented.

Note 2. Cash Equivalents and Investments

The Corporation is authorized by Mississippi statute, subject to any agreement with bondholders or note holders, to invest in the following:

- Direct obligations of or obligations guaranteed by the United States;
- Bonds, debentures, notes or other evidence of indebtedness issued by U.S. Government agencies;
- Direct and general obligations of the State;

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

- Repurchase agreements secured by collateral;
- Investment contracts or agreements with entities rated "A" or better by a nationally recognized rating agency; and
- Certificates of deposit or time deposits of qualified depositories and money market funds.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that certain investments be reported at fair value in the financial statements, with unrealized gains or losses being reported in the earnings of the current period. Money market investments, guaranteed investment contracts and other highly liquid investments with no stated maturity, are considered cash equivalents and are reported at amortized cost.

In March 2003, the GASB issued Statement No. 40, *Deposits and Investment Risk Disclosures*, which was effective for periods beginning after June 15, 2004. Risk disclosures in previous financial statements focused only on custodial risk. GASB Statement No. 40 addresses not only custodial risk, but also addresses other common areas of investment risk, such as interest rate risk, credit risk, concentration of credit risk and foreign currency risk.

At June 30, 2007, the carrying amount of the Corporation's cash and cash equivalents was $325,775,080 and the bank balance was $326,544,821. The differences between the carrying amount and bank balance was a result of transactions in transit. Of the $326,544,821 bank balance, $5,724,306 was either covered by federal depository insurance or collateralized with securities held by the Corporation or by its agent in the Corporation's name. The remaining bank balance of $320,820,515 was not covered by federal depository insurance and was uncollateralized. These uncollateralized balances were primarily invested in guaranteed investment contracts with various insurance companies.

Similarly, at June 30, 2006, the carrying amount of the Corporation's cash and cash equivalents was $287,043,332 and the bank balance was $287,851,918. The differences between the carrying amount and bank balance was a result of transactions in transit. Of the $287,851,918 bank balance, $4,598,418 was either covered by federal depository insurance or collateralized with securities held by the Corporation or by its agent in the Corporation's name. The remaining bank balance of $283,253,500 was not covered by federal depository insurance and was uncollateralized. These uncollateralized balances were primarily invested in guaranteed investment contracts with various insurance companies.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

A summary of the estimated fair value and amortized cost of investments as of June 30, 2007 and 2006 follows:

	2007		2006	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U. S. Government agency securities	$ 7,424,971	$ 7,480,411	$ 10,731,379	$ 10,918,776
Corporate debt securities	2,323,534	2,343,287	1,692,782	1,740,603
Municipal debt securities	1,848,894	1,862,608	634,793	656,418
Mortgage-backed securities	647,992,216	668,203,452	370,809,772	378,644,770
Collateralized mortgage obligations	4,663,072	4,713,988	3,467,425	3,528,920
Other asset-backed securities	1,709,419	1,698,790	1,547,315	1,559,499
Commercial agreements	5,000,000	5,000,000	5,000,000	5,000,000
	$ 670,962,106	$ 691,302,536	$ 393,883,466	$ 402,048,986

At June 30, 2007, the Corporation's securities had scheduled maturities as follows:

		Investment Maturities			
	Estimated Fair Value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
U. S. Government agency securities	$ 7,424,971	$ 1,314,251	$ 3,655,561	$ 2,455,159	$ -
Corporate debt securities	2,323,534	-	1,003,660	1,319,874	-
Municipal debt securities	1,848,894	10,028	1,398,222	440,644	-
Mortgage-backed securities	647,992,216	9,511	689,969	1,840,277	645,452,459
Collateralized mortgage obligations	4,663,072	22,640	461,017	2,384,186	1,795,229
Other asset-backed securities	1,709,419	-	-	-	1,709,419
Commercial agreements	5,000,000	-	-	5,000,000	-
	$ 670,962,106	$ 1,356,430	$ 7,208,429	$ 13,440,140	$ 648,957,107

Interest Rate Risk

In general, the Corporation's investment strategy is designed to match the life of the asset with the maturity date of its related liability. With this strategy, investments would be expected to reach maturity with limited realized gains or losses. Most of the Corporation's investments are in mortgage-backed securities, which are subject to prepayment risk as market interest rates change.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

Credit Risk

Investments for each bond issue are those permitted by the various bond indentures and bond resolutions adopted by the Corporation. As of June 30, 2007, the Corporation's investments in Commercial Agreements, U.S. Government Obligations and Government National Mortgage Association mortgage-backed securities are unrated. The Corporation's remaining investments are rated by Moody's Investor Service as follows:

Investment Type	Moody's Rating	June 30, 2007 Balance
U.S. Government agency securities	Aaa	$ 7,424,971
Corporate debt securities	Aa	1,831,254
Corporate debt securities	A	492,280
Municipal debt securities	Aaa	419,875
Municipal debt securities	Aa	816,103
Municipal debt securities	A	612,916
Mortgage-backed securities	Aaa	7,674,401
Collateralized mortgage obligations	Aaa	4,663,072
Other asset-backed securities	Aaa	1,709,419
		$ 25,644,291

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Substantially all of the Corporation's investments are held in the Corporation's name by its trustee.

Concentration of Credit Risk

The Corporation's investment policy places no limits on the amount the Corporation may invest in any one issuer. As of June 30, 2007, the Corporation held investments issued by the Government National Mortgage Association with a fair value of $644,457,703, which represents 96.07 percent of the Corporation's total investment holdings.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Bonds and Notes Payable

The following table summarizes the debt activity for the Corporation's bonds and notes payable:

		Notes Payable		
	Mortgage Revenue Bonds, net	**2005-1 Convertible Note Program**	**2002 Lease Purchase Program**	**General Corporate Program**
Balance at July 1, 2005	$ 352,952,858	$ 207,459,572	$ 2,200,631	$ 13,880,530
Proceeds from issuance	200,000,000	192,162,138	-	10,112,414
Principal repayments	(65,905,271)	(242,503,741)	(526,542)	(23,992,944)
Accretion	61,557	-	-	-
Premium amortization	(596,505)	-	-	-
Balance at June 30, 2006	486,512,639	157,117,969	1,674,089	-
Proceeds from issuance	394,393,640	-	-	-
Principal repayments	(65,339,988)	(10,117,500)	(1,333,228)	-
Accretion	65,114	-	-	-
Defeased bond premium	(34,131)	-	-	-
Premium amortization	(341,461)	-	-	-
Balance at June 30, 2007	$ 815,255,813	$ 147,000,469	$ 340,861	$ -

The Corporation has the option to redeem bonds after they have been outstanding for 10 years at initial prices ranging from 102 percent to 105 percent of par and subsequently at prices declining to par. Certain extraordinary redemptions, as governed by the bond resolutions, are permitted prior to the foregoing redemption dates.

The bonds are secured, as described in the applicable bond resolution, by a pledge of the revenues, monies, investments, mortgage loans and other assets of the applicable programs. Management believes that, for the years ended June 30, 2007 and 2006, the Corporation has complied with all bond covenants.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds and notes payable for the mortgage purchase programs follow:

Bonds Description	June 30, 2007	June 30, 2006
1992B series bonds – 6.500 percent interest payable semi-annually, principal due through December 1, 2024	$ -	$ 1,785,000
1995B series bonds – 6.625 percent interest payable semi-annually, principal due through April 1, 2027	-	1,100,000
1995D series bonds – 6.520 percent interest payable semi-annually, principal due through November 1, 2027	2,145,000	2,670,000
1995H series bonds – 6.250 percent interest payable semi-annually, principal due through December 1, 2026	-	3,035,000
1995I series bonds – 5.900 percent interest payable semi-annually, principal due through June 1, 2017	210,000	240,000
1995J series bonds – 6.125 percent interest payable semi-annually, principal due through June 1, 2027	2,440,000	2,790,000
1996C series bonds – 7.600 percent interest payable semi-annually, principal due through June 1, 2029	-	3,195,000
1996F series bonds – 6.250 percent to 7.550 percent interest payable semi-annually, principal due through December 1, 2027	-	2,840,000
1996I series bonds – 7.375 percent interest payable semi-annually, principal due through June 1, 2028	-	2,540,000
1997C series bonds – 7.200 percent interest payable semi-annually, principal due through June 1, 2028	-	2,225,000
1997D series bonds – 6.750 percent to 7.750 percent interest payable semi-annually, principal due through July 1, 2029	2,896,081	3,506,189
1997G series bonds – 6.700 percent to 6.930 percent interest payable semi-annually, principal due through November 1, 2029	2,940,296	3,612,538
1997H series bonds – 6.700 percent interest payable semi-annually, principal due through December 1, 2029	3,046,869	3,825,000
1998A series bonds – 6.350 percent to 6.560 percent interest payable semi-annually, principal due through June 1, 2030	4,437,437	5,668,867
1998B series bonds – 5.420 percent to 6.200 percent interest payable semi-annually, principal due through June 1, 2030	4,652,040	5,785,000
1998C series bonds – 6.250 percent to 6.350 percent interest payable semi-annually, principal due through December 1, 2030	4,549,309	5,387,571
1999A series bonds – 6.300 percent to 6.630 percent interest payable semi-annually, principal due through June 1, 2031	7,253,492	8,670,000
1999B series bonds – 5.650 percent interest payable semi-annually, principal due through June 1, 2027	-	380,000

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds Description	June 30, 2007	June 30, 2006
1999B series accretion bonds – effective interest rate 5.800 percent, principal due through December 1, 2030	$ 4,560,000	$ 4,560,000
1999C series bonds – 6.070 percent interest payable semi-annually, principal due through June 1, 2031	2,515,000	3,330,000
2000A series bonds – 6.950 percent interest payable semi-annually, principal due through December 1, 2031	6,938,793	8,665,000
2001A series bonds – 6.500 percent interest payable semi-annually, principal due through June 1, 2032	15,804,987	18,490,000
2001B series bonds – 6.375 percent, interest payable semi-annually, principal due through December 1, 2032	6,962,702	8,585,000
2001D series bonds – 6.250 percent interest payable semi-annually, principal due through December 1, 2032	9,873,204	11,985,000
2002A series bonds – 6.100 percent interest payable semi-annually, principal due through June 1, 2034	12,209,095	15,305,000
2002B series bonds – 6.450 percent interest payable semi-annually, principal due through December 1, 2033	10,203,763	12,875,000
2002 lease purchase series bonds, interest at prime-rate plus 2.00 percent, 10.25 percent at June 30, 2007, principal due through October 1, 2007	25,000,000	25,000,000
2002C series bonds – 2.750 percent to 5.800 percent, interest payable semi-annually, principal due through June 1, 2034	18,069,225	21,770,000
2003A series bonds – 2.500 percent to 5.800 percent, interest payable semi-annually, principal due through July 1, 2034	9,297,823	11,170,000
2004A series bonds – 3.150 percent to 5.000 percent, interest payable semi-annually, principal due through December 1, 2034	11,490,000	14,270,000
2004B series bonds – 2.700 percent to 5.700 percent, interest payable semi-annually, principal due through December 1, 2035	10,740,000	12,220,000
2004C series bonds – 2.550 percent to 5.950 percent, interest payable semi-annually, principal due through December 1, 2035	15,395,000	17,020,000
2004D series bonds – 2.350 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2035	17,515,000	20,250,000
2005A series bonds – 2.750 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2036	23,780,000	25,765,000
2005B series bonds – 2.900 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2036	35,660,000	37,450,000
2005C series bonds – 4.880 percent, interest payable semi-annually, principal due through December 1, 2037	37,930,000	40,000,000

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds Description	June 30, 2007	June 30, 2006
2006A series bonds – 4.650 percent to 4.750 percent, interest payable semi-annually, principal due through December 1, 2038	$ 77,860,000	$ 80,000,000
2006B series bonds – 4.850 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	39,395,000	40,000,000
2006C series bonds – 4.800 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	79,170,000	-
2006D series bonds – 5.000 percent, interest payable semi-annually, principal due through December 1, 2038	79,580,000	-
2006E series bonds – 4.500 percent, interest payable semi-annually, principal due through June 1, 2039	19,795,000	-
2007A series bonds – 3.600 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2038	50,000,000	-
2007B series bonds – 3.550 percent to 5.375 percent, interest payable semi-annually, principal due through December 1, 2038	94,391,906	-
2007C series bonds – 3.600 percent to 5.600 percent, interest payable semi-annually, principal due through December 1, 2038	70,000,000	-
	818,707,022	487,965,165
Net unamortized (unaccreted) premium (discount)	(3,451,209)	(1,452,526)
Total bonds payable, net	$ 815,255,813	$ 486,512,639

Notes Payable Description	June 30, 2007	June 30, 2006
2005-1 series notes, interest at SIFMA Municipal Swap Index plus 0.80 Percent, 4.53 percent at June 30, 2007, interest payable monthly, principal due through December 1, 2008	$ 147,000,469	$ 157,117,969
2002 lease purchase notes, 4.870 percent to 6.125 percent, interest payable monthly, principal due through October 1, 2007 (see Note 9)	340,861	1,674,089
	$ 147,341,330	$ 158,792,058

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

A summary of debt service requirements through 2011 and in five-year increments thereafter is as follows:

Year Ending June 30	Principal*	Interest
2008	$ 27,260,861	$ 47,465,803
2009	150,800,469	42,844,143
2010	5,050,000	39,907,725
2011	5,325,000	39,712,497
2012	4,575,000	39,519,327

*Includes capital appreciation bonds at their final redemption values.

Five Years Ending June 30	Principal*	Interest
2013 – 2017	$ 9,910,000	$ 195,755,615
2018 – 2022	22,015,000	192,009,351
2023 – 2027	39,273,889	184,283,317
2028 – 2032	70,100,416	174,105,621
2033 – 2037	164,705,812	136,167,914
2038 – 2042	467,031,905	27,142,992

*Includes capital appreciation bonds at their final redemption values.

Note 4. Excess Earnings

For all of the mortgage purchase programs, federal tax regulations limit the interest margin that the Corporation (as a tax-exempt entity) may earn. These regulations require that earnings on the investment of bond proceeds which exceed interest paid on the bonds by a pre-determined amount (defined in the regulations and subject to certain adjustments) must be rebated or remitted to the Internal Revenue Service. At June 30, 2007, the Corporation determined that the rebate liability due to the IRS was approximately $1,964,307 if the Corporation does not meet its spending requirement over the life of the issuances. The Corporation expects to meet the spending requirements on the majority of the outstanding issuances. Consequently, only the amounts related to issuances for which the spending requirements have not been met have been accrued for in the accompanying combined statement of net assets. Such liability totaled $1,453,207 as of June 30, 2007.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Mortgage Revenue Bond Program

The Corporation's Mortgage Revenue Bond Program provides loans to qualified borrowers for purchases of the borrower's primary residence. Borrowers also receive a 3 percent cash advance to be used for down payment assistance and allowable loan closing costs. To qualify, borrowers must meet county income limits, and their homes must meet purchase price limits, both set by Congress. These loans have 30-year terms, have market rates of interest, are secured by first mortgages on the residences, and are pooled into GNMA or Federal National Mortgage Association ("FNMA") Certificates that are held in the respective bond issue's trust account. As the GNMA and FMNA Certificates pay down, the Trustee calls the bonds.

Note 6. Mississippi Affordable Housing Development Program

The Corporation is responsible for management of the Mississippi Affordable Housing Development Program, which is a blended component unit of the Corporation. The program was established by the State as a housing development revolving loan fund to provide resources for loans for the construction or repair of housing for persons or families of low to moderate income in the State using $1,997,952 in proceeds received from the Mississippi Development Authority ("MDA") in 1995 and $5,991,893 in proceeds obtained directly from the State in 1996. The Corporation is responsible for all aspects of the program, including developing lending criteria, establishing interest rates, and loan approval, servicing and reporting. Principal, interest and late fee payments are required to be returned to the program for use in granting new loans. Costs incurred by the Corporation for administering the program are not reimbursed to the Corporation.

Note 7. Low Income Housing Tax Credit Program

The Corporation has been designated as the allocating agency for the Low Income Housing Tax Credit Program (the "Tax Credit Program"). The U.S. Congress created the Tax Credit Program in 1986 to encourage investment in the construction and rehabilitation of housing units for low income individuals and families. The Corporation has adopted a Low Income Housing Tax Credit Program Qualified Allocation Plan (the "Plan"), which provides for an application process, project evaluation selection criteria and compliance requirements. Receipts under the Tax Credit Program represent fees earned for administering the Tax Credit Program and are not restricted under the terms of the Plan or the Tax Credit Program.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8. Down Payment Assistance Program

The Corporation's Down Payment Assistance Program provides loans to qualified borrowers for down payments and allowable loan closing costs on purchases of the borrowers' primary residence. The qualification requirements are generally the same as those of the respective mortgage loan programs under which the primary mortgage loans are made. The down payment assistance loans generally have 10 year terms, have rates which approximate those of the primary mortgages, are secured by second mortgages on the residences, and the maximum amount is $4,650 per loan.

Note 9. Lease Purchase Revenue Bond Program

The Corporation's Lease Purchase Revenue Bond Program allows the Corporation to purchase homes for potential homebuyers with credit problems in return for signed leases and options to purchase. The potential homebuyers have up to 39 months to attend credit counseling, improve their credit and assume the loans. Once assumed, the loans are pooled and purchased by the Federal Home Loan Mortgage Corporation ("Freddie Mac"). At that time, the bonds are paid in full. At June 30, 2007 and 2006, $25,000,000 in bonds payable was outstanding under this program. The Corporation did not purchase additional single family residential property during 2007 and 2006. Property purchased is reported in other assets on the Corporation's statement of net assets (see note 3). During year ended June 30, 2007, management elected to terminate the bond program after the bonds mature on October 1, 2007.

During 2007 and 2006, the Corporation sold eighteen and seven single family residential properties, respectively. The proceeds on the sale of these properties were approximately $1,319,000 in 2007 and $506,000 in 2006. The Corporation recognized a gain of approximately $72,000 in 2007 and $23,000 in 2006 on the sale of these properties.

Note 10. Bond Defeasances

The Corporation defeases various bond issues by creating separate irrevocable trust funds. New debt is issued and the proceeds used to purchase U.S. government securities that are placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Corporation's combined statements of net assets. The accretion bonds that have been defeased totaled approximately $190,847,000 and $172,248,000 at June 30, 2007 and 2006, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension

The Corporation contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS by mail at 429 Mississippi Street, Jackson, MS 39201 or by phone at 1-800-444-7377. PERS members are required to contribute 7.25 percent of their annual covered salary and the Corporation is required to contribute at an actuarially determined rate. The current rate is 11.30 percent of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State Legislature. The Corporation's contribution requirement for the year ended June 30, 2007 was approximately $371,000 which consisted of $226,000 from the Corporation and $145,000 from employees. The Corporation's contribution requirement for the year ended June 30, 2006 was approximately $311,600 which consisted of $186,000 from the Corporation and $125,600 from employees.

The Corporation's 45 participating employees are an insignificant portion of PERS approximately 320,000 participants.

Note 12. Deferred Compensation Plan

The State offers its employees a multiple-employer, 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, State agencies, counties, municipalities, or other political subdivisions, for which compensation is paid. The plan permits employees of the Corporation 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 amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employer (without being restricted to the provisions of benefits under the plan), subject only to the claims of the general creditors of those entities which employ deferred compensation participants. Participants' rights under the plan are the same as those of general creditors in an amount equal to the fair market value of the deferred account for each participant. The Corporation believes that it has no liabilities with respect to the State's plan.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 13. Conduit Issues

The Corporation has issued certain conduit multi-family housing revenue bonds, the proceeds of which were made available to various developers for rental housing. As of June 30, 2007 and 2006, $163,290,000 and $137,073,900, respectively, of these bonds were outstanding. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers. Loan and corresponding debt service payments are guaranteed by irrevocable direct-pay letters of credit. The faith and credit of the Corporation is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Corporation's financial statements.

Note 14. Subsequent Events

On August 2, 2007, the Corporation issued $60,000,000 in Single Family Mortgage Revenue Bonds. These bonds have maturity dates from June 1, 2009 to December 1, 2038, and bear interest at rates from 3.85 percent to 6.10 percent.

On September 13, 2007, the Corporation issued $65,000,000 in Single Family Mortgage Revenue Bonds. These bonds have maturity dates from June 1, 2009 to December 1, 2038, and bear interest at rates from 3.75 percent to 5.85 percent.

Note 15. New Accounting Pronouncements

Standards of Financial Accounting and Reporting Statement No. 156 ("FASB Statement No. 156")

An entity shall apply this Statement to all separately recognized servicing assets and servicing liabilities. This Statement requires that an entity separately recognize a servicing asset or servicing liability when it undertakes an obligation to service a financial asset by entering into a servicing contract in connection in certain situations.

An entity that transfers its financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as debt securities held-to-maturity in accordance with Statement 115 may either separately recognize its servicing assets or servicing liabilities or report those servicing assets or servicing liabilities together with the asset being serviced.

An entity shall adopt this Statement as of the beginning of its first fiscal year that begins after September 15, 2006. Management has not evaluated the impact of adopting this pronouncement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 15. Continued

Standards of Financial Accounting and Reporting Statement No. 157 ("FASB Statement No. 157")

This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice.

This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management has not evaluated the impact of adopting this pronouncement.

Standards of Financial Accounting and Reporting Statement No. 159 ("FASB Statement No. 159")

This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments.

This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157, *Fair Value Measurements*. Management has not evaluated the impact of adopting this pronouncement.

Government Accounting Standards Board Statement No. 51 ("GASB 51")

This statement requires that all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 15. Continued

The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009 over a three year period. Management has not evaluated the impact of adopting this pronouncement.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2007

	1992B Program	1994F Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program
ASSETS								
Current assets								
Cash and cash equivalents:								
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash	-	-	-	-	-	-	-	-
Cash equivalents	-	-	-	-	-	-	-	-
Restricted cash equivalents	-	-	-	78,478	-	64,413	-	-
Total cash and cash equivalents	-	-	-	78,478	-	64,413	-	-
Accrued interest receivable	-	-	-	16,886	-	19,080	-	-
Total current assets	-	-	-	95,364	-	83,493	-	-
Non-current assets								
Investments, at fair value	-	-	-	2,638,188	-	3,170,204	-	-
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Unamortized bond issuance costs	-	-	-	18,519	-	21,645	-	-
Other assets	-	-	-	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-	-
Total non-current assets	-	-	-	2,656,707	-	3,191,849	-	-
Total assets	$ -	$ -	$ -	$ 2,752,071	$ -	$ 3,275,342	$ -	$ -
LIABILITIES								
Current liabilities								
Current maturities of bonds payable, net	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current maturities of notes payable	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	23,309	-	13,487	-	-
Total current liabilities	-	-	-	23,309	-	13,487	-	-
Non-current liabilities								
Bonds payable, net of premium or discount and current maturities	-	-	-	2,145,000	-	2,650,000	-	-
Notes payable, less current maturities	-	-	-	-	-	-	-	-
Other liabilities and accrued expenses	-	-	-	2,638	-	4,640	-	-
Total non-current liabilities	-	-	-	2,147,638	-	2,654,640	-	-
Total liabilities	$ -	$ -	$ -	$ 2,170,947	$ -	$ 2,668,127	$ -	$ -
Net Assets								
Restricted	$ -	$ -	$ -	$ 581,124	$ -	$ 607,215	$ -	$ -
Unrestricted	-	-	-	-	-	-	-	-
Total net assets	$ -	$ -	$ -	$ 581,124	$ -	$ 607,215	$ -	$ -

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2007

	1996GHI Program	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program
ASSETS								
Current assets								
Cash and cash equivalents:								
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash	-	-	-	35	33	-	-	-
Cash equivalents	-	-	-	-	-	-	-	-
Restricted cash equivalents	-	475	114,599	32,274	29,054	39,403	128,792	82,919
Total cash and cash equivalents	-	475	114,599	32,309	29,087	39,403	128,792	82,919
Accrued interest receivable	-	-	19,603	18,014	19,327	26,239	25,921	25,474
Total current assets	-	475	134,202	50,323	48,414	65,642	154,713	108,393
Non-current assets								
Investments, at fair value	-	-	3,253,517	3,136,433	3,367,610	4,761,861	4,843,210	4,788,786
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Unamortized bond issuance costs	-	-	26,193	26,396	32,070	44,784	51,257	44,156
Other assets	-	-	-	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-	-
Total non-current assets	-	-	3,279,710	3,162,829	3,399,680	4,806,645	4,894,467	4,832,942
Total assets	$ -	$ 475	$ 3,413,912	$ 3,213,152	$ 3,448,094	$ 4,872,287	$ 5,049,180	$ 4,941,335
LIABILITIES								
Current liabilities								
Current maturities of bonds payable, net	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current maturities of notes payable	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	16,080	24,493	16,722	23,236	23,637	23,760
Total current liabilities	-	-	16,080	24,493	16,722	23,236	23,637	23,760
Non-current liabilities								
Bonds payable, net of premium or discount and current maturities	-	-	2,896,081	2,940,295	3,046,869	4,437,437	4,652,040	4,549,309
Notes payable, less current maturities	-	-	-	-	-	-	-	-
Other liabilities and accrued expenses	-	-	2,369	1,619	1,619	1,619	1,619	1,619
Total non-current liabilities	-	-	2,898,450	2,941,914	3,048,488	4,439,056	4,653,659	4,550,928
Total liabilities	$ -	$ -	$ 2,914,530	$ 2,966,407	$ 3,065,210	$ 4,462,292	$ 4,677,296	$ 4,574,688
Net Assets								
Restricted	$ -	$ 475	$ 499,382	$ 246,745	$ 382,884	$ 409,995	$ 371,884	$ 366,647
Unrestricted	-	-	-	-	-	-	-	-
Total net assets	$ -	$ 475	$ 499,382	$ 246,745	$ 382,884	$ 409,995	$ 371,884	$ 366,647

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2007

	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
ASSETS								
Current assets								
Cash and cash equivalents:								
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash	-	-	-	-	-	-	-	-
Cash equivalents	-	-	-	-	-	-	-	-
Restricted cash equivalents	128,494	73,888	91,394	305,472	1,025,778	254,750	995,042	317,979
Total cash and cash equivalents	128,494	73,888	91,394	305,472	1,025,778	254,750	995,042	317,979
Accrued interest receivable	40,267	7,468	15,768	44,045	85,909	37,504	51,198	62,110
Total current assets	168,761	81,356	107,162	349,517	1,111,687	292,254	1,046,240	380,089
Non-current assets								
Investments, at fair value	7,562,819	1,318,347	2,672,597	7,808,991	15,966,089	7,013,075	9,474,586	11,957,067
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Unamortized bond issuance costs	69,781	27,422	26,748	88,501	205,632	99,677	130,057	163,419
Other assets	-	-	-	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-	-
Total non-current assets	7,632,600	1,345,769	2,699,345	7,897,492	16,171,721	7,112,752	9,604,643	12,120,486
Total assets	$ 7,801,361	$ 1,427,125	$ 2,806,507	$ 8,247,009	$ 17,283,408	$ 7,405,006	$ 10,650,883	$ 12,500,575
LIABILITIES								
Current liabilities								
Current maturities of bonds payable, net	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current maturities of notes payable	-	-	-	-	-	-	-	-
Accrued interest payable	37,630	-	12,721	39,441	84,067	36,258	50,651	61,330
Total current liabilities	37,630	-	12,721	39,441	84,067	36,258	50,651	61,330
Non-current liabilities								
Bonds payable, net of premium or discount and current maturities	7,253,492	1,108,791	2,515,000	6,938,793	15,804,987	6,962,702	9,873,204	12,209,095
Notes payable, less current maturities	-	-	-	-	-	-	-	-
Other liabilities and accrued expenses	1,619	1,619	1,619	1,619	1,619	1,619	1,619	1,619
Total non-current liabilities	7,255,111	1,110,410	2,516,619	6,940,412	15,806,606	6,964,321	9,874,823	12,210,714
Total liabilities	$ 7,292,741	$ 1,110,410	$ 2,529,340	$ 6,979,853	$ 15,890,673	$ 7,000,579	$ 9,925,474	$ 12,272,044
Net Assets								
Restricted	$ 508,620	$ 316,715	$ 277,167	$ 1,267,156	$ 1,392,735	$ 404,427	$ 725,409	$ 228,531
Unrestricted	-	-	-	-	-	-	-	-
Total net assets	$ 508,620	$ 316,715	$ 277,167	$ 1,267,156	$ 1,392,735	$ 404,427	$ 725,409	$ 228,531

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2007

	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program
ASSETS								
Current assets								
Cash and cash equivalents:								
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash	-	-	839,685	-	-	-	-	-
Cash equivalents	-	-	-	-	-	-	-	-
Restricted cash equivalents	414,428	1,268,659	22,414,247	600,983	467,647	566,667	949,859	939,397
Total cash and cash equivalents	414,428	1,268,659	23,253,932	600,983	467,647	566,667	949,859	939,397
Accrued interest receivable	54,391	84,155	182,329	44,976	53,492	50,784	72,802	77,181
Total current assets	468,819	1,352,814	23,436,261	645,959	521,139	617,451	1,022,661	1,016,578
Non-current assets								
Investments, at fair value	10,140,564	16,691,552	752,100	8,667,185	11,099,606	10,174,553	14,421,497	16,188,644
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Unamortized bond issuance costs	134,797	247,938	18,950	95,801	154,469	113,253	165,366	191,288
Other assets	-	-	330,162	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-	-
Total non-current assets	10,275,361	16,939,490	1,101,212	8,762,986	11,254,075	10,287,806	14,586,863	16,379,932
Total assets	$ 10,744,180	$ 18,292,304	$ 24,537,473	$ 9,408,945	$ 11,775,214	$ 10,905,257	$ 15,609,524	$ 17,396,510
LIABILITIES								
Current liabilities								
Current maturities of bonds payable, net	$ -	$ -	$ 25,000,000	$ 110,000	$ -	$ 165,000	$ 225,000	$ 300,000
Current maturities of notes payable	-	-	340,861	-	-	-	-	-
Accrued interest payable	54,207	86,420	167,523	43,535	46,819	47,365	66,732	66,949
Total current liabilities	54,207	86,420	25,508,384	153,535	46,819	212,365	291,732	366,949
Non-current liabilities								
Bonds payable, net of premium or discount and current maturities	10,203,763	18,069,225	-	9,187,823	11,490,000	10,575,000	15,170,000	17,215,000
Notes payable, less current maturities	-	-	-	-	-	-	-	-
Other liabilities and accrued expenses	1,619	1,619	872,586	1,619	1,619	1,619	1,619	1,619
Total non-current liabilities	10,205,382	18,070,844	872,586	9,189,442	11,491,619	10,576,619	15,171,619	17,216,619
Total liabilities	$ 10,259,589	$ 18,157,264	$ 26,380,970	$ 9,342,977	$ 11,538,438	$ 10,788,984	$ 15,463,351	$ 17,583,568
Net Assets								
Restricted	$ 484,591	$ 135,040	$ (1,843,497)	$ 65,968	$ 236,776	$ 116,273	$ 146,173	$ (187,058)
Unrestricted	-	-	-	-	-	-	-	-
Total net assets	$ 484,591	$ 135,040	$ (1,843,497)	$ 65,968	$ 236,776	$ 116,273	$ 146,173	$ (187,058)

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2007

	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program
ASSETS						
Current assets						
Cash and cash equivalents:						
Cash	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash	-	-	-	-	-	-
Cash equivalents	-	-	-	-	-	-
Restricted cash equivalents	947,876	1,294,856	563,427	147,555,494	1,724,145	700,130
Total cash and cash equivalents	947,876	1,294,856	563,427	147,555,494	1,724,145	700,130
Accrued interest receivable	109,228	154,809	162,058	574,008	324,535	167,386
Total current assets	1,057,104	1,449,665	725,485	148,129,502	2,048,680	867,516
Non-current assets						
Investments, at fair value	22,516,583	33,207,599	35,660,925	-	72,397,026	37,010,197
Mortgage loans receivable, net	-	-	-	-	-	-
Unamortized bond issuance costs	250,978	391,714	387,923	-	779,856	406,031
Other assets	-	-	-	1,667	-	-
Due (to) from other programs	-	-	-	-	-	(3,142)
Total non-current assets	22,767,561	33,599,313	36,048,848	1,667	73,176,882	37,413,086
Total assets	$ 23,824,665	$ 35,048,978	$ 36,774,333	$ 148,131,169	$ 75,225,562	$ 38,280,602
LIABILITIES						
Current liabilities						
Current maturities of bonds payable, net	$ 350,000	$ 435,000	$ -	$ -	$ -	$ -
Current maturities of notes payable	-	-	-	-	-	-
Accrued interest payable	102,927	143,314	154,249	544,103	303,471	159,386
Total current liabilities	452,927	578,314	154,249	544,103	303,471	159,386
Non-current liabilities						
Bonds payable, net of premium or discount and current maturities	23,430,000	35,225,000	37,930,000	-	77,860,000	39,395,000
Notes payable, less current maturities	-	-	-	147,000,469	-	-
Other liabilities and accrued expenses	1,619	2,369	1,619	586,549	1,619	1,619
Total non-current liabilities	23,431,619	35,227,369	37,931,619	147,587,018	77,861,619	39,396,619
Total liabilities	$ 23,884,546	$ 35,805,683	$ 38,085,868	$ 148,131,121	$ 78,165,090	$ 39,556,005
Net Assets						
Restricted	$ (59,881)	$ (756,705)	$ (1,311,535)	$ 48	$ (2,939,528)	$ (1,275,403)
Unrestricted	-	-	-	-	-	-
Total net assets	$ (59,881)	$ (756,705)	$ (1,311,535)	$ 48	$ (2,939,528)	$ (1,275,403)

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2007

	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program
ASSETS						
Current assets						
Cash and cash equivalents:						
Cash	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash	-	10,797	5,252	4,608	11,878	29,433
Cash equivalents	-	-	-	-	-	-
Restricted cash equivalents	2,457,161	2,765,768	1,915,627	10,373,974	45,373,444	72,780,000
Total cash and cash equivalents	2,457,161	2,776,565	1,920,879	10,378,582	45,385,322	72,809,433
Accrued interest receivable	349,442	369,862	83,409	235,535	517,714	52,704
Total current assets	2,806,603	3,146,427	2,004,288	10,614,117	45,903,036	72,862,137
Non-current assets						
Investments, at fair value	74,298,867	75,075,677	17,085,122	38,648,203	52,548,535	-
Mortgage loans receivable, net	-	-	-	-	-	-
Unamortized bond issuance costs	781,246	788,477	207,680	564,955	1,048,310	795,824
Other assets	-	-	-	-	-	9,217
Due (to) from other programs	(14,105)	(49,256)	(47,417)	(287,756)	(1,189,585)	(2,100,000)
Total non-current assets	75,066,008	75,814,898	17,245,385	38,925,402	52,407,260	(1,294,959)
Total assets	$ 77,872,611	$ 78,961,325	$ 19,249,673	$ 49,539,519	$ 98,310,296	$ 71,567,178
LIABILITIES						
Current liabilities						
Current maturities of bonds payable, net	$ -	$ -	$ -	$ -	$ 335,000	$ -
Current maturities of notes payable	-	-	-	-	-	-
Accrued interest payable	321,696	331,583	74,231	205,856	379,630	48,791
Total current liabilities	321,696	331,583	74,231	205,856	714,630	48,791
Non-current liabilities						
Bonds payable, net of premium or discount and current maturities	79,170,000	79,580,000	19,795,000	50,000,000	94,056,907	70,000,000
Notes payable, less current maturities	-	-	-	-	-	-
Other liabilities and accrued expenses	1,624	1,624	1,624	1,624	809	27,297
Total non-current liabilities	79,171,624	79,581,624	19,796,624	50,001,624	94,057,716	70,027,297
Total liabilities	$ 79,493,320	$ 79,913,207	$ 19,870,855	$ 50,207,480	$ 94,772,346	$ 70,076,088
Net Assets						
Restricted	$ (1,620,709)	$ (951,882)	$ (621,182)	$ (667,961)	$ 3,537,950	$ 1,491,090
Unrestricted	-	-	-	-	-	-
Total net assets	$ (1,620,709)	$ (951,882)	$ (621,182)	$ (667,961)	$ 3,537,950	$ 1,491,090

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2007

	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
ASSETS						
Current assets						
Cash and cash equivalents:						
Cash	$ -	$ -	$ 588,282	$ 1,343,546	$ 16,598	$ 1,948,426
Restricted cash	901,721	673,384	-	334,516	1,975,891	3,885,512
Cash equivalents	-	-	-	104,149	-	104,149
Restricted cash equivalents	319,836,993	-	-	-	-	319,836,993
Total cash and cash equivalents	320,738,714	673,384	588,282	1,782,211	1,992,489	325,775,080
Accrued interest receivable	4,235,613	3,029	3,824	239,973	19,549	4,501,988
Total current assets	324,974,327	676,413	592,106	2,022,184	2,012,038	330,277,068
Non-current assets						
Investments, at fair value	640,317,815	-	-	30,644,291	-	670,962,106
Mortgage loans receivable, net	-	267,637	446,885	3,969,799	4,814,823	9,499,144
Unamortized bond issuance costs	8,601,113	-	-	-	-	8,601,113
Other assets	341,046	(18)	2,661	2,902,117	2,421,013	5,666,819
Due (to) from other programs	(3,691,261)	42,356	-	3,648,980	(75)	-
Total non-current assets	645,568,713	309,975	449,546	41,165,187	7,235,761	694,729,182
Total assets	$ 970,543,040	$ 986,388	$ 1,041,652	$ 43,187,371	$ 9,247,799	$ 1,025,006,250
LIABILITIES						
Current liabilities						
Current maturities of bonds payable, net	$ 26,920,000	$ -	$ -	$ -	$ -	$ 26,920,000
Current maturities of notes payable	340,861	-	-	-	-	340,861
Accrued interest payable	3,835,609	-	-	-	-	3,835,609
Total current liabilities	31,096,470	-	-	-	-	31,096,470
Non-current liabilities						
Bonds payable, net of premium or discount and current maturities	788,335,813	-	-	-	-	788,335,813
Notes payable, less current maturities	147,000,469	-	-	-	-	147,000,469
Other liabilities and accrued expenses	1,544,609	720,133	1,619	15,001,503	1,619	17,269,483
Total non-current liabilities	936,880,891	720,133	1,619	15,001,503	1,619	952,605,765
Total liabilities	$ 967,977,361	$ 720,133	$ 1,619	$ 15,001,503	$ 1,619	$ 983,702,235
Net Assets						
Restricted	$ 2,565,679	$ 266,255	$ -	$ -	$ 9,246,180	$ 12,078,114
Unrestricted	-	-	1,040,033	28,185,868	-	29,225,901
Total net assets	$ 2,565,679	$ 266,255	$ 1,040,033	$ 28,185,868	$ 9,246,180	$ 41,304,015

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

	1992B Program	1994F Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program
Operating revenues								
Interest income								
Cash and cash equivalents	$ 11,955	$ 1,908	$ 6,932	$ 9,073	$ 17,084	$ 12,235	$ 25,485	$ 17,185
Mortgage-backed securities	100,427	(1,721)	47,732	184,130	105,748	159,244	188,752	170,169
Other investments	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Total interest income	112,382	187	54,664	193,203	122,832	171,479	214,237	187,354
Net increase (decrease) in fair value of investments	26,681	5,343	(3,337)	(21,830)	(19,085)	(9,644)	(32,830)	(14,075)
Reservation fees	-	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
Total operating revenues	139,063	5,530	51,327	171,373	103,747	161,835	181,407	173,279
Operating expenses								
Interest expense	97,350	-	59,485	154,116	157,667	171,509	189,798	165,264
Amortization of bond issuance costs	3,797	-	1,844	5,708	4,478	4,428	9,320	4,670
Loss on early extinguishment of debt	29,280	-	11,278	-	54,202	-	118,622	129,121
Hurricane related expenses	-	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-	-
Other	8,869	3,774	3,954	2,559	2,869	3,119	3,352	3,352
Total operating expenses	139,296	3,774	76,561	162,383	219,216	179,056	321,092	302,407
Operating income (loss)	(233)	1,756	(25,234)	8,990	(115,469)	(17,221)	(139,685)	(129,128)
Transfers in (out)	(474,362)	(293,928)	(210,661)	(2,422)	(121,061)	33,415	(842,875)	(575,183)
Net assets, beginning of year	474,595	292,172	235,895	574,556	236,530	591,021	982,560	704,311
Net assets, end of year	$ -	$ -	$ -	$ 581,124	$ -	$ 607,215	$ -	$ -

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

	1996GHI Program	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program
Operating revenues								
Interest income								
Cash and cash equivalents	$ 15,520	$ 18,352	$ 1,863	$ 2,901	$ 4,629	$ 6,236	$ 20,562	$ 4,317
Mortgage-backed securities	159,654	138,123	256,243	233,903	248,750	342,102	345,224	329,945
Other investments	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Total interest income	175,174	156,475	258,106	236,804	253,379	348,338	365,786	334,262
Net increase (decrease) in fair value of investments	(21,543)	(14,643)	(14,128)	(8,285)	(11,660)	41,581	32,770	37,682
Reservation fees	-	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
Total operating revenues	153,631	141,832	243,978	228,519	241,719	389,919	398,556	371,944
Operating expenses								
Interest expense	143,017	130,285	209,021	213,707	211,846	300,678	323,492	302,675
Amortization of bond issuance costs	6,638	5,383	8,165	7,841	10,714	13,061	14,647	10,438
Loss on early extinguishment of debt	124,555	91,609	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-	-
Other	3,369	2,852	4,119	3,369	15,474	3,398	3,978	3,128
Total operating expenses	277,579	230,129	221,305	224,917	238,034	317,137	342,117	316,241
Operating income (loss)	(123,948)	(88,297)	22,673	3,602	3,685	72,782	56,439	55,703
Transfers in (out)	(796,167)	(544,171)	(13,634)	(11,137)	439	(20,225)	(19,479)	(11,727)
Net assets, beginning of year	920,115	632,943	490,343	254,280	378,760	357,438	334,924	322,671
Net assets, end of year	$ -	$ 475	$ 499,382	$ 246,745	$ 382,884	$ 409,995	$ 371,884	$ 366,647

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Operating revenues								
Interest income								
Cash and cash equivalents	$ 24,549	$ 4,749	$ 15,227	$ 26,243	$ 52,631	$ 21,712	$ 34,681	$ 37,303
Mortgage-backed securities	517,104	90,589	188,563	543,985	1,073,895	485,377	655,279	799,148
Other investments	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Total interest income	541,653	95,338	203,790	570,228	1,126,526	507,089	689,960	836,451
Net increase (decrease) in fair value of investments	58,122	20,008	9,199	80,624	170,447	62,314	90,525	132,653
Reservation fees	-	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
Total operating revenues	599,775	115,346	212,989	650,852	1,296,973	569,403	780,485	969,104
Operating expenses								
Interest expense	495,921	76,461	184,267	493,001	1,050,854	468,563	624,274	784,269
Amortization of bond issuance costs	14,705	6,622	9,542	28,719	49,183	30,637	36,530	51,587
Loss on early extinguishment of debt	-	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-	-
Other	2,986	3,869	3,119	3,714	5,121	5,128	3,976	5,855
Total operating expenses	513,612	86,952	196,928	525,434	1,105,158	504,328	664,780	841,711
Operating income (loss)	86,163	28,394	16,061	125,418	191,815	65,075	115,705	127,393
Transfers in (out)	(9,552)	(16,308)	(25,939)	(12,383)	(36,686)	(64,594)	(19,846)	(183,483)
Net assets, beginning of year	432,009	304,629	287,045	1,154,121	1,237,606	403,946	629,550	284,621
Net assets, end of year	$ 508,620	$ 316,715	$ 277,167	$ 1,267,156	$ 1,392,735	$ 404,427	$ 725,409	$ 228,531

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program
Operating revenues							
Interest income							
Cash and cash equivalents	$ 29,953	$ 41,328	$ 399,608	$ 29,758	$ 27,415	$ 22,318	$ 26,351
Mortgage-backed securities	705,246	1,071,895	67,529	569,954	643,202	617,774	892,904
Other investments	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-
Total interest income	735,199	1,113,223	467,137	599,712	670,617	640,092	919,255
Net increase (decrease) in fair value of investments	83,572	171,506	28,798	71,208	188,512	103,776	105,880
Reservation fees	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-
Other income	-	1,352	88,283	637	-	-	-
Total operating revenues	818,771	1,286,081	584,218	671,557	859,129	743,868	1,025,135
Operating expenses							
Interest expense	689,648	1,082,578	1,165,768	545,366	600,243	603,004	833,372
Amortization of bond issuance costs	43,806	35,385	73,714	24,155	20,456	19,858	22,853
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-
Other	4,185	6,741	609,183	5,359	5,757	6,327	6,526
Total operating expenses	737,639	1,124,704	1,848,665	574,880	626,456	629,189	862,751
Operating income (loss)	81,132	161,377	(1,264,447)	96,677	232,673	114,679	162,384
Transfers in (out)	(15,011)	(183,306)	313,665	(152,495)	(134,191)	(98,567)	(43,128)
Net assets, beginning of year	418,470	156,969	(892,715)	121,786	138,294	100,161	26,917
Net assets, end of year	$ 484,591	$ 135,040	$ (1,843,497)	$ 65,968	$ 236,776	$ 116,273	$ 146,173

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Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

	2004D Program	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program
Operating revenues							
Interest income							
Cash and cash equivalents	$ 34,580	$ 35,353	$ 39,257	$ 70,342	$ 6,449,981	$ 448,824	$ 596,821
Mortgage-backed securities	945,720	1,337,235	1,890,918	1,959,412	-	3,539,537	1,594,084
Other investments	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-
Total interest income	980,300	1,372,588	1,930,175	2,029,754	6,449,981	3,988,361	2,190,905
Net increase (decrease) in fair value of investments	184,851	145,059	220,672	(21,422)	-	(2,274,474)	(1,904,157)
Reservation fees	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	1,165,151	1,517,647	2,150,847	2,008,332	6,449,981	1,713,887	286,748
Operating expenses							
Interest expense	853,845	1,303,809	1,752,851	1,901,691	6,480,236	3,983,398	1,942,904
Amortization of bond issuance costs	36,052	35,083	34,678	34,620	-	47,238	19,547
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-
Other	6,908	18,292	10,314	20,393	3,952	28,164	17,888
Total operating expenses	896,805	1,357,184	1,797,843	1,956,704	6,484,188	4,058,800	1,980,339
Operating income (loss)	268,346	160,463	353,004	51,628	(34,207)	(2,344,913)	(1,693,591)
Transfers in (out)	(122,687)	(14,845)	(237,025)	(177,224)	5,625	(133,927)	(50,759)
Net assets, beginning of year	(332,717)	(205,499)	(872,684)	(1,185,939)	28,630	(460,688)	468,947
Net assets, end of year	$ (187,058)	$ (59,881)	$ (756,705)	$ (1,311,535)	$ 48	$ (2,939,528)	$ (1,275,403)

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program
Operating revenues						
Interest income						
Cash and cash equivalents	$ 1,456,575	$ 1,535,975	$ 308,574	$ 711,250	$ 848,356	$ 52,704
Mortgage-backed securities	2,761,024	2,070,070	362,634	349,587	373,989	-
Other investments	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-
Total interest income	4,217,599	3,606,045	671,208	1,060,837	1,222,345	52,704
Net increase (decrease) in fair value of investments	(3,195,636)	(2,534,846)	(1,022,930)	(1,676,911)	(2,157,574)	-
Reservation fees	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total operating revenues	1,021,963	1,071,199	(351,722)	(616,074)	(935,229)	52,704
Operating expenses						
Interest expense	3,839,172	3,274,924	595,962	981,246	997,958	48,791
Amortization of bond issuance costs	36,576	28,544	6,421	8,253	9,227	413
Loss on early extinguishment of debt	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-
Other	65,302	38,598	10,857	13,832	18,864	810
Total operating expenses	3,941,050	3,342,066	613,240	1,003,331	1,026,049	50,014
Operating income (loss)	(2,919,087)	(2,270,867)	(964,962)	(1,619,405)	(1,961,278)	2,690
Transfers in (out)	1,298,378	1,318,985	343,780	951,444	5,499,228	1,488,400
Net assets, beginning of year	-	-	-	-	-	-
Net assets, end of year	$ (1,620,709)	$ (951,882)	$ (621,182)	$ (667,961)	$ 3,537,950	$ 1,491,090

See independent auditor's report.

Mississippi Home Corporation

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2007

	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Operating revenues						
Interest income						
Cash and cash equivalents	$ 13,558,655	$ -	$ 17,693	$ 177,768	$ 72,645	$ 13,826,761
Mortgage-backed securities	29,115,079	-	-	-	-	29,115,079
Other investments	-	-	-	1,586,375	-	1,586,375
Mortgage loans	-	17,575	57,093	8,167	219,125	301,960
Total interest income	42,673,734	17,575	74,786	1,772,310	291,770	44,830,175
Net increase (decrease) in fair value of investments	(12,887,227)	-	-	198,833	-	(12,688,394)
Reservation fees	-	-	-	693,495	-	693,495
Low income housing tax credit program	-	-	-	6,536,249	-	6,536,249
Other income	90,272	10,988	24,997	751,930	72,587	950,774
Total operating revenues	29,876,779	28,563	99,783	9,952,817	364,357	40,322,299
Operating expenses						
Interest expense	40,484,286	-	-	-	-	40,484,286
Amortization of bond issuance costs	875,536	-	-	-	-	875,536
Loss on early extinguishment of debt	558,667	-	-	-	-	558,667
Hurricane related expenses	-	-	-	36,234	-	36,234
Salaries and related benefits	-	-	-	2,586,991	-	2,586,991
Other	1,003,555	5,647	42,243	1,985,358	311,424	3,348,227
Total operating expenses	42,922,044	5,647	42,243	4,608,583	311,424	47,889,941
Operating income (loss)	(13,045,265)	22,916	57,540	5,344,234	52,933	(7,567,642)
Transfers in (out)	5,584,371	5,689	(448,377)	(4,835,286)	(306,397)	-
Net assets, beginning of year	10,026,573	237,650	1,430,870	27,676,920	9,499,644	48,871,657
Net assets, end of year	$ 2,565,679	$ 266,255	$ 1,040,033	$ 28,185,868	$ 9,246,180	$ 41,304,015

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	1992B Program	1994F Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program
Cash flows from operating activities								
Loan principal payments received	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loan interest payments received	-	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-	-
Payments to vendors	(10,492)	(18,729)	(24,110)	(24,263)	(60,133)	(74,991)	(4,992)	(4,992)
Fee income received	-	-	-	-	-	-	-	-
Other income received	-	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(10,492)	(18,729)	(24,110)	(24,263)	(60,133)	(74,991)	(4,992)	(4,992)
Cash flows from noncapital financing activities								
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-
Principal repayment of bonds	(1,785,000)	-	(1,100,000)	(525,000)	(3,035,000)	(380,000)	(3,195,000)	(2,840,000)
Premium paid on early redemptions	-	-	-	-	(27,150)	-	(97,800)	(107,200)
Principal repayment of notes	-	-	-	-	-	-	-	-
Interest paid	(107,019)	-	(77,704)	(160,310)	(174,802)	(175,276)	(211,501)	(182,495)
Bond issuance costs paid	-	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(1,892,019)	-	(1,177,704)	(685,310)	(3,236,952)	(555,276)	(3,504,301)	(3,129,695)
Cash flows from capital and related financing activities								
Property and equipment additions	-	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	-	-	-	-	-	-
Cash flows from investing activities								
Purchase of investments	-	-	-	-	-	-	-	-
Redemption of investments	2,167,308	254,504	1,276,191	345,308	3,165,075	349,566	3,911,298	3,296,855
Interest received on investments	124,424	14,819	82,046	219,346	197,607	248,544	238,297	207,876
Net cash provided by (used in) investing activities	2,291,732	269,323	1,358,237	564,654	3,362,682	598,110	4,149,595	3,504,731
Transfers	(474,362)	(293,928)	(210,661)	(2,422)	(121,061)	33,415	(842,875)	(575,183)
Net increase (decrease) in cash and cash equivalents	(85,141)	(43,334)	(54,238)	(147,341)	(55,464)	1,258	(202,573)	(205,139)
Cash and cash equivalents, beginning of year	85,141	43,334	54,238	225,819	55,464	63,155	202,573	205,139
Cash and cash equivalents, end of year	$ -	$ -	$ -	$ 78,478	$ -	$ 64,413	$ -	$ -

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	1996GHI Program	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program
Cash flows from operating activities								
Loan principal payments received	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loan interest payments received	-	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-	-
Payments to vendors	(4,992)	(4,992)	(3,373)	(3,373)	(15,478)	(3,402)	(3,982)	(3,132)
Fee income received	-	-	-	-	-	-	-	-
Other income received	-	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(4,992)	(4,992)	(3,373)	(3,373)	(15,478)	(3,402)	(3,982)	(3,132)
Cash flows from noncapital financing activities								
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-
Principal repayment of bonds	(2,540,000)	(2,225,000)	(648,480)	(687,807)	(830,000)	(1,282,418)	(1,210,000)	(877,076)
Premium paid on early redemptions	(102,000)	(95,250)	-	-	-	-	-	-
Principal repayment of notes	-	-	-	-	-	-	-	-
Interest paid	(158,452)	(147,930)	(220,291)	(225,852)	(225,901)	(319,569)	(343,209)	(316,412)
Bond issuance costs paid	-	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(2,800,452)	(2,468,180)	(868,771)	(913,659)	(1,055,901)	(1,601,987)	(1,553,209)	(1,193,488)
Cash flows from capital and related financing activities								
Property and equipment additions	-	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	-	-	-	-	-	-
Cash flows from investing activities								
Purchase of investments	-	-	-	-	-	-	-	-
Redemption of investments	3,243,202	2,744,785	606,787	604,677	751,649	1,103,624	1,194,648	888,496
Interest received on investments	195,275	173,243	261,906	240,362	257,824	354,475	372,985	339,106
Net cash provided by (used in) investing activities	3,438,477	2,918,028	868,693	845,039	1,009,473	1,458,099	1,567,633	1,227,602
Transfers	(796,167)	(544,171)	(13,634)	(11,137)	439	(20,225)	(19,479)	(11,727)
Net increase (decrease) in cash and cash equivalents	(163,134)	(99,315)	(17,085)	(83,130)	(61,467)	(167,515)	(9,037)	19,255
Cash and cash equivalents, beginning of year	163,134	99,790	131,684	115,439	90,554	206,918	137,829	63,664
Cash and cash equivalents, end of year	$ -	$ 475	$ 114,599	$ 32,309	$ 29,087	$ 39,403	$ 128,792	$ 82,919

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Cash flows from operating activities								
Loan principal payments received	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loan interest payments received	-	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-	-
Payments to vendors	(2,990)	(3,873)	(3,123)	(3,719)	(5,125)	(5,132)	(3,980)	(5,859)
Fee income received	-	-	-	-	-	-	-	-
Other income received	-	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(2,990)	(3,873)	(3,123)	(3,719)	(5,125)	(5,132)	(3,980)	(5,859)
Cash flows from noncapital financing activities								
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-
Principal repayment of bonds	(1,520,000)	(459,207)	(815,000)	(1,855,000)	(2,970,000)	(1,760,000)	(2,260,000)	(3,240,000)
Premium paid on early redemptions	-	-	-	-	-	-	-	-
Principal repayment of notes	-	-	-	-	-	-	-	-
Interest paid	(518,566)	(13,136)	(188,473)	(527,476)	(1,108,060)	(503,439)	(676,562)	(843,808)
Bond issuance costs paid	-	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(2,038,566)	(472,343)	(1,003,473)	(2,382,476)	(4,078,060)	(2,263,439)	(2,936,562)	(4,083,808)
Cash flows from capital and related financing activities								
Property and equipment additions	-	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	-	-	-	-	-	-
Cash flows from investing activities								
Purchase of investments	-	-	-	-	-	-	-	-
Redemption of investments	1,352,144	424,673	728,366	1,580,796	2,993,911	1,669,227	2,318,517	3,021,921
Interest received on investments	549,439	108,402	230,238	579,305	1,142,323	516,204	702,530	853,119
Net cash provided by (used in) investing activities	1,901,583	533,075	958,604	2,160,101	4,136,234	2,185,431	3,021,047	3,875,040
Transfers	(9,552)	(16,308)	(25,939)	(12,383)	(36,686)	(64,594)	(19,846)	(183,483)
Net increase (decrease) in cash and cash equivalents	(149,525)	40,551	(73,931)	(238,477)	16,363	(147,734)	60,659	(398,110)
Cash and cash equivalents, beginning of year	278,019	33,337	165,325	543,949	1,009,415	402,484	934,383	716,089
Cash and cash equivalents, end of year	$ 128,494	$ 73,888	$ 91,394	$ 305,472	$ 1,025,778	$ 254,750	$ 995,042	$ 317,979

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program
Cash flows from operating activities								
Loan principal payments received	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loan interest payments received	-	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-	-
Payments to vendors	(4,189)	(6,744)	(622,080)	(5,362)	(5,761)	(6,331)	(6,530)	(6,912)
Fee income received	-	-	-	-	-	-	-	-
Other income received	-	1,352	88,283	637	-	-	-	-
Net cash provided by (used in) operating activities	(4,189)	(5,392)	(533,797)	(4,725)	(5,761)	(6,331)	(6,530)	(6,912)
Cash flows from noncapital financing activities								
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-
Principal repayment of bonds	(2,790,000)	(3,890,000)	-	(1,955,000)	(2,780,000)	(1,480,000)	(1,625,000)	(2,735,000)
Premium paid on early redemptions	-	-	-	-	-	-	-	-
Principal repayment of notes	-	-	-	-	-	-	-	-
Interest paid	(741,481)	(1,126,652)	(1,027,651)	(574,475)	(607,597)	(609,243)	(839,950)	(863,773)
Bond issuance costs paid	-	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(3,531,481)	(5,016,652)	(1,027,651)	(2,529,475)	(3,387,597)	(2,089,243)	(2,464,950)	(3,598,773)
Cash flows from capital and related financing activities								
Property and equipment additions	-	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	1,318,562	-	-	-	-	-
Principal repayment of notes payable	-	-	(1,333,228)	-	-	-	-	-
Interest paid	-	-	(66,862)	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	(81,528)	-	-	-	-	-
Cash flows from investing activities								
Purchase of investments	-	-	-	-	-	-	-	-
Redemption of investments	2,649,596	3,702,996	905,515	1,722,134	2,262,731	1,680,143	1,731,303	2,915,483
Interest received on investments	750,716	1,131,445	1,197,057	603,239	719,246	665,750	926,821	1,013,039
Net cash provided by (used in) investing activities	3,400,312	4,834,441	2,102,572	2,325,373	2,981,977	2,345,893	2,658,124	3,928,522
Transfers	(15,011)	(183,306)	313,665	(152,495)	(134,191)	(98,567)	(43,128)	(122,687)
Net increase (decrease) in cash and cash equivalents	(150,369)	(370,909)	773,261	(361,322)	(545,572)	151,752	143,516	200,150
Cash and cash equivalents, beginning of year	564,797	1,639,568	22,480,671	962,305	1,013,219	414,915	806,343	739,247
Cash and cash equivalents, end of year	$ 414,428	$ 1,268,659	$ 23,253,932	$ 600,983	$ 467,647	$ 566,667	$ 949,859	$ 939,397

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program
Cash flows from operating activities						
Loan principal payments received	$ -	$ -	$ -	$ -	$ -	$ -
Loan interest payments received	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-
Payments to vendors	(18,296)	(9,569)	(20,398)	380,603	(28,170)	(18,732)
Fee income received	-	-	-	-	-	-
Other income received	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(18,296)	(9,569)	(20,398)	380,603	(28,170)	(18,732)
Cash flows from noncapital financing activities						
Proceeds from issuance of bonds	-	-	-	-	-	-
Principal repayment of bonds	(1,985,000)	(1,790,000)	(2,070,000)	-	(2,140,000)	(605,000)
Premium paid on early redemptions	-	-	-	-	-	-
Principal repayment of notes	-	-	-	(10,117,500)	-	-
Interest paid	(1,286,811)	(1,760,134)	(1,910,109)	(6,553,112)	(4,303,552)	(1,945,352)
Bond issuance costs paid	-	-	-	-	-	-
Due (from) to other programs	-	-	(144,948)	-	(1,295,427)	(1,125,755)
Net cash provided by (used in) noncapital financing activities	(3,271,811)	(3,550,134)	(4,125,057)	(16,670,612)	(7,738,979)	(3,676,107)
Cash flows from capital and related financing activities						
Property and equipment additions	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	-	-	-	-
Cash flows from investing activities						
Purchase of investments	-	-	(4,040,288)	-	(42,462,568)	(37,525,170)
Redemption of investments	2,039,904	2,184,724	1,595,208	-	2,390,542	854,017
Interest received on investments	1,382,080	1,941,858	2,043,370	6,523,207	4,593,696	2,090,664
Net cash provided by (used in) investing activities	3,421,984	4,126,582	(401,710)	6,523,207	(35,478,330)	(34,580,489)
Transfers	(14,845)	(237,025)	(177,224)	5,625	(133,927)	(50,759)
Net increase (decrease) in cash and cash equivalents	117,032	329,854	(4,724,389)	(9,761,177)	(43,379,406)	(38,326,087)
Cash and cash equivalents, beginning of year	830,844	965,002	5,287,816	157,316,671	45,103,551	39,026,217
Cash and cash equivalents, end of year	$ 947,876	$ 1,294,856	$ 563,427	$ 147,555,494	$ 1,724,145	$ 700,130

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program
Cash flows from operating activities						
Loan principal payments received	$ -	$ -	$ -	$ -	$ -	$ -
Loan interest payments received	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-
Payments to vendors	(63,678)	(36,974)	(9,233)	(12,208)	(18,054)	17,271
Fee income received	-	-	-	-	-	-
Other income received	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(63,678)	(36,974)	(9,233)	(12,208)	(18,054)	17,271
Cash flows from noncapital financing activities						
Proceeds from issuance of bonds	80,000,000	80,000,000	20,000,000	50,000,000	94,393,640	70,000,000
Principal repayment of bonds	(830,000)	(420,000)	(205,000)	-	-	-
Premium paid on early redemptions	-	-	-	-	-	-
Principal repayment of notes	-	-	-	-	-	-
Interest paid	(3,517,476)	(2,943,340)	(521,731)	(775,390)	(620,062)	-
Bond issuance costs paid	(817,822)	(817,021)	(214,101)	(573,208)	(1,057,537)	(796,238)
Due (from) to other programs	14,105	49,256	47,417	287,756	1,189,585	2,100,000
Net cash provided by (used in) noncapital financing activities	74,848,807	75,868,895	19,106,585	48,939,158	93,905,626	71,303,762
Cash flows from capital and related financing activities						
Property and equipment additions	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	-	-	-	-
Cash flows from investing activities						
Purchase of investments	(79,573,055)	(78,358,138)	(18,419,433)	(40,408,126)	(55,019,756)	-
Redemption of investments	2,078,552	747,615	311,381	83,012	313,648	-
Interest received on investments	3,868,157	3,236,182	587,799	825,302	704,630	-
Net cash provided by (used in) investing activities	(73,626,346)	(74,374,341)	(17,520,253)	(39,499,812)	(54,001,478)	-
Transfers	1,298,378	1,318,985	343,780	951,444	5,499,228	1,488,400
Net increase (decrease) in cash and cash equivalents	2,457,161	2,776,565	1,920,879	10,378,582	45,385,322	72,809,433
Cash and cash equivalents, beginning of year	-	-	-	-	-	-
Cash and cash equivalents, end of year	$ 2,457,161	$ 2,776,565	$ 1,920,879	$ 10,378,582	$ 45,385,322	$ 72,809,433

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Cash flows from operating activities						
Loan principal payments received	$ -	$ 426,218	$ 375,797	$ 273,937	$ 862,046	$ 1,937,998
Loan interest payments received	-	16,111	58,283	8,167	215,537	298,098
Loan disbursements	-	(458,791)	(7,262)	(1,091,877)	(1,734,016)	(3,291,946)
Payments to employees	-	-	-	(2,561,472)	-	(2,561,472)
Payments to vendors	(800,574)	(470,367)	(14,155)	(769,325)	(38,617)	(2,093,038)
Fee income received	-	-	2,198	13,103,049	28,950	13,134,197
Other income received	90,272	10,988	17,697	929,698	78,337	1,126,992
Net cash provided by (used in) operating activities	(710,302)	(475,841)	432,558	9,892,177	(587,763)	8,550,829
Cash flows from noncapital financing activities						
Proceeds from issuance of bonds	394,393,640	-	-	-	-	394,393,640
Principal repayment of bonds	(65,339,988)	-	-	-	-	(65,339,988)
Premium paid on early redemptions	(429,400)	-	-	-	-	(429,400)
Principal repayment of notes	(10,117,500)	-	-	-	-	(10,117,500)
Interest paid	(39,954,134)	-	-	-	-	(39,954,134)
Bond issuance costs paid	(4,275,927)	-	-	-	-	(4,275,927)
Due (from) to other programs	1,121,989	(4,053)	-	(1,117,936)	-	-
Net cash provided by (used in) noncapital financing activities	275,398,680	(4,053)	-	(1,117,936)	-	274,276,691
Cash flows from capital and related financing activities						
Property and equipment additions	-	-	-	(195,050)	-	(195,050)
Proceeds from sale of property and equipment	1,318,562	-	-	-	340,500	1,659,062
Principal repayment of notes payable	(1,333,228)	-	-	-	-	(1,333,228)
Interest paid	(66,862)	-	-	-	-	(66,862)
Net cash provided by (used in) capital and related financing activities	(81,528)	-	-	(195,050)	340,500	63,922
Cash flows from investing activities						
Purchase of investments	(355,806,534)	-	-	(19,230,300)	(274,859)	(375,311,693)
Redemption of investments	70,162,032	-	-	14,875,319	1,586,000	86,623,351
Interest received on investments	43,013,953	-	-	1,514,695	-	44,528,648
Net cash provided by (used in) investing activities	(242,630,549)	-	-	(2,840,286)	1,311,141	(244,159,694)
Transfers	5,584,371	5,689	(448,377)	(4,835,286)	(306,397)	-
Net increase (decrease) in cash and cash equivalents	37,560,672	(474,205)	(15,819)	903,619	757,481	38,731,748
Cash and cash equivalents, beginning of year	283,178,042	1,147,589	604,101	878,592	1,235,008	287,043,332
Cash and cash equivalents, end of year	$ 320,738,714	$ 673,384	$ 588,282	$ 1,782,211	$ 1,992,489	$ 325,775,080

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Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	1992B Program	1994F Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities								
Operating income (loss)	$ (233)	$ 1,756	$ (25,234)	$ 8,990	$ (115,469)	$ (17,221)	$ (139,685)	$ (129,128)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities								
Interest paid	107,019	-	77,704	160,310	174,802	175,276	211,501	182,495
Amortization of bond issuance costs	3,796	-	1,844	5,708	4,478	4,428	9,320	4,670
Amortization of bond premium	-	-	-	-	-	-	(1,469)	-
Accretion of bond discount	-	-	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	-	-	-
Net (increase) decrease in fair value of investments	(26,681)	(5,343)	3,337	21,830	19,085	9,644	32,830	14,075
Realized (gain) loss on investments	-	-	-	-	-	-	-	-
Loss on early extinguishment of debt	29,280	-	11,278	-	54,202	-	118,622	129,121
Gain on sale of property and equipment	-	-	-	-	-	-	-	-
Interest received on investments	(124,424)	(14,819)	(82,046)	(219,346)	(197,607)	(248,544)	(238,297)	(207,876)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	12,043	1,300	8,849	3,425	19,134	2,175	24,061	20,522
(Increase) decrease in other assets	-	-	-	-	-	-	-	-
Increase (decrease) in accrued interest payable	(9,669)	-	(18,219)	(6,194)	(17,135)	(3,767)	(20,235)	(17,231)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(1,623)	(1,623)	(1,623)	1,014	(1,623)	3,018	(1,640)	(1,640)
Total adjustments	(10,259)	(20,485)	1,124	(33,253)	55,336	(57,770)	134,693	124,136
Net cash provided by (used in) operating activities	$ (10,492)	$ (18,729)	$ (24,110)	$ (24,263)	$ (60,133)	$ (74,991)	$ (4,992)	$ (4,992)

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Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	1996GHI Program	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities								
Operating income (loss)	$ (123,948)	$ (88,297)	$ 22,673	$ 3,602	$ 3,685	$ 72,782	$ 56,439	$ 55,703
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities								
Interest paid	158,452	147,930	220,291	225,852	225,901	319,569	343,209	316,412
Amortization of bond issuance costs	6,638	5,383	8,165	7,841	10,714	13,061	14,647	10,438
Amortization of bond premium	-	(4,162)	(7,086)	(7,582)	(9,421)	(11,912)	(13,540)	(9,638)
Accretion of bond discount	-	-	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	-	-	-
Net (increase) decrease in fair value of investments	21,543	14,643	14,128	8,285	11,660	(41,581)	(32,770)	(37,682)
Realized (gain) loss on investments	-	-	-	-	-	-	-	-
Loss on early extinguishment of debt	124,555	91,609	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-	-	-
Interest received on investments	(195,275)	(173,243)	(261,906)	(240,362)	(257,824)	(354,475)	(372,985)	(339,106)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	20,101	16,768	3,800	3,558	4,445	6,137	7,199	4,843
(Increase) decrease in other assets	-	-	-	-	-	-	-	-
Increase (decrease) in accrued interest payable	(15,435)	(13,483)	(4,184)	(4,563)	(4,634)	(6,979)	(6,177)	(4,098)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(1,623)	(2,140)	746	(4)	(4)	(4)	(4)	(4)
Total adjustments	118,956	83,305	(26,046)	(6,975)	(19,163)	(76,184)	(60,421)	(58,835)
Net cash provided by (used in) operating activities	$ (4,992)	$ (4,992)	$ (3,373)	$ (3,373)	$ (15,478)	$ (3,402)	$ (3,982)	$ (3,132)

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Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities								
Operating income (loss)	$ 86,163	$ 28,394	$ 16,061	$ 125,418	$ 191,815	$ 65,075	$ 115,705	$ 127,393
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities								
Interest paid	518,566	13,136	188,473	527,476	1,108,060	503,439	676,562	843,808
Amortization of bond issuance costs	14,705	6,622	9,542	28,719	49,183	30,637	36,530	51,587
Amortization of bond premium	(14,416)	-	-	(23,731)	(41,119)	(25,530)	(40,517)	(43,069)
Accretion of bond discount	-	65,114	-	-	-	-	-	-
Amortization of investment premium	-	10,669	21,903	-	-	-	-	-
Net (increase) decrease in fair value of investments	(58,122)	(20,008)	(9,199)	(80,624)	(170,447)	(62,314)	(90,525)	(132,653)
Realized (gain) loss on investments	-	-	-	-	-	-	-	-
Loss on early extinguishment of debt	-	-	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-	-	-
Interest received on investments	(549,439)	(108,402)	(230,238)	(579,305)	(1,142,323)	(516,204)	(702,530)	(853,119)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	7,786	2,395	4,545	9,076	15,798	9,115	12,570	16,668
(Increase) decrease in other assets	-	-	-	-	-	-	-	-
Increase (decrease) in accrued interest payable	(8,229)	(1,789)	(4,206)	(10,744)	(16,088)	(9,346)	(11,771)	(16,470)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Total adjustments	(89,153)	(32,267)	(19,184)	(129,137)	(196,940)	(70,207)	(119,685)	(133,252)
Net cash provided by (used in) operating activities	$ (2,990)	$ (3,873)	$ (3,123)	$ (3,719)	$ (5,125)	$ (5,132)	$ (3,980)	$ (5,859)

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Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities								
Operating income (loss)	$ 81,132	$ 161,377	$ (1,264,447)	$ 96,677	$ 232,673	$ 114,679	$ 162,384	$ 268,346
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities								
Interest paid	741,481	1,126,652	1,094,513	574,475	607,597	609,243	839,950	863,773
Amortization of bond issuance costs	43,806	35,385	73,715	24,155	20,456	19,858	22,853	36,052
Amortization of bond premium	(36,836)	(29,478)	-	(20,222)	-	-	-	-
Accretion of bond discount	-	-	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	37,438	17,875	-	20,050
Net (increase) decrease in fair value of investments	(83,572)	(171,506)	(28,798)	(71,208)	(188,512)	(103,776)	(105,880)	(184,851)
Realized (gain) loss on investments	-	-	-	-	-	-	-	-
Loss on early extinguishment of debt	-	-	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	(72,415)	-	-	-	-	-
Interest received on investments	(750,716)	(1,131,445)	(1,197,057)	(603,239)	(719,246)	(665,750)	(926,821)	(1,013,039)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	15,517	18,222	(131,496)	3,528	11,191	7,783	7,566	12,689
(Increase) decrease in other assets	-	-	52,374	-	-	-	-	-
Increase (decrease) in accrued interest payable	(14,997)	(14,596)	71,255	(8,887)	(7,354)	(6,239)	(6,578)	(9,928)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(4)	(3)	868,559	(4)	(4)	(4)	(4)	(4)
Total adjustments	(85,321)	(166,769)	730,650	(101,402)	(238,434)	(121,010)	(168,914)	(275,258)
Net cash provided by (used in) operating activities	$ (4,189)	$ (5,392)	$ (533,797)	$ (4,725)	$ (5,761)	$ (6,331)	$ (6,530)	$ (6,912)

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ 160,463	$ 353,004	$ 51,628	$ (34,207)	$ (2,344,913)	$ (1,693,591)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Interest paid	1,286,811	1,760,134	1,910,109	6,553,112	4,303,552	1,945,352
Amortization of bond issuance costs	35,083	34,678	34,620	-	47,238	19,547
Amortization of bond premium	-	-	-	-	-	-
Accretion of bond discount	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	-
Net (increase) decrease in fair value of investments	(145,059)	(220,672)	21,422	-	2,274,474	1,904,157
Realized (gain) loss on investments	-	-	-	-	-	-
Loss on early extinguishment of debt	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-
Interest received on investments	(1,382,080)	(1,941,858)	(2,043,370)	(6,523,207)	(4,593,696)	(2,090,664)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	9,492	11,683	13,617	73,226	605,334	(100,242)
(Increase) decrease in other assets	-	-	-	(1,667)	-	-
Increase (decrease) in accrued interest payable	16,998	(7,282)	(8,418)	(72,876)	(320,153)	(2,447)
Increase (decrease) in deferred gains	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(4)	744	(6)	386,222	(6)	(844)
Total adjustments	(178,759)	(362,573)	(72,026)	414,810	2,316,743	1,674,859
Net cash provided by (used in) operating activities	$ (18,296)	$ (9,569)	$ (20,398)	$ 380,603	$ (28,170)	$ (18,732)

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Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ (2,919,087)	$ (2,270,867)	$ (964,962)	$ (1,619,405)	$ (1,961,278)	$ 2,690
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Interest paid	3,517,476	2,943,340	521,731	775,390	620,062	-
Amortization of bond issuance costs	36,576	28,544	6,421	8,253	9,227	413
Amortization of bond premium	-	-	-	-	(1,733)	-
Accretion of bond discount	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	-
Net (increase) decrease in fair value of investments	3,195,636	2,534,846	1,022,930	1,676,911	2,157,574	-
Realized (gain) loss on investments	-	-	-	-	-	-
Loss on early extinguishment of debt	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-
Interest received on investments	(3,868,157)	(3,236,182)	(587,799)	(825,302)	(704,630)	-
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	(349,442)	(369,862)	(83,409)	(235,535)	(517,715)	(52,704)
(Increase) decrease in other assets	-	-	-	-	-	(9,216)
Increase (decrease) in accrued interest payable	321,696	331,583	74,231	205,856	379,630	48,791
Increase (decrease) in deferred gains	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	1,624	1,624	1,624	1,624	809	27,297
Total adjustments	2,855,409	2,233,893	955,729	1,607,197	1,943,224	14,581
Net cash provided by (used in) operating activities	$ (63,678)	$ (36,974)	$ (9,233)	$ (12,208)	$ (18,054)	$ 17,271

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Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2007

	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ (13,045,265)	$ 22,916	$ 57,540	$ 5,344,234	$ 52,933	$ (7,567,642)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Interest paid	40,020,996	-	-	-	-	40,020,996
Amortization of bond issuance costs	875,536	-	-	-	-	875,536
Amortization of bond premium	(341,461)	-	-	-	-	(341,461)
Accretion of bond discount	65,114	-	-	-	-	65,114
Amortization of investment premium	107,935	-	-	(22,322)	-	85,613
Net (increase) decrease in fair value of investments	12,887,227	-	-	(198,833)	-	12,688,394
Realized (gain) loss on investments	-	-	-	146,839	-	146,839
Loss on early extinguishment of debt	558,667	-	-	-	-	558,667
Gain on sale of property and equipment	(72,415)	-	-	-	(37,944)	(110,359)
Interest received on investments	(43,013,953)	-	-	(1,514,695)	-	(44,528,648)
(Increase) decrease in mortgage loans receivable, net	-	(28,822)	345,739	(817,940)	(642,919)	(1,143,942)
(Increase) decrease in accrued interest receivable	(814,244)	(1,464)	1,190	(18,480)	(3,588)	(836,586)
(Increase) decrease in other assets	41,491	587	28,116	794,592	45,148	909,934
Increase (decrease) in accrued interest payable	739,639	-	-	-	-	739,639
Increase (decrease) in deferred gains	-	-	-	(53,200)	-	(53,200)
Increase (decrease) in other liabilities and accrued expenses	1,280,431	(469,058)	(27)	6,231,982	(1,393)	7,041,935
Total adjustments	12,334,963	(498,757)	375,018	4,547,943	(640,696)	16,118,471
Net cash provided by (used in) operating activities	$ (710,302)	$ (475,841)	$ 432,558	$ 9,892,177	$ (587,763)	$ 8,550,829

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HORNE LLP
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INDEPENDENT AUDITOR'S 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 Board of Directors of
Mississippi Home Corporation

We have audited the financial statements of Mississippi Home Corporation (the "Corporation") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 28, 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 the Corporation's 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 the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's 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 management, board of directors, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

Horne LLP

Jackson, Mississippi
September 28, 2007