



**MISSISSIPPI HOME CORPORATION**  
Financial Statements  
June 30, 2004 and 2003  
(With Independent Auditors' Report Thereon)

# MISSISSIPPI HOME CORPORATION

## Table of Contents

	<b>Page</b>
Management Discussion and Analysis – Years ended June 30, 2004 and 2003	1
Independent Auditors’ Report	5
Statements of Net Assets – As of June 30, 2004 and 2003	7
Statements of Revenues, Expenses and Changes in Net Assets – Years ended June 30, 2004 and 2003	8
Statements of Cash Flows – Years ended June 30, 2004 and 2003	9
Notes to Financial Statements	10
<b>Schedules Supporting Financial Statements:</b>	
Schedule 1 – Combining Schedule of Net Assets	22
Schedule 2 – Combining Schedule of Revenues, Expenses and Changes in Net Assets	28
Schedule 3 – Combining Schedule of Cash Flows	34
Independent Auditors’ 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	46

# MISSISSIPPI HOME CORPORATION

## Management's Discussion and Analysis

June 30, 2004

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 year ending June 30, 2004. This MD&A should be read in conjunction with the included financial statements and notes thereto, as well as our independent auditors' report thereon.

### Required Basic Financial Statements

The basic 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 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 in order of liquidity and liabilities are presented in order of nearness to payment.

All of the current year'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 year 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

- Total assets decreased \$24,395,328 or 3.6%
- Total liabilities decreased \$18,052,722 or 3.0%
- Cash and investments decreased \$24,013,035 or 3.7%
- Bonds payable decreased \$98,864,169 or 20.5%
- Notes payable increased \$80,588,347 or 71.5%
- Total net assets, after fair market value adjustments, decreased \$6,342,606 or 8.3%
- Total net assets, before fair market value adjustments, increased \$6,525,606 or 9.3%
- Total operating revenue (excluding fair market value adjustments) decreased \$5,345,032 or 13.9%
- Total operating expenses decreased \$5,299,287 or 13.9%
- Total operating income (excluding fair market value adjustments) decreased \$45,745 or 25.4%
- Investment income decreased \$5,890,358 or 16.2%
- Interest expense decreased \$5,671,752 or 17.8%

### Overview of the Financial Statements

This annual report consists of MD&A, the financial statements and notes thereto as of and for the fiscal years ended June 30, 2004 and 2003, and supplemental schedules, which include summary information for the Corporation's various mortgage revenue bond and loan programs.

## MISSISSIPPI HOME CORPORATION

### Management's Discussion and Analysis

June 30, 2004

The following table summarizes the changes in the Corporation's assets and liabilities that occurred during the fiscal year ended June 30, 2004:

	<u>2004</u>	<u>2003</u>	<u>Dollars</u>	<u>%</u>
Cash and cash equivalents	\$ 257,122,820	181,725,413	75,397,407	41.5%
Mortgage-backed securities	348,234,509	451,014,452	(102,779,943)	-22.8%
Other investments	26,104,405	22,734,904	3,369,501	14.8%
Mortgage loans	8,713,720	8,678,727	34,993	0.4%
Unamortized bond issuance costs	4,512,897	5,556,171	(1,043,274)	-18.8%
All other assets	13,418,427	12,792,439	625,988	4.9%
Total assets	<u>\$ 658,106,778</u>	<u>682,502,106</u>	<u>(24,395,328)</u>	-3.6%
Bonds payable, net	\$ 383,929,335	482,793,504	(98,864,169)	-20.5%
Notes payable	193,366,758	112,778,411	80,588,347	71.5%
All other liabilities	10,543,369	10,320,269	223,100	2.2%
Total liabilities	<u>\$ 587,839,462</u>	<u>605,892,184</u>	<u>(18,052,722)</u>	-3.0%
Restricted net assets	\$ 40,622,987	47,096,381	(6,473,394)	-13.7%
Unrestricted net assets	29,644,329	29,513,541	130,788	0.4%
Total net assets	<u>\$ 70,267,316</u>	<u>76,609,922</u>	<u>(6,342,606)</u>	-8.3%

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, 2004:

	<u>2004</u>	<u>2003</u>	<u>Change</u>	
			<u>Dollars</u>	<u>%</u>
Interest on cash and investments	\$ 6,503,264	5,906,893	596,371	10.1%
Interest on mortgage-backed securities	23,855,692	30,342,421	(6,486,729)	-21.4%
Interest on mortgage loans	419,721	446,944	(27,223)	-6.1%
Realized loss on investments	(410,541)	(92,183)	(318,358)	345.4%
Low income housing tax credits	1,530,443	737,071	793,372	107.6%
All other revenues	1,174,030	1,076,495	97,535	9.1%
Total operating revenues	<u>\$ 33,072,609</u>	<u>38,417,641</u>	<u>(5,345,032)</u>	-13.9%
Interest expense	\$ 26,269,143	31,940,895	(5,671,752)	-17.8%
Amortization of bond issuance costs	1,612,863	1,769,875	(157,012)	-8.9%
Salaries and benefits	2,154,205	2,205,828	(51,623)	-2.3%
Other administrative expenses	2,608,209	2,103,832	504,377	24.0%
All other expenses	293,752	217,029	76,723	35.4%
Total operating expenses	<u>\$ 32,938,172</u>	<u>38,237,459</u>	<u>(5,299,287)</u>	-13.9%
Operating income (before fair value adjustments)	<u>\$ 134,437</u>	<u>180,182</u>	<u>(45,745)</u>	-25.4%

## MISSISSIPPI HOME CORPORATION

### Management's Discussion and Analysis

June 30, 2004

At June 30, 2004, the Corporation reported total assets of \$658.1 million compared to \$682.5 million at June 30, 2003. An historically low interest rate environment resulted in extremely high levels of prepayments of mortgage-backed securities (MBS). During the fiscal year, MBS, presented at fair market value, decreased \$102.8 million as a result of prepayments, scheduled payments, and a fair market value adjustment of (\$6.5) million, due primarily to an approximate 100 basis point increase in 30-year mortgage rates between June 30, 2003 and 2004. Cash and cash equivalents increased \$75.4 million. This increase resulted in part from the issuance of bonds at the end of the fiscal year, the proceeds of which were invested in cash equivalent investment instruments until such time that the MBS under the bond issue are available for purchase by the Corporation. Cash and cash equivalents also increased as a result of the MBS prepayments, which are invested in cash equivalent investments until such time as the related bonds can be called.

Bonds payable declined \$98.9 million in fiscal year 2004, primarily resulting from proceeds from the Corporation's 2002-1 Convertible Note program, which allows the Corporation to recycle MBS pay downs from existing non-taxable bond issues to extend its non-taxable bond cap on future programs. Instead of using these pay downs to redeem the related bonds payable, the Corporation issued Convertible Program Notes (CPNs) to a third party lender and used the proceeds from the issuance of these notes to make principal payments on bonds payable. As a result of this strategy, notes payable increased \$80.6 million at June 30, 2004 compared to June 30, 2003.

Total operating revenues for fiscal year 2004 were \$33.1 million compared to \$38.4 million for fiscal 2003. This decline in operating revenues is attributable, in part, to a decline in interest income for the Corporation of \$5.9 million in fiscal year 2004 due primarily to the low interest rate environment and the related prepayments on MBS as well as a lower reinvestment rate. Offsetting the interest revenue declines was an increase in revenues from low income housing tax credits of \$793 thousand, due primarily to additional reservation and commitment fees collected on current year tax credit allocations.

Total operating expenses were \$32.9 million in fiscal year 2004, down from \$38.2 million in 2003. The primary factor causing the decrease was a decline in interest expense of \$5.7 million, a result of the redemption of bonds payable. An increase in other administrative expenses of \$504 thousand offset the decline in interest income. This increase in administrative expenses is attributable to losses on early extinguishment of debt from the early retirement of the 1994A and 1994C bond issues.

As a result of the above factors, operating income before fair value adjustments was \$134 thousand in fiscal year 2004 compared to \$180 thousand in fiscal year 2003.

#### **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

# MISSISSIPPI HOME CORPORATION

## Management's Discussion and Analysis

June 30, 2004

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 Mississippi Home 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](http://www.mshomecorp.com).



**KPMG LLP**  
Suite 1100  
One Jackson Place  
188 East Capitol Street  
Jackson, MS 39201

## **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, 2004 and 2003, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Home Corporation as of June 30, 2004 and 2003, 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.

Management's Discussion and Analysis on pages 1 through 3 is not a required part of the 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 to this information, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2004 on our consideration of the Corporation's internal control over financial reporting and on 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.



Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The information presented in Schedules 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

KPMG LLP

October 15, 2004

**MISSISSIPPI HOME CORPORATION**

Statements of Net Assets

June 30, 2004 and 2003

<b>Assets</b>	<b>2004</b>	<b>2003</b>
Current assets:		
Cash and cash equivalents:		
Cash	\$ 1,355,773	895,517
Restricted cash	2,571,127	1,451,615
Cash equivalents	289,752	3,745,016
Restricted cash equivalents	<u>252,906,168</u>	<u>175,633,265</u>
Total cash and cash equivalents	257,122,820	181,725,413
Accrued interest receivable	<u>2,434,295</u>	<u>2,985,186</u>
Total current assets	<u>259,557,115</u>	<u>184,710,599</u>
Non-current assets:		
Investments, at fair value:		
Mortgage-backed securities	348,234,509	451,014,452
Other investments	<u>26,104,405</u>	<u>22,734,904</u>
Total investments	<u>374,338,914</u>	<u>473,749,356</u>
Mortgage loans receivable, net of allowance for loan losses of \$371,020	8,713,720	8,678,727
Unamortized bond issuance costs	4,512,897	5,556,171
Other assets	<u>10,984,132</u>	<u>9,807,253</u>
Total non-current assets	<u>398,549,663</u>	<u>497,791,507</u>
Total assets	\$ <u>658,106,778</u>	\$ <u>682,502,106</u>
<b>Liabilities</b>		
Current liabilities:		
Bonds payable	\$ 2,390,000	2,150,000
Accrued interest payable	<u>2,164,016</u>	<u>3,037,691</u>
Total current liabilities	<u>4,554,016</u>	<u>5,187,691</u>
Non-current liabilities:		
Bonds payable, net of premium or discount and current portion	381,539,334	480,643,504
Notes payable	193,366,758	112,778,411
Deferred gains	513,734	1,546,548
Other liabilities and accrued expenses	<u>7,865,620</u>	<u>5,736,030</u>
Total non-current liabilities	<u>583,285,446</u>	<u>600,704,493</u>
Total liabilities	\$ <u>587,839,462</u>	\$ <u>605,892,184</u>
<b>Net assets</b>		
Restricted	\$ 40,622,987	47,096,381
Unrestricted	<u>29,644,329</u>	<u>29,513,541</u>
Total net assets	\$ <u>70,267,316</u>	\$ <u>76,609,922</u>

See the accompanying notes to the financial statements.

## MISSISSIPPI HOME CORPORATION

### Statements of Revenues, Expenses and Changes in Net Assets

For the years ended June 30, 2004 and 2003

	<b>2004</b>	<b>2003</b>
Operating revenues:		
Interest income:		
Cash and cash equivalents	\$ 4,588,044	4,795,343
Mortgage-backed securities	23,855,692	30,342,421
Other investments	1,915,220	1,111,550
Mortgage loans receivable	419,721	446,944
Total interest income	30,778,677	36,696,258
Net (depreciation) appreciation in fair value of mortgage-backed securities and investments	(6,477,043)	6,391,169
Realized loss on investments	(410,541)	(92,183)
Reservation fees	233,795	335,569
Low income housing tax credit program	1,530,443	737,071
Other income	940,235	740,926
Total operating revenues	26,595,566	44,808,810
Operating expenses:		
Interest expense	26,269,143	31,940,895
Amortization of bond issuance costs	1,612,863	1,769,875
Trust and administration fees	91,294	123,022
Mortgage related insurance	69,123	44,103
Losses on mortgage loans	133,335	49,904
Administrative expenses:		
Salaries and related benefits	2,154,205	2,205,828
Other	2,608,209	2,103,832
Total operating expenses	32,938,172	38,237,459
Operating (loss) income	(6,342,606)	6,571,351
Net assets, beginning of year	76,609,922	70,038,571
Net assets, end of year	\$ 70,267,316	76,609,922

See accompanying notes to financial statements.

**MISSISSIPPI HOME CORPORATION**

Statements of Cash Flows

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Loan principal payments received	\$ 2,719,474	2,888,184
Proceeds from sale of loans	(258,125)	6,427,367
Loan interest payments received	431,976	559,468
Loan disbursements	(2,838,506)	(2,605,175)
Payments to employees	(2,178,862)	(2,212,211)
Payments to vendors	(3,233,020)	(4,692,224)
Fee income received	2,738,609	1,313,515
Other income received	3,004,753	1,307,506
Net cash provided by operating activities	<u>386,299</u>	<u>2,986,430</u>
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	48,384,168	33,986,684
Proceeds from issuance of notes	102,550,679	185,207,295
Principal repayment of bonds	(146,442,109)	(141,608,303)
Principal repayment of notes	(22,600,075)	(132,984,371)
Interest paid	(27,830,481)	(32,806,901)
Bond issuance costs paid	(569,590)	(401,453)
Net cash used by noncapital financing activities	<u>(46,507,408)</u>	<u>(88,607,049)</u>
Cash flows from capital and related financing activities:		
Property and equipment additions	(878,675)	(2,406,721)
Proceeds from issuance of notes	666,293	1,839,123
Principal repayment of notes	(28,550)	(8,636)
Interest paid	(116,760)	(43,104)
Net cash used by capital and related financing activities	<u>(357,692)</u>	<u>(619,338)</u>
Cash flows from investing activities:		
Purchase of investments	(72,666,989)	(158,039,020)
Redemption of investments	163,969,384	190,140,217
Interest received on investments	30,573,813	37,243,859
Net cash provided by investing activities	<u>121,876,208</u>	<u>69,345,056</u>
Net increase (decrease) in cash and cash equivalents	75,397,407	(16,894,901)
Cash and cash equivalents, beginning of year	<u>181,725,413</u>	<u>198,620,313</u>
Cash and cash equivalents, end of year	\$ <u>257,122,820</u>	<u>181,725,413</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss) income	\$ (6,342,606)	6,571,351
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest paid	27,947,241	32,850,005
Amortization of bond issuance costs	1,612,863	1,769,875
Amortization of bond premium	(861,214)	(831,402)
Accretion of bond discount	54,983	51,968
Amortization of investment premium	225,746	482,201
Net decrease (increase) in fair value of investments	6,477,043	(6,391,169)
Realized loss on investments	410,541	92,183
Loss on early extinguishment of debt	343,070	—
Interest received on investments	(30,573,813)	(37,243,859)
(Increase) decrease in mortgage loans receivable	(34,495)	6,581,993
Decrease in accrued interest receivable	550,385	400,524
Decrease (increase) in other assets	347,363	(349,878)
Decrease in accrued interest payable	(873,677)	(131,800)
Decrease in deferred gains	(1,032,814)	(127,794)
Increase (decrease) in other liabilities and accrued expenses	2,135,683	(737,768)
Total adjustments	<u>6,728,905</u>	<u>(3,584,921)</u>
Net cash provided by operating activities	\$ <u>386,299</u>	<u>2,986,430</u>

See accompanying notes to financial statements.

# MISSISSIPPI HOME CORPORATION

## Notes to Financial Statements

June 30, 2004 and 2003

### (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:

#### (a) *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. The measurement focus is on determining net income and capital maintenance.

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 of each program are generally restricted, aggregating the accounts of the separate programs does not indicate that the 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.

## MISSISSIPPI HOME CORPORATION

### Notes to Financial Statements

June 30, 2004 and 2003

**(b) *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 primarily of cash which is restricted as to its use and is held by the Mississippi Affordable Housing Development Program, the House Bill 530 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.

**(c) *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.

**(d) *Allowance for Losses on Mortgage Loans***

Losses incurred on mortgage loans are charged to the allowance for losses on mortgage loans (the allowance). An 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.

**(e) *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. During the years ended June 30, 2004 and 2003, \$569,590 and \$401,453

# MISSISSIPPI HOME CORPORATION

## Notes to Financial Statements

June 30, 2004 and 2003

of issuance costs were capitalized. 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.

**(f) *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, all of which are non-refundable, are recognized as income when received.

**(g) *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.

**(h) *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.

**(i) *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 par 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 effect 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.

**(j) *Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**MISSISSIPPI HOME CORPORATION**

Notes to Financial Statements

June 30, 2004 and 2003

**(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;
- 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.

Governmental accounting standards also require that the carrying amounts of cash and cash equivalents as of the balance sheet date be categorized according to the level of associated custodial credit risk. The levels of risk are defined as follows:

Category A - Insured or collateralized with securities held by the Corporation or by its agent in the Corporation's name.

Category B - Collateralized with securities held by the pledging financial institution's trust department or agent in the Corporation's name.

Category C - Uninsured and uncollateralized.

A summary of cash and cash equivalents as of June 30, 2004 and 2003, by category follows:

	<b>2004</b>		<b>2003</b>	
	<b>Carrying amount per books</b>	<b>Cash per bank</b>	<b>Carrying amount per books</b>	<b>Cash per bank</b>
Category A	\$ 1,355,773	1,510,509	895,517	1,224,324
Category C	255,767,047	256,067,047	180,829,896	180,829,896
	\$ 257,122,820	257,577,556	181,725,413	182,054,220

The Corporation's investments are categorized below to give an indicator of the level of custodial credit risk assumed by the Corporation. The risk categories are defined as follows:

**MISSISSIPPI HOME CORPORATION**

Notes to Financial Statements

June 30, 2004 and 2003

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

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

Category 3 - Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the Corporation's name.

A summary of the amortized cost and estimated fair value of investments as of June 30, 2004 and 2003, by category follows:

	<u>2004</u>		<u>2003</u>	
	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
Category 1:				
U. S. Government agency securities	\$ 21,104,405	21,223,558	17,734,904	18,017,415
GNMA mortgage-backed securities	<u>348,234,509</u>	<u>333,292,381</u>	<u>451,014,452</u>	<u>429,060,445</u>
	<u>369,338,914</u>	<u>354,515,939</u>	<u>468,749,356</u>	<u>447,077,860</u>
Category 3:				
Commercial agreements	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 374,338,914</u>	<u>359,515,939</u>	<u>473,749,356</u>	<u>452,077,860</u>

**MISSISSIPPI HOME CORPORATION**

Notes to Financial Statements

June 30, 2004 and 2003

**(3) Bonds and Notes Payable**

Bonds payable for the mortgage purchase programs follow:

Description	Amount	
	2004	2003
1988 series bonds – 7.300% to 7.800% interest payable semiannually, principal due through October 15, 2016	\$ 235,000	1,200,000
1992B series bonds – 6.500% interest payable semiannually, principal due through December 31, 2024	2,710,000	3,630,000
1994A series bonds – 5.000% to 6.900% interest payable semiannually, principal due through June 1, 2024	—	2,630,000
1994B series bonds – 6.000% to 7.900% interest payable semiannually, principal due through March 1, 2024	1,805,000	3,050,000
1994C series bonds – 5.450% to 8.125% interest payable semiannually, principal due through December 1, 2024	—	1,765,000
1994D series bonds – 5.600% to 8.100% interest payable semiannually, principal due through December 1, 2024	1,245,000	2,365,000
1994E series bonds – 5.600% to 8.100% interest payable semiannually, principal due through December 1, 2025	810,000	1,665,000
1994F series bonds – 6.150% to 7.450% interest payable semiannually, principal due through December 1, 2014	1,525,000	2,525,000
1995B series bonds – 6.550% to 7.850% interest payable semiannually, principal due through April 1, 2027	2,955,000	4,420,000
1995D series bonds – 6.520% to 7.800% interest payable semiannually, principal due through November 1, 2027	5,730,000	9,000,000
1995H series bonds 6.250% interest payable semiannually, principal due through December 1, 2026	5,485,000	8,615,000
1995I series bonds – 5.900% interest payable semiannually, principal due through June 1, 2017	455,000	725,000
1995J series bonds – 5.400% to 6.125% interest payable semiannually, principal due through June 1, 2017	5,750,000	8,970,000
1996C series bonds – 5.500% to 7.600% interest payable semiannually, principal due through June 1, 2029	6,370,000	11,210,000
1996F series bonds – 6.000% to 7.550% interest payable semiannually, principal due through December 1, 2027	5,620,000	9,340,000
1996I series bonds – 5.200% to 7.375% interest payable semiannually, principal due through June 1, 2029	4,970,000	7,800,000

**MISSISSIPPI HOME CORPORATION**

Notes to Financial Statements

June 30, 2004 and 2003

(3) Bonds Payable (Continued)

Description	Amount	
	2004	2003
1997C series bonds – 5.550% to 7.750% interest payable semiannually, principal due through July 1, 2028	5,070,000	8,445,000
1997D series bonds – 5.800% to 7.750% interest payable semiannually, principal due through June 1, 2012	6,683,693	10,387,240
1997G series bonds – 5.250% to 6.930% interest payable semiannually, principal due through November 1, 2029	7,593,365	12,361,707
1997H series bonds – 5.350% to 6.830% interest payable semiannually, principal due through November 1, 2029	7,375,879	10,535,073
1998A series bonds – 5.125% to 6.560% interest payable semiannually, principal due through November 1, 2030	11,572,724	18,490,466
1998B series bonds – 5.100% to 6.560% interest payable semiannually, principal due through June 1, 2030	10,800,000	16,040,000
1998C series bonds – 4.900% to 6.350% interest payable semiannually, principal due through December 1, 2030	9,663,295	14,341,578
1999A series bonds – 4.800% to 6.630% interest payable semiannually, principal due through June 1, 2027	15,885,000	24,820,000
1999B series bonds – 4.100% to 5.650% interest payable semiannually, principal due through June 1, 2027	3,370,000	6,145,000
1999B series accretion bonds – effective interest rate 5.800%, principal due through December 1, 2030	1,004,289	948,175
1999C series bonds – 5.450% to 7.260% interest payable semiannually, principal due through June 1, 2031	7,210,000	12,520,000
2000A series bonds – 4.350% to 6.950% interest payable semiannually, principal due through December 1, 2031	18,705,000	34,555,000
2001A series bonds – 3.850% to 6.500% interest payable semiannually, principal due through June 1, 2032	32,555,000	49,320,000
2001B series bonds – 3.100% to 6.750%, interest payable semiannually, principal due through December 1, 2032	16,230,000	22,725,000
2001D series bonds – 2.350% to 6.250% interest payable semiannually, principal due through December 1, 2032	22,400,000	30,815,000
2002A series bonds – 2.100% to 6.100% interest payable semiannually, principal due through December 1, 2033	28,240,000	35,870,000

**MISSISSIPPI HOME CORPORATION**

Notes to Financial Statements

June 30, 2004 and 2003

(3) Bonds Payable (Continued)

Description	Amount	
	2004	2003
2002B series bonds – 2.900% to 6.450% interest payable semiannually, principal due through December 1, 2033	26,655,000	32,955,000
2002 lease purchase series bonds, interest at seven-day commercial paper rate adjusted weekly, 1.180% at June 30, 2004 principal due through October 1, 2007	25,000,000	25,000,000
2002C series bonds – 2.350% to 5.800%, interest payable semiannually, principal due through June 1, 2034	31,215,000	33,650,000
2003A series bonds - 1.50% to 5.35%, interest payable semiannually, principal due through July 1, 2034	14,835,000	—
2004A series bonds - 3.15% to 5.00%, interest payable semiannually, principal due through December 1, 2034	18,130,000	—
2004B series bonds - 2.15% to 5.70%, interest payable semiannually, principal due through December 1, 2035	15,000,000	—
	380,858,245	478,834,239
Unamortized premiums	3,071,089	3,959,265
Total bonds payable, net	\$ 383,929,334	482,793,504

A summary of debt service requirements through 2008 and in five-year increments thereafter is as follows:

Year ending June 30	Principal*	Interest
2005	\$ 2,390,000	21,230,644
2006	2,515,000	20,546,369
2007	2,715,000	20,010,324
2008	27,865,000	19,906,061
2009	2,890,000	19,494,520
<b>Five years ending June 30</b>		
2010 – 2014	14,254,113	95,634,095
2015 – 2019	4,590,000	93,131,759
2020 – 2024	52,380,507	85,471,911
2025 – 2029	55,919,934	71,456,181
2030 – 2034	200,115,000	36,412,495
2035 – 2039	18,605,000	604,552

\*Includes capital appreciation bonds at their final redemption values.

## MISSISSIPPI HOME CORPORATION

### Notes to Financial Statements

June 30, 2004 and 2003

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. 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, 2004 and 2003, the Corporation has complied with all bond covenants.

In October of 2002, the Corporation entered into an agreement to issue up to \$300,000,000 in convertible program notes, secured by U. S. Treasury securities. The notes bear interest at a rate equal to Bond Market Association Municipal Swap Index plus 0.625%. The notes mature on October 3, 2005 or when the \$300,000,000 is exhausted. At June 30, 2004 and 2003, \$190,898,528 and \$110,947,924 were outstanding under this agreement.

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

	<b>Mortgage Revenue Bonds, net</b>	<b>Notes Payable</b>
Balance at July 1, 2002	\$ 591,194,557	58,725,000
Proceeds from issuance	33,986,684	187,046,418
Principal repayments	(141,608,303)	(132,993,007)
Accretion	51,968	—
Premium amortization	(831,402)	—
Balance at June 30, 2003	482,793,504	112,778,411
Proceeds from issuance	48,384,168	103,216,972
Principal repayments	(146,442,108)	(22,628,625)
Accretion	54,984	—
Premium amortization	(861,214)	—
Balance at June 30, 2004	\$ 383,929,334	193,366,758

#### (4) Excess Earnings

For all of the mortgage purchase 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 Internal Revenue Service or to the mortgagors. In certain instances, the bond resolutions require such excess earnings to be paid to the mortgagors. At June 30, 2004, the Corporation determined that an approximate \$300,000 of liability exists for excess earnings in any of the programs; however, this determination is subject to ongoing evaluation.

# MISSISSIPPI HOME CORPORATION

## Notes to Financial Statements

June 30, 2004 and 2003

**(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% 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.

**(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 the granting new loans. Costs incurred by the Corporation for administering the program are not reimbursed to the Corporation.

**(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.

**(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 \$4,080 per loan.

**(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

## MISSISSIPPI HOME CORPORATION

### Notes to Financial Statements

June 30, 2004 and 2003

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, 2004 and 2003, \$25,000,000 in bonds payable was outstanding under this program, and the Corporation had purchased approximately \$686,900 and \$1,896,000 in 2004 and 2003, respectively, of single family residential property. This property is reported in other assets on the Corporation's statement of net assets.

Under the Lease Purchase Program, the Corporation has \$2,468,230 of notes payable with interest rates varying from 4.875% to 6.425%.

#### **(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 Balance Sheets. These accretion bonds that have been defeased totaled approximately \$140,351,000 and \$138,518,000 at June 30, 2004 and 2003, respectively.

#### **(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% 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 year ended June 30, 2004 was approximately \$290,616, which consisted of \$166,584 from the Corporation and \$124,032 from employees, respectively. The Corporation's contribution requirement for the year ended June 30, 2003 was approximately \$289,600 which consisted of \$166,100 from the Corporation and \$123,500 from employees, respectively.

The Corporation's 38 participating employees are an insignificant portion of PERS approximately 310,000 participants.

#### **(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

# MISSISSIPPI HOME CORPORATION

## Notes to Financial Statements

June 30, 2004 and 2003

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.

### **(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, 2004 and 2003, \$73,025,450 and \$76,275,000, 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.

### **(14) Subsequent Events**

On July 21, 2004 the Corporation issued \$20,000,000 in Series 2004 C, Single Family Mortgage Revenue Bonds. These bonds have maturities have maturity dates from December 1, 2005 to December 1, 2035 and bear interest at rates from 2.05% to 5.95%.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2004

Assets	1988 Program	1992B Program	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program	1994F Program
Current assets:								
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	—	—	—	—	—	—	—	—
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	174,971	227,972	—	284,893	—	110,264	74,393	144,741
Total cash and cash equivalents	174,971	227,972	—	284,893	—	110,264	74,393	144,741
Accrued interest receivable	15,322	16,632	—	17,977	—	11,616	8,332	12,089
Total current assets	190,293	244,604	—	302,870	—	121,880	82,725	156,830
Non-current assets:								
Investments, at market value:								
Mortgage-backed securities	2,122,156	3,025,551	—	2,400,033	—	1,833,753	1,294,232	1,768,218
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	2,260	55,672	—	16,077	—	12,667	8,554	15,764
Other assets	141	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total non-current assets	2,124,557	3,081,223	—	2,416,110	—	1,846,420	1,302,786	1,783,982
Total assets	\$ 2,314,850	3,325,827	—	2,718,980	—	1,968,300	1,385,511	1,940,812
<b>Liabilities</b>								
Current liabilities:								
Bonds payable	\$ —	—	—	35,000	—	15,000	10,000	20,000
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	3,858	14,679	—	45,505	—	7,695	5,069	9,380
Total current liabilities	3,858	14,679	—	80,505	—	22,695	15,069	29,380
Non-current liabilities:								
Bonds payable, net of premium or discount and current portion	235,000	2,710,000	—	1,771,861	—	1,239,208	807,099	1,510,130
Notes Payable	—	—	—	—	—	—	—	—
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,000	3,000	—	2,700	—	3,500	3,000	3,000
Total non-current liabilities	238,000	2,713,000	—	1,774,561	—	1,242,708	810,099	1,513,130
Total liabilities	\$ 241,858	2,727,679	—	1,855,066	—	1,265,403	825,168	1,542,510
<b>Net assets</b>								
Restricted	\$ 2,072,992	598,148	—	863,914	—	702,897	560,343	398,302
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 2,072,992	598,148	—	863,914	—	702,897	560,343	398,302

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2004

Assets	<u>1995AB Program</u>	<u>1995CD Program</u>	<u>1995FGH Program</u>	<u>1995IJ Program</u>	<u>1996ABC Program</u>	<u>1996DEF Program</u>	<u>1996GHI Program</u>
Current assets:							
Cash and cash equivalents:							
Cash	\$ —	—	—	—	—	—	—
Restricted cash	—	—	—	—	—	—	—
Cash equivalents	—	—	—	—	—	—	—
Restricted cash equivalents	539,781	494,091	575,928	640,042	446,860	288,170	346,046
Total cash and cash equivalents	539,781	494,091	575,928	640,042	446,860	288,170	346,046
Accrued interest receivable	21,938	40,875	32,967	38,153	43,069	37,517	34,111
Total current assets	561,719	534,966	608,895	678,195	489,929	325,687	380,157
Non-current assets:							
Investments, at market value:							
Mortgage-backed securities	2,826,654	6,127,483	5,373,392	6,215,857	7,162,473	6,267,719	5,720,094
Other investments	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—
Unamortized bond issuance costs	38,649	56,868	62,547	57,196	76,944	58,188	62,335
Other assets	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—
Total non-current assets	2,865,303	6,184,351	5,435,939	6,273,053	7,239,417	6,325,907	5,782,429
Total assets	\$ 3,427,022	6,719,317	6,044,834	6,951,248	7,729,346	6,651,594	6,162,586
<b>Liabilities</b>							
Current liabilities:							
Bonds payable							
Bonds payable	\$ —	—	—	—	—	—	—
Notes payable	—	—	—	—	—	—	—
Accrued interest payable	48,943	62,266	28,568	30,692	40,344	34,125	30,370
Total current liabilities	48,943	62,266	28,568	30,692	40,344	34,125	30,370
Non-current liabilities:							
Bonds payable, net of premium or discount and current portion							
Bonds payable, net of premium or discount and current portion	2,955,000	5,730,000	5,485,000	6,030,000	6,384,294	5,620,000	4,970,000
Notes Payable	—	—	—	—	—	—	—
Deferred gains	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,000	3,000	3,450	3,500	4,000	4,000	3,600
Total non-current liabilities	2,958,000	5,733,000	5,488,450	6,033,500	6,388,294	5,624,000	4,973,600
Total liabilities	\$ 3,006,943	5,795,266	5,517,018	6,064,192	6,428,638	5,658,125	5,003,970
<b>Net assets</b>							
Restricted	\$ 420,079	924,051	527,816	887,056	1,300,708	993,469	1,158,616
Unrestricted	—	—	—	—	—	—	—
Total net assets	\$ 420,079	924,051	527,816	887,056	1,300,708	993,469	1,158,616

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

## Combining Schedule of Net Assets

June 30, 2004

Assets	<u>1997ABC Program</u>	<u>1997D Program</u>	<u>1997G Program</u>	<u>1997H Program</u>	<u>1998A Program</u>	<u>1998B Program</u>	<u>1998C Program</u>	<u>1999A Program</u>
Current assets:								
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	—	—	—	—	—	—	—	—
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	259,239	260,665	125,037	284,780	497,529	273,181	227,662	257,472
Total cash and cash equivalents	259,239	260,665	125,037	284,780	497,529	273,181	227,662	257,472
Accrued interest receivable	34,249	42,381	45,201	43,502	64,199	59,372	52,829	87,489
Total current assets	293,488	303,046	170,238	328,282	561,728	332,553	280,491	344,961
Non-current assets:								
Investments, at market value:								
Mortgage-backed securities	5,696,083	7,268,972	8,160,997	7,853,484	11,978,363	11,300,281	10,118,944	16,713,909
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	75,886	71,781	78,992	79,374	121,050	115,382	103,615	150,738
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total non-current assets	5,771,969	7,340,753	8,239,989	7,932,858	12,099,413	11,415,663	10,222,559	16,864,647
Total assets	\$ 6,065,457	7,643,799	8,410,227	8,261,140	12,661,141	11,748,216	10,503,050	17,209,608
<b>Liabilities</b>								
Current liabilities:								
Bonds payable								
Bonds payable	\$ —	—	—	—	—	—	—	—
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	30,553	38,834	61,966	41,420	62,229	54,795	50,175	84,758
Total current liabilities	30,553	38,834	61,966	41,420	62,229	54,795	50,175	84,758
Non-current liabilities:								
Bonds payable, net of premium or discount and current portion								
Bonds payable, net of premium or discount and current portion	5,147,429	6,763,602	7,651,039	7,463,329	11,667,795	10,933,310	9,746,343	16,065,715
Notes Payable	—	—	—	—	—	—	—	—
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	4,500	3,000	3,000	3,000	3,000	2,500	2,500	2,500
Total non-current liabilities	5,151,929	6,766,602	7,654,039	7,466,329	11,670,795	10,935,810	9,748,843	16,068,215
Total liabilities	\$ 5,182,482	6,805,436	7,716,005	7,507,749	11,733,024	10,990,605	9,799,018	16,152,973
<b>Net assets</b>								
Restricted	\$ 882,975	838,363	694,222	753,391	928,117	757,611	704,032	1,056,635
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 882,975	838,363	694,222	753,391	928,117	757,611	704,032	1,056,635

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2004

Assets	<u>1999B Program</u>	<u>1999C Program</u>	<u>2000A Program</u>	<u>2001A Program</u>	<u>2001B Program</u>	<u>2001D Program</u>	<u>2002A Program</u>
Current assets:							
Cash and cash equivalents:							
Cash	\$ —	—	—	—	—	—	—
Restricted cash	—	—	—	2,655	—	—	—
Cash equivalents	—	—	—	—	—	—	—
Restricted cash equivalents	<u>600,786</u>	<u>200,723</u>	<u>1,834,499</u>	<u>2,185,140</u>	<u>1,123,291</u>	<u>2,132,203</u>	<u>2,299,943</u>
Total cash and cash equivalents	600,786	200,723	1,834,499	2,187,795	1,123,291	2,132,203	2,299,943
Accrued interest receivable	<u>24,622</u>	<u>44,370</u>	<u>106,719</u>	<u>173,382</u>	<u>86,153</u>	<u>116,798</u>	<u>143,465</u>
Total current assets	<u>625,408</u>	<u>245,093</u>	<u>1,941,218</u>	<u>2,361,177</u>	<u>1,209,444</u>	<u>2,249,001</u>	<u>2,443,408</u>
Non-current assets:							
Investments, at market value:							
Mortgage-backed securities	4,224,400	7,654,490	18,856,945	32,877,267	16,108,480	21,660,422	27,113,694
Other investments	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—
Unamortized bond issuance costs	70,420	77,059	272,953	446,551	213,272	284,890	345,336
Other assets	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—
Total non-current assets	<u>4,294,820</u>	<u>7,731,549</u>	<u>19,129,898</u>	<u>33,323,818</u>	<u>16,321,752</u>	<u>21,945,312</u>	<u>27,459,030</u>
Total assets	<u>\$ 4,920,228</u>	<u>7,976,642</u>	<u>21,071,116</u>	<u>35,684,995</u>	<u>17,531,196</u>	<u>24,194,313</u>	<u>29,902,438</u>
<b>Liabilities</b>							
Current liabilities:							
Bonds payable	\$ —	—	—	235,000	280,000	385,000	440,000
Notes payable	—	—	—	—	—	—	—
Accrued interest payable	<u>15,868</u>	<u>37,794</u>	<u>108,333</u>	<u>171,893</u>	<u>79,915</u>	<u>110,182</u>	<u>134,181</u>
Total current liabilities	<u>15,868</u>	<u>37,794</u>	<u>108,333</u>	<u>406,893</u>	<u>359,915</u>	<u>495,182</u>	<u>574,181</u>
Non-current liabilities:							
Bonds payable, net of premium or discount and current portion	4,373,157	7,210,000	19,033,210	32,849,496	16,182,402	22,333,730	28,091,548
Notes Payable	—	—	—	—	—	—	—
Deferred gains	—	—	—	—	—	—	—
Other liabilities and accrued expenses	<u>3,000</u>	<u>3,000</u>	<u>2,501</u>	<u>2,499</u>	<u>2,598</u>	<u>2,596</u>	<u>2,587</u>
Total non-current liabilities	<u>4,376,157</u>	<u>7,213,000</u>	<u>19,035,711</u>	<u>32,851,995</u>	<u>16,185,000</u>	<u>22,336,326</u>	<u>28,094,135</u>
Total liabilities	<u>\$ 4,392,025</u>	<u>7,250,794</u>	<u>19,144,044</u>	<u>33,258,888</u>	<u>16,544,915</u>	<u>22,831,508</u>	<u>28,668,316</u>
<b>Net Assets</b>							
Restricted	528,203	725,848	1,927,072	2,426,107	986,281	1,362,805	1,234,122
Unrestricted	—	—	—	—	—	—	—
Total net assets	<u>\$ 528,203</u>	<u>725,848</u>	<u>1,927,072</u>	<u>2,426,107</u>	<u>986,281</u>	<u>1,362,805</u>	<u>1,234,122</u>

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2004

Assets	2002B Program	2002C Program	2002 Lease Purchase Program	2002-1 Program	2003A Program	2004A Program	2004B Program
Current assets:							
Cash and cash equivalents:							
Cash	\$ —	—	—	—	—	—	—
Restricted cash	—	—	158,523	—	2,300	3,227	15,719
Cash equivalents	—	—	—	—	—	—	—
Restricted cash equivalents	1,915,520	1,438,214	21,804,114	190,936,934	269,722	4,021,362	15,610,000
Total cash and cash equivalents	1,915,520	1,438,214	21,962,637	190,936,934	272,022	4,024,589	15,625,719
Accrued interest receivable	141,522	148,070	52,898	267,207	73,818	72,809	9,155
Total current assets	2,057,042	1,586,284	22,015,535	191,204,141	345,840	4,097,398	15,634,874
Non-current assets:							
Investments, at market value:							
Mortgage-backed securities	26,105,208	30,557,369	2,405,317	—	15,052,740	14,389,529	—
Other investments	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—
Unamortized bond issuance costs	320,907	356,402	246,317	—	170,564	212,228	175,459
Other assets	—	—	2,534,504	—	—	64,226	150,000
Due (to) from other funds	—	—	—	—	—	(47,762)	(300,000)
Total non-current assets	26,426,115	30,913,771	5,186,138	—	15,223,304	14,618,221	25,459
Total assets	\$ 28,483,157	32,500,055	27,201,673	191,204,141	15,569,144	18,715,619	15,660,333
<b>Liabilities</b>							
Current liabilities:							
Bonds payable	\$ 415,000	480,000	—	—	75,000	—	—
Notes payable	—	—	—	—	—	—	—
Accrued interest payable	132,624	134,254	38,572	264,024	50,747	64,442	34,963
Total current liabilities	547,624	614,254	38,572	264,024	125,747	64,442	34,963
Non-current liabilities:							
Bonds payable, net of premium or discount and current portion	26,512,124	31,033,292	25,000,000	—	14,904,221	18,130,000	15,000,000
Notes payable	—	—	2,468,230	190,898,528	—	—	—
Deferred gains	—	—	—	—	—	—	—
Other liabilities and accrued expenses	2,597	3,250	6,025	31,026	3,315	3,315	17,070
Total non-current liabilities	26,514,721	31,036,542	27,474,255	190,929,554	14,907,536	18,133,315	15,017,070
Total liabilities	\$ 27,062,345	31,650,796	27,512,827	191,193,578	15,033,283	18,197,757	15,052,033
<b>Net Assets</b>							
Restricted	1,420,812	849,259	(311,154)	10,563	535,861	517,862	608,300
Unrestricted	—	—	—	—	—	—	—
Total net assets	\$ 1,420,812	849,259	(311,154)	10,563	535,861	517,862	608,300

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2004

Assets	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Current assets:					
Cash and cash equivalents:					
Cash	\$ —	892,085	427,379	36,309	1,355,773
Restricted cash	1,607,688	—	58,640	722,375	2,571,127
Cash equivalents	—	—	289,752	—	289,752
Restricted cash equivalents	—	—	—	—	252,906,168
Total cash and cash equivalents	1,607,688	892,085	775,771	758,684	257,122,820
Accrued interest receivable	1,464	8,500	187,953	15,570	2,434,295
Total current assets	1,609,152	900,585	963,724	774,254	259,557,115
Non-current assets:					
Investments, at market value:					
Mortgage-backed securities	—	—	—	—	348,234,509
Other investments	—	—	26,104,405	—	26,104,405
Mortgage loans receivable, net	246,225	1,701,987	3,156,593	3,608,915	8,713,720
Unamortized bond issuance costs	—	—	—	—	4,512,897
Other assets	246	30,290	3,030,023	5,174,702	10,984,132
Due (to) from other funds	(29,625)	8,481	383,397	(14,491)	—
Total non-current assets	216,846	1,740,758	32,674,418	8,769,126	398,549,663
Total assets	\$ 1,825,998	2,641,343	33,638,142	9,543,380	658,106,778
<b>Liabilities</b>					
Current liabilities:					
Bonds payable	\$ —	—	—	—	2,390,000
Notes payable	—	—	—	—	—
Accrued interest payable	—	—	—	—	2,164,016
Total current liabilities	—	—	—	—	4,554,016
Non-current liabilities:					
Bonds payable, net of premium or discount and current portion	—	—	—	—	381,539,334
Notes payable	—	—	—	—	193,366,758
Deferred gains	—	—	513,734	—	513,734
Other liabilities and accrued expenses	1,581,852	3,025	6,118,397	10,217	7,865,620
Total non-current liabilities	1,581,852	3,025	6,632,131	10,217	583,285,446
Total liabilities	\$ 1,581,852	3,025	6,632,131	10,217	587,839,462
<b>Net Assets</b>					
Restricted	244,146	—	—	9,533,163	40,622,987
Unrestricted	—	2,638,318	27,006,011	—	29,644,329
Total net assets	\$ 244,146	2,638,318	27,006,011	9,533,163	70,267,316

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2004

	<b>1988 Program</b>	<b>1992B Program</b>	<b>1994A Program</b>	<b>1994B Program</b>	<b>1994C Program</b>	<b>1994D Program</b>	<b>1994E Program</b>	<b>1994F Program</b>
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 27,414	7,633	8,293	11,081	9,642	10,390	8,356	11,330
Mortgage-backed securities	171,395	210,321	96,879	213,152	92,519	161,657	120,730	145,555
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—	—
Total interest income	198,809	217,954	105,172	224,233	102,161	172,047	129,086	156,885
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	(33,775)	(44,915)	2,735	(70,393)	1,524	(45,796)	(50,009)	(81,213)
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	—	470	—	246	—	—	—
Total operating revenues	165,034	173,039	108,377	153,840	103,931	126,251	79,077	75,672
Operating expenses:								
Interest expense	55,070	191,533	132,388	180,941	81,790	116,892	84,903	137,790
Amortization of bond issuance costs	9,756	22,552	38,956	12,551	17,386	12,464	9,773	10,780
Trustee and administration fees	228	6,000	1,000	1,000	1,000	1,000	1,000	2,000
Mortgage related insurance	1,044	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	3,020	2,770	255,648	2,770	234,111	2,770	2,770	2,770
Total operating expenses	69,118	222,855	427,992	197,262	334,287	133,126	98,446	153,340
Operating income (loss)	95,916	(49,816)	(319,615)	(43,422)	(230,356)	(6,875)	(19,369)	(77,668)
Transfers in (out)	2,648	(8,049)	(198,412)	5,262	(449,288)	(795)	(3,316)	(810)
Net assets, beginning of year	1,974,428	656,013	518,027	902,074	679,644	710,567	583,028	476,780
Net assets, end of year	\$ 2,072,992	598,148	—	863,914	—	702,897	560,343	398,302

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2004

	<b>1995AB Program</b>	<b>1995CD Program</b>	<b>1995FGH Program</b>	<b>1995IJ Program</b>	<b>1996ABC Program</b>	<b>1996DEF Program</b>	<b>1996GHI Program</b>
Operating revenues:							
Interest income:							
Cash and cash equivalents	\$ 33,004	39,486	26,264	34,181	44,683	39,692	27,532
Mortgage-backed securities	216,007	466,692	392,305	454,314	617,920	507,332	456,309
Other investments	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—
Total interest income	249,011	506,178	418,569	488,495	662,603	547,024	483,841
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	(48,223)	(129,251)	(128,743)	(158,300)	(180,053)	(102,466)	(41,868)
Realized (loss) gain on investment	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—
Other income	—	—	2,040	2,633	—	—	—
Total operating revenues	200,788	376,927	291,866	332,828	482,550	444,558	441,973
Operating expenses:							
Interest expense	235,104	465,066	425,260	467,193	630,520	515,543	440,994
Amortization of bond issuance costs	21,702	36,281	40,075	38,982	63,897	43,101	39,585
Trustee and administration fees	1,175	2,213	1,255	1,380	1,658	1,370	1,179
Mortgage related insurance	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—
Administrative expenses:							
Salaries and related benefits	—	—	—	—	—	—	—
Other	2,770	3,020	7,940	2,770	2,770	2,770	2,770
Total operating expenses	260,751	506,580	474,530	510,325	698,845	562,784	484,528
Operating income (loss)	(59,963)	(129,653)	(182,664)	(177,497)	(216,295)	(118,226)	(42,555)
Transfers in (out)	(3,095)	(9,333)	(1,050)	(7,118)	(9,958)	(12,589)	(19,990)
Net assets, beginning of year	483,137	1,063,037	711,530	1,071,671	1,526,961	1,124,284	1,221,161
Net assets, end of year	\$ 420,079	924,051	527,816	887,056	1,300,708	993,469	1,158,616

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2004

	<b>1997ABC Program</b>	<b>1997D Program</b>	<b>1997G Program</b>	<b>1997H Program</b>	<b>1998A Program</b>	<b>1998B Program</b>	<b>1998C Program</b>	<b>1999A Program</b>
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 32,060	4,974	9,506	8,338	13,376	85,688	7,393	124,485
Mortgage-backed securities	460,651	592,644	639,481	614,880	955,718	817,151	732,139	1,243,389
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—	—
Total interest income	492,711	597,618	648,987	623,218	969,094	902,839	739,532	1,367,874
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	(90,094)	(71,969)	(129,513)	(50,650)	(279,087)	(271,141)	(237,983)	(444,873)
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	1,739	—	—	—	—	—	—
Total operating revenues	402,617	527,388	519,474	572,568	690,007	631,698	501,549	923,001
Operating expenses:								
Interest expense	398,135	519,822	589,439	573,358	854,465	817,754	668,814	1,284,592
Amortization of bond issuance costs	55,800	43,390	54,142	31,434	79,625	50,413	48,886	84,038
Trustee and administration fees	1,548	1,833	1,797	1,659	2,695	2,923	2,159	4,442
Mortgage related insurance	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	2,770	3,020	3,020	3,020	3,020	3,020	3,020	2,770
Total operating expenses	458,253	568,065	648,398	609,471	939,805	874,110	722,879	1,375,842
Operating income (loss)	(55,636)	(40,677)	(128,924)	(36,903)	(249,798)	(242,412)	(221,330)	(452,841)
Transfers in (out)	(25,711)	(35,595)	(35,374)	(31,743)	(60,086)	(48,921)	(27,291)	(24,546)
Net assets, beginning of year	964,322	914,635	858,520	822,037	1,238,001	1,048,944	952,653	1,534,022
Net assets, end of year	\$ 882,975	838,363	694,222	753,391	928,117	757,611	704,032	1,056,635

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2004

	<b>1999B Program</b>	<b>1999C Program</b>	<b>2000A Program</b>	<b>2001A Program</b>	<b>2001B Program</b>	<b>2001D Program</b>	<b>2002A Program</b>
Operating revenues:							
Interest income:							
Cash and cash equivalents	\$ 23,945	91,311	213,128	159,306	68,406	80,618	88,550
Mortgage-backed securities	280,615	487,221	1,522,002	2,327,372	1,153,364	1,553,112	1,870,498
Other investments	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—
Total interest income	304,560	578,532	1,735,130	2,486,678	1,221,770	1,633,730	1,959,048
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	(55,778)	10,397	(603,340)	(925,543)	(420,481)	(572,414)	(659,871)
Realized (loss) gain on investment	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—
Total operating revenues	248,782	588,929	1,131,790	1,561,135	801,289	1,061,316	1,299,177
Operating expenses:							
Interest expense	312,882	648,729	1,574,834	2,355,499	1,105,427	1,440,015	1,750,481
Amortization of bond issuance costs	24,280	59,390	157,936	128,745	55,973	71,536	70,484
Trustee and administration fees	1,633	2,156	3,778	3,133	2,875	3,900	4,745
Mortgage related insurance	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—
Administrative expenses:							
Salaries and related benefits	—	—	—	—	—	—	—
Other	3,020	3,020	28,053	5,270	4,410	4,020	4,770
Total operating expenses	341,815	713,295	1,764,601	2,492,647	1,168,685	1,519,471	1,830,480
Operating income (loss)	(93,033)	(124,366)	(632,811)	(931,512)	(367,396)	(458,155)	(531,303)
Transfers in (out)	(70,995)	(119,442)	(41,844)	(77,453)	(41,753)	(45,051)	(69,504)
Net assets, beginning of year	692,231	969,656	2,601,727	3,435,072	1,395,430	1,866,011	1,834,929
Net assets, end of year	\$ 528,203	725,848	1,927,072	2,426,107	986,281	1,362,805	1,234,122

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2004

	<b>2002B Program</b>	<b>2002C Program</b>	<b>2002 Lease Purchase Program</b>	<b>2002-1 Program</b>	<b>2003A Program</b>	<b>2004A Program</b>	<b>2004B Program</b>
Operating revenues:							
Interest income:							
Cash and cash equivalents	\$ 61,163	39,358	434,231	2,579,935	59,651	40,494	9,155
Mortgage-backed securities	1,857,081	1,733,843	92,139	—	407,715	166,107	—
Other investments	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—
Total interest income	1,918,244	1,773,201	526,370	2,579,935	467,366	206,601	9,155
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	(409,269)	(372,652)	(38,138)	—	280,916	(188,171)	—
Realized (loss) gain on investment	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—
Other income	—	—	248,241	—	—	—	—
Total operating revenues	1,508,975	1,400,549	736,473	2,579,935	748,282	18,430	9,155
Operating expenses:							
Interest expense	1,719,881	1,699,648	392,008	2,567,900	537,390	252,130	34,963
Amortization of bond issuance costs	56,018	35,803	75,790	—	7,611	3,432	296
Trustee and administration fees	4,422	4,840	7,500	3,999	2,250	1,368	2,181
Mortgage related insurance	—	—	68,079	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—
Administrative expenses:							
Salaries and related benefits	—	—	—	—	—	—	—
Other	3,270	4,250	381,274	3,250	3,315	3,315	3,492
Total operating expenses	1,783,591	1,744,541	924,651	2,575,149	550,566	260,245	40,932
Operating income (loss)	(274,616)	(343,992)	(188,178)	4,786	197,716	(241,815)	(31,777)
Transfers in (out)	(29,629)	(92,006)	2,023	7,250	338,145	759,677	640,077
Net assets, beginning of year	1,725,057	1,285,257	(124,999)	(1,473)	—	—	—
Net assets, end of year	\$ 1,420,812	849,259	(311,154)	10,563	535,861	517,862	608,300

See independent auditors' report.

**MISSISSIPPI HOME CORPORATION**

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2004

	<b>HB530 Program</b>	<b>Down Payment Assistance Program</b>	<b>General Corporate Fund</b>	<b>Mississippi Affordable Housing Development Fund</b>	<b>Total</b>
Operating revenues:					
Interest income:					
Cash and cash equivalents	\$ —	672	12,168	1,152	4,588,044
Mortgage-backed securities	—	—	25,483	—	23,855,692
Other investments	—	—	1,915,220	—	1,915,220
Mortgage loans receivable	14,424	165,996	—	239,301	419,721
Total interest income	14,424	166,668	1,952,871	240,453	30,778,677
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	—	—	163,357	—	(6,477,043)
Realized (loss) gain on investment	—	—	(410,541)	—	(410,541)
Reservation fees	—	—	233,795	—	233,795
Low income housing tax credit program	—	—	1,530,443	—	1,530,443
Other income	656	5,137	605,164	73,909	940,235
Total operating revenues	15,080	171,805	4,075,089	314,362	26,595,566
Operating expenses:					
Interest expense	9,990	—	—	—	26,269,143
Amortization of bond issuance costs	—	—	—	—	1,612,863
Trustee and administration fees	—	—	—	—	91,294
Mortgage related insurance	—	—	—	—	69,123
Losses on mortgage loans	—	57,218	—	76,117	133,335
Administrative expenses:					
Salaries and related benefits	—	—	2,154,205	—	2,154,205
Other	3,444	11,270	1,537,410	46,257	2,608,209
Total operating expenses	13,434	68,488	3,691,615	122,374	32,938,172
Operating income (loss)	1,646	103,317	383,474	191,988	(6,342,606)
Transfers in (out)	199,353	2,259	(358,261)	2,314	—
Net assets, beginning of year	43,147	2,532,742	26,980,798	9,338,861	76,609,922
Net assets, end of year	\$ 244,146	2,638,318	27,006,011	9,533,163	70,267,316

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	1988 Program	1992B Program	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program	1994F Program
Cash flows from operating activities:								
Loan principal payments received	\$ —	—	—	—	—	—	—	—
Proceeds from sale of loans	—	—	—	—	—	—	—	—
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(3,731)	(8,770)	(92,320)	(3,770)	(56,370)	(3,770)	(3,770)	(22,836)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	470	—	246	—	—	—
Net cash provided (used) by operating activities	(3,731)	(8,770)	(91,850)	(3,770)	(56,124)	(3,770)	(3,770)	(22,836)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(965,000)	(920,000)	(2,630,000)	(1,245,000)	(1,765,000)	(1,120,000)	(855,000)	(1,000,000)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(70,888)	(196,517)	(147,101)	(213,783)	(111,544)	(132,706)	(98,283)	(147,546)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided (used) by noncapital financing activities	(1,035,888)	(1,116,517)	(2,777,101)	(1,458,783)	(1,876,544)	(1,252,706)	(953,283)	(1,147,546)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided (used) by capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	639,688	744,768	2,668,140	1,242,103	2,086,121	798,317	814,139	915,867
Interest received on investments	204,297	222,587	121,322	234,182	116,759	178,389	134,549	181,748
Net cash provided (used) by investing activities	843,985	967,355	2,789,462	1,476,285	2,202,880	976,706	948,688	1,097,615
Transfers	2,648	(8,049)	(198,412)	5,262	(449,288)	(795)	(3,316)	(810)
Net increase (decrease) in cash and cash equivalents	(192,986)	(165,981)	(277,901)	18,994	(179,076)	(280,565)	(11,681)	(73,577)
Cash and cash equivalents, beginning of year	367,957	393,953	277,901	265,899	179,076	390,829	86,074	218,318
Cash and cash equivalents, end of year	\$ 174,971	227,972	—	284,893	—	110,264	74,393	144,741

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	1988 Program	1992B Program	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program	1994F Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 95,916	(49,816)	(319,615)	(43,422)	(230,356)	(6,875)	(19,369)	(77,668)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Interest paid	70,888	196,517	147,101	213,783	111,544	132,706	98,283	147,546
Amortization of bond issuance costs	9,756	22,552	38,956	12,551	17,386	12,464	9,773	10,780
Amortization of bond premium	—	—	—	(1,440)	(18,742)	(8,926)	(8,051)	(3,598)
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	33,775	44,915	(2,735)	70,393	(1,524)	45,796	50,009	81,213
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Loss (gain) on early extinguishment of debt	—	—	164,328	—	178,742	—	—	—
Interest received on investments	(204,297)	(222,587)	(121,322)	(234,182)	(116,759)	(178,389)	(134,549)	(181,748)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	5,488	4,632	16,150	9,947	14,598	6,342	5,463	6,798
(Increase) decrease in other assets	560	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(15,817)	(4,983)	(14,713)	(31,400)	(11,013)	(6,888)	(5,329)	(6,159)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	—	—	—	—	—	—	—	—
Total adjustments	(99,647)	41,046	227,765	39,652	174,232	3,105	15,599	54,832
Net cash provided (used) by operating activities	\$ (3,731)	(8,770)	(91,850)	(3,770)	(56,124)	(3,770)	(3,770)	(22,836)

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program	1996GHI Program
Cash flows from operating activities:							
Loan principal payments received	\$ —	—	—	—	—	—	—
Proceeds from sale of loans	—	—	—	—	—	—	—
Loan interest payments received	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—
Payments to vendors	(30,783)	(65,760)	(80,410)	(92,089)	(4,428)	(4,140)	(3,949)
Fee income received	—	—	—	—	—	—	—
Other income received	—	—	2,040	2,631	—	—	—
Net cash provided (used) by operating activities	<u>(30,783)</u>	<u>(65,760)</u>	<u>(78,370)</u>	<u>(89,458)</u>	<u>(4,428)</u>	<u>(4,140)</u>	<u>(3,949)</u>
Cash flows from noncapital financing activities:							
Proceeds from issuance of bonds	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—
Principal repayment of bonds	(1,465,000)	(3,270,000)	(3,130,000)	(3,665,000)	(4,840,000)	(3,720,000)	(2,830,000)
Principal repayment of notes	—	—	—	—	—	—	—
Interest paid	(259,369)	(500,600)	(441,563)	(485,849)	(673,043)	(538,147)	(458,387)
Bond issuance costs paid	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—
Net cash provided (used) by noncapital financing activities	<u>(1,724,369)</u>	<u>(3,770,600)</u>	<u>(3,571,563)</u>	<u>(4,150,849)</u>	<u>(5,513,043)</u>	<u>(4,258,147)</u>	<u>(3,288,387)</u>
Cash flows from capital and related financing activities:							
Property and equipment additions	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—
Principal repayment of notes	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—
Net cash provided (used) by capital and related financing activities	<u>—</u>						
Cash flows from investing activities:							
Purchase of investments	—	—	—	—	—	—	—
Redemption of investments	1,166,246	2,829,965	3,029,630	3,617,012	4,228,010	3,186,192	2,089,853
Interest received on investments	286,686	588,564	508,901	598,949	691,587	568,485	499,168
Net cash provided (used) by investing activities	<u>1,452,932</u>	<u>3,418,529</u>	<u>3,538,531</u>	<u>4,215,961</u>	<u>4,919,597</u>	<u>3,754,677</u>	<u>2,589,021</u>
Transfers	(3,095)	(9,333)	(1,050)	(7,118)	(9,958)	(12,589)	(19,990)
Net increase (decrease) in cash and cash equivalents	<u>(305,315)</u>	<u>(427,164)</u>	<u>(112,452)</u>	<u>(31,464)</u>	<u>(607,832)</u>	<u>(520,199)</u>	<u>(723,305)</u>
Cash and cash equivalents, beginning of year	845,096	921,255	688,380	671,506	1,054,692	808,369	1,069,351
Cash and cash equivalents, end of year	<u>\$ 539,781</u>	<u>494,091</u>	<u>575,928</u>	<u>640,042</u>	<u>446,860</u>	<u>288,170</u>	<u>346,046</u>

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	<u>1995AB Program</u>	<u>1995CD Program</u>	<u>1995FGH Program</u>	<u>1995IJ Program</u>	<u>1996ABC Program</u>	<u>1996DEF Program</u>	<u>1996GHI Program</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (59,963)	(129,653)	(182,664)	(177,497)	(216,295)	(118,226)	(42,555)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Interest paid	259,369	500,600	441,563	485,849	673,043	538,147	458,387
Amortization of bond issuance costs	21,702	36,281	40,075	38,982	63,897	43,101	39,585
Amortization of bond premium	—	—	—	—	(11,870)	—	—
Accretion of bond discount	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	48,223	129,251	128,743	158,300	180,053	102,466	41,868
Realized (gain) loss on investments	—	—	—	—	—	—	—
Loss (gain) on early extinguishment of debt	—	—	—	—	—	—	—
Interest received on investments	(286,686)	(588,564)	(508,901)	(598,949)	(691,587)	(568,485)	(499,168)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	10,836	21,860	19,116	22,513	28,985	21,461	15,327
(Increase) decrease in other assets	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(24,264)	(35,535)	(16,302)	(18,656)	(30,654)	(22,604)	(17,393)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	—	—	—	—	—	—	—
Total adjustments	<u>29,180</u>	<u>63,893</u>	<u>104,294</u>	<u>88,039</u>	<u>211,867</u>	<u>114,086</u>	<u>38,606</u>
Net cash provided (used) by operating activities	<u>\$ (30,783)</u>	<u>(65,760)</u>	<u>(78,370)</u>	<u>(89,458)</u>	<u>(4,428)</u>	<u>(4,140)</u>	<u>(3,949)</u>

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
Cash flows from operating activities:								
Loan principal payments received	\$ —	—	—	—	—	—	—	—
Proceeds from sale of loans	—	—	—	—	—	—	—	—
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(4,318)	(4,853)	(4,816)	(4,679)	(5,715)	(5,943)	(5,180)	(7,212)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	(4,318)	(4,853)	(4,816)	(4,679)	(5,715)	(5,943)	(5,180)	(7,212)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(3,375,000)	(3,703,548)	(4,768,342)	(3,159,194)	(6,917,741)	(5,240,000)	(4,678,284)	(8,935,000)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(475,320)	(575,456)	(673,502)	(604,720)	(967,032)	(883,819)	(740,442)	(1,418,680)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided (used) by noncapital financing activities	(3,850,320)	(4,279,004)	(5,441,844)	(3,763,914)	(7,884,773)	(6,123,819)	(5,418,726)	(10,353,680)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided (used) by capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	2,895,705	3,317,732	4,461,797	2,968,117	6,509,237	5,146,572	4,527,595	8,424,182
Interest received on investments	512,387	618,865	675,385	640,780	1,005,978	930,472	764,399	1,415,075
Net cash provided (used) by investing activities	3,408,092	3,936,597	5,137,182	3,608,897	7,515,215	6,077,044	5,291,994	9,839,257
Transfers	(25,711)	(35,595)	(35,374)	(31,743)	(60,086)	(48,921)	(27,291)	(24,546)
Net increase (decrease) in cash and cash equivalents	(472,257)	(382,855)	(344,852)	(191,439)	(435,359)	(101,639)	(159,203)	(546,181)
Cash and cash equivalents, beginning of year	731,496	643,520	469,889	476,219	932,888	374,820	386,865	803,653
Cash and cash equivalents, end of year	\$ 259,239	260,665	125,037	284,780	497,529	273,181	227,662	257,472

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (55,636)	(40,677)	(128,924)	(36,903)	(249,798)	(242,412)	(221,330)	(452,841)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Interest paid	475,320	575,456	673,502	604,720	967,032	883,819	740,442	1,418,680
Amortization of bond issuance costs	55,800	43,390	54,142	31,434	79,625	50,413	48,886	84,038
Amortization of bond premium	(56,935)	(34,130)	(43,424)	(13,442)	(75,615)	(40,153)	(47,781)	(86,934)
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	90,094	71,969	129,513	50,650	279,087	271,141	237,983	444,873
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Loss (gain) on early extinguishment of debt	—	—	—	—	—	—	—	—
Interest received on investments	(512,387)	(618,865)	(675,385)	(640,780)	(1,005,978)	(930,472)	(764,399)	(1,415,075)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	19,676	21,247	26,400	17,561	36,885	27,633	24,867	47,200
(Increase) decrease in other assets	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(20,250)	(21,504)	(40,640)	(17,919)	(36,953)	(25,912)	(23,848)	(47,153)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	—	(1,739)	—	—	—	—	—	—
Total adjustments	51,318	35,824	124,108	32,224	244,083	236,469	216,150	445,629
Net cash provided (used) by operating activities	\$ (4,318)	(4,853)	(4,816)	(4,679)	(5,715)	(5,943)	(5,180)	(7,212)

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Cash flows from operating activities:							
Loan principal payments received	\$ —	—	—	—	—	—	—
Proceeds from sale of loans	—	—	—	—	—	—	—
Loan interest payments received	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	(9,515)
Payments to vendors	(4,651)	(5,176)	(31,830)	(8,403)	(7,286)	(7,919)	—
Fee income received	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	13,161
Net cash provided (used) by operating activities	<u>(4,651)</u>	<u>(5,176)</u>	<u>(31,830)</u>	<u>(8,403)</u>	<u>(7,286)</u>	<u>(7,919)</u>	<u>3,646</u>
Cash flows from noncapital financing activities:							
Proceeds from issuance of bonds	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—
Principal repayment of bonds	(2,775,000)	(5,310,000)	(15,850,000)	(16,765,000)	(6,495,000)	(8,415,000)	(7,630,000)
Principal repayment of notes	—	—	—	—	—	—	—
Interest paid	(270,314)	(676,418)	(1,820,377)	(2,439,680)	(1,526,598)	(1,553,404)	(1,840,703)
Bond issuance costs paid	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	(13,161)
Net cash provided (used) by noncapital financing activities	<u>(3,045,314)</u>	<u>(5,986,418)</u>	<u>(17,670,377)</u>	<u>(19,204,680)</u>	<u>(8,021,598)</u>	<u>(9,968,404)</u>	<u>(9,483,864)</u>
Cash flows from capital and related financing activities:							
Property and equipment additions	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—
Principal repayment of notes	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—
Net cash provided (used) by capital and related financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash flows from investing activities:							
Purchase of investments	—	—	—	—	—	—	—
Redemption of investments	3,094,858	4,665,017	13,657,366	15,285,404	6,683,304	8,707,273	8,443,351
Interest received on investments	399,086	748,439	1,836,405	2,571,098	1,257,264	1,676,579	1,998,735
Net cash provided (used) by investing activities	<u>3,493,944</u>	<u>5,413,456</u>	<u>15,493,771</u>	<u>17,856,502</u>	<u>7,940,568</u>	<u>10,383,852</u>	<u>10,442,086</u>
Transfers	<u>(70,995)</u>	<u>(119,442)</u>	<u>(41,844)</u>	<u>(77,453)</u>	<u>(41,753)</u>	<u>(45,051)</u>	<u>(69,504)</u>
Net increase (decrease) in cash and cash equivalents	<u>372,984</u>	<u>(697,580)</u>	<u>(2,250,280)</u>	<u>(1,434,034)</u>	<u>(130,069)</u>	<u>362,478</u>	<u>892,364</u>
Cash and cash equivalents, beginning of year	<u>227,802</u>	<u>898,303</u>	<u>4,084,779</u>	<u>3,621,829</u>	<u>1,253,360</u>	<u>1,769,725</u>	<u>1,407,579</u>
Cash and cash equivalents, end of year	\$ <u>600,786</u>	<u>200,723</u>	<u>1,834,499</u>	<u>2,187,795</u>	<u>1,123,291</u>	<u>2,132,203</u>	<u>2,299,943</u>

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	<b>1999B Program</b>	<b>1999C Program</b>	<b>2000A Program</b>	<b>2001A Program</b>	<b>2001B Program</b>	<b>2001D Program</b>	<b>2002A Program</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (93,033)	(124,366)	(632,811)	(931,512)	(367,396)	(458,155)	(531,303)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Interest paid	270,314	676,418	1,820,377	2,439,680	1,526,598	1,553,404	1,840,703
Amortization of bond issuance costs	24,280	59,390	157,936	128,745	55,973	71,536	70,484
Amortization of bond premium	—	—	(166,194)	(18,968)	(8,178)	(78,465)	(57,417)
Accretion of bond discount	54,983	—	—	—	—	—	—
Amortization of investment (discount) premium	77,754	140,289	—	—	—	—	—
Net (increase) decrease in fair value of investments	55,778	(10,397)	603,340	925,543	420,481	572,414	659,871
Realized (gain) loss on investments	—	—	—	—	—	—	—
Loss (gain) on early extinguishment of debt	—	—	—	—	—	—	—
Interest received on investments	(399,086)	(748,439)	(1,836,405)	(2,571,098)	(1,257,264)	(1,676,579)	(1,998,735)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	16,773	29,618	101,276	84,420	35,494	42,849	39,687
(Increase) decrease in other assets	—	—	—	—	—	—	13,161
Increase (decrease) in accrued interest payable	(12,414)	(27,689)	(79,349)	(65,213)	(412,994)	(34,923)	(32,805)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	—	—	—	—	—	—	—
Total adjustments	88,382	119,190	600,981	923,109	360,110	450,236	534,949
Net cash provided (used) by operating activities	\$ (4,651)	(5,176)	(31,830)	(8,403)	(7,286)	(7,919)	3,646

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	<b>2002B Program</b>	<b>2002C Program</b>	<b>2002 Lease Purchase Program</b>	<b>2002-1 Program</b>	<b>2003A Program</b>	<b>2004A Program</b>	<b>2004B Program</b>
Cash flows from operating activities:							
Loan principal payments received	\$ —	—	—	—	—	—	—
Proceeds from sale of loans	—	—	—	—	—	(258,125)	—
Loan interest payments received	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—
Payments to vendors	(8,192)	(35,326)	(364,071)	(7,250)	(2,250)	(1,368)	(2,358)
Fee income received	—	—	—	—	—	—	—
Other income received	—	—	248,241	—	—	—	13,755
Net cash provided (used) by operating activities	<u>(8,192)</u>	<u>(35,326)</u>	<u>(115,830)</u>	<u>(7,250)</u>	<u>(2,250)</u>	<u>(259,493)</u>	<u>11,397</u>
Cash flows from noncapital financing activities:							
Proceeds from issuance of bonds	—	—	—	—	15,149,168	18,235,000	15,000,000
Proceeds from issuance of notes	—	—	—	102,550,679	—	—	—
Principal repayment of bonds	(6,300,000)	(2,435,000)	—	—	(165,000)	(105,000)	—
Principal repayment of notes	—	—	—	(22,600,075)	—	—	—
Interest paid	(1,792,291)	(1,688,817)	(268,811)	(2,451,315)	(491,590)	(195,866)	—
Bond issuance costs paid	—	—	—	—	(178,175)	(215,660)	(175,755)
Due (from) to other programs	—	(385,890)	(58,076)	—	—	47,762	300,000
Net cash provided (used) by noncapital financing activities	<u>(8,092,291)</u>	<u>(4,509,707)</u>	<u>(326,887)</u>	<u>77,499,289</u>	<u>14,314,403</u>	<u>17,766,236</u>	<u>15,124,245</u>
Cash flows from capital and related financing activities:							
Property and equipment additions	—	—	(686,900)	—	—	—	—
Proceeds from issuance of notes	—	—	666,293	—	—	—	—
Principal repayment of notes	—	—	(28,550)	—	—	—	—
Interest paid	—	—	(116,760)	—	—	—	—
Net cash provided (used) by capital and related financing activities	<u>—</u>	<u>—</u>	<u>(165,917)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash flows from investing activities:							
Purchase of investments	—	(12,784,440)	(1,405,615)	—	(14,949,832)	(14,564,654)	(150,000)
Redemption of investments	7,667,695	2,509,741	90,936	—	178,008	180,850	—
Interest received on investments	1,944,544	1,746,653	521,827	2,479,091	393,548	141,973	—
Net cash provided (used) by investing activities	<u>9,612,239</u>	<u>(8,528,046)</u>	<u>(792,852)</u>	<u>2,479,091</u>	<u>(14,378,276)</u>	<u>(14,241,831)</u>	<u>(150,000)</u>
Transfers	<u>(29,629)</u>	<u>(92,006)</u>	<u>2,023</u>	<u>7,250</u>	<u>338,145</u>	<u>759,677</u>	<u>640,077</u>
Net increase (decrease) in cash and cash equivalents	1,482,127	(13,165,085)	(1,399,463)	79,978,380	272,022	4,024,589	15,625,719
Cash and cash equivalents, beginning of year	433,393	14,603,299	23,362,100	110,958,554	—	—	—
Cash and cash equivalents, end of year	<u>\$ 1,915,520</u>	<u>1,438,214</u>	<u>21,962,637</u>	<u>190,936,934</u>	<u>272,022</u>	<u>4,024,589</u>	<u>15,625,719</u>

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	<b>2002B Program</b>	<b>2002C Program</b>	<b>2002 Lease Purchase Program</b>	<b>2002-I Program</b>	<b>2003A Program</b>	<b>2004A Program</b>	<b>2004B Program</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Net income (loss)	\$ (274,616)	(343,992)	(188,178)	4,786	197,716	(241,815)	(31,777)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:							
Interest paid	1,792,291	1,688,817	385,571	2,451,315	491,590	195,866	—
Amortization of bond issuance costs	56,018	35,803	75,790	—	7,611	3,432	296
Amortization of bond discount (premium)	(46,643)	(29,361)	—	—	(4,947)	—	—
Accretion of bond discount	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	(193,898)	—
Net (increase) decrease in fair value of investments	409,269	372,652	38,138	—	(280,916)	188,171	—
Realized (gain) loss on investments	—	—	—	—	—	—	—
Loss (gain) on early extinguishment of debt	—	—	—	—	—	—	—
Interest received on investments	(1,944,544)	(1,746,653)	(521,827)	(2,479,091)	(393,548)	(141,973)	—
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	26,300	(26,548)	(4,542)	(117,991)	(73,818)	(72,809)	(9,155)
(Increase) decrease in other assets	—	—	92,454	—	—	(64,227)	—
Increase (decrease) in accrued interest payable	(25,767)	40,191	6,436	116,585	50,747	64,444	34,963
Increase (decrease) in deferred gains	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	(500)	(26,235)	328	17,146	3,315	3,316	17,070
Total adjustments	266,424	308,666	72,348	(12,036)	(199,966)	(17,678)	43,174
Net cash provided (used) by operating activities	\$ (8,192)	(35,326)	(115,830)	(7,250)	(2,250)	(259,493)	11,397

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	<b>HB530 Program</b>	<b>Down Payment Assistance Program</b>	<b>General Corporate Program</b>	<b>Mississippi Affordable Housing Development Program</b>	<b>Total</b>
Cash flows from operating activities:					
Loan principal payments received	\$ —	630,824	234,237	1,854,413	2,719,474
Proceeds from sale of loans	—	—	—	—	(258,125)
Loan interest payments received	13,679	170,538	—	247,759	431,976
Loan disbursements	(239,835)	(232,156)	(710,840)	(1,655,675)	(2,838,506)
Payments to employees	—	—	(2,169,347)	—	(2,178,862)
Payments to vendors	(919,297)	(27,671)	(1,239,745)	(40,615)	(3,233,020)
Fee income received	—	10,353	2,703,888	24,368	2,738,609
Other income received	2,118,373	672	605,164	—	3,004,753
Net cash provided (used) by operating activities	<u>972,920</u>	<u>552,560</u>	<u>(576,643)</u>	<u>430,250</u>	<u>386,299</u>
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	—	—	—	—	48,384,168
Proceeds from issuance of notes	—	—	—	—	102,550,679
Principal repayment of bonds	—	—	—	—	(146,442,109)
Principal repayment of notes	—	—	—	—	(22,600,075)
Interest paid	—	—	—	—	(27,830,481)
Bond issuance costs paid	—	—	—	—	(569,590)
Due (from) to other programs	29,625	(1,369)	75,484	5,625	—
Net cash provided (used) by noncapital financing activities	<u>29,625</u>	<u>(1,369)</u>	<u>75,484</u>	<u>5,625</u>	<u>(46,507,408)</u>
Cash flows from capital and related financing activities:					
Property and equipment additions	—	—	(191,775)	—	(878,675)
Proceeds from issuance of notes	—	—	—	—	666,293
Principal repayment of notes	—	—	—	—	(28,550)
Interest paid	—	—	—	—	(116,760)
Net cash provided (used) by capital and related financing activities	<u>—</u>	<u>—</u>	<u>(191,775)</u>	<u>—</u>	<u>(357,692)</u>
Cash flows from investing activities:					
Purchase of investments	—	—	(27,037,713)	(1,774,735)	(72,666,989)
Redemption of investments	—	—	23,219,425	1,279,168	163,969,384
Interest received on investments	—	—	1,157,905	1,152	30,573,813
Net cash provided (used) by investing activities	<u>—</u>	<u>—</u>	<u>(2,660,383)</u>	<u>(494,415)</u>	<u>121,876,208</u>
Transfers	199,353	2,259	(358,261)	2,314	—
Net increase (decrease) in cash and cash equivalents	<u>1,201,898</u>	<u>553,450</u>	<u>(3,711,578)</u>	<u>(56,226)</u>	<u>75,397,407</u>
Cash and cash equivalents, beginning of year	405,790	338,635	4,487,349	814,910	181,725,413
Cash and cash equivalents, end of year	<u>\$ 1,607,688</u>	<u>892,085</u>	<u>775,771</u>	<u>758,684</u>	<u>257,122,820</u>

See independent auditors' report.

## MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the year ended June 30, 2004

	HB530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Net income (loss)	\$ 1,646	103,317	383,474	191,988	(6,342,606)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Interest paid	—	—	—	—	27,947,241
Amortization of bond issuance costs	—	—	—	—	1,612,863
Amortization of bond discount (premium)	—	—	—	—	(861,214)
Accretion of bond discount	—	—	—	—	54,983
Amortization of investment (discount) premium	—	—	201,601	—	225,746
Net (increase) decrease in fair value of investments	—	—	(163,357)	—	6,477,043
Realized (gain) loss on investments	—	—	410,541	—	410,541
Loss (gain) on early extinguishment of debt	—	—	—	—	343,070
Interest received on investments	—	—	(1,157,905)	(1,152)	(30,573,813)
(Increase) decrease in mortgage loans receivable, net	(229,836)	446,197	(476,604)	225,748	(34,495)
(Increase) decrease in accrued interest receivable	(1,400)	4,542	36,246	8,458	550,385
(Increase) decrease in other assets	(210)	(1,505)	307,564	(434)	347,363
Increase (decrease) in accrued interest payable	—	—	—	—	(873,677)
Increase (decrease) in deferred gains	—	—	(1,032,814)	—	(1,032,814)
Increase (decrease) in other liabilities and accrued expenses	1,202,720	9	914,611	5,642	2,135,683
Total adjustments	971,274	449,243	(960,117)	238,262	6,728,905
Net cash provided (used) by operating activities	\$ 972,920	552,560	(576,643)	430,250	386,299

See independent auditors' report.



**KPMG LLP**  
Suite 1100  
One Jackson Place  
188 East Capitol Street  
Jackson, MS 39201

**Independent Auditors' 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**

The Board of Directors  
Mississippi Home Corporation

Members of the Board:

We have audited the financial statements of Mississippi Home Corporation (the Corporation) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

***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*.



The Board of Directors  
Mississippi Home Corporation

This report is intended solely for the information and use of the Corporation's board of directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 15, 2004