

**MISSISSIPPI HOME CORPORATION**

**FINANCIAL STATEMENTS**

**AS OF JUNE 30, 1998**

**TOGETHER WITH AUDITORS' REPORT AND  
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS  
ON COMPLIANCE AND INTERNAL CONTROLS**

**MISSISSIPPI HOME CORPORATION**  
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**JUNE 30, 1998**

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# ARTHUR ANDERSEN LLP

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors  
of Mississippi Home Corporation:

We have audited the accompanying combined balance sheet of Mississippi Home Corporation (the Corporation, an instrumentality of the State of Mississippi) as of June 30, 1998, and the related combined statements of revenues, expenses and changes in fund balance, and cash flows for the year ended June 30, 1998. These combined financial statements and the exhibits referred to below are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements and schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* (1994 Revision) 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Home Corporation as of June 30, 1998, and the results of its operations and its cash flows for the year ended June 30, 1998, in conformity with generally accepted accounting principles.

As explained in Note 1 to the combined financial statements, effective July 1, 1997, Mississippi Home Corporation changed its method of accounting for securities.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated September 25, 1998, on our consideration of Mississippi Home Corporation's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts and grants.

Arthur Andersen LLP

Jackson, Mississippi,  
September 25, 1998.

**MISSISSIPPI HOME CORPORATION**

**COMBINED BALANCE SHEET**

<b>ASSETS</b>	<u>June 30 1998</u>
Cash and cash equivalents	
Cash	\$ 700,098
Restricted cash	1,157,833
Cash equivalents	1,981,318
Restricted cash equivalents	<u>86,775,557</u>
Total cash and cash equivalents	90,614,806
Accrued interest receivable	3,854,090
Investments	9,100,527
Mortgage-backed securities	386,302,373
Mortgage loans receivable, net of allowance for possible loan losses of \$1,348,000 in 1998 and \$1,010,000	51,633,247
Unamortized bond issuance costs	6,290,854
Other assets	<u>6,812,716</u>
Total assets	<u>\$ 554,608,613</u>
 <b>COMMITMENTS AND CONTINGENCIES</b>	
 <b>LIABILITIES</b>	
Bonds payable, net	\$ 480,906,263
Notes payable	10,695,788
Accrued interest payable	4,201,655
Deferred gains	2,541,467
Other liabilities and accrued expenses	<u>1,747,721</u>
Total liabilities	500,092,894
 <b>FUND BALANCE</b>	 <u>54,515,719</u>
Total liabilities and fund balance	<u>\$ 554,608,613</u>

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

**MISSISSIPPI HOME CORPORATION**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE**

	For the Year Ended June 30, <u>1998</u>
<b>REVENUES</b>	
Interest income:	
Cash and cash equivalents	\$ 6,239,362
Investments	784,436
Mortgage-backed securities	24,267,727
Mortgage loans receivable	<u>5,712,518</u>
Total interest income	37,004,043
Net appreciation in fair value of mortgage backed securities	6,454,345
Reservation fees	445,973
Low income housing tax credit program	686,011
Other income	<u>678,121</u>
Total revenues	<u>45,268,493</u>
<b>EXPENSES</b>	
Interest expense	31,901,830
Amortization of bond issuance costs	1,014,058
Trustee and administrator fees	199,064
Mortgage related insurance	209,091
Losses on mortgage loans	309,571
Administrative expenses:	
Salaries and related benefits	1,209,982
Other	<u>1,153,869</u>
Total expenses	<u>35,997,465</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>9,271,028</u>
<b>FUND BALANCE</b> , beginning of year	41,752,592
Cumulative Effect of Accounting Change	<u>3,492,099</u>
FUND BALANCE, beginning of year, as restated	<u>45,244,691</u>
<b>FUND BALANCE</b> , end of year	<u>\$ 54,515,719</u>

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

**MISSISSIPPI HOME CORPORATION**  
**COMBINED STATEMENT OF CASH FLOWS**

	For the Year Ended June 30, <u>1998</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Excess of revenues over expenses	\$ 9,271,028
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Amortization of:	
Bond issuance costs	1,014,058
Discounts and premiums on bonds payable, net	111,095
Decrease (increase) in:	
Accrued interest receivable	21,668
Other assets	(3,616,992)
Increase (decrease) in:	
Accrued interest payable	242,206
Deferred gains	(127,793)
Other liabilities and accrued expenses	223,672
Provision for possible loan losses	309,571
Depreciation	<u>112,602</u>
Net cash provided by operating activities	<u>7,561,115</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from maturities and redemptions of mortgage-backed securities	38,987,303
Net appreciation in fair value of mortgage-backed securities	(6,454,345)
Purchases of mortgage-backed securities	(108,837,403)
Proceeds from maturities of investments	4,518,723
Purchases of investments	(4,462,735)
Mortgage loan repayments	14,358,180
Down payment assistance and development loans originated	<u>(720,725)</u>
Net cash used in investing activities	<u>(62,611,002)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from sales of bonds	123,552,743
Repayments of bonds	(51,441,703)
Proceeds from notes payable	10,475,031
Principal payments on notes payable	(7,856,103)
Use of premium for down payment assistance	(191,964)
Bond issuance costs paid	<u>(1,471,546)</u>
Net cash provided by financing activities	<u>73,066,458</u>
Increase in Cash and Cash Equivalents	18,016,571
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>72,598,235</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 90,614,806</u>

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

# **MISSISSIPPI HOME CORPORATION**

## **NOTES TO COMBINED FINANCIAL STATEMENTS AND SCHEDULES**

**JUNE 30, 1998**

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Mississippi Home Corporation (the Corporation), formerly known as the 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 7) for which the Corporation is primarily accountable.

All members of the Board of Directors of the Corporation are appointed by the Governor of the State (the Governor). The appointed members serve four-year staggered terms and cannot be removed by the Governor 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.

#### Accounting Method

The accounting and reporting policies of the Corporation conform with Generally Accepted Accounting Principles (GAAP). 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 Opinions and Accounting Research Bulletins 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 on the basis of separate enterprise funds, each of which is considered to be a separate accounting entity with a separate set of self-balancing accounts that comprise the assets, liabilities, fund balance, revenues and expenses of the individual mortgage purchase program, the General Corporate Fund, the Down Payment Assistance Program, and the Mississippi Affordable Housing Development Fund. Enterprise funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determining net income and capital maintenance.

The accompanying financial statements present the combined activities of the individual mortgage purchase programs, the General Corporate Fund, the Down Payment Assistance Program, and the Mississippi Affordable Housing Development Fund. Since the assets of each program are generally restricted, aggregating the accounts of the separate programs does not indicate that the combined assets are available in any manner, other than that provided for in the bond resolutions or other agreements of the separate programs. All interfund balances and transactions have been eliminated in the combined financial statements.

### Cumulative Effect of Accounting Change

During the year ended June 30, 1998, the Corporation adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement No. 31). This statement, issued in March of 1997, requires certain investments to be reported at fair value in the Combined Balance Sheets. The related net appreciation or depreciation in fair value of these securities is reported in the Combined Statement of Revenues, Expenses and Changes in Fund Balance.

The adoption of Statement No. 31 resulted in an increase in the previously reported June 30, 1997 Fund Balance of \$3,492,000. The Corporation intends to hold its investments to maturity due to the long-term structure of the various bond funds, and therefore, does not anticipate the realization of these unrealized gains.

### Cash and Cash Equivalents

Cash includes General Corporate Fund cash and unrestricted cash in certain other funds. Cash equivalents consist of General Corporate Fund investments with original maturities of less than three months.

### Restricted Cash and Cash Equivalents

Restricted cash consists of proceeds from the sales of bonds pending the purchase of GNMA securities and principal and interest payments of GNMA securities or mortgage longs pending the redemption of bonds outstanding. Restricted cash equivalents consist of funds held in guaranteed investment contracts with entities rated "A" or better by a nationally recognized rating agency. 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.

### Mortgage Loans Receivable, GNMA Certificates and Investments

Mortgage loans are generally secured by first liens on single family residential properties. Proceeds from certain bond issues not invested in individual mortgages are principally invested in GNMA certificates, representing pools of mortgage loans originated under the respective programs. Principally all loans purchased by the Corporation are insured by FHA or private mortgage insurance, are VA or FmHA guaranteed, or have a loan-to-fair value ratio of 80% or less at origination. Additionally, each mortgage loan in the 1990A&B, 1993B, 1993-I and 1994-I programs is insured by a pool insurance policy, subject to certain limitations on uncovered losses. Pool policy loss limits for the 1990A&B, 1993B, 1993-I and 1994-I programs are 10%, 20%, 20% and 15%, respectively, of the initial aggregate principal amounts of all mortgage loans purchased with proceeds of the related bonds.

### Allowance for Possible Loan Losses

Losses incurred on mortgage loans are charged to the allowance for possible mortgage loan losses. The provision for loan losses is 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 provision for loan losses, 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 for possible mortgage loan losses 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.

### Unamortized Bond Issuance Costs, Discounts and Premiums

Costs related to issuing bonds, as well as discounts or premiums on the sale of bonds, are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Prepayments of principal are not anticipated in amortizing bond issuance costs, bond discounts or premiums.

#### Reservation Fees

Reservation fees, all of which are non-refundable, 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.

#### Deferred Gains

Gains resulting from the substitution of collateral in defeasance trusts and the sale of the Corporation's right to residual assets in defeasance trusts are deferred and amortized as a component of interest expense over the lives of the defeased bonds using the bonds outstanding method. This caption also includes a liability for the premium received for a call option written on the 1989 program GNMA certificates. When the option expires in 2015 or the Corporation enters into a closing transaction, the Corporation will realize a gain on the option to the extent of the premium received or a loss to the extent that the cost of the closing transaction exceeds the premium received. The premium totaled \$355,949 at June 30, 1998. At June 30, 1998, the fair value of the 1989 program GNMA certificates exceeded the call option price by \$147,285.

#### Cash Flows

Interest paid during the fiscal year ended June 30, 1998, totaled \$31,660,000.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

#### 2. CASH AND CASH EQUIVALENTS:

The Corporation is authorized by Mississippi statute, subject to any agreement with bondholders or noteholders, 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 of Mississippi;
- 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.

Governmental accounting standards require that the carrying amounts of cash and investments as of the balance sheet date be categorized according to the level of credit risk associated with the Corporation's cash and cash equivalents and investments at that time. The level of credit risk is defined as follows:

Category 1 - Insured (including government securities), registered or collateralized with securities held by the Corporation or its agent in the Corporation's name.

Category 2 - Uninsured and unregistered, collateralized with securities held by the counter-party's trust department or agent in the Corporation's name.

Category 3 - Uncollateralized, including balances collateralized with securities held by the pledging financial institution.

A summary of cash and cash equivalents as of June 30, 1998, by category follows:

	<u>1998</u>
Category 1	\$ 700,098
Category 3	<u>89,914,708</u>
Total	<u>\$ 90,614,806</u>

The fair value of securities collateralizing repurchase agreements approximated the carrying value of repurchase agreements at June 30, 1998. Investment contracts and commercial agreements are not negotiable by the Corporation and carrying value is assumed to be fair value for purposes of the preceding tables.

### 3. INVESTMENTS AND MORTGAGE-BACKED SECURITIES:

Marketable securities are categorized on the following page to provide an indication of the level of risk assumed by the Corporation as of June 30, 1998.

	<u>Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Category 1:				
U.S. Government agency securities	\$ 4,100,527	\$ 24,752	\$ (13,471)	\$ 4,111,808
GNMA mortgage-backed securities	<u>373,355,929</u>	<u>10,409,869</u>	<u>(463,425)</u>	<u>386,302,373</u>
	<u>380,456,456</u>	<u>10,434,621</u>	<u>(476,896)</u>	<u>390,414,181</u>
Category 3:				
Investment contracts	<u>5,000,000</u>	-	-	<u>5,000,000</u>
	<u>\$ 385,456,456</u>	<u>\$ 10,434,621</u>	<u>\$ (476,896)</u>	<u>\$ 394,414,181</u>

No gains or losses were realized on sales of investments during 1998.

Investment contracts and commercial agreements are not negotiable by the Corporation and carrying value is assumed to be fair value for purposes of the preceding tables.

4. BONDS PAYABLE:

Bonds payable for the mortgage purchase programs follow:

<u>Description</u>	<u>June 30</u> <u>1998</u>
1985 series accretion bonds – effective interest rate 10.125%, principal due April 15, 2012	\$ 2,890,000
1988 series bonds – 6.900% to 7.800% interest payable semiannually, principal due through October 15, 2016	9,095,000
1989 series bonds – 7.550% to 8.250% interest payable semiannually, principal due through October 15, 2018	32,295,000
1990A series bonds – 9.250% interest payable semiannually, principal due through March 1, 2012	10,585,000
1990B series accretion bonds – effective interest rate 8.750%, principal due through September 1, 2012	998,676
1990-I series accretion bonds – effective interest rate 8.000%, principal due through October 1, 2022	5,352,334
1992A series bonds – 5.550% to 7.100% interest payable semiannually, principal due through May 1, 2023	6,250,000
1992B series bonds – 5.000% to 6.500% interest payable semiannually, principal due through December 1, 2024	8,755,000
1992-II series accretion bonds – effective interest rate 7.375%, principal due through April 15, 2012`	3,107,183
1993-I series bonds – 5.740% to 7.000% interest payable semiannually, principal due through January 15, 2000	524,105
1993B series accretion bonds – effective interest rate 6.930% to 7.280%, principal due through December 1, 2012	7,908,764
1994A series bonds – 4.500% to 6.900% interest payable semiannually, principal due through June 1, 2024	7,510,000
1994B series bonds – 5.000% to 7.900% interest payable semiannually, principal due through March 1, 2025	11,030,000
1994C series bonds – 4.750% to 8.125% interest payable semiannually, principal due through December 1, 2024	7,345,000
1994D series bonds – 4.800% to 8.100% interest payable semiannually, principal due through December 1, 2024	7,205,000
1994E series bonds – 4.900% to 8.100% interest payable semiannually, principal due through December 1, 2025	7,275,000
1994F series bonds – 5.400% to 7.450% interest payable semiannually, principal due through June 1, 2026	11,165,000
1994-I series bonds – 8.680% to 9.150% interest payable semiannually, principal due through September 15, 2014	16,625,473
1995A series bonds – 7.850% interest payable semiannually, principal due through October 1, 2012	1,862,251

1995B series bonds – 6.550% to 6.625% interest payable  
semiannually, principal due through April 1, 2027

11,500,000

<u>Description</u>	<u>June 30 1998</u>
1995C series bonds – 7.800% interest payable semiannually, principal due through November 1, 2012	1,230,000
1995D series bonds – 6.520% interest payable semiannually, principal due through November 1, 2027	26,990,000
1995F series bonds – 6.900% interest payable semiannually, principal due through December 1, 2006	-
1995G series bonds – 6.100% interest payable semiannually, principal due through June 1, 2016	6,310,000
1995H series bonds – 6.250% interest payable semiannually, principal due through December 1, 2026	15,530,000
1995I series bonds – 5.900% interest payable semiannually, principal due through June 1, 2017	1,880,000
1995J series bonds – 5.400% to 6.125% interest payable semiannually, principal due through June 1, 2027	27,185,000
1996A series bonds – 6.900% interest payable semiannually, principal due through June 1, 2005	980,000
1996B series bonds – 5.375% interest payable semiannually, principal due through December 1, 2010	3,280,000
1996C series bonds – 5.500% to 7.600% interest payable semiannually, principal due through June 1, 2029	26,915,000
1996D series bonds – 7.400% interest payable semiannually, principal due through June 1, 2019	4,355,000
1996E series bonds – 4.400% to 5.500% interest payable semiannually, principal due through December 1, 2007	3,675,000
1996F series bonds – 6.000% to 7.550% interest payable semiannually, principal due through December 1, 2027	20,285,000
1996G series bonds – 6.850% interest payable semiannually, principal due through June 1, 2020	5,060,000
1996H series bonds – 4.000% to 5.550% interest payable semiannually, principal due through December 1, 2010	4,320,000
1996I series bonds – 5.200% to 7.375% interest payable semiannually, principal due through June 1, 2028	15,505,000
1997A series bonds – 6.850% interest payable semiannually, principal due through December 1, 2020	6,620,000
1997B series bonds – 4.300% to 5.600% interest payable semiannually, principal due through June 1, 2011	1,500,000
1997C series bonds – 5.500% to 7.200% interest payable semiannually, principal due through June 1, 2028	16,270,000
1997D series bonds – 5.250% to 7.750% interest payable semiannually, principal due through July 1, 2029	28,651,107

1997G series bonds – 5.250% to 6.930% interest payable  
semiannually, principal due through November 1, 2029

30,490,000

<u>Description</u>	<u>June 30 1998</u>
1997H series bonds – 5.350% to 6.830% interest payable semiannually, principal due through December 1, 2029	24,000,000
1998A series bonds – 5.125% to 6.560% interest payable semiannually, principal due through June 1, 2030	<u>38,460,000</u>
	478,769,893
Unamortized premiums and deferred refunding losses, net	<u>2,136,370</u>
	<u>\$480,906,263</u>

A summary of contractual bond maturities as of June 30, 1998, follows:

	<u>Year Ended June 30</u>					<u>Thereafter</u>	<u>Discount on Appreciation Bonds</u>	<u>Total</u>
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>			
Program:								
1985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,890,000	\$ -	\$ 2,890,000
1988	230,000	255,000	290,000	305,000	300,000	7,715,000	-	9,095,000
1989	605,000	710,000	740,000	770,000	850,000	28,620,000	-	32,295,000
1990A&B	420,000	450,000	475,000	505,000	560,000	9,173,676	-	11,583,676
1990-I	88,740	96,334	104,579	113,529	123,179	4,825,972	-	5,352,334
1992A	140,000	155,000	165,000	180,000	190,000	5,420,000	-	6,250,000
1992B	210,000	225,000	235,000	250,000	225,000	7,610,000	-	8,755,000
1992-II	-	-	-	-	-	8,435,000	(5,327,817)	3,107,183
1993-I	-	524,105	-	-	-	-	-	524,105
1993B	-	-	-	-	-	21,175,000	(13,266,236)	7,908,764
1994A	75,000	110,000	105,000	105,000	100,000	7,015,000	-	7,510,000
1994B	95,000	105,000	120,000	125,000	130,000	10,455,000	-	11,030,000
1994C	110,000	100,000	100,000	115,000	120,000	6,800,000	-	7,345,000
1994D	135,000	130,000	110,000	105,000	110,000	6,615,000	-	7,205,000
1994E	130,000	130,000	115,000	110,000	120,000	6,670,000	-	7,275,000
1994F	150,000	140,000	140,000	155,000	160,000	10,420,000	-	11,165,000
1994-I	-	-	-	-	-	16,625,473	-	16,625,473
1995A&B	-	-	-	-	-	13,362,251	-	13,362,251
1995C&D	45,000	60,000	60,000	60,000	60,000	27,935,000	-	28,220,000
1995F,G&H	-	-	-	-	-	21,840,000	-	21,840,000
1995I&J	225,000	245,000	255,000	255,000	275,000	27,810,000	-	29,065,000
1996A,B&C	105,000	110,000	125,000	135,000	150,000	30,550,000	-	31,175,000
1996D,E&F	330,000	330,000	330,000	340,000	375,000	26,610,000	-	28,315,000
1996G,H&I	200,000	235,000	255,000	275,000	300,000	23,620,000	-	24,885,000
1997A,B&C	85,000	95,000	95,000	100,000	105,000	23,910,000	-	24,390,000
1997D	-	-	-	-	-	28,651,107	-	28,651,107
1997G	-	-	-	-	-	30,490,000	-	30,490,000
1997H	-	40,000	40,000	40,000	40,000	23,840,000	-	24,000,000
1998A	-	-	-	-	-	38,460,000	-	38,460,000
1998-I	-	-	-	-	-	-	-	-
Totals	<u>\$ 3,378,740</u>	<u>\$ 4,245,439</u>	<u>\$ 3,859,579</u>	<u>\$ 4,043,529</u>	<u>\$ 4,293,179</u>	<u>\$ 477,543,479</u>	<u>\$ (18,594,053)</u>	<u>\$478,769,893</u>

The Corporation has the option to redeem bonds after they have been outstanding for 10 years at initial prices ranging from 102% to 105% of par and subsequently at prices declining to par, except for the 1990B, 1990-I, 1992-II, 1993-I, 1993B, and 1994-I series bonds. The 1990B series bonds are redeemable after 10 years at 100% of their accreted value. The 1992-II series bonds are redeemable after 11.5 years at an initial price of 103% and subsequently at prices declining to par. The 1993B series bonds are redeemable after 7 years at an initial price of 103% and subsequently at prices declining to par. The 1990-I and 1993-I series bonds have no restrictions on early redemption since repayments of such bonds are based on principal collections from the underlying mortgage assets. The 1994-I series bonds are redeemable after 10 years at 100% provided that at the redemption date no more than 20% of the original principal amount is outstanding. 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 year ended June 30, 1998 the Corporation has complied with all significant bond covenants.

#### 5. NOTES PAYABLE:

The Corporation has a \$2,151,664 note payable to Trustmark National Bank for the purchase of a building. This note bears interest at 7.25% and is due in November 2002. This note requires principal payments as follows: 1998 - \$74,000; 1999 - \$157,000; 2000 - \$169,000; 2001 - \$181,000; and 2002 - \$1,571,000. The 2002 payments include a balloon payment in November 2002.

In April 1997, the Corporation entered into an agreement to issue up to \$25,000,000 in Convertible Program Notes, which will be secured by U.S. Treasury securities. The notes bore interest at a rate equal to 90% of the 30-day U.S. Treasury rate. This agreement, 1997-I, expired in June 1998. At June 30, 1998, there were no notes payable outstanding under this agreement.

In March 1998, the Corporation entered into an agreement to issue up to \$50,000,000 in Convertible Program Notes, which will be secured by U.S. Treasury securities. The notes bear interest at a rate equal to 95% of the 30-day U.S. Treasury rate. This agreement, 1998-I, expires in March 1999. At June 30, 1998, \$8,375,000 is outstanding under this agreement. The remainder, \$41,625,000, is available for the purpose of refunding the maturing principal or redemption price, as the case may be, of a portion of certain outstanding bonds of the Corporation.

The remaining notes payable are attributable to amounts borrowed from banks to fund loans in the Down Payment Assistance Program. These loans, totaling \$169,124, bear interest at 7.25%, and mature in April and May of 2003.

#### 6. EXCESS EARNINGS:

For all the mortgage purchase programs except the 1985, 1990A&B, 1993-I, 1993B, and 1994-I programs, Federal tax regulations require that earnings on investments of bond proceeds in excess of the yield on the bonds (as defined in the regulations and subject to certain adjustments) be periodically computed and paid to either the United States or to the mortgagors. At June 30, 1998, the Corporation determined that no significant liability exists for excess earnings in any of the programs; however, this determination is subject to ongoing evaluation.

#### 7. MISSISSIPPI AFFORDABLE HOUSING DEVELOPMENT FUND:

The Corporation is responsible for management of the Mississippi Affordable Housing Development Fund (the MAHDF). MAHDF 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 Department of Economic and Community Development (MDECD) in 1995 and \$5,991,893 in proceeds obtained directly from the State in 1996. The Corporation is responsible for all aspects of the MAHDF, including developing lending criteria, establishing interest rates, and loan approval, servicing and reporting. Loan repayments are required to be returned to the

MAHDF for use in granting new loans. Interest collected on the loans granted with the proceeds received from MDECD is required to be returned to the MAHDF for use in granting new loans and interest collected on the loans granted with the proceeds received from the State is required to be returned to the State. Costs incurred by the Corporation for administering the MAHDF are not reimbursed to the Corporation.

8. 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 Tax Credit Program was created by the U.S. Congress in 1986 to encourage investment in the construction and rehabilitation of housing units for low and moderate 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.

9. 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 residences. 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 generally do not exceed \$3,500 per loan.

10. BOND DEFEASANCES:

Prior to June 30, 1995, the Corporation defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government securities that were 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 Balance Sheet. The amount of defeased debt outstanding approximated \$84,500,000 at June 30, 1998.

11. 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. Mortgage loans receivable and bonds payable are valued at their carrying amounts, which approximate par value, due to the structured financing characteristics of the Corporation's bond issues. Mortgage rates on loans originated from bond proceeds are based directly upon the bond rates established at the time of issuance. The loans 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 value of the mortgage loans receivable and bonds payable. The Corporation's bonds have historically traded near par due to the risk of early redemption associated with mortgage prepayment. The Corporation is restricted under various trust indentures from selling loans.

12. 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.

PERS members are required to contribute 7.25% of their annual covered salary, and the Corporation is required to contribute at an actuarially determined rate. The current rate is 9.75% 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 years ended June 30, 1998 was approximately \$160,200 and which consisted of \$91,900 from the Corporation and \$68,300 from employees.

The Corporation's 29 participating employees are an insignificant portion of PERS total 284,000 participants.

#### 13. 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.

#### 14. CONDUIT ISSUES:

During fiscal year 1998, the Corporation 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, 1998, \$15,500,000 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.

#### 15. YEAR 2000 (UNAUDITED):

The Corporation has developed a plan for Year 2000 information technology readiness and compliance which is comprised of five basic stages that are consistent with the GASB Proposed Technical Bulletin, "Disclosures about Year 2000 Resources Committed." The Year 2000 issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. Problems affecting a wide range of governmental activities will likely result if computers and other electronic equipment that are dependent upon data-sensitive coding are not corrected. These problems have the potential for causing a disruption to some government operations and may temporarily increase the cost of those operations. The Corporation is purchasing a new system for accounting, loan processing and loan servicing that is Year 2000 compliant. This system is expected to be installed by February 1999. Amounts spent or payable at June 30, 1998 have not been material. Further, costs expected to be incurred to obtain full compliance are not expected to be material in comparison with the Corporation's financial position or results of operations. The Company does not expect the project to have a significant effect on its operations. However, management continues to monitor developments and implications of this project.

#### 16. SUBSEQUENT EVENTS:

On August 1, 1998, the Corporation purchased, in lieu of redemption, the outstanding 1988 series bonds. In a negotiated transaction, the bonds were simultaneously remarketed, which resulted in the Corporation realizing a gain of \$210,000 over the remaining life of the issue.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING BALANCE SHEET****JUNE 30, 1998**

<u>ASSETS</u>	<u>1985</u> Program	<u>1988</u> Program	<u>1989</u> Program	<u>1990A&amp;B</u> Program	<u>1990-1</u> Program
Cash and cash equivalents:					
Cash	\$42,052	\$0	\$0	\$144,378	\$0
Restricted cash	2,818	0	0	92,720	20
Cash equivalents	0	0	0	0	0
Restricted cash equivalents	1,412,465	1,243,583	3,543,294	2,455,841	165,915
Total cash and cash equivalents	<u>1,457,335</u>	<u>1,243,583</u>	<u>3,543,294</u>	<u>2,692,939</u>	<u>165,935</u>
Accrued interest receivable	95,187	78,978	256,328	189,681	36,248
Investments	0	0	0	0	0
Mortgage backed securities	0	9,436,473	31,915,163	0	5,454,224
Mortgage loans receivable, net	5,454,444	0	0	10,110,408	0
Unamortized bond issuance costs	18,379	116,219	407,092	225,122	37,853
Other assets	50,972	4,632	33,052	245,784	0
Due (to) from other funds	(42,052)	0	(58,816)	(144,378)	0
Total assets	<u>\$7,034,265</u>	<u>\$10,879,885</u>	<u>\$36,096,113</u>	<u>\$13,319,556</u>	<u>\$5,694,260</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
Bonds payable, net	\$2,890,000	\$9,095,000	\$32,295,000	\$11,991,493	\$5,352,333
Note payable	0	0	0	0	0
Accrued interest payable	60,961	145,952	550,836	323,651	35,593
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	17,504	3,000	3,000	3,800	2,500
Total liabilities	<u>2,968,465</u>	<u>9,243,952</u>	<u>32,848,836</u>	<u>12,318,944</u>	<u>5,390,426</u>
Fund balance (deficit)	4,065,800 *	1,635,933	3,247,277	1,000,612	303,834
Total liabilities and fund balances	<u>\$7,034,265</u>	<u>\$10,879,885</u>	<u>\$36,096,113</u>	<u>\$13,319,556</u>	<u>\$5,694,260</u>

The accompanying notes are an integral part of this Schedule.

\* Any residual assets in the 1985 Program that are available after the corresponding bonds payable have been repaid are required to service the bonds payable in the 1992-II Program.

**MISSISSIPPI HOME CORPORATION**

**Schedule I**

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**COMBINING BALANCE SHEET**

**JUNE 30, 1998**

<u>ASSETS</u>	1992A Program	1992B Program	1992-II Program	1993-I Program	1993B Program
Cash and cash equivalents:					
Cash	\$0	\$0	\$0	\$0	\$0
Restricted cash	0	0	0	134	0
Cash equivalents	0	0	0	0	0
Restricted cash equivalents	310,053	251,728	707,774	477,418	533,813
Total cash and cash equivalents	<u>310,053</u>	<u>251,728</u>	<u>707,774</u>	<u>477,552</u>	<u>533,813</u>
Accrued interest receivable	37,944	49,212	9,153	7,353	167,416
Investments	0	0	0	0	0
Mortgage backed securities	6,204,840	8,703,684	0	0	0
Mortgage loans receivable, net	0	0	0	507,382	11,935,100
Unamortized bond issuance costs	119,384	186,663	233,303	3,529	158,617
Other assets	0	0	0	25,334	366,228
Due (to) from other funds	0	0	0	0	0
Total assets	<u>\$6,672,221</u>	<u>\$9,191,287</u>	<u>\$950,230</u>	<u>\$1,021,150</u>	<u>\$13,161,174</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Bonds payable, net	\$6,250,000	\$8,755,000	\$3,107,184	\$524,105	\$7,829,391
Note payable	0	0	0	0	0
Accrued interest payable	71,122	43,904	0	7,643	0
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	3,000	3,000	3,000	13,999	130,154
Total liabilities	<u>6,324,122</u>	<u>8,801,904</u>	<u>3,110,184</u>	<u>545,747</u>	<u>7,959,545</u>
Fund balance (deficit)	348,099	389,383	(2,159,954) *	475,403	5,201,629
Total liabilities and fund balances	<u>\$6,672,221</u>	<u>\$9,191,287</u>	<u>\$950,230</u>	<u>\$1,021,150</u>	<u>\$13,161,174</u>

The accompanying notes are an integral part of this Schedule.

\* Any residual assets in the 1985 Program that are available after the corresponding bonds payable have been repaid are required to service the bonds payable in the 1992-II Program.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING BALANCE SHEET****JUNE 30, 1998**

	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program
<u>ASSETS</u>					
Cash and cash equivalents:					
Cash	\$0	\$0	\$0	\$0	\$0
Restricted cash	0	0	0	0	0
Cash equivalents	0	0	0	0	0
Restricted cash equivalents	420,368	457,291	456,641	378,112	195,821
Total cash and cash equivalents	420,368	457,291	456,641	378,112	195,821
Accrued interest receivable	43,194	80,844	49,379	48,928	49,628
Investments	0	0	0	0	0
Mortgage backed securities	7,407,820	11,496,597	7,429,504	7,360,851	7,588,554
Mortgage loans receivable, net	0	0	0	0	0
Unamortized bond issuance costs	126,585	124,628	84,491	89,306	92,845
Other assets	0	0	0	0	0
Due (to) from other funds	0	0	0	0	0
Total assets	<u>\$7,997,967</u>	<u>\$12,159,360</u>	<u>\$8,020,015</u>	<u>\$7,877,197</u>	<u>\$7,926,848</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Bonds payable, net	\$7,510,000	\$11,043,990	\$7,432,628	\$7,267,031	\$7,348,762
Note payable	0	0	0	0	0
Accrued interest payable	39,396	272,593	43,291	42,040	42,963
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	2,600	2,700	3,500	3,500	5,572
Total liabilities	7,551,996	11,319,283	7,479,419	7,312,571	7,397,297
Fund balance (deficit)	445,971	840,077	540,596	564,626	529,551
Total liabilities and fund balances	<u>\$7,997,967</u>	<u>\$12,159,360</u>	<u>\$8,020,015</u>	<u>\$7,877,197</u>	<u>\$7,926,848</u>

The accompanying notes are an integral part of this Schedule.

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**COMBINING BALANCE SHEET****JUNE 30, 1998**

	1994F Program	1994-I Program	1995A &B Program	1995C&D Program	1995F,G&H Program
<u>ASSETS</u>					
Cash and cash equivalents:					
Cash	\$0	\$0	\$0	\$0	\$0
Restricted cash	0	0	9,761	0	13,806
Cash equivalents	0	0	0	0	0
Restricted cash equivalents	709,507	1,976,817	993,276	866,754	637,713
Total cash and cash equivalents	709,507	1,976,817	1,003,037	866,754	651,519
Accrued interest receivable	78,330	212,585	82,051	188,211	153,969
Investments	0	0	0	0	0
Mortgage backed securities	11,337,838	0	12,958,519	28,359,177	21,820,134
Mortgage loans receivable, net	0	15,910,385	0	0	0
Unamortized bond issuance costs	139,217	234,480	189,413	345,715	280,624
Other assets	0	340,519	0	0	3,508
Due (to) from other funds	0	0	0	0	0
Total assets	\$12,264,892	\$18,674,786	\$14,233,020	\$29,759,857	\$22,909,754
<u>LIABILITIES AND FUND BALANCE</u>					
Bonds payable, net	\$11,210,777	\$16,290,298	\$13,362,251	\$28,220,000	\$21,840,000
Note payable	0	0	0	0	0
Accrued interest payable	65,783	62,450	223,527	304,126	109,195
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	3,000	47,586	8,981	21,974	3,450
Total liabilities	11,279,560	16,400,334	13,594,759	28,546,100	21,952,645
Fund balance (deficit)	985,332	2,274,452	638,261	1,213,757	957,109
Total liabilities and fund balances	\$12,264,892	\$18,674,786	\$14,233,020	\$29,759,857	\$22,909,754

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING BALANCE SHEET****JUNE 30, 1998**

	1995I&J Program	1996A,B&C Program	1996D,E&F Program	1996G,H&I Program	1997ABC Program
<u>ASSETS</u>					
Cash and cash equivalents:					
Cash	\$0	\$0	\$0	\$0	\$0
Restricted cash	162,416	0	0	0	323
Cash equivalents	0	0	0	0	0
Restricted cash equivalents	798,186	1,096,468	817,563	700,882	657,528
Total cash and cash equivalents	960,602	1,096,468	817,563	700,882	657,851
Accrued interest receivable	191,803	195,038	176,020	155,259	152,279
Investments	0	0	0	0	0
Mortgage backed securities	29,121,468	31,497,947	28,054,209	25,162,506	24,715,104
Mortgage loans receivable, net	0	0	0	0	0
Unamortized bond issuance costs	322,396	350,740	319,872	292,135	371,287
Other assets	0	5,644	0	0	0
Due (to) from other funds	0	0	0	0	0
Total assets	\$30,596,269	\$33,145,837	\$29,367,664	\$26,310,782	\$25,896,521
<u>LIABILITIES AND FUND BALANCE</u>					
Bonds payable, net	\$29,065,000	\$31,223,460	\$28,315,000	\$24,885,000	\$24,625,638
Note payable	0	0	0	0	0
Accrued interest payable	140,780	173,080	160,172	134,487	133,579
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	3,500	4,000	4,000	3,923	4,500
Total liabilities	29,209,280	31,400,540	28,479,172	25,023,410	24,763,717
Fund balance (deficit)	1,386,989	1,745,297	888,492	1,287,372	1,132,804
Total liabilities and fund balances	\$30,596,269	\$33,145,837	\$29,367,664	\$26,310,782	\$25,896,521

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

**Schedule I**

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**COMBINING BALANCE SHEET**

**JUNE 30, 1998**

	1997D <u>Program</u>	1997G <u>Program</u>	1997H <u>Program</u>	1997-I <u>Program</u>	1998-I <u>Program</u>
<u>ASSETS</u>					
Cash and cash equivalents:					
Cash	\$0	\$0	\$0	\$0	\$0
Restricted cash	598,632	106,068	0	31,334	555
Cash equivalents	0	0	0	0	0
Restricted cash equivalents	287,835	7,326,032	7,924,995	0	8,386,214
Total cash and cash equivalents	886,467	7,432,100	7,924,995	31,334	8,386,769
Accrued interest receivable	177,913	176,792	215,771	0	26,548
Investments	0	0	0	0	0
Mortgage backed securities	28,733,671	24,452,737	17,091,353	0	0
Mortgage loans receivable, net	0	0	0	0	0
Unamortized bond issuance costs	351,992	344,022	281,221	0	5,467
Other assets	0	0	0	0	0
Due (to) from other funds	(4,399)	(668,600)	(893,404)	0	0
Total assets	<u>\$30,145,644</u>	<u>\$31,737,051</u>	<u>\$24,619,936</u>	<u>\$31,334</u>	<u>\$8,418,784</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Bonds payable, net	\$28,941,448	\$30,819,197	\$24,277,512	\$0	\$0
Note payable	0	0	0	0	8,375,000
Accrued interest payable	142,847	232,511	114,827	0	29,982
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	3,000	3,000	6,797	33,652	9,475
Total liabilities	29,087,295	31,054,708	24,399,136	33,652	8,414,457
Fund balance (deficit)	1,058,349	682,343	220,800	(2,318)	4,327
Total liabilities and fund balances	<u>\$30,145,644</u>	<u>\$31,737,051</u>	<u>\$24,619,936</u>	<u>\$31,334</u>	<u>\$8,418,784</u>

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

Schedule I

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**COMBINING BALANCE SHEET****JUNE 30, 1998**

<u>ASSETS</u>	1998A Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Down Payment Assistance Program	<u>Total</u>
Cash and cash equivalents:					
Cash	\$0	\$490,838	\$0	\$22,830	\$700,098
Restricted cash	282	769	138,195	0	1,157,833
Cash equivalents	0	1,583,205	0	398,113	1,981,318
Restricted cash equivalents	40,585,670	0	0	0	86,775,557
Total cash and cash equivalents	40,585,952	2,074,812	138,195	420,943	90,614,806
Accrued interest receivable	192,613	169,800	101,635	8,000	3,854,090
Investments	0	9,100,527	0	0	9,100,527
Mortgage backed securities	0	0	0	0	386,302,373
Mortgage loans receivable, net	0	0	6,184,016	1,531,512	51,633,247
Unamortized bond issuance costs	438,257	0	0	0	6,290,854
Other assets	0	3,952,204	1,784,839	0	6,812,716
Due (to) from other funds	(1,240,270)	3,372,919	0	(321,000)	0
Total assets	\$39,976,552	\$18,670,262	\$8,208,685	\$1,639,455	\$554,608,613
 <u>LIABILITIES AND FUND BALANCE</u>					
Bonds payable, net	\$39,138,765	\$0	\$0	\$0	\$480,906,263
Note payable	0	2,151,664	0	169,124	10,695,788
Accrued interest payable	486,954	4,333	0	3,077	4,201,655
Deferred gains	0	2,541,467	0	0	2,541,467
Other liabilities and accrued expenses	19,310	1,358,644	5,100	3,000	1,747,721
Total liabilities	39,645,029	6,056,108	5,100	175,201	500,092,894
Fund balance (deficit)	331,523	12,614,154	8,203,585	1,464,254	54,515,719
Total liabilities and fund balances	\$39,976,552	\$18,670,262	\$8,208,685	\$1,639,455	\$554,608,613

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

Schedule II

Page 1

**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCE****JUNE 30, 1998**

	<u>1985</u> <u>Program</u>	<u>1988</u> <u>Program</u>	<u>1989</u> <u>Program</u>	<u>1990A&amp;B</u> <u>Program</u>	<u>1990-1</u> <u>Program</u>
Revenue:					
Interest income:					
Cash and cash equivalents	\$142,533	\$75,886	\$244,021	\$204,006	\$11,345
Investments	0	0	0	0	0
Mortgage-backed securities	0	845,179	2,921,935	0	467,071
Mortgage loans receivable	618,558	0	0	1,289,544	0
Total interest income	<u>761,091</u>	<u>921,065</u>	<u>3,165,956</u>	<u>1,493,550</u>	<u>478,416</u>
Net appreciation in fair value of mortgage backed securities	0	54,954	147,285	0	34,428
Reservation fees	0	0	0	0	0
Low income housing tax credit program	0	0	0	0	0
Other income	0	0	0	0	0
Total revenues	<u>761,091</u>	<u>976,019</u>	<u>3,313,241</u>	<u>1,493,550</u>	<u>512,844</u>
Expenses:					
Interest expense	409,975	786,840	2,957,007	1,038,512	460,435
Amortization of bond issuance costs	16,638	32,112	107,936	72,814	7,899
Trustee and administrator fees	7,003	2,656	11,216	17,664	1,856
Mortgage related insurance	20,139	16,723	48,024	47,809	0
Losses on mortgage loans	385	0	0	105	0
Administrative expenses:					
Salaries and related benefits	0	0	0	0	0
Other	5,400	3,500	3,314	2,780	3,000
Total expenses	<u>459,540</u>	<u>841,831</u>	<u>3,127,497</u>	<u>1,179,684</u>	<u>473,190</u>
Excess (deficiency) of revenues over expenses	301,551	134,188	185,744	313,866	39,654
Transfer	(21,023)	(3,088)	(36,632)	(28,689)	(10,239)
Fund balance (deficit) at beginning of year	3,785,272	1,176,712	1,721,221	715,435	70,684
Cummulative effect of accounting change	<u>0</u>	<u>328,121</u>	<u>1,376,944</u>	<u>0</u>	<u>203,735</u>
Fund balance (deficit) at beginning of year (restated)	<u>3,785,272</u>	<u>1,504,833</u>	<u>3,098,165</u>	<u>715,435</u>	<u>274,419</u>
Fund balance (deficit) at end of year	<u>\$4,065,800</u>	<u>\$1,635,933</u>	<u>\$3,247,277</u>	<u>\$1,000,612</u>	<u>\$303,834</u>

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCE****JUNE 30, 1998**

	1992A <u>Program</u>	1992B <u>Program</u>	1992-II <u>Program</u>	1993-I <u>Program</u>	1993B <u>Program</u>
Revenue:					
Interest income:					
Cash and cash equivalents	\$14,665	\$14,068	\$43,384	\$17,452	\$85,321
Investments	0	0	0	0	0
Mortgage-backed securities	454,582	622,005	0	0	0
Mortgage loans receivable	0	0	0	63,496	1,452,466
Total interest income	<u>469,247</u>	<u>636,073</u>	<u>43,384</u>	<u>80,948</u>	<u>1,537,787</u>
Net appreciation in fair value of mortgage backed securities	174,439	304,838	0	0	0
Reservation fees	0	0	0	0	0
Low income housing tax credit program	0	0	0	0	0
Other income	0	0	0	0	0
Total revenues	<u>643,686</u>	<u>940,911</u>	<u>43,384</u>	<u>80,948</u>	<u>1,537,787</u>
Expenses:					
Interest expense	451,246	582,181	217,075	75,296	785,193
Amortization of bond issuance costs	21,586	34,438	16,967	18,152	83,231
Trustee and administrator fees	6,000	6,346	3,500	11,144	40,073
Mortgage related insurance	0	0	0	4,423	17,870
Losses on mortgage loans	0	0	0	100	8,452
Administrative expenses:					
Salaries and related benefits	0	0	0	0	0
Other	3,000	3,000	3,000	3,400	3,400
Total expenses	<u>481,832</u>	<u>625,965</u>	<u>240,542</u>	<u>112,515</u>	<u>938,219</u>
Excess (deficiency) of revenues over expenses	161,854	314,946	(197,158)	(31,567)	599,568
Transfer	3,000	(21,168)	6,500	23,885	(29,577)
Fund balance (deficit) at beginning of year	243,936	343,033	(1,969,296)	483,085	4,631,638
Cummulative effect of accounting change	<u>(60,691)</u>	<u>(247,428)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance (deficit) at beginning of year (restated)	<u>183,245</u>	<u>95,605</u>	<u>(1,969,296)</u>	<u>483,085</u>	<u>4,631,638</u>
Fund balance (deficit) at end of year	<u><u>\$348,099</u></u>	<u><u>\$389,383</u></u>	<u><u>(\$2,159,954)</u></u>	<u><u>\$475,403</u></u>	<u><u>\$5,201,629</u></u>

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCE****JUNE 30, 1998**

	<u>1994A</u> <u>Program</u>	<u>1994B</u> <u>Program</u>	<u>1994C</u> <u>Program</u>	<u>1994D</u> <u>Program</u>	<u>1994E</u> <u>Program</u>
Revenue:					
Interest income:					
Cash and cash equivalents	\$15,715	\$27,922	\$20,934	\$69,802	\$18,289
Investments	0	0	0	0	0
Mortgage-backed securities	540,183	930,045	623,876	568,080	632,821
Mortgage loans receivable	0	0	0	0	0
Total interest income	<u>555,898</u>	<u>957,967</u>	<u>644,810</u>	<u>637,882</u>	<u>651,110</u>
Net appreciation in fair value of mortgage backed securities	254,414	135,538	61,588	96,883	116,060
Reservation fees	0	0	0	0	0
Low income housing tax credit program	0	0	0	0	0
Other income	0	0	0	0	0
Total revenues	<u>810,312</u>	<u>1,093,505</u>	<u>706,398</u>	<u>734,765</u>	<u>767,170</u>
Expenses:					
Interest expense	506,746	883,503	557,759	550,701	567,011
Amortization of bond issuance costs	17,560	23,538	18,715	20,109	17,956
Trustee and administrator fees	2,332	3,629	2,333	2,312	2,352
Mortgage related insurance	0	0	0	0	0
Losses on mortgage loans	0	0	0	0	0
Administrative expenses:					
Salaries and related benefits	0	0	0	0	0
Other	2,500	3,000	2,500	2,500	2,500
Total expenses	<u>529,138</u>	<u>913,670</u>	<u>581,307</u>	<u>575,622</u>	<u>589,819</u>
Excess (deficiency) of revenues over expenses	281,174	179,835	125,091	159,143	177,351
Transfer	(10,798)	(11,607)	(6,969)	(11,450)	(11,509)
Fund balance (deficit) at beginning of year	330,901	444,000	222,849	231,922	192,087
Cummulative effect of accounting change	(155,306)	227,849	199,625	185,011	171,622
Fund balance (deficit) at beginning of year (restated)	<u>175,595</u>	<u>671,849</u>	<u>422,474</u>	<u>416,933</u>	<u>363,709</u>
Fund balance (deficit) at end of year	<u>\$445,971</u>	<u>\$840,077</u>	<u>\$540,596</u>	<u>\$564,626</u>	<u>\$529,551</u>

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCE****JUNE 30, 1998**

	<u>1994F</u> <u>Program</u>	<u>1994-I</u> <u>Program</u>	<u>1995A &amp;B</u> <u>Program</u>	<u>1995C&amp;D</u> <u>Program</u>	<u>1995F,G&amp;H</u> <u>Program</u>
Revenue:					
Interest income:					
Cash and cash equivalents	\$35,970	\$146,398	\$39,478	\$87,182	\$46,899
Investments	0	0	0	0	0
Mortgage-backed securities	927,506	0	927,632	2,082,495	1,417,211
Mortgage loans receivable	0	1,893,307	0	0	0
Total interest income	<u>963,476</u>	<u>2,039,705</u>	<u>967,110</u>	<u>2,169,677</u>	<u>1,464,110</u>
Net appreciation in fair value of mortgage backed securities	171,522	0	166,367	375,248	516,152
Reservation fees	0	0	0	0	0
Low income housing tax credit program	0	0	0	0	0
Other income	0	0	0	0	0
Total revenues	<u>1,134,998</u>	<u>2,039,705</u>	<u>1,133,477</u>	<u>2,544,925</u>	<u>1,980,262</u>
Expenses:					
Interest expense	901,500	1,839,698	942,462	2,078,970	1,428,789
Amortization of bond issuance costs	39,039	78,910	23,864	69,950	38,094
Trustee and administrator fees	3,698	28,188	4,287	9,335	4,562
Mortgage related insurance	0	54,103	0	0	0
Losses on mortgage loans	0	11,343	0	0	0
Administrative expenses:					
Salaries and related benefits	0	0	0	0	0
Other	3,000	3,400	5,000	213,790	2,500
Total expenses	<u>947,237</u>	<u>2,015,642</u>	<u>975,613</u>	<u>2,372,045</u>	<u>1,473,945</u>
Excess (deficiency) of revenues over expenses	187,761	24,063	157,864	172,880	506,317
Transfer	(19,594)	(315,864)	(98,341)	(269,933)	(30,930)
Fund balance (deficit) at beginning of year	247,158	2,566,253	370,628	914,143	472,002
Cummulative effect of accounting change	570,007	0	208,110	396,667	9,720
Fund balance (deficit) at beginning of year (restated)	<u>817,165</u>	<u>2,566,253</u>	<u>578,738</u>	<u>1,310,810</u>	<u>481,722</u>
Fund balance (deficit) at end of year	<u>\$985,332</u>	<u>\$2,274,452</u>	<u>\$638,261</u>	<u>\$1,213,757</u>	<u>\$957,109</u>

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCE****JUNE 30, 1998**

	<u>1995I&amp;J Program</u>	<u>1996A,B&amp;C Program</u>	<u>1996D,E&amp;F Program</u>	<u>1996G,H&amp;I Program</u>	<u>1997ABC Program</u>
Revenue:					
Interest income:					
Cash and cash equivalents	\$71,281	\$83,613	\$172,584	\$254,091	\$557,637
Investments	0	0	0	0	0
Mortgage-backed securities	1,841,414	2,388,913	2,011,395	1,644,196	1,209,495
Mortgage loans receivable	0	0	0	0	0
Total interest income	<u>1,912,695</u>	<u>2,472,526</u>	<u>2,183,979</u>	<u>1,898,287</u>	<u>1,767,132</u>
Net appreciation in fair value of mortgage backed securities	700,154	705,763	248,623	603,455	598,574
Reservation fees	0	0	0	0	0
Low income housing tax credit program	0	0	0	0	0
Other income	0	0	0	0	(1)
Total revenues	<u>2,612,849</u>	<u>3,178,289</u>	<u>2,432,602</u>	<u>2,501,742</u>	<u>2,365,705</u>
Expenses:					
Interest expense	1,840,430	2,276,792	2,024,063	1,620,675	1,484,527
Amortization of bond issuance costs	46,945	38,800	52,809	27,646	24,765
Trustee and administrator fees	6,163	7,650	5,885	5,164	3,716
Mortgage related insurance	0	0	0	0	0
Losses on mortgage loans	0	0	0	0	0
Administrative expenses:					
Salaries and related benefits	0	0	0	0	0
Other	3,250	3,250	3,250	3,750	10,622
Total expenses	<u>1,896,788</u>	<u>2,326,492</u>	<u>2,086,007</u>	<u>1,657,235</u>	<u>1,523,630</u>
Excess (deficiency) of revenues over expenses	716,061	851,797	346,595	844,507	842,075
Transfer	(38,248)	(47,699)	(57,242)	(90,935)	(255,795)
Fund balance (deficit) at beginning of year	703,073	876,088	597,369	528,671	546,524
Cummulative effect of accounting change	6,103	65,111	1,770	5,129	0
Fund balance (deficit) at beginning of year (restated)	<u>709,176</u>	<u>941,199</u>	<u>599,139</u>	<u>533,800</u>	<u>546,524</u>
Fund balance (deficit) at end of year	<u>\$1,386,989</u>	<u>\$1,745,297</u>	<u>\$888,492</u>	<u>\$1,287,372</u>	<u>\$1,132,804</u>

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCE****JUNE 30, 1998**

	<u>1997D</u> <u>Program</u>	<u>1997G</u> <u>Program</u>	<u>1997H</u> <u>Program</u>	<u>1997-I</u> <u>Program</u>	<u>1998-I</u> <u>Program</u>
Revenue:					
Interest income:					
Cash and cash equivalents	\$1,045,279	\$977,166	\$764,493	\$248,890	\$81,292
Investments	0	0	0	0	0
Mortgage-backed securities	924,842	276,966	9,885	0	0
Mortgage loans receivable	0	0	0	0	0
Total interest income	<u>1,970,121</u>	<u>1,254,132</u>	<u>774,378</u>	<u>248,890</u>	<u>81,292</u>
Net appreciation in fair value of mortgage backed securities	641,567	338,385	8,108	0	0
Reservation fees	0	0	0	0	0
Low income housing tax credit program	0	0	0	0	0
Other income	0	0	0	0	0
Total revenues	<u>2,611,688</u>	<u>1,592,517</u>	<u>782,486</u>	<u>248,890</u>	<u>81,292</u>
Expenses:					
Interest expense	1,769,822	1,161,309	759,818	248,156	81,232
Amortization of bond issuance costs	16,559	17,595	7,297	13,000	2,733
Trustee and administrator fees	0	0	0	0	0
Mortgage related insurance	0	0	0	0	0
Losses on mortgage loans	0	0	0	0	0
Administrative expenses:					
Salaries and related benefits	0	0	0	0	0
Other	3,000	3,000	3,000	3,000	3,000
Total expenses	<u>1,789,381</u>	<u>1,181,904</u>	<u>770,115</u>	<u>264,156</u>	<u>86,965</u>
Excess (deficiency) of revenues over expenses	822,307	410,613	12,371	(15,266)	(5,673)
Transfer	236,042	271,730	208,429	(52)	10,000
Fund balance (deficit) at beginning of year	0	0	0	13,000	0
Cummulative effect of accounting change	0	0	0	0	0
Fund balance (deficit) at beginning of year (restated)	0	0	0	13,000	0
Fund balance (deficit) at end of year	<u>\$1,058,349</u>	<u>\$682,343</u>	<u>\$220,800</u>	<u>(\$2,318)</u>	<u>\$4,327</u>

The accompanying notes are an integral part of this Schedule.

**MISSISSIPPI HOME CORPORATION**

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**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCE****JUNE 30, 1998**

	1998A Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Down Payment Assistance Program	Total
Revenue:					
Interest income:					
Cash and cash equivalents	\$503,164	\$87,573	\$17,820	\$13,209	\$6,239,362
Investments	0	784,436	0	0	784,436
Mortgage-backed securities	0	0	0	0	24,267,727
Mortgage loans receivable	0	0	271,596	123,551	5,712,518
Total interest income	<u>503,164</u>	<u>872,009</u>	<u>289,416</u>	<u>136,760</u>	<u>37,004,043</u>
Net appreciation in fair value of mortgage backed securities	0	0	0	0	6,454,345
Reservation fees	0	445,973	0	0	445,973
Low income housing tax credit program	0	686,011	0	0	686,011
Other income	0	431,687	244,158	2,277	678,121
Total revenues	<u>503,164</u>	<u>2,435,680</u>	<u>533,574</u>	<u>139,037</u>	<u>45,268,493</u>
Expenses:					
Interest expense	484,558	98,646	0	30,903	31,901,830
Amortization of bond issuance costs	6,401	0	0	0	1,014,058
Trustee and administrator fees	0	0	0	0	199,064
Mortgage related insurance	0	0	0	0	209,091
Losses on mortgage loans	0	0	204,765	84,421	309,571
Administrative expenses:					
Salaries and related benefits	0	1,209,982	0	0	1,209,982
Other	3,000	824,708	4,000	8,555	1,153,869
Total expenses	<u>493,959</u>	<u>2,133,336</u>	<u>208,765</u>	<u>123,879</u>	<u>35,997,465</u>
Excess (deficiency) of revenues over expenses	9,205	302,344	324,809	15,158	9,271,028
Transfer	322,318	337,478	4,000	4,000	0
Fund balance (deficit) at beginning of year	0	11,974,332	7,874,776	1,445,096	41,752,592
Cummulative effect of accounting change	0	0	0	0	3,492,099
Fund balance (deficit) at beginning of year (restated)	0	11,974,332	7,874,776	1,445,096	45,244,691
Fund balance (deficit) at end of year	<u>\$331,523</u>	<u>\$12,614,154</u>	<u>\$8,203,585</u>	<u>\$1,464,254</u>	<u>\$54,515,719</u>

The accompanying notes are an integral part of this Schedule.

COMBINING STATEMENT OF CASH FLOWSJUNE 30, 1998

	1985 <u>Program</u>	1988 <u>Program</u>	1989 <u>Program</u>	1990A&B <u>Program</u>	1990-1 <u>Program</u>
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$301,551	\$134,188	\$185,744	\$313,866	\$39,654
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:					
Amortization of:					
Bond issuance costs	16,638	32,112	107,936	72,814	7,899
Discount and premiums on bonds payable, net	0	0	0	(164,527)	0
Decrease (increase) in:					
Accrued interest receivable	37,724	7,944	39,827	34,954	6,418
Other assets	(4,259)	843	6,274	(6,168)	0
Increase (decrease) in:					
Accrued interest payable	60,961	(30,280)	(112,426)	(100,290)	(5,723)
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	(5,597)	0	0	(7,717)	0
Provision for possible loan losses	385	0	0	105	0
Depreciation	0	0	0	0	0
Net cash provided (used) by operating activities	<u>407,403</u>	<u>144,807</u>	<u>227,355</u>	<u>143,037</u>	<u>48,248</u>
Cash flows from investing activities:					
Proceeds from maturities and redemptions of mortgage-backed securities	0	2,208,443	7,433,631	0	897,562
Net appreciation in fair value of mortgage-backed securities	0	(54,954)	(147,285)		(34,428)
Purchase of mortgage-backed securities	0	0	0	0	0
Proceeds from maturities of investments	0	0	0	0	0
Purchases of investments	0	0	0	0	0
Mortgage loan repayments	1,465,473	0	0	2,792,295	0
Down payment assistance and development loans originated	0	0	0	0	0
Net cash provided by (used in) investing activities	<u>1,465,473</u>	<u>2,153,489</u>	<u>7,286,346</u>	<u>2,792,295</u>	<u>863,134</u>
Cash flows from financing activities:					
Proceeds from sales of bonds	0	0	0	0	0
Repayments of bonds	(2,100,681)	(1,910,000)	(6,640,000)	(3,198,250)	(860,768)
Proceeds from notes payable	0	0	0	0	0
Principal payments on notes payable	0	0	0	0	0
Use of premium for down payment assistance	0	0	0	0	0
Bond issuance costs paid	0	0	0	0	0
Due from (to) other programs	265	0	2,747	3,255	0
Net cash provided (used) by financing activities	<u>(2,100,416)</u>	<u>(1,910,000)</u>	<u>(6,637,253)</u>	<u>(3,194,995)</u>	<u>(860,768)</u>
Transfers	<u>(21,023)</u>	<u>(3,088)</u>	<u>(36,632)</u>	<u>(28,689)</u>	<u>(10,239)</u>
Increase (decrease) in cash and cash equivalents	(248,563)	385,208	839,816	(288,352)	40,375
Cash and cash equivalents, beginning of year	<u>1,705,898</u>	<u>858,375</u>	<u>2,703,478</u>	<u>2,981,291</u>	<u>125,560</u>
Cash and cash equivalents, end of year	<u><u>\$1,457,335</u></u>	<u><u>\$1,243,583</u></u>	<u><u>\$3,543,294</u></u>	<u><u>\$2,692,939</u></u>	<u><u>\$165,935</u></u>

The accompanying notes are an integral part of this Schedule.

**COMBINING STATEMENT OF CASH FLOWS****JUNE 30, 1998**

	1992A Program	1992B Program	1992-II Program	1993-I Program	1993B Program
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$161,854	\$314,946	(\$197,158)	(\$31,567)	\$599,568
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:					
Amortization of:					
Bond issuance costs	21,586	34,438	16,967	18,152	83,231
Discount and premiums on bonds payable, net	0	0	217,075	0	41,650
Decrease (increase) in:					
Accrued interest receivable	4,874	6,785	(494)	10,957	60,115
Other assets	0	0	0	50,674	(291,253)
Increase (decrease) in:					
Accrued interest payable	(7,902)	(5,466)	0	(19,077)	0
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	0	0	0	(135,050)	9,247
Provision for possible loan losses	0	0	0	100	8,452
Depreciation	0	0	0	0	0
Net cash provided (used) by operating activities	0 180,412 0	0 350,703 0	0 36,390 0	0 (105,811) 0	0 511,010
Cash flows from investing activities:					
Proceeds from maturities and redemptions of mortgage-backed securities	529,896	1,144,699	0	0	0
Net appreciation in fair value of mortgage-backed securities	(174,439)	(304,838)	0	0	0
Purchase of mortgage-backed securities	0	0	0	0	0
Proceeds from maturities of investments	0	0	0	0	0
Purchases of investments	0	0	0	0	0
Mortgage loan repayments	0	0	0	1,293,965	3,029,592
Down payment assistance and development loans originated	0	0	0	0	0
Net cash provided by (used in) investing activities	0 355,457	0 839,861	0 0	0 1,293,965	0 3,029,592
Cash flows from financing activities:					
Proceeds from sales of bonds	0	0	0	0	0
Repayments of bonds	(705,000)	(1,195,000)	0	(1,465,566)	(3,807,008)
Proceeds from notes payable	0	0	0	0	0
Principal payments on notes payable	0	0	0	0	0
Use of premium for down payment assistance	0	0	0	0	0
Bond issuance costs paid	0	0	0	0	0
Due from (to) other programs	0	0	0	0	0
Net cash provided (used) by financing activities	0 (705,000)	0 (1,195,000)	0 0	0 (1,465,566)	0 (3,807,008)
Transfers	3,000	(21,168)	6,500	23,885	(29,575)
Increase (decrease) in cash and cash equivalents	(166,131)	(25,604)	42,890	(253,527)	(295,981)
Cash and cash equivalents, beginning of year	476,184	277,332	664,884	731,079	829,794
Cash and cash equivalents, end of year	310,053	251,728	707,774	477,552	533,813

The accompanying notes are an integral part of this Schedule.

COMBINING STATEMENT OF CASH FLOWSJUNE 30, 1998

	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$281,174	\$179,835	\$125,091	\$159,143	\$177,351
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:					
Amortization of:					
Bond issuance costs	17,560	23,538	18,715	20,109	17,956
Discount and premiums on bonds payable, net	0	(1,493)	(16,634)	(12,081)	(11,927)
Decrease (increase) in:					
Accrued interest receivable	4,420	8,609	7,224	5,560	6,151
Other assets	0	0	0	0	0
Increase (decrease) in:					
Accrued interest payable	(3,187)	(35,157)	(6,903)	(6,867)	(5,722)
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	0	0	0	0	2,572
Provision for possible loan losses	0	0	0	0	0
Depreciation	0	0	0	0	0
Net cash provided (used) by operating activities	0 299,967 0	0 175,332 0	0 127,493 0	0 165,864 0	0 186,381 0
Cash flows from investing activities:					
Proceeds from maturities and redemptions of mortgage-backed securities	920,297	1,462,094	1,208,755	1,275,038	994,523
Net appreciation in fair value of mortgage-backed securities	(254,414)	(135,538)	(61,588)	(96,883)	(116,060)
Purchase of mortgage-backed securities	0	0	0	0	0
Proceeds from maturities of investments	0	0	0	0	0
Purchases of investments	0	0	0	0	0
Mortgage loan repayments	0	0	0	0	0
Down payment assistance and development loans originated	0	0	0	0	0
Net cash provided by (used in) investing activities	665,883	1,326,556	1,147,167	1,178,155	878,463
Cash flows from financing activities:					
Proceeds from sales of bonds	0	0	0	0	0
Repayments of bonds	(720,000)	(1,585,000)	(1,205,000)	(1,205,000)	(1,000,000)
Proceeds from notes payable	0	0	0	0	0
Principal payments on notes payable	0	0	0	0	0
Use of premium for down payment assistance	0	0	0	0	0
Bond issuance costs paid	0	0	0	0	0
Due from (to) other programs	0	0	0	0	0
Net cash provided (used) by financing activities	(720,000)	(1,585,000)	(1,205,000)	(1,205,000)	(1,000,000)
Transfers	(10,798)	(11,607)	(6,969)	(11,450)	(11,509)
Increase (decrease) in cash and cash equivalents	235,052	(94,719)	62,691	127,569	53,335
Cash and cash equivalents, beginning of year	185,316	552,010	393,950	250,543	142,486
Cash and cash equivalents, end of year	\$420,368	\$457,291	\$456,641	\$378,112	\$195,821

The accompanying notes are an integral part of this Schedule.

COMBINING STATEMENT OF CASH FLOWSJUNE 30, 1998

	1994F <u>Program</u>	1994-I <u>Program</u>	1995A &B <u>Program</u>	1995C&D <u>Program</u>	1995F,G&H <u>Program</u>
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$187,761	\$24,063	\$157,864	\$172,880	\$506,317
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:					
Amortization of:					
Bond issuance costs	39,039	78,910	23,864	69,950	38,094
Discount and premiums on bonds payable, net	(12,836)	112,796	0	0	0
Decrease (increase) in:					
Accrued interest receivable	17,948	85,850	15,284	231,564	(6,720)
Other assets	0	(67,682)	0	0	(3,508)
Increase (decrease) in:					
Accrued interest payable	(14,248)	(15,759)	(24,454)	(61,743)	(11,566)
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	0	(48,384)	5,981	18,974	0
Provision for possible loan losses	0	11,343	0	0	0
Depreciation	0	0	0	0	0
Net cash provided (used) by operating activities	0 217,664 0	0 181,137 0	0 178,539 0	0 431,625 0	0 522,617
Cash flows from investing activities:					
Proceeds from maturities and redemptions of mortgage-backed securities	2,777,849	0	1,694,719	5,037,170	2,205,530
Net appreciation in fair value of mortgage-backed securities	(171,522)	0	(166,367)	(375,248)	(516,152)
Purchase of mortgage-backed securities	0	0	0	0	0
Proceeds from maturities of investments	0	0	0	0	0
Purchases of investments	0	0	0	0	0
Mortgage loan repayments	0	4,374,211	0	0	0
Down payment assistance and development loans originated	0	0	0	0	0
Net cash provided by (used in) investing activities	2,606,327	4,374,211	1,528,352	4,661,922	1,689,378
Cash flows from financing activities:					
Proceeds from sales of bonds	0	0	0	0	0
Repayments of bonds	(2,440,000)	(4,357,425)	(1,118,112)	(4,830,000)	(2,095,000)
Proceeds from notes payable	0	0	0	0	0
Principal payments on notes payable	0	0	0	0	0
Use of premium for down payment assistance	0	0	0	0	0
Bond issuance costs paid	0	0	0	0	0
Due from (to) other programs	0	0	0	0	0
Net cash provided (used) by financing activities	(2,440,000)	(4,357,425)	(1,118,112)	(4,830,000)	(2,095,000)
Transfers	(19,596)	(315,864)	(98,341)	(269,933)	(30,930)
Increase (decrease) in cash and cash equivalents	364,395	(117,941)	490,438	(6,386)	86,065
Cash and cash equivalents, beginning of year	345,112	2,094,758	512,599	873,140	565,454
Cash and cash equivalents, end of year	\$709,507	\$1,976,817	\$1,003,037	\$866,754	\$651,519

The accompanying notes are an integral part of this Schedule.

**COMBINING STATEMENT OF CASH FLOWS****JUNE 30, 1998**

	1995I&J Program	1996A,B&C Program	1996D,E&F Program	1996G,H&I Program	1997ABC Program
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$716,061	\$851,797	\$346,595	\$844,507	\$842,075
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:					
Amortization of:					
Bond issuance costs	46,945	38,800	52,809	27,646	24,765
Discount and premiums on bonds payable, net	0	(3,527)	0	0	(10,473)
Decrease (increase) in:					
Accrued interest receivable	6,160	13,615	11,586	(4,104)	229,760
Other assets	0	(5,645)	0	0	0
Increase (decrease) in:					
Accrued interest payable	(14,252)	17,928	10,615	16,096	(368,574)
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	0	(65)	0	477	0
Provision for possible loan losses	0	0	0	0	0
Depreciation	0	0	0	0	0
Net cash provided (used) by operating activities	0 754,914 0	0 912,903 0	0 421,605 0	0 884,622 0	0 717,553 0
Cash flows from investing activities:					
Proceeds from maturities and redemptions of mortgage-backed securities	3,073,696	2,212,629	1,881,588	986,305	597,941
Net appreciation in fair value of mortgage-backed securities	(700,154)	(705,765)	(248,623)	(603,455)	(598,574)
Purchase of mortgage-backed securities	(409,258)	(186,476)	(5,041,021)	(8,751,535)	(24,714,473)
Proceeds from maturities of investments	0	0	0	0	0
Purchases of investments	0	0	0	0	0
Mortgage loan repayments	0	0	0	0	0
Down payment assistance and development loans originated	0	0	0	0	0
Net cash provided by (used in) investing activities	1,964,284	1,320,388	(3,408,056)	(8,368,685)	(24,715,106)
Cash flows from financing activities:					
Proceeds from sales of bonds	0	0	0	0	0
Repayments of bonds	(3,040,000)	(2,100,000)	(1,685,000)	(1,220,000)	(610,000)
Proceeds from notes payable	0	0	0	0	0
Principal payments on notes payable	0	0	0	0	0
Use of premium for down payment assistance	0	(9,127)	(18,505)	(48,735)	(115,597)
Bond issuance costs paid	0	0	0	0	0
Due from (to) other programs	0	(301,407)	(587,598)	(991,927)	(634,403)
Net cash provided (used) by financing activities	(3,040,000)	(2,410,534)	(2,291,103)	(2,260,662)	(1,360,000)
Transfers	(38,248)	(47,699)	(57,242)	(90,935)	(255,795)
Increase (decrease) in cash and cash equivalents	(359,050)	(224,942)	(5,334,796)	(9,835,660)	(25,613,348)
Cash and cash equivalents, beginning of year	1,319,652	1,321,410	6,152,359	10,536,542	26,271,199
Cash and cash equivalents, end of year	\$960,602	\$1,096,468	\$817,563	\$700,882	\$657,851

The accompanying notes are an integral part of this Schedule.

**COMBINING STATEMENT OF CASH FLOWS****JUNE 30, 1998**

	1997D Program	1997G Program	1997H Program	1997-I Program	1998-I Program
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$822,307	\$410,613	\$12,371	(\$15,266)	(\$5,673)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:					
Amortization of:					
Bond issuance costs	16,559	17,595	7,297	13,000	2,733
Discount and premiums on bonds payable, net	(11,198)	(7,389)	(4,376)	0	0
Decrease (increase) in:					
Accrued interest receivable	(177,913)	(176,792)	(215,771)	24,191	(26,547)
Other assets	0	0	0	0	0
Increase (decrease) in:					
Accrued interest payable	142,847	232,511	114,828	(21,772)	29,982
Deferred gains	0	0	0	0	0
Other liabilities and accrued expenses	3,000	3,000	6,796	28,233	9,474
Provision for possible loan losses	0	0	0	0	0
Depreciation	0	0	0	0	0
Net cash provided (used) by operating activities	0 795,602 0	0 479,538 0	0 (78,855) 0	0 28,386 0	0 9,969 0
Cash flows from investing activities:					
Proceeds from maturities and redemptions of mortgage-backed securities	329,778	114,147	1,013	0	0
Net appreciation in fair value of mortgage-backed securities	(641,566)	(338,384)	(8,108)	0	0
Purchase of mortgage-backed securities	(28,421,883)	(24,228,500)	(17,084,257)	0	0
Proceeds from maturities of investments	0	0	0	0	0
Purchases of investments	0	0	0	0	0
Mortgage loan repayments	0	0	0	0	0
Down payment assistance and development loans originated	0	0	0	0	0
Net cash provided by (used in) investing activities	(28,733,671)	(24,452,737)	(17,091,352)	0	0
Cash flows from financing activities:					
Proceeds from sales of bonds	29,301,539	30,826,586	24,281,888	0	0
Repayments of bonds	(348,893)	0	0	0	0
Proceeds from notes payable	0	0	0	0	8,375,000
Principal payments on notes payable	0	0	0	(7,780,673)	0
Use of premium for down payment assistance	0	0	0	0	0
Bond issuance costs paid	(368,551)	(361,618)	(288,519)	0	(8,200)
Due from (to) other programs	4,399	668,601	893,404	0	0
Net cash provided (used) by financing activities	28,588,494	31,133,569	24,886,773	(7,780,673)	8,366,800
Transfers	236,042	271,730	208,429	(52)	10,000
Increase (decrease) in cash and cash equivalents	886,467	7,432,100	7,924,995	(7,752,339)	8,386,769
Cash and cash equivalents, beginning of year	0	0	0	7,783,673	0
Cash and cash equivalents, end of year	\$886,467	\$7,432,100	\$7,924,995	\$31,334	\$8,386,769

The accompanying notes are an integral part of this Schedule.

**COMBINING STATEMENT OF CASH FLOWS****JUNE 30, 1998**

	1998A Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Down Payment Assistance Program	Total
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$9,205	\$302,344	\$324,809	\$15,158	\$9,271,028
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:					
Amortization of:					
Bond issuance costs	6,401	0	0	0	1,014,058
Discount and premiums on bonds payable, net	(3,965)	0	0	0	111,095
Decrease (increase) in:					
Accrued interest receivable	(192,613)	(76,632)	18,734	3,000	21,668
Other assets	0	(2,183,429)	(1,112,839)	0	(3,616,992)
Increase (decrease) in:					
Accrued interest payable	486,954	4,333	0	(3,481)	242,206
Deferred gains	0	(127,793)	0	0	(127,793)
Other liabilities and accrued expenses	19,310	514,421	(201,000)	0	223,672
Provision for possible loan losses	0	0	204,765	84,421	309,571
Depreciation	0	112,602	0	0	112,602
Net cash provided (used) by operating activities	0 325,292 0	0 (1,454,154) 0	0 (765,531) 0	0 99,098 0	0 7,561,115
Cash flows from investing activities:					
Proceeds from maturities and redemptions of mortgage-backed securities	0	0	0	0	38,987,303
Net appreciation in fair value of mortgage-backed securities	0	0	0	0	(6,454,345)
Purchase of mortgage-backed securities	0	0	0	0	(108,837,403)
Proceeds from maturities of investments	0	4,518,723	0	0	4,518,723
Purchases of investments	0	(4,462,735)	0	0	(4,462,735)
Mortgage loan repayments	0	0	1,019,842	382,802	14,358,180
Down payment assistance and development loans originated	0	0	(451,514)	(269,211)	(720,725)
Net cash provided by (used in) investing activities	0	55,988	568,328	113,591	(62,611,002)
Cash flows from financing activities:					
Proceeds from sales of bonds	39,142,730	0	0	0	123,552,743
Repayments of bonds	0	0	0	0	(51,441,703)
Proceeds from notes payable	0	2,100,031	0	0	10,475,031
Principal payments on notes payable	0	(48,369)	0	(27,061)	(7,856,103)
Use of premium for down payment assistance	0	0	0	0	(191,964)
Bond issuance costs paid	(444,658)	0	0	0	(1,471,546)
Due from (to) other programs	1,240,270	(318,606)	0	21,000	0
Net cash provided (used) by financing activities	39,938,342	1,733,056	0	(6,061)	73,066,458
Transfers	322,318	337,478	4,000	4,000	0
Increase (decrease) in cash and cash equivalents	40,585,952	672,368	(193,203)	210,628	18,016,571
Cash and cash equivalents, beginning of year	0	1,402,444	331,398	210,315	72,598,235
Cash and cash equivalents, end of year	\$40,585,952	\$2,074,812	\$138,195	\$420,943	\$90,614,806

The accompanying notes are an integral part of this Schedule.