

MISSISSIPPI HOME CORPORATION

Audited Financial Statements

Years Ended June 30, 2006 and 2005

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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, 2006, and the related combined statements of revenues, expenses and changes in net assets, and cash flows for the year 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 audit. The combined financial statements of the Corporation for the year ended June 30, 2005 were audited by other auditors whose report, dated October 7, 2005, expressed an unqualified opinion on these statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2006 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Home LLP".

Jackson, Mississippi
September 6, 2006

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

This Management's Discussion and Analysis ("MD&A") seeks to provide readers with a narrative overview of Mississippi Home Corporation's (the "Corporation") financial activities for the fiscal years ending June 30, 2006 and 2005. This MD&A should be read in conjunction with the included basic combined financial statements and notes thereto, as well as our independent auditors' report thereon.

Required Basic Financial Statements

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

All of the 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 - 2006

- Total assets increased \$55,910,968 or 8.6 percent
- Total liabilities increased \$71,756,709 or 12.2 percent
- Cash and investments increased \$11,538,441 or 4.2 percent
- Bonds payable increased \$133,559,779 or 37.8 percent
- Notes payable decreased \$64,748,675 or 29.0 percent
- Total net assets decreased \$15,845,741 or 24.5 percent, including a \$18.7 million decrease in the fair value of investments
- Total operating revenues (excluding fair value adjustments) increased \$5,752,566 or 18.3 percent
- Total operating expenses increased \$1,091,882 or 3.3 percent
- Total operating income (loss) (excluding fair value adjustments) increased \$4,660,684
- Interest income increased \$3,542,685 or 12.3 percent
- Interest expense increased \$2,377,499 or 9.4 percent

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

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

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

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

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

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

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

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

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2006 and 2005

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

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

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

	2006	2005	Change	
			Dollars	%
Interest on cash and investments	\$ 11,397,718	\$ 8,147,201	\$ 3,250,517	39.9%
Interest on mortgage-backed securities	20,228,261	19,936,092	292,169	1.5%
Interest on mortgage loans	316,706	349,707	(33,001)	-9.4%
Low income housing tax credits	2,556,011	1,799,953	756,058	42.0%
All other revenues	2,607,790	1,120,967	1,486,823	132.6%
Total operating revenues	\$ 37,106,486	\$ 31,353,920	\$ 5,752,566	18.3%
Interest expense	\$ 27,635,399	\$ 25,257,900	\$ 2,377,499	9.4%
Amortization of bond issuance costs	988,733	1,130,484	(141,751)	-12.5%
Loss on early extinguishment of debt	-	1,853,089	(1,853,089)	-100.0%
Salaries and benefits	2,268,091	2,072,525	195,566	9.4%
All other expenses	3,407,805	2,894,148	513,657	17.7%
Total operating expenses	\$ 34,300,028	\$ 33,208,146	\$ 1,091,882	3.3%
Operating income (before fair value adjustments)	\$ 2,806,458	\$ (1,854,226)	\$ 4,660,684	-251.4%

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2006 and 2005

Financial Highlights - 2005

- Total assets decreased \$6,462,599 or 1.0 percent
- Total liabilities decreased \$912,681 or 0.2 percent
- Cash and Investments decreased \$4,976,813 or 0.8 percent
- Bonds payable decreased \$30,976,474 or 8.1 percent
- Notes payable increased \$30,173,975 or 15.6 percent
- Total net assets decreased \$5,549,918 or 7.9 percent
- Total operating revenues (excluding fair market value adjustments) decreased \$2,129,230 or 6.4 percent
- Total operating expenses increased \$269,974 or 0.8 percent
- Total operating income (loss) (excluding fair market value adjustments) decreased \$2,399,204 or 440.2 percent
- Investment income decreased \$2,275,663 or 7.5 percent
- Interest expense decreased \$1,011,243 or 3.8 percent

The following table summarizes the changes in the Corporation's assets and liabilities that occurred during the fiscal year ended June 30, 2005:

	2005	2004	Change	
			Dollars	%
Cash and cash equivalents	\$ 275,504,891	\$ 257,122,820	\$ 18,382,071	7.1%
Investments, at fair value	350,980,030	374,338,914	(23,358,884)	-6.2%
Mortgage loans	8,179,630	8,713,720	(534,090)	-6.1%
Unamortized bond issuance costs	4,198,057	4,512,897	(314,840)	-7.0%
All other assets	12,781,571	13,418,427	(636,856)	-4.7%
Total assets	\$ 651,644,179	\$ 658,106,778	\$ (6,462,599)	-1.0%
Bonds payable, net	\$ 352,952,860	\$ 383,929,334	\$ (30,976,474)	-8.1%
Notes payable	223,540,733	193,366,758	30,173,975	15.6%
All other liabilities	10,433,188	10,543,370	(110,182)	-1.0%
Total liabilities	\$ 586,926,781	\$ 587,839,462	\$ (912,681)	-0.2%
Restricted net assets	\$ 33,791,441	\$ 40,622,987	\$ (6,831,546)	-16.8%
Unrestricted net assets	30,925,957	29,644,329	1,281,628	4.3%
Total net assets	\$ 64,717,398	\$ 70,267,316	\$ (5,549,918)	-7.9%

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2006 and 2005

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, 2005:

	2005	2004	Change	
			Dollars	%
Interest on cash and other investments	\$ 8,147,201	\$ 6,503,264	\$ 1,643,937	25.3%
Interest on mortgage-backed securities	19,936,092	23,855,692	(3,919,600)	-16.4%
Interest on mortgage loans	349,707	419,721	(70,014)	-16.7%
Low income housing tax credits	1,799,953	1,530,443	269,510	17.6%
All other revenues	1,120,967	1,174,030	(53,063)	-4.5%
Total operating revenues	\$ 31,353,920	\$ 33,483,150	\$ (2,129,230)	-6.4%
Interest expense	\$ 25,257,900	\$ 26,269,143	\$ (1,011,243)	-3.8%
Amortization of bond issuance cost	1,130,484	1,612,863	(482,379)	-29.9%
Loss on early extinguishment of debt	1,853,089	-	1,853,089	0.0%
Salaries and benefits	2,072,525	2,154,205	(81,680)	-3.8%
Other administrative expenses	2,503,791	2,608,209	(104,418)	-4.0%
All other expenses	390,357	293,752	96,605	32.9%
Total operating expenses	\$ 33,208,146	\$ 32,938,172	\$ 269,974	0.8%
Operating income (loss) (before fair value adjustments)	\$ (1,854,226)	\$ 544,978	\$ (2,399,204)	-440.2%

At June 30, 2005, the Corporation reported total assets of \$651.6 million compared to \$658.1 million at June 30, 2004. 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 \$22.6 million as a result of prepayments, scheduled payments, and a fair market value adjustment of (\$5.5) million, due primarily to a decrease of approximately 70 basis points in the 30-year mortgage rate between June 30, 2004 and 2005. Cash and cash equivalents increased \$18.4 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.

Bonds payable declined \$31.0 million in fiscal year 2005, 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 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 \$30.2 million at June 30, 2005 compared to June 30, 2004.

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis

Years Ended June 30, 2006 and 2005

Total operating revenues before fair market value adjustments for fiscal year 2005 were \$31.4 million compared to \$33.5 million for fiscal year 2004. This decline in operating revenues is attributable, in part, to a decline in interest income for the Corporation of \$2.3 million in fiscal year 2005 due primarily to the low interest rate environment and the related prepayments on MBS as well as a lower reinvestment rate.

Total operating expenses were \$33.2 million in fiscal year 2005, up from \$32.9 million in fiscal year 2004. The primary factor causing the increase was a loss on early extinguishment of debt of \$1.9 million. Offsetting this loss was a decline in interest expense of \$1.0 million, a result of the redemption of bonds payable. A decrease in amortization of bond issuance costs of \$482 thousand also contributed to offset the loss on early extinguishment of debt.

As a result of the above factors, operating income before fair value adjustments was a loss of \$1.9 million in fiscal year 2005 compared to a gain of \$545 thousand in fiscal year 2004.

Debt Administration

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

Economic Factors

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

Contact Information

This financial report is designed to provide a general overview of 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.

MISSISSIPPI HOME CORPORATION

Combined Statements of Net Assets

June 30, 2006 and 2005

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents		
Cash	\$ 1,106,694	\$ 1,767,343
Restricted cash	2,792,876	2,498,661
Cash equivalents	75,256	80,261
Restricted cash equivalents	283,068,506	271,158,626
Total cash and cash equivalents	287,043,332	275,504,891
Accrued interest receivable	3,665,404	2,586,835
Total current assets	290,708,736	278,091,726
Non-current assets		
Investments, at fair value	393,883,466	350,980,030
Mortgage loans receivable, net of allowance for loan losses (2006 – \$452,868; 2005 – \$384,331)	8,355,200	8,179,630
Unamortized bond issuance costs	5,366,197	4,198,057
Other assets	9,241,548	10,194,736
Total non-current assets	416,846,411	373,552,453
Total assets	\$ 707,555,147	\$ 651,644,179
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable	\$ 1,430,000	\$ 785,000
Notes payable	—	221,340,102
Accrued interest payable	3,095,969	2,338,659
Total current liabilities	4,525,969	224,463,761
Non-current liabilities		
Bonds payable, net of premium or discount and current portion	485,082,639	352,167,860
Notes payable	158,792,058	2,200,631
Other liabilities and accrued expenses	10,282,824	8,094,529
Total non-current liabilities	654,157,521	362,463,020
Total liabilities	\$ 658,683,490	\$ 586,926,781
Restricted	\$ 19,763,867	\$ 33,791,441
Unrestricted	29,107,790	30,925,957
Total net assets	\$ 48,871,657	\$ 64,717,398

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION
 Combined Statements of Revenues, Expenses and Changes in Net Assets
 For the Years Ended June 30, 2006 and 2005

	2006	2005
Operating revenues		
Interest income		
Cash and cash equivalents	\$ 10,712,411	\$ 6,868,242
Mortgage-backed securities	20,228,261	19,936,092
Other investments	685,307	1,278,959
Mortgage loans	316,706	349,707
Total interest income	31,942,685	28,433,000
Net decrease in fair value of investments	(18,652,199)	(3,695,692)
Reservation fees	456,686	247,337
Low income housing tax credit program	2,556,011	1,799,953
Hurricane related contribution	900,000	-
Other income	1,251,104	873,630
Total operating revenues	18,454,287	27,658,228
Interest expense	27,635,399	25,257,900
Amortization of bond issuance costs	988,733	1,130,484
Loss on early extinguishment of debt	-	1,853,089
Hurricane related expenses	831,749	-
Salaries and related benefits	2,268,091	2,072,525
Other	2,576,056	2,894,148
Total operating expenses	34,300,028	33,208,146
Operating loss	(15,845,741)	(5,549,918)
Net assets, beginning of year	64,717,398	70,267,316
Net assets, end of year	\$ 48,871,657	\$ 64,717,398

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION
 Combined Statements of Cash Flows
 For the Years Ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Loan principal payments received	\$ 1,810,886	\$ 2,433,848
Loan interest payments received	229,409	357,355
Loan disbursements	(1,951,157)	(2,159,259)
Payments to employees	(2,222,194)	(2,079,992)
Payments to vendors	(2,996,083)	(4,460,693)
Fee income received	4,834,040	2,112,016
Other income received	2,224,342	2,531,247
Net cash provided by (used in) operating activities	<u>1,929,243</u>	<u>(1,265,478)</u>
Cash flows from noncapital financing activities		
Proceeds from issuance of bonds	200,000,000	68,970,000
Proceeds from issuance of notes	202,274,552	76,341,574
Principal repayment of bonds	(65,905,271)	(99,338,519)
Principal repayment of notes	(266,589,502)	(45,900,001)
Interest paid	(27,321,046)	(25,528,472)
Bond issuance costs paid	(2,156,870)	(829,407)
Net cash provided by (used in) in noncapital financing activities	<u>40,301,863</u>	<u>(26,284,825)</u>
Cash flows from capital and related financing activities		
Property and equipment additions	(115,917)	(173,248)
Proceeds from sale of property and equipment	506,192	236,437
Principal repayment of notes payable	(526,542)	(267,598)
Interest paid	(91,997)	(162,740)
Net cash used in capital and related financing activities	<u>(228,264)</u>	<u>(367,149)</u>
Cash flows from investing activities		
Purchases of investments	(177,041,385)	(88,560,012)
Redemption of investments	115,998,168	106,693,950
Interest received on investments	30,578,816	28,165,585
Net cash provided by (used in) investing activities	<u>(30,464,401)</u>	<u>46,299,523</u>
Net increase in cash and cash equivalents	11,538,441	18,382,071
Cash and cash equivalents, beginning of year	275,504,891	257,122,820
Cash and cash equivalents, end of year	<u>\$ 287,043,332</u>	<u>\$ 275,504,891</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (15,845,741)	\$ (5,549,918)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Interest paid	27,413,043	25,691,212
Amortization of bond issuance costs	988,733	1,130,484
Amortization of bond premium	(596,505)	(666,126)
Accretion of bond discount	61,556	58,171
Amortization of investment premium	185,343	271,752
Net decrease in fair value of investments	18,652,199	3,695,692
Loss on early extinguishment of debt	-	1,853,089
Gain on sale of property and equipment	(23,017)	(4,358)
Interest received on investments	(30,578,816)	(28,165,585)
(Increase) decrease in mortgage loans receivable, net	(175,570)	534,090
(Increase) decrease in accrued interest receivable	(1,078,571)	(152,540)
(Decrease) increase in other assets	(19,008)	134,978
Increase in accrued interest payable	757,317	174,643
Decrease in deferred gains	(53,200)	(53,200)
Increase (decrease) in other liabilities and accrued expenses	2,241,480	(217,862)
Total adjustments	<u>17,774,984</u>	<u>4,284,440</u>
Net cash provided by (used in) operating activities	<u>\$ 1,929,243</u>	<u>\$ (1,265,478)</u>

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

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

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

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

Accounting Method

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

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

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

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

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

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

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

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

Mortgage Loans Receivable, GNMA Certificates and Investments

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

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Allowance for Losses on Mortgage Loans

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

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

Management of the Corporation believes that the allowance is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions. Losses on mortgage loans totaled \$124,489 and \$253,715 in 2006 and 2005, respectively.

Unamortized Bond Issuance Costs, Discounts and Premiums

Costs related to the issuance of bonds are capitalized in the respective bond issues and amortized over the term of the bonds. During the years ended June 30, 2006 and 2005, \$2,156,870 and \$829,407 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.

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.

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.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Fair Value of Financial Instruments

FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Loans and bonds are valued at their carrying amounts, which approximate 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2005 amounts have been reclassified to conform with the 2006 presentation.

Note 2. Cash Equivalents and Investments

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

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

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

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

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

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

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

Similarly, at June 30, 2005, the carrying amount of the Corporation's cash and cash equivalents was \$275,504,891 and the bank balance was \$275,854,686. The differences between the carrying amount and bank balance was a result of transactions in transit. Of the \$275,854,686 bank balance, \$4,534,559 was either covered by federal depository insurance or collateralized with securities held by the Corporation or by its agent in the Corporation's name. The remaining bank balance of \$271,320,127 was not covered by federal depository insurance and was uncollateralized. These uncollateralized balances were primarily invested in guaranteed investment contracts with various insurance companies.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

A summary of the estimated fair value and amortized cost of investments as of June 30, 2006 and 2005 follows:

	2006		2005	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U. S. Government agency securities	\$ 10,731,379	\$ 10,918,776	\$ 9,128,815	\$ 9,208,649
Corporate debt securities	1,692,782	1,740,603	3,822,729	3,856,938
Municipal debt securities	634,793	656,418	670,663	668,092
Mortgage-backed securities	370,809,772	378,644,770	328,193,628	317,597,182
Collateralized mortgage obligations	3,467,425	3,528,920	3,021,895	3,062,716
Other asset-backed securities	1,547,315	1,559,499	1,142,300	1,138,666
Commercial agreements	5,000,000	5,000,000	5,000,000	5,000,000
	<u>\$ 393,883,466</u>	<u>\$ 402,048,986</u>	<u>\$ 350,980,030</u>	<u>\$ 340,532,243</u>

At June 30, 2006, the Corporation's securities had scheduled maturities as follows:

	Estimated Fair Value	Investment Maturities			
		Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
U. S. Government agency securities	\$ 10,731,379	\$ 2,576,875	\$ 6,703,745	\$ 960,289	\$ 490,470
Corporate debt securities	1,692,782	491,665	482,395	718,722	-
Municipal debt securities	634,793	-	223,945	410,848	-
Mortgage-backed securities	370,809,772	-	1,325,271	514,860	368,969,641
Collateralized mortgage obligations	3,467,425	-	121,825	2,325,416	1,020,184
Other asset-backed securities	1,547,315	-	-	-	1,547,315
Commercial agreements	5,000,000	-	-	5,000,000	-
	<u>\$ 393,883,466</u>	<u>\$ 3,068,540</u>	<u>\$ 8,857,181</u>	<u>\$ 9,930,135</u>	<u>\$ 372,027,610</u>

Interest Rate Risk

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

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

Credit Risk

Investments for each bond issue are those permitted by the various bond indentures and bond resolutions adopted by the Corporation. As of June 30, 2006, the Corporation's investments in Commercial Agreements, U.S. Government Obligations and Government National Mortgage Association mortgage-backed securities are unrated. The Corporation's remaining investments are rated by Moody's Investor Service as follows:

<u>Investment Type</u>	<u>Moody's Rating</u>	<u>June 30, 2006 Balance</u>
U.S. Government agency securities	Aaa	\$ 10,731,379
Corporate debt securities	Aa	506,198
Corporate debt securities	A	1,186,584
Municipal debt securities	Aaa	430,906
Municipal debt securities	A	203,887
Mortgage-backed securities (non-GNMA)	Aaa	3,141,299
Collateralized mortgage obligations	Aaa	3,467,425
Other asset-backed securities	Aaa	1,547,315
		<u>\$ 21,214,993</u>

Custodial Credit Risk

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

Concentration of Credit Risk

The Corporation's investment policy places no limits on the amount the Corporation may invest in any one issuer. As of June 30, 2006, the Corporation held investments issued by the Government National Mortgage Association with a fair value of \$368,969,641, which represents 93.67 percent of the Corporation's total investment holdings.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Bonds and Notes Payable

Bonds payable for the mortgage purchase programs follow:

Description	June 30,	
	2006	2005
1992B series bonds – 6.500 percent interest payable semi-annually, principal due through December 1, 2024	\$ 1,785,000	\$ 2,035,000
1995B series bonds – 6.625 percent interest payable semi-annually, principal due through April 1, 2027	1,100,000	1,995,000
1995D series bonds – 6.520 percent interest payable semi-annually, principal due through November 1, 2027	2,670,000	3,420,000
1995H series bonds – 6.250 percent interest payable semi-annually, principal due through December 1, 2026	3,035,000	3,810,000
1995I series bonds – 5.900 percent interest payable semi-annually, principal due through June 1, 2017	240,000	305,000
1995J series bonds – 6.125 percent interest payable semi-annually, principal due through June 1, 2027	2,790,000	3,680,000
1996C series bonds – 7.600 percent interest payable semi-annually, principal due through June 1, 2029	3,195,000	4,055,000
1996F series bonds – 6.250 percent to 7.550 percent interest payable semi-annually, principal due through December 1, 2027	2,840,000	3,730,000
1996I series bonds – 7.375 percent interest payable semi-annually, principal due through June 1, 2028	2,540,000	3,185,000
1997C series bonds – 7.200 percent interest payable semi-annually, principal due through June 1, 2028	2,225,000	3,105,000
1997D series bonds – 6.750 percent to 7.750 percent interest payable semi-annually, principal due through July 1, 2029	3,506,189	4,877,140
1997G series bonds – 6.700 percent to 6.930 percent interest payable semi-annually, principal due through November 1, 2029	3,612,538	4,822,589
1997H series bonds – 6.700 percent interest payable semi-annually, principal due through December 1, 2029	3,825,000	4,902,875
1998A series bonds – 6.350 percent to 6.560 percent interest payable semi-annually, principal due through June 1, 2030	5,668,867	7,486,011
1998B series bonds – 5.420 percent to 6.200 percent interest payable semi-annually, principal due through June 1, 2030	5,785,000	7,435,000
1998C series bonds – 6.250 percent to 6.350 percent interest payable semi-annually, principal due through December 1, 2030	5,387,571	7,206,822
1999A series bonds – 6.300 percent to 6.630 percent interest payable semi-annually, principal due through June 1, 2031	8,670,000	11,990,000

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Description	June 30,	
	2006	2005
1999B series bonds – 5.650 percent interest payable semi-annually, principal due through June 1, 2027	\$ 380,000	\$ 1,095,000
1999B series accretion bonds – effective interest rate 5.800 percent, principal due through December 1, 2030	4,560,000	4,560,000
1999C series bonds – 6.070 percent interest payable semi-annually, principal due through June 1, 2031	3,330,000	5,075,000
2000A series bonds – 6.950 percent interest payable semi-annually, principal due through December 1, 2031	8,665,000	11,695,000
2001A series bonds – 6.500 percent interest payable semi-annually, principal due through June 1, 2032	18,490,000	24,120,000
2001B series bonds – 6.375 percent, interest payable semi-annually, principal due through December 1, 2032	8,585,000	11,885,000
2001D series bonds – 6.250 percent interest payable semi-annually, principal due through December 1, 2032	11,985,000	15,850,000
2002A series bonds – 6.100 percent interest payable semi-annually, principal due through June 1, 2034	15,305,000	20,295,000
2002B series bonds – 6.450 percent interest payable semi-annually, principal due through December 1, 2033	12,875,000	18,600,000
2002 lease purchase series bonds, interest at seven-day commercial paper rate adjusted weekly, 5.22 percent at June 30, 2006 principal due through October 1, 2007	25,000,000	25,000,000
2002C series bonds – 2.750 percent to 5.800 percent, interest payable semi-annually, principal due through June 1, 2034	21,770,000	25,940,000
2003A series bonds – 2.500 percent to 5.800 percent, interest payable semi-annually, principal due through July 1, 2034	11,170,000	13,255,000
2004A series bonds – 3.150 percent to 5.000 percent, interest payable semi-annually, principal due through December 1, 2034	14,270,000	16,425,000
2004B series bonds – 2.700 percent to 5.700 percent, interest payable semi-annually, principal due through December 1, 2035	12,220,000	13,930,000
2004C series bonds – 2.550 percent to 5.950 percent, interest payable semi-annually, principal due through December 1, 2035	17,020,000	19,265,000
2004D series bonds – 2.350 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2035	20,250,000	21,840,000
2005A series bonds – 2.750 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2036	25,765,000	27,000,000
2005B series bonds – 2.900 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2036	37,450,000	-

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Description	June 30,	
	2006	2005
2005C series bonds – 4.880 percent, interest payable semi-annually, principal due through December 1, 2037	\$ 40,000,000	\$ -
2006A series bonds – 4.650 percent to 4.750 percent, interest payable semi-annually, principal due through December 1, 2038	80,000,000	-
2006B series bonds – 4.850 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	40,000,000	-
	487,965,165	353,870,437
Net unamortized (unaccreted) premium (discount)	(1,452,526)	(917,577)
Total bonds payable, net	<u>\$ 486,512,639</u>	<u>\$ 352,952,860</u>

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

Year Ending June 30	Principal*	Interest
2007	\$ 1,430,000	\$ 23,586,006
2008	26,990,000	23,548,078
2009	2,100,000	23,184,214
2010	2,175,000	23,106,049
2011	2,225,000	23,022,722
Five Years Ending June 30	Principal*	Interest
2012 – 2016	\$ 5,520,000	\$ 111,868,534
2017 – 2021	15,295,000	113,370,091
2022 – 2026	19,807,594	109,807,954
2027 – 2031	62,472,571	99,433,812
2032 – 2036	165,820,000	65,426,486
2037 – 2041	184,130,000	11,092,625

*Includes capital appreciation bonds at their final redemption values.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

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

The bonds are secured, as described in the applicable bond resolution, by a pledge of the revenues, monies, investments, mortgage loans and other assets of the applicable programs. Management believes that, for the years ended June 30, 2006 and 2005, 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 mature on December 1, 2005 or when the \$300,000,000 is exhausted. At June 30, 2006 and 2005, \$-0- and \$207,459,572 were outstanding under this agreement. Notes matured December 1, 2005.

In December of 2005, 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 mature on December 1, 2008 or when the \$300,000,000 is exhausted. At June 30, 2006, \$157,117,969 was outstanding under this agreement.

Under the 2002 Lease Purchase Program (see note 9), the Corporation has \$1,674,089 and \$2,200,631 of notes payable at June 30, 2006 and 2005. These notes bear interest rates varying from 4.875 percent to 6.630 percent.

During 2005, the Corporation borrowed money from the Federal Home Loan Bank ("FHLB") in the form of FHLB advances. These FHLB advances are fully collateralized by GNMA investments, which are held in safekeeping by the FHLB. At June 30, 2005, the outstanding balance of FHLB advances was \$13,880,530, and the fair value of securities pledged against these advances was \$16,514,680. These advances matured on February 1, 2006 and bore interest at rates between 3.550 percent and 3.623 percent. The Corporation recognized \$437,210 in interest payments to service this debt from July 1, 2005 until February 1, 2006 (maturity).

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

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

	Mortgage Revenue Bonds, net	Notes Payable		
		2002-1 Convertible Note Program	2002 Lease Purchase Program	General Corporate Program
Balance at July 1, 2004	\$ 383,929,332	\$ 190,898,529	\$ 2,468,229	\$ -
Proceeds from issuance	68,970,000	62,461,044	-	13,880,530
Principal repayments	(99,338,519)	(45,900,001)	(267,598)	-
Accretion	58,171	-	-	-
Premium amortization	(666,126)	-	-	-
Balance at June 30, 2005	352,952,858	207,459,572	2,200,631	13,880,530
Proceeds from issuance	200,000,000	192,162,138	-	10,112,414
Principal repayments	(65,905,271)	(242,503,741)	(526,542)	(23,992,944)
Accretion	61,557	-	-	-
Premium amortization	(596,505)	-	-	-
Balance at June 30, 2006	\$ 486,512,639	\$ 157,117,969	\$ 1,674,089	\$ -

Note 4. Excess Earnings

For all of the mortgage purchase programs, federal tax regulations limit the interest margin that the Corporation (as a tax-exempt entity) may earn. These regulations require that earnings on the investment of bond proceeds which exceed interest paid on the bonds by a pre-determined amount (defined in the regulations and subject to certain adjustments) must be rebated or remitted to the Internal Revenue Service. At June 30, 2006, the Corporation determined that the rebate liability due to the IRS was approximately \$205,843.

Note 5. Mortgage Revenue Bond Program

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

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6. Mississippi Affordable Housing Development Program

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

Note 7. Low Income Housing Tax Credit Program

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

Note 8. Down Payment Assistance Program

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

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Lease Purchase Revenue Bond Program

The Corporation's Lease Purchase Revenue Bond Program allows the Corporation to purchase homes for potential homebuyers with credit problems in return for signed leases and options to purchase. The potential homebuyers have up to 39 months to attend credit counseling, improve their credit and assume the loans. Once assumed, the loans are pooled and purchased by the Federal Home Loan Mortgage Corporation ("Freddie Mac"). At that time, the bonds are paid in full. At June 30, 2006 and 2005, \$25,000,000 in bonds payable was outstanding under this program. The Corporation did not purchase additional single family residential property during 2006 and 2005. Property purchased is reported in other assets on the Corporation's statement of net assets (see note 3).

During 2006 and 2005, the Corporation sold three single family residential properties, respectively. The proceeds on the sale of these properties were approximately \$506,000 in 2006 and \$236,020 in 2005. The Corporation recognized a gain of approximately \$23,000 in 2006 and \$4,000 in 2005 on the sale of these properties.

Note 10. Bond Defeasances

The Corporation defeases various bond issues by creating separate irrevocable trust funds. New debt is issued and the proceeds used to purchase U.S. government securities that are placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Corporation's combined statements of net assets. The accretion bonds that have been defeased totaled approximately \$172,248,000 and \$155,486,000 at June 30, 2006 and 2005, respectively.

Note 11. Defined Benefit Pension

The Corporation contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS by mail at 429 Mississippi Street, Jackson, MS 39201 or by phone at 1-800-444-7377.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11. Continued

PERS members are required to contribute 7.25 percent of their annual covered salary and the Corporation is required to contribute at an actuarially determined rate. The current rate is 10.75 percent of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State Legislature. The Corporation's contribution requirement for the year ended June 30, 2006 was approximately \$311,606 which consisted of \$186,048 from the Corporation and \$125,558 from employees. The Corporation's contribution requirement for the year ended June 30, 2005 was approximately \$278,164, which consisted of \$159,534 from the Corporation and \$118,630 from employees.

The Corporation's 43 participating employees are an insignificant portion of PERS approximately 310,000 participants.

Note 12. Deferred Compensation Plan

The State offers its employees a multiple-employer, deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term "employee" means any person, whether appointed, elected, or under contract, providing services for the State, State agencies, counties, municipalities, or other political subdivisions, for which compensation is paid. The plan permits employees of the Corporation to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

Note 13. Conduit Issues

The Corporation has issued certain conduit multi-family housing revenue bonds, the proceeds of which were made available to various developers for rental housing. As of June 30, 2006 and 2005, \$137,073,900 and \$141,789,906, respectively, of these bonds were outstanding. The bonds are payable solely from amounts received by the trustees from the revenue earned by the

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2006 and 2005

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 13. Continued

developers. Loan and corresponding debt service payments are guaranteed by irrevocable direct-pay letters of credit. The faith and credit of the Corporation is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Corporation's financial statements.

Note 14. Subsequent Events

On July 6, 2006, the Corporation issued \$80,000,000 in Single Family Mortgage Revenue Bonds. These bonds have maturity dates from December 1, 2006 to December 1, 2038, and bear interest at rates from 4.80 percent to 4.90 percent.

On September 6, 2006, the Corporation issued \$80,000,000 in Single Family Mortgage Revenue Bonds. These bonds have maturity dates from December 1, 2006 to December 1, 2038, and bear interest at a rate of 5.00 percent.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2006

	1988 Program	1992B Program	1994B Program	1994D Program	1994E Program	1994F Program	1995AB Program
ASSETS							
Current assets							
Cash and cash equivalents							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	43,334	-
Cash equivalents	-	-	-	-	-	-	-
Restricted cash equivalents	-	85,141	-	-	-	-	54,238
Total cash and cash equivalents	-	85,141	-	-	-	43,334	54,238
Accrued interest receivable	-	12,043	-	-	-	1,300	8,849
Total current assets	-	97,184	-	-	-	44,634	63,087
Non-current assets							
Investments, at fair value	-	2,140,626	-	-	-	249,161	1,279,528
Mortgage loans receivable, net	-	-	-	-	-	-	-
Unamortized bond issuance costs	-	33,077	-	-	-	-	13,122
Other assets	-	-	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-
Total non-current assets	-	2,173,703	-	-	-	249,161	1,292,650
Total assets	\$ -	\$ 2,270,887	\$ -	\$ -	\$ -	\$ 293,795	\$ 1,355,737
LIABILITIES							
Current liabilities							
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-	-	-
Accrued interest payable	-	9,669	-	-	-	-	18,219
Total current liabilities	-	9,669	-	-	-	-	18,219
Non-current liabilities							
Bonds payable, net of premium or discount and current portion	-	1,785,000	-	-	-	-	1,100,000
Notes payable	-	-	-	-	-	-	-
Other liabilities and accrued expenses	-	1,623	-	-	-	1,623	1,623
Total non-current liabilities	-	1,786,623	-	-	-	1,623	1,101,623
Total liabilities	\$ -	\$ 1,796,292	\$ -	\$ -	\$ -	\$ 1,623	\$ 1,119,842
NET ASSETS							
Restricted	\$ -	\$ 474,595	\$ -	\$ -	\$ -	\$ 292,172	\$ 235,895
Unrestricted	-	-	-	-	-	-	-
Total net assets	\$ -	\$ 474,595	\$ -	\$ -	\$ -	\$ 292,172	\$ 235,895

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2006

	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program	1996GHI Program	1997ABC Program
ASSETS							
Current assets							
Cash and cash equivalents							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-	-
Cash equivalents	-	-	-	-	-	-	-
Restricted cash equivalents	225,819	55,464	63,155	202,573	205,139	163,134	99,790
Total cash and cash equivalents	225,819	55,464	63,155	202,573	205,139	163,134	99,790
Accrued interest receivable	20,311	19,134	21,255	24,061	20,522	20,101	16,768
Total current assets	246,130	74,598	84,410	226,634	225,661	183,235	116,558
Non-current assets							
Investments, at fair value	3,005,325	3,184,160	3,529,414	3,944,128	3,310,930	3,264,745	2,759,429
Mortgage loans receivable, net	-	-	-	-	-	-	-
Unamortized bond issuance costs	24,227	31,530	26,073	35,495	26,591	29,193	30,518
Other assets	-	-	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-
Total non-current assets	3,029,552	3,215,690	3,555,487	3,979,623	3,337,521	3,293,938	2,789,947
Total assets	\$ 3,275,682	\$ 3,290,288	\$ 3,639,897	\$ 4,206,257	\$ 3,563,182	\$ 3,477,173	\$ 2,906,505
LIABILITIES							
Current liabilities							
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-	-	-
Accrued interest payable	29,503	17,135	17,253	20,235	17,231	15,435	13,483
Total current liabilities	29,503	17,135	17,253	20,235	17,231	15,435	13,483
Non-current liabilities							
Bonds payable, net of premium or discount and current portion	2,670,000	3,035,000	3,030,000	3,201,822	2,840,000	2,540,000	2,257,939
Notes payable	-	-	-	-	-	-	-
Other liabilities and accrued expenses	1,623	1,623	1,623	1,640	1,640	1,623	2,140
Total non-current liabilities	2,671,623	3,036,623	3,031,623	3,203,462	2,841,640	2,541,623	2,260,079
Total liabilities	\$ 2,701,126	\$ 3,053,758	\$ 3,048,876	\$ 3,223,697	\$ 2,858,871	\$ 2,557,058	\$ 2,273,562
NET ASSETS							
Restricted	\$ 574,556	\$ 236,530	\$ 591,021	\$ 982,560	\$ 704,311	\$ 920,115	\$ 632,943
Unrestricted	-	-	-	-	-	-	-
Total net assets	\$ 574,556	\$ 236,530	\$ 591,021	\$ 982,560	\$ 704,311	\$ 920,115	\$ 632,943

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2006

	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
ASSETS							
Current assets							
Cash and cash equivalents							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	111	58	143	-	-	-
Cash equivalents	-	-	-	-	-	-	-
Restricted cash equivalents	131,684	115,328	90,496	206,775	137,829	63,664	278,019
Total cash and cash equivalents	131,684	115,439	90,554	206,918	137,829	63,664	278,019
Accrued interest receivable	23,403	21,572	23,771	32,376	33,119	30,317	48,053
Total current assets	155,087	137,011	114,325	239,294	170,948	93,981	326,072
Non-current assets							
Investments, at fair value	3,874,431	3,749,395	4,130,920	5,823,903	6,005,089	5,639,600	8,856,841
Mortgage loans receivable, net	-	-	-	-	-	-	-
Unamortized bond issuance costs	34,358	34,238	42,784	57,845	65,904	54,594	84,486
Other assets	-	-	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-
Total non-current assets	3,908,789	3,783,633	4,173,704	5,881,748	6,070,993	5,694,194	8,941,327
Total assets	\$ 4,063,876	\$ 3,920,644	\$ 4,288,029	\$ 6,121,042	\$ 6,241,941	\$ 5,788,175	\$ 9,267,399
LIABILITIES							
Current liabilities							
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-	-	-
Accrued interest payable	20,264	29,056	21,356	30,214	29,814	27,858	45,859
Total current liabilities	20,264	29,056	21,356	30,214	29,814	27,858	45,859
Non-current liabilities							
Bonds payable, net of premium or discount and current portion	3,551,646	3,635,685	3,886,290	5,731,767	5,875,580	5,436,023	8,787,908
Notes payable	-	-	-	-	-	-	-
Other liabilities and accrued expenses	1,623	1,623	1,623	1,623	1,623	1,623	1,623
Total non-current liabilities	3,553,269	3,637,308	3,887,913	5,733,390	5,877,203	5,437,646	8,789,531
Total liabilities	\$ 3,573,533	\$ 3,666,364	\$ 3,909,269	\$ 5,763,604	\$ 5,907,017	\$ 5,465,504	\$ 8,835,390
NET ASSETS							
Restricted	\$ 490,343	\$ 254,280	\$ 378,760	\$ 357,438	\$ 334,924	\$ 322,671	\$ 432,009
Unrestricted	-	-	-	-	-	-	-
Total net assets	\$ 490,343	\$ 254,280	\$ 378,760	\$ 357,438	\$ 334,924	\$ 322,671	\$ 432,009

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2006

	1999B	1999C	2000A	2001A	2001B	2001D	2002A
	Program	Program	Program	Program	Program	Program	Program
ASSETS							
Current assets							
Cash and cash equivalents							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-	-
Cash equivalents	-	-	-	-	-	-	-
Restricted cash equivalents	33,337	165,325	543,949	1,009,415	402,484	934,383	716,089
Total cash and cash equivalents	33,337	165,325	543,949	1,009,415	402,484	934,383	716,089
Accrued interest receivable	9,864	20,313	53,121	101,706	46,619	63,768	78,698
Total current assets	43,201	185,638	597,070	1,111,121	449,103	998,151	794,787
Non-current assets							
Investments, at fair value	1,733,681	3,413,668	9,309,163	18,789,553	8,619,987	11,702,578	14,846,336
Mortgage loans receivable, net	-	-	-	-	-	-	-
Unamortized bond issuance costs	34,044	36,290	117,220	254,815	130,315	166,587	215,005
Other assets	-	-	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-
Total non-current assets	1,767,725	3,449,958	9,426,383	19,044,368	8,750,302	11,869,165	15,061,341
Total assets	\$ 1,810,926	\$ 3,635,596	\$ 10,023,453	\$ 20,155,489	\$ 9,199,405	\$ 12,867,316	\$ 15,856,128
LIABILITIES							
Current liabilities							
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-	-	-
Accrued interest payable	1,789	16,928	50,185	100,155	45,603	62,422	77,800
Total current liabilities	1,789	16,928	50,185	100,155	45,603	62,422	77,800
Non-current liabilities							
Bonds payable, net of premium or discount and current portion	1,502,885	3,330,000	8,817,524	18,816,105	8,748,233	12,173,721	15,492,164
Notes payable	-	-	-	-	-	-	-
Other liabilities and accrued expenses	1,623	1,623	1,623	1,623	1,623	1,623	1,623
Total non-current liabilities	1,504,508	3,331,623	8,819,147	18,817,728	8,749,856	12,175,344	15,493,787
Total liabilities	\$ 1,506,297	\$ 3,348,551	\$ 8,869,332	\$ 18,917,883	\$ 8,795,459	\$ 12,237,766	\$ 15,571,587
NET ASSETS							
Restricted	\$ 304,629	\$ 287,045	\$ 1,154,121	\$ 1,237,606	\$ 403,946	\$ 629,550	\$ 284,541
Unrestricted	-	-	-	-	-	-	-
Total net assets	\$ 304,629	\$ 287,045	\$ 1,154,121	\$ 1,237,606	\$ 403,946	\$ 629,550	\$ 284,541

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2006

	2002B Program	2002C Program	2002 Lease Purchase Program	2002-1 Program	2003A Program	2004A Program	2004B Program	2004C Program
ASSETS								
Current assets								
Cash and cash equivalents								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	48,025	-	-	-	-	-
Cash equivalents	-	-	-	-	-	-	-	-
Restricted cash equivalents	564,797	1,639,568	22,432,646	-	962,305	1,013,219	414,915	806,343
Total cash and cash equivalents	564,797	1,639,568	22,480,671	-	962,305	1,013,219	414,915	806,343
Accrued interest receivable	69,908	102,457	50,834	-	48,505	64,684	58,566	80,369
Total current assets	634,705	1,742,025	22,531,505	-	1,010,810	1,077,903	473,481	886,712
Non-current assets								
Investments, at fair value	12,706,589	20,223,042	1,628,816	-	10,318,111	13,211,262	11,768,795	16,046,919
Mortgage loans receivable, net	-	-	-	-	-	-	-	-
Unamortized bond issuance costs	178,602	283,323	94,739	-	119,955	174,925	133,112	188,219
Other assets	-	-	1,628,682	-	-	-	-	-
Due (to) from other programs	-	-	-	-	-	-	-	-
Total non-current assets	12,885,191	20,506,365	3,352,237	-	10,438,066	13,386,187	11,901,907	16,235,138
Total assets	\$ 13,519,896	\$ 22,248,390	\$ 25,883,742	\$ -	\$ 11,448,876	\$ 14,464,090	\$ 12,375,388	\$ 17,121,850
LIABILITIES								
Current liabilities								
Bonds payable	\$ -	\$ 265,000	\$ -	\$ -	\$ 135,000	\$ -	\$ 175,000	\$ 235,000
Notes payable	-	-	-	-	-	-	-	-
Accrued interest payable	69,204	101,015	96,268	-	52,422	54,173	53,604	73,310
Total current liabilities	69,204	366,015	96,268	-	187,422	54,173	228,604	308,310
Non-current liabilities								
Bonds payable, net of premium or discount and current portion	13,030,599	21,723,703	25,000,000	-	11,138,045	14,270,000	12,045,000	16,785,000
Notes payable	-	-	1,674,089	-	-	-	-	-
Other liabilities and accrued expenses	1,623	1,623	6,100	-	1,623	1,623	1,623	1,623
Total non-current liabilities	13,032,222	21,725,326	26,680,189	-	11,139,668	14,271,623	12,046,623	16,786,623
Total liabilities	\$ 13,101,426	\$ 22,091,341	\$ 26,776,457	\$ -	\$ 11,327,090	\$ 14,325,796	\$ 12,275,227	\$ 17,094,933
NET ASSETS								
Restricted	\$ 418,470	\$ 157,049	\$ (892,715)	\$ -	\$ 121,786	\$ 138,294	\$ 100,161	\$ 26,917
Unrestricted	-	-	-	-	-	-	-	-
Total net assets	\$ 418,470	\$ 157,049	\$ (892,715)	\$ -	\$ 121,786	\$ 138,294	\$ 100,161	\$ 26,917

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Net Assets

June 30, 2006

	2004D Program	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program
ASSETS							
Current assets							
Cash and cash equivalents							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	6,600	-	5,114	6,150
Cash equivalents	-	-	-	-	-	-	-
Restricted cash equivalents	739,247	830,844	965,002	5,281,216	157,316,671	45,098,437	39,020,066
Total cash and cash equivalents	739,247	830,844	965,002	5,287,816	157,316,671	45,103,551	39,026,216
Accrued interest receivable	89,870	118,719	166,492	175,675	647,234	929,869	67,145
Total current assets	829,117	949,563	1,131,494	5,463,491	157,963,905	46,033,420	39,093,361
Non-current assets							
Investments, at fair value	18,939,326	24,411,429	35,171,651	33,237,267	-	34,599,474	2,243,201
Mortgage loans receivable, net	-	-	-	-	-	-	-
Unamortized bond issuance costs	227,340	286,062	426,392	422,543	-	827,095	425,579
Other assets	-	-	-	-	-	-	-
Due (to) from other programs	-	-	-	(144,948)	-	(1,295,427)	(1,128,898)
Total non-current assets	19,166,666	24,697,491	35,598,043	33,514,862	-	34,131,142	1,539,882
Total assets	\$ 19,995,783	\$ 25,647,054	\$ 36,729,537	\$ 38,978,353	\$ 157,963,905	\$ 80,164,562	\$ 40,633,243
LIABILITIES							
Current liabilities							
Bonds payable	\$ 290,000	\$ 185,000	\$ 145,000	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-	-	-
Accrued interest payable	76,877	85,930	150,596	162,667	616,979	623,625	161,833
Total current liabilities	366,877	270,930	295,596	162,667	616,979	623,625	161,833
Non-current liabilities							
Bonds payable, net of premium or discount and current portion	19,960,000	25,580,000	37,305,000	40,000,000	-	80,000,000	40,000,000
Notes payable	-	-	-	-	157,117,969	-	-
Other liabilities and accrued expenses	1,623	1,623	1,625	1,625	200,327	1,625	2,463
Total non-current liabilities	19,961,623	25,581,623	37,306,625	40,001,625	157,318,296	80,001,625	40,002,463
Total liabilities	\$ 20,328,500	\$ 25,852,553	\$ 37,602,221	\$ 40,164,292	\$ 157,935,275	\$ 80,625,250	\$ 40,164,296
NET ASSETS							
Restricted	\$ (332,717)	\$ (205,499)	\$ (872,684)	\$ (1,185,939)	\$ 28,630	\$ (460,688)	\$ 468,947
Unrestricted	-	-	-	-	-	-	-
Total net assets	\$ (332,717)	\$ (205,499)	\$ (872,684)	\$ (1,185,939)	\$ 28,630	\$ (460,688)	\$ 468,947

See independent auditors' report.

MISSISSIPPI HOME CORPORATION
Combining Schedule of Net Assets
June 30, 2006

	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
ASSETS					
Current assets					
Cash and cash equivalents					
Cash	\$ -	\$ 604,101	\$ 499,915	\$ 2,678	\$ 1,106,694
Restricted cash	1,147,589	-	303,422	1,232,330	2,792,876
Cash equivalents	-	-	75,256	-	75,256
Restricted cash equivalents	-	-	-	-	283,068,506
Total cash and cash equivalents	1,147,589	604,101	878,593	1,235,008	287,043,332
Accrued interest receivable	1,565	5,014	221,493	15,961	3,665,404
Total current assets	1,149,154	609,115	1,100,086	1,250,969	290,708,736
Non-current assets					
Investments, at fair value	-	-	26,214,993	-	393,883,466
Mortgage loans receivable, net	238,814	792,624	3,151,859	4,171,903	8,355,200
Unamortized bond issuance costs	-	-	-	-	5,366,197
Other assets	570	30,778	3,501,659	4,079,859	9,241,548
Due (to) from other programs	38,303	-	2,531,045	(75)	-
Total non-current assets	277,687	823,402	35,399,556	8,251,687	416,846,411
Total assets	\$ 1,426,841	\$ 1,432,517	\$ 36,499,642	\$ 9,502,656	\$ 707,555,147
LIABILITIES					
Current liabilities					
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ 1,430,000
Notes payable	-	-	-	-	-
Accrued interest payable	-	-	-	-	3,095,969
Total current liabilities	-	-	-	-	4,525,969
Non-current liabilities					
Bonds payable, net of premium or discount and current portion	-	-	-	-	485,082,639
Notes payable	-	-	-	-	158,792,058
Other liabilities and accrued expenses	1,189,191	1,647	8,822,722	3,012	10,282,824
Total non-current liabilities	1,189,191	1,647	8,822,722	3,012	654,157,521
Total liabilities	\$ 1,189,191	\$ 1,647	\$ 8,822,722	\$ 3,012	\$ 658,683,490
NET ASSETS					
Restricted	\$ 237,650	\$ -	\$ -	\$ 9,499,644	\$ 19,763,867
Unrestricted	-	1,430,870	27,676,920	-	29,107,790
Total net assets	\$ 237,650	\$ 1,430,870	\$ 27,676,920	\$ 9,499,644	\$ 48,871,657

See independent auditors' report.

MISSISSIPPI HOME CORPORATION
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2006

	1988 Program	1992B Program	1994B Program	1994D Program	1994E Program	1994F Program	1995AB Program
Operating revenues							
Interest income							
Cash and cash equivalents	\$ -	\$ 6,427	\$ 111	\$ 194	\$ -	\$ 1,086	\$ 18,360
Mortgage-backed securities	-	147,683	-	-	-	5,711	95,678
Other investments	-	-	-	-	-	-	-
Mortgage loans receivable	-	-	-	-	-	-	-
Total interest income	-	154,110	111	194	-	6,797	114,038
Net increase (decrease) in fair value of investments	-	(89,184)	-	-	-	(10,505)	(63,851)
Reservation fees	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-
Hurricane related contribution	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	-	64,926	111	194	-	(3,708)	50,187
Operating expenses							
Interest expense	-	126,750	-	-	-	-	101,611
Amortization of bond issuance costs	-	6,681	-	-	-	-	11,824
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-
Other	-	7,482	500	500	-	3,983	2,487
Total operating expenses	-	140,913	500	500	-	3,983	115,922
Operating income (loss)	-	(75,987)	(389)	(306)	-	(7,691)	(65,735)
Transfers in (out)	-	(4,787)	389	306	-	5,360	313
Net assets, beginning of year	-	555,369	-	-	-	294,503	301,317
Net assets, end of year	\$ -	\$ 474,595	\$ -	\$ -	\$ -	\$ 292,172	\$ 235,895

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2006

	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program	1996GHI Program	1997ABC Program
Operating revenues							
Interest income							
Cash and cash equivalents	\$ 11,343	\$ 10,323	\$ 11,149	\$ 13,379	\$ 14,058	\$ 10,374	\$ 11,706
Mortgage-backed securities	217,071	202,293	225,504	307,284	264,875	253,885	214,924
Other investments	-	-	-	-	-	-	-
Mortgage loans receivable	-	-	-	-	-	-	-
Total interest income	228,414	212,616	236,653	320,663	278,933	264,259	226,630
Net increase (decrease) in fair value of investments	(120,116)	(129,394)	(140,023)	(158,194)	(148,535)	(124,459)	(123,412)
Reservation fees	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-
Hurricane related contribution	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	108,298	83,222	96,630	162,469	130,398	139,800	103,218
Operating expenses							
Interest expense	191,933	207,682	209,080	269,978	237,797	210,433	172,902
Amortization of bond issuance costs	8,261	9,979	9,985	11,520	10,153	9,084	14,013
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-
Other	2,733	2,033	1,984	1,500	1,501	1,883	1,500
Total operating expenses	202,927	219,694	221,049	282,998	249,451	221,400	188,415
Operating income (loss)	(94,629)	(136,472)	(124,419)	(120,529)	(119,053)	(81,600)	(85,197)
Transfers in (out)	(2,575)	(1,946)	(2,137)	(3,665)	(5,208)	(9,405)	(10,392)
Net assets, beginning of year	671,760	374,948	717,575	1,106,754	828,572	1,011,120	728,532
Net assets, end of year	\$ 574,556	\$ 236,530	\$ 591,019	\$ 982,560	\$ 704,311	\$ 920,115	\$ 632,943

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2006

	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
Operating revenues							
Interest income							
Cash and cash equivalents	\$ 3,425	\$ 4,308	\$ 5,646	\$ 7,971	\$ 26,688	\$ 5,535	\$ 56,807
Mortgage-backed securities	316,816	295,730	318,201	437,822	431,236	407,052	635,971
Other investments	-	-	-	-	-	-	-
Mortgage loans receivable	-	-	-	-	-	-	-
Total interest income	320,241	300,038	323,847	445,793	457,924	412,587	692,778
Net increase (decrease) in fair value of investments	(193,965)	(181,467)	(184,866)	(276,861)	(234,514)	(236,606)	(390,263)
Reservation fees	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-
Hurricane related contribution	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	126,276	118,571	138,981	168,932	223,410	175,981	302,515
Operating expenses							
Interest expense	267,472	269,516	278,262	396,079	407,882	375,989	645,181
Amortization of bond issuance costs	16,187	13,690	12,273	19,767	17,930	20,665	29,302
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-
Other	2,733	2,733	9,434	2,960	3,390	3,180	4,153
Total operating expenses	286,392	285,939	299,969	418,806	429,202	399,834	678,636
Operating income (loss)	(160,116)	(167,368)	(160,988)	(249,874)	(205,792)	(223,853)	(376,121)
Transfers in (out)	(17,108)	(14,082)	(8,111)	(25,583)	(25,106)	(14,167)	(11,978)
Net assets, beginning of year	667,567	435,730	547,859	632,895	565,822	560,691	820,108
Net assets, end of year	\$ 490,343	\$ 254,280	\$ 378,760	\$ 357,438	\$ 334,924	\$ 322,671	\$ 432,009

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2006

	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Operating revenues							
Interest income							
Cash and cash equivalents	\$ 6,353	\$ 19,180	\$ 44,442	\$ 71,989	\$ 31,844	\$ 46,365	\$ 57,147
Mortgage-backed securities	119,005	241,143	707,724	1,302,298	606,201	835,678	1,029,595
Other investments	-	-	-	-	-	-	-
Mortgage loans receivable	-	-	-	-	-	-	-
Total interest income	125,358	260,323	752,166	1,374,287	638,045	882,043	1,086,742
Net increase (decrease) in fair value of investments	(57,939)	(158,141)	(430,186)	(826,497)	(398,043)	(553,937)	(712,281)
Reservation fees	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-
Hurricane related contribution	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total operating revenues	67,419	102,182	321,980	547,790	240,002	328,106	374,461
Operating expenses							
Interest expense	104,049	268,977	644,820	1,267,874	572,564	796,595	1,009,210
Amortization of bond issuance costs	8,732	17,502	47,214	90,414	56,922	62,062	80,312
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-
Other	2,483	2,491	4,640	5,610	3,604	4,186	4,774
Total operating expenses	115,264	288,970	696,674	1,363,898	633,090	862,843	1,094,296
Operating income (loss)	(47,845)	(186,788)	(374,694)	(816,108)	(393,088)	(534,737)	(719,835)
Transfers in (out)	(22,391)	(37,828)	(15,380)	(45,380)	(22,947)	(25,839)	(42,015)
Net assets, beginning of year	374,865	511,661	1,544,195	2,099,094	819,981	1,190,126	1,046,391
Net assets, end of year	\$ 304,629	\$ 287,045	\$ 1,154,121	\$ 1,237,606	\$ 403,946	\$ 629,550	\$ 284,541

See independent auditors' report.

MISSISSIPPI HOME CORPORATION
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2006

	2002B Program	2002C Program	2002 Lease Purchase Program	2002-1 Program	2003A Program	2004A Program	2004B Program	2004C Program
Operating revenues								
Interest income								
Cash and cash equivalents	\$ 48,964	\$ 51,743	\$ 852,122	\$ 2,626,739	\$ 32,259	\$ 28,399	\$ 24,790	\$ 28,244
Mortgage-backed securities	923,126	1,310,478	101,172	-	695,938	781,219	707,161	993,658
Other investments	-	-	-	-	-	-	-	-
Mortgage loans receivable	-	-	-	-	-	-	-	-
Total interest income	972,090	1,362,221	953,294	2,626,739	728,197	809,618	731,951	1,021,902
Net increase (decrease) in fair value of investments	(593,355)	(1,014,479)	(42,952)	-	(509,311)	(741,857)	(570,044)	(809,414)
Reservation fees	-	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-	-
Hurricane related contribution	-	-	-	-	-	-	-	-
Other income	-	-	149,882	-	-	-	-	-
Total operating revenues	378,735	347,742	1,060,224	2,626,739	218,886	67,761	161,907	212,488
Operating expenses								
Interest expense	897,314	1,243,412	872,697	2,636,369	666,679	684,024	685,555	921,755
Amortization of bond issuance costs	88,828	27,716	75,789	-	26,897	18,707	23,430	32,150
Loss on early extinguishment of debt	-	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-	-
Other	4,331	5,030	526,212	3,901	3,265	3,726	3,623	5,294
Total operating expenses	990,473	1,276,158	1,474,698	2,640,270	696,841	706,457	712,608	959,199
Operating income (loss)	(611,738)	(928,416)	(414,474)	(13,531)	(477,955)	(638,696)	(550,701)	(746,711)
Transfers in (out)	(20,416)	(25,579)	146,654	2,622	(15,423)	(36,010)	(18,448)	(28,048)
Net assets, beginning of year	1,050,624	1,111,042	(624,895)	10,909	615,164	813,000	669,310	801,676
Net assets, end of year	\$ 418,470	\$ 157,047	\$ (892,715)	\$ -	\$ 121,786	\$ 138,294	\$ 100,161	\$ 26,917

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MISSISSIPPI HOME CORPORATION
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2006

	2004D	2005A	2005 B	2005C	2005-1	2006A	2006B
	Program						
Operating revenues							
Interest income							
Cash and cash equivalents	\$ 26,532	\$ 569,198	\$ 440,093	\$ 392,663	\$ 4,088,076	\$ 781,189	\$ 50,258
Mortgage-backed securities	1,096,811	670,582	1,303,287	461,599	-	206,729	10,132
Other investments	-	-	-	-	-	-	-
Mortgage loans receivable	-	-	-	-	-	-	-
Total interest income	1,123,343	1,239,780	1,743,380	854,262	4,088,076	987,918	60,390
Net increase (decrease) in fair value of investments	(1,151,698)	(870,221)	(1,627,630)	(1,821,070)	-	(2,170,456)	(126,876)
Reservation fees	-	-	-	-	-	-	-
Low income housing tax credit program	-	-	-	-	-	-	-
Hurricane related contribution	-	-	-	-	-	-	-
Other income	-	-	13,500	-	-	-	-
Total operating revenues	(28,355)	369,559	129,250	(966,808)	4,088,076	(1,182,538)	(66,486)
Operating expenses							
Interest expense	960,256	1,166,168	1,736,756	851,289	4,057,821	623,625	161,833
Amortization of bond issuance costs	27,812	27,670	43,987	5,866	-	4,300	1,109
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Hurricane related expenses	-	-	-	-	-	-	-
Salaries and related benefits	-	-	-	-	-	-	-
Other	5,770	5,604	12,542	9,758	16,125	27,125	10,625
Total operating expenses	993,838	1,199,442	1,793,285	866,913	4,073,946	655,050	173,567
Operating income (loss)	(1,022,193)	(829,883)	(1,664,035)	(1,833,721)	14,130	(1,837,588)	(240,053)
Transfers in (out)	(58,831)	10,504	791,351	647,782	14,500	1,376,900	709,000
Net assets, beginning of year	748,307	613,880	-	-	-	-	-
Net assets, end of year	\$ (332,717)	\$ (205,499)	\$ (872,684)	\$ (1,185,939)	\$ 28,630	\$ (460,688)	\$ 468,947

See independent auditors' report.

MISSISSIPPI HOME CORPORATION
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2006

	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Operating revenues					
Interest income					
Cash and cash equivalents	\$ -	\$ 41,708	\$ 91,215	\$ 42,009	\$ 10,712,411
Mortgage-backed securities	-	-	1,346,989	-	20,228,261
Other investments	-	-	685,307	-	685,307
Mortgage loans receivable	13,272	86,178	1,086	216,170	316,706
Total interest income	13,272	127,886	2,124,597	258,179	31,942,685
Net increase (decrease) in fair value of investments	-	-	(659,597)	-	(18,652,199)
Reservation fees	-	-	456,686	-	456,686
Low income housing tax credit program	-	-	2,556,011	-	2,556,011
Hurricane related contribution	-	-	900,000	-	900,000
Other income	5,911	68,366	976,635	36,810	1,251,104
Total operating revenues	19,183	196,252	6,354,332	294,989	18,454,287
Operating expenses					
Interest expense	-	-	437,210	-	27,635,399
Amortization of bond issuance costs	-	-	-	-	988,733
Loss on early extinguishment of debt	-	-	-	-	-
Hurricane related expenses	-	-	831,749	-	831,749
Salaries and related benefits	-	-	2,268,091	-	2,268,091
Other	11,900	11,395	1,604,120	221,253	2,576,056
Total operating expenses	11,900	11,395	5,141,170	221,253	34,300,028
Operating income (loss)	7,283	184,857	1,213,162	73,736	(15,845,741)
Transfers in (out)	78,781	(1,497,640)	(1,718,542)	2,505	-
Net assets, beginning of year	151,586	2,743,653	28,182,304	9,423,403	64,717,398
Net assets, end of year	\$ 237,650	\$ 1,430,870	\$ 27,676,924	\$ 9,499,644	\$ 48,871,657

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	1988 Program	1992B Program	1994B Program	1994D Program	1994E Program	1994F Program	1995AB Program
Cash flows from operating activities							
Loan principal payments received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan interest payments received	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-
Payments to vendors	-	(8,860)	(500)	(500)	-	(15,410)	(16,050)
Fee income received	-	-	-	-	-	-	-
Other income received	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	-	(8,860)	(500)	(500)	-	(15,410)	(16,050)
Cash flows from noncapital financing activities							
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Proceeds from issuance of notes	-	-	-	-	-	-	-
Principal repayment of bonds	-	(250,000)	-	-	-	-	(895,000)
Principal repayment of notes	-	-	-	-	-	-	-
Interest paid	-	(128,104)	-	-	-	-	(116,434)
Bond issuance costs paid	-	-	-	-	-	-	-
Due (from) to other programs	-	-	(62,465)	(109,675)	-	-	-
Net cash provided by (used in) noncapital financing activities	-	(378,104)	(62,465)	(109,675)	-	-	(1,011,434)
Cash flows from capital and related financing activities							
Property and equipment additions	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-	-	-
Cash flows from investing activities							
Purchase of investments	-	-	-	-	-	-	-
Redemption of investments	-	265,138	-	-	-	5,021	483,097
Interest received on investments	-	155,500	220	385	-	16,876	133,573
Net cash provided by (used in) investing activities	-	420,638	220	385	-	21,897	616,670
Transfers	-	(4,787)	389	306	-	5,360	313
Net increase (decrease) in cash and cash equivalents	-	28,887	(62,356)	(109,484)	-	11,847	(410,501)
Cash and cash equivalents, beginning of year	-	56,254	62,356	109,484	-	31,487	464,739
Cash and cash equivalents, end of year	\$ -	\$ 85,141	\$ -	\$ -	\$ -	\$ 43,334	\$ 54,238

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	1988 Program	1992B Program	1994B Program	1994D Program	1994E Program	1994F Program	1995AB Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ -	\$ (75,987)	\$ (389)	\$ (306)	\$ -	\$ (7,691)	\$ (65,735)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Interest paid	-	128,104	-	-	-	-	116,434
Amortization of bond issuance costs	-	6,681	-	-	-	-	11,824
Amortization of bond premium	-	-	-	-	-	-	-
Accretion of bond discount	-	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	-	-
Net (increase) decrease in fair value of investments	-	89,184	-	-	-	10,505	63,851
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-	-
Interest received on investments	-	(155,500)	(220)	(385)	-	(16,876)	(133,573)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	-	1,390	109	191	-	29	7,350
(Increase) decrease in other assets	-	-	-	-	-	-	-
Increase (decrease) in accrued interest payable	-	(1,354)	-	-	-	-	(14,824)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	-	(1,378)	-	-	-	(1,377)	(1,377)
Total adjustments	-	67,127	(111)	(194)	-	(7,719)	49,685
Net cash provided by (used in) operating activities	\$ -	\$ (8,860)	\$ (500)	\$ (500)	\$ -	\$ (15,410)	\$ (16,050)

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	1995CD Program	1995FGH Program	1995LIJ Program	1996ABC Program	1996DEF Program	1996GHI Program	1997ABC Program
Cash flows from operating activities							
Loan principal payments received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan interest payments received	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-
Payments to vendors	(31,101)	(39,580)	(46,196)	(3,860)	(3,861)	(3,860)	(3,860)
Fee income received	-	-	-	-	-	-	-
Other income received	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(31,101)	(39,580)	(46,196)	(3,860)	(3,861)	(3,860)	(3,860)
Cash flows from noncapital financing activities							
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Proceeds from issuance of notes	-	-	-	-	-	-	-
Principal repayment of bonds	(750,000)	(775,000)	(955,000)	(860,000)	(890,000)	(645,000)	(880,000)
Principal repayment of notes	-	-	-	-	-	-	-
Interest paid	(199,594)	(210,390)	(212,110)	(277,337)	(243,202)	(214,397)	(190,681)
Bond issuance costs paid	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(949,594)	(985,390)	(1,167,110)	(1,137,337)	(1,133,202)	(859,397)	(1,070,681)
Cash flows from capital and related financing activities							
Property and equipment additions	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-	-	-
Cash flows from investing activities							
Purchase of investments	-	-	-	-	-	-	-
Redemption of investments	782,599	629,641	640,916	769,812	888,692	574,170	741,166
Interest received on investments	261,331	252,884	283,968	325,953	284,177	267,887	231,856
Net cash provided by (used in) investing activities	1,043,930	882,525	924,884	1,095,765	1,172,869	842,057	973,022
Transfers	(2,575)	(1,946)	(2,137)	(3,665)	(5,208)	(9,405)	(10,392)
Net increase (decrease) in cash and cash equivalents	60,660	(144,391)	(290,559)	(49,097)	30,598	(30,605)	(111,911)
Cash and cash equivalents, beginning of year	165,159	199,855	353,714	251,670	174,541	193,739	211,701
Cash and cash equivalents, end of year	\$ 225,819	\$ 55,464	\$ 63,155	\$ 202,573	\$ 205,139	\$ 163,134	\$ 99,790

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program	1996GHI Program	1997ABC Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (94,629)	\$ (136,472)	\$ (124,419)	\$ (120,529)	\$ (119,053)	\$ (81,600)	\$ (85,197)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Interest paid	199,594	210,390	212,110	277,337	243,202	214,397	190,681
Amortization of bond issuance costs	8,261	9,979	9,985	11,520	10,153	9,084	14,013
Amortization of bond premium	-	-	-	(1,912)	-	-	(12,498)
Accretion of bond discount	-	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	-	-
Net (increase) decrease in fair value of investments	120,116	129,394	140,023	158,194	148,535	124,459	123,412
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-	-
Interest received on investments	(261,331)	(252,884)	(283,968)	(325,953)	(284,177)	(267,887)	(231,856)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	5,926	4,548	4,979	5,290	5,244	3,628	5,226
(Increase) decrease in other assets	-	-	-	-	-	-	-
Increase (decrease) in accrued interest payable	(7,661)	(2,708)	(3,029)	(5,447)	(5,405)	(3,964)	(5,280)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(1,377)	(1,827)	(1,877)	(2,360)	(2,360)	(1,977)	(2,361)
Total adjustments	63,528	96,892	78,223	116,669	115,192	77,740	81,337
Net cash provided by (used in) operating activities	\$ (31,101)	\$ (39,580)	\$ (46,196)	\$ (3,860)	\$ (3,861)	\$ (3,860)	\$ (3,860)

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
Cash flows from operating activities							
Loan principal payments received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan interest payments received	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-
Payments to vendors	(4,110)	(4,111)	(10,811)	(4,337)	(4,267)	(4,057)	(5,030)
Fee income received	-	-	-	-	-	-	-
Other income received	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(4,110)	(4,111)	(10,811)	(4,337)	(4,267)	(4,057)	(5,030)
Cash flows from noncapital financing activities							
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Proceeds from issuance of notes	-	-	-	-	-	-	-
Principal repayment of bonds	(1,370,950)	(1,210,051)	(1,077,875)	(1,817,144)	(1,650,000)	(1,819,251)	(3,320,000)
Principal repayment of notes	-	-	-	-	-	-	-
Interest paid	(291,429)	(291,723)	(295,129)	(419,589)	(433,089)	(401,713)	(692,195)
Bond issuance costs paid	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(1,662,379)	(1,501,774)	(1,373,004)	(2,236,733)	(2,083,089)	(2,220,964)	(4,012,195)
Cash flows from capital and related financing activities							
Property and equipment additions	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-	-	-
Cash flows from investing activities							
Purchase of investments	-	-	-	-	-	-	-
Redemption of investments	1,308,737	1,150,194	1,001,305	1,801,084	1,496,960	1,580,575	2,872,602
Interest received on investments	328,568	305,898	329,771	456,000	465,868	421,560	709,417
Net cash provided by (used in) investing activities	1,637,305	1,456,092	1,331,076	2,257,084	1,962,828	2,002,135	3,582,019
Transfers	(17,108)	(14,082)	(8,111)	(25,583)	(25,106)	(14,167)	(11,978)
Net increase (decrease) in cash and cash equivalents	(46,292)	(63,875)	(60,850)	(9,569)	(149,634)	(237,053)	(447,184)
Cash and cash equivalents, beginning of year	177,976	179,314	151,404	216,487	287,463	300,717	725,203
Cash and cash equivalents, end of year	\$ 131,684	\$ 115,439	\$ 90,554	\$ 206,918	\$ 137,829	\$ 63,664	\$ 278,019

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows
For the Year Ended June 30, 2006

	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999A Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (160,116)	\$ (167,368)	\$ (160,988)	\$ (249,874)	\$ (205,792)	\$ (223,853)	\$ (376,121)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Interest paid	291,429	291,723	295,129	419,589	433,089	401,713	692,195
Amortization of bond issuance costs	16,187	13,690	12,273	19,767	17,930	20,665	29,302
Amortization of bond premium	(15,881)	(12,226)	(10,799)	(13,668)	(16,901)	(16,202)	(28,957)
Accretion of bond discount	-	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	-	-
Net (increase) decrease in fair value of investments	193,965	181,467	184,866	276,861	234,514	236,606	390,263
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-	-
Interest received on investments	(328,568)	(305,898)	(329,771)	(456,000)	(465,868)	(421,560)	(709,417)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	8,327	5,859	5,924	10,206	7,944	8,973	16,639
(Increase) decrease in other assets	-	-	-	-	-	-	-
Increase (decrease) in accrued interest payable	(8,076)	(9,980)	(6,067)	(9,841)	(8,306)	(9,522)	(18,057)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(1,377)	(1,378)	(1,378)	(1,377)	(877)	(877)	(877)
Total adjustments	156,006	163,257	150,177	245,537	201,525	219,796	371,091
Net cash provided by (used in) operating activities	\$ (4,110)	\$ (4,111)	\$ (10,811)	\$ (4,337)	\$ (4,267)	\$ (4,057)	\$ (5,030)

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Cash flows from operating activities							
Loan principal payments received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan interest payments received	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-
Payments to vendors	(3,860)	(3,868)	(5,517)	(6,487)	(4,577)	(5,159)	(5,737)
Fee income received	-	-	-	-	-	-	-
Other income received	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(3,860)	(3,868)	(5,517)	(6,487)	(4,577)	(5,159)	(5,737)
Cash flows from noncapital financing activities							
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Proceeds from issuance of notes	-	-	-	-	-	-	-
Principal repayment of bonds	(715,000)	(1,745,000)	(3,030,000)	(5,630,000)	(3,300,000)	(3,865,000)	(4,990,000)
Principal repayment of notes	-	-	-	-	-	-	-
Interest paid	(45,859)	(278,405)	(707,568)	(1,386,667)	(646,559)	(886,042)	(1,102,448)
Bond issuance costs paid	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(760,859)	(2,023,405)	(3,737,568)	(7,016,667)	(3,946,559)	(4,751,042)	(6,092,448)
Cash flows from capital and related financing activities							
Property and equipment additions	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-	-	-
Cash flows from investing activities							
Purchase of investments	-	-	-	-	-	-	-
Redemption of investments	557,954	1,855,439	2,833,556	5,042,238	2,733,459	3,897,141	4,799,625
Interest received on investments	142,984	327,140	768,682	1,401,806	654,113	902,100	1,112,787
Net cash provided by (used in) investing activities	700,938	2,182,579	3,602,238	6,444,044	3,387,572	4,799,241	5,912,412
Transfers	(22,391)	(37,828)	(15,380)	(45,380)	(22,947)	(25,839)	(42,015)
Net increase (decrease) in cash and cash equivalents	(86,172)	117,478	(156,227)	(624,490)	(586,511)	17,201	(227,788)
Cash and cash equivalents, beginning of year	119,509	47,847	700,176	1,633,905	988,995	917,182	943,877
Cash and cash equivalents, end of year	\$ 33,337	\$ 165,325	\$ 543,949	\$ 1,009,415	\$ 402,484	\$ 934,383	\$ 716,089

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (47,845)	\$ (186,788)	\$ (374,694)	\$ (816,108)	\$ (393,088)	\$ (534,737)	\$ (719,835)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Interest paid	45,859	278,405	707,568	1,386,667	646,559	886,042	1,102,448
Amortization of bond issuance costs	8,732	17,502	47,214	90,414	56,922	62,062	80,312
Amortization of bond premium	-	-	(45,199)	(88,297)	(56,463)	(69,317)	(67,872)
Accretion of bond discount	61,556	-	-	-	-	-	-
Amortization of investment premium	14,017	55,798	-	-	-	-	-
Net (increase) decrease in fair value of investments	57,939	158,141	430,186	826,497	398,043	553,937	712,281
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-	-
Interest received on investments	(142,984)	(327,140)	(768,682)	(1,401,806)	(654,113)	(902,100)	(1,112,787)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	3,609	11,019	16,516	27,519	16,068	20,058	26,045
(Increase) decrease in other assets	-	-	-	-	-	-	-
Increase (decrease) in accrued interest payable	(3,366)	(9,427)	(17,549)	(30,495)	(17,531)	(20,130)	(25,366)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(1,377)	(1,378)	(877)	(878)	(974)	(974)	(963)
Total adjustments	43,985	182,920	369,177	809,621	388,511	529,578	714,098
Net cash provided by (used in) operating activities	\$ (3,860)	\$ (3,868)	\$ (5,517)	\$ (6,487)	\$ (4,577)	\$ (5,159)	\$ (5,737)

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MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	2002B Program	2002C Program	2002 Lease Purchase Program	2002-1 Program	2003A Program	2004A Program	2004B Program	2004C Program
Cash flows from operating activities								
Loan principal payments received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan interest payments received	-	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-	-
Payments to vendors	(5,304)	(6,657)	(461,211)	(71,925)	(4,957)	(5,418)	(5,315)	(7,051)
Fee income received	-	-	-	-	-	-	-	-
Other income received	-	-	149,882	-	-	-	-	-
Net cash provided by (used in) operating activities	(5,304)	(6,657)	(311,329)	(71,925)	(4,957)	(5,418)	(5,315)	(7,051)
Cash flows from noncapital financing activities								
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from issuance of notes	-	-	-	4,044,169	-	-	-	-
Principal repayment of bonds	(5,725,000)	(4,170,000)	-	-	(2,085,000)	(2,155,000)	(1,710,000)	(2,245,000)
Principal repayment of notes	-	-	-	(211,503,741)	-	-	-	-
Interest paid	(1,003,862)	(1,299,606)	(747,116)	(3,157,463)	(698,399)	(689,680)	(692,798)	(931,201)
Bond issuance costs paid	-	-	-	-	-	-	-	-
Due (from) to other programs	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(6,728,862)	(5,469,606)	(747,116)	(210,617,035)	(2,783,399)	(2,844,680)	(2,402,798)	(3,176,201)
Cash flows from capital and related financing activities								
Property and equipment additions	-	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	506,192	-	-	-	-	-
Principal repayment of notes payable	-	-	(526,542)	-	-	-	-	-
Interest paid	-	-	(91,997)	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	(112,347)	-	-	-	-	-
Cash flows from investing activities								
Purchase of investments	-	-	-	-	-	-	-	-
Redemption of investments	4,629,264	4,378,177	563,260	-	2,459,868	2,538,133	1,787,957	2,154,121
Interest received on investments	999,583	1,382,995	954,822	3,151,362	739,273	856,838	759,211	1,032,216
Net cash provided by (used in) investing activities	5,628,847	5,761,172	1,518,082	3,151,362	3,199,141	3,394,971	2,547,168	3,186,337
Transfers	(20,416)	(25,579)	146,654	2,622	(15,423)	(36,010)	(18,448)	(28,048)
Net increase (decrease) in cash and cash equivalents	(1,125,735)	259,330	493,944	(207,534,976)	395,362	508,863	120,607	(24,963)
Cash and cash equivalents, beginning of year	1,690,532	1,380,238	21,986,727	207,534,976	566,943	504,356	294,308	831,306
Cash and cash equivalents, end of year	\$ 564,797	\$ 1,639,568	\$ 22,480,671	\$ -	\$ 962,305	\$ 1,013,219	\$ 414,915	\$ 806,343

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MISSISSIPPI HOME CORPORATION
 Combining Schedule of Cash Flows
 For the Year Ended June 30, 2006

	2002B	2002C	2002 Lease	2002-1	2003A	2004A	2004B	2004C
	Program	Program	Purchase	Program	Program	Program	Program	Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities								
Operating income (loss)	\$ (611,738)	\$ (928,416)	\$ (414,474)	\$ (13,531)	\$ (477,955)	\$ (638,696)	\$ (550,701)	\$ (746,711)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities								
Interest paid	1,003,862	1,299,606	839,113	3,157,463	698,399	689,680	692,798	931,201
Amortization of bond issuance costs	88,828	27,716	75,789	-	26,897	18,707	23,430	32,150
Amortization of bond premium	(75,775)	(42,186)	-	-	(22,352)	-	-	-
Accretion of bond discount	-	-	-	-	-	-	-	-
Amortization of investment premium	-	-	-	-	-	36,568	19,022	-
Net (increase) decrease in fair value of investments	593,355	1,014,479	42,952	-	509,311	741,857	570,044	809,414
Loss on early extinguishment of debt	-	-	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	(23,017)	-	-	-	-	-
Interest received on investments	(999,583)	(1,382,995)	(954,822)	(3,151,362)	(739,273)	(856,838)	(759,211)	(1,032,216)
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	27,492	20,773	1,528	524,622	11,074	10,652	8,239	10,313
(Increase) decrease in other assets	-	-	88,425	-	-	-	-	-
Increase (decrease) in accrued interest payable	(30,772)	(14,007)	33,584	(521,093)	(9,366)	(5,656)	(7,244)	(9,445)
Increase (decrease) in deferred gains	-	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(973)	(1,627)	(407)	(68,024)	(1,692)	(1,692)	(1,692)	(1,757)
Total adjustments	606,434	921,759	103,145	(58,394)	472,998	633,278	545,386	739,660
Net cash provided by (used in) operating activities	\$ (5,304)	\$ (6,657)	\$ (311,329)	\$ (71,925)	\$ (4,957)	\$ (5,418)	\$ (5,315)	\$ (7,051)

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MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	2004D Program	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program
Cash flows from operating activities							
Loan principal payments received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan interest payments received	-	-	-	-	-	-	-
Loan disbursements	-	-	-	-	-	-	-
Payments to employees	-	-	-	-	-	-	-
Payments to vendors	(7,527)	48,607	(10,917)	(8,133)	184,202	(25,500)	(8,162)
Fee income received	-	-	-	-	-	-	-
Other income received	-	-	13,500	-	-	-	-
Net cash provided by (used in) operating activities	(7,527)	48,607	2,583	(8,133)	184,202	(25,500)	(8,162)
Cash flows from noncapital financing activities							
Proceeds from issuance of bonds	-	-	40,000,000	40,000,000	-	80,000,000	40,000,000
Proceeds from issuance of notes	-	-	-	-	188,117,969	-	-
Principal repayment of bonds	(1,590,000)	(1,235,000)	(2,550,000)	-	-	-	-
Principal repayment of notes	-	-	-	-	(31,000,000)	-	-
Interest paid	(966,174)	(1,291,096)	(1,586,159)	(688,622)	(3,440,843)	-	-
Bond issuance costs paid	-	-	(470,378)	(428,409)	-	(831,395)	(426,688)
Due (from) to other programs	-	(810,000)	-	144,948	-	1,295,427	1,128,898
Net cash provided by (used in) noncapital financing activities	(2,556,174)	(3,336,096)	35,393,463	39,027,917	153,677,126	80,464,032	40,702,210
Cash flows from capital and related financing activities							
Property and equipment additions	-	-	-	-	-	-	-
Proceeds from sale of property and equipment	-	-	-	-	-	-	-
Principal repayment of notes payable	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-	-	-
Cash flows from investing activities							
Purchase of investments	-	(24,312,810)	(37,645,888)	(35,168,398)	-	(36,819,095)	(2,370,077)
Redemption of investments	1,576,055	966,823	846,606	110,061	-	49,165	-
Interest received on investments	1,140,089	1,313,955	1,576,887	678,587	3,440,843	58,049	(6,754)
Net cash provided by (used in) investing activities	2,716,144	(22,032,032)	(35,222,395)	(34,379,750)	3,440,843	(36,711,881)	(2,376,831)
Transfers	(58,831)	10,504	791,351	647,782	14,500	1,376,900	709,000
Net increase (decrease) in cash and cash equivalents	93,612	(25,309,017)	965,002	5,287,816	157,316,671	45,103,551	39,026,217
Cash and cash equivalents, beginning of year	645,635	26,139,861	-	-	-	-	-
Cash and cash equivalents, end of year	\$ 739,247	\$ 830,844	\$ 965,002	\$ 5,287,816	\$ 157,316,671	\$ 45,103,551	\$ 39,026,217

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MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	2004D	2005A	2005B	2005C	2005-1	2006A	2006B
	Program	Program	Program	Program	Program	Program	Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (1,022,193)	\$ (829,883)	\$ (1,664,035)	\$ (1,833,721)	\$ 14,130	\$ (1,837,588)	\$ (240,053)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Interest paid	966,174	1,291,096	1,586,159	688,622	3,440,843	-	-
Amortization of bond issuance costs	27,812	27,670	43,987	5,866	-	4,300	1,109
Amortization of bond premium	-	-	-	-	-	-	-
Accretion of bond discount	-	-	-	-	-	-	-
Amortization of investment premium	9,311	-	-	-	-	-	-
Net (increase) decrease in fair value of investments	1,151,698	870,221	1,627,630	1,821,070	-	2,170,456	126,876
Loss on early extinguishment of debt	-	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-	-
Interest received on investments	(1,140,089)	(1,313,955)	(1,576,887)	(678,587)	(3,440,843)	(58,049)	6,754
(Increase) decrease in mortgage loans receivable, net	-	-	-	-	-	-	-
(Increase) decrease in accrued interest receivable	7,435	74,175	(166,492)	(175,675)	(647,234)	(929,869)	(67,144)
(Increase) decrease in other assets	-	55,968	-	-	-	-	-
Increase (decrease) in accrued interest payable	(5,918)	(124,928)	150,596	162,667	616,979	623,625	161,833
Decrease in deferred gains	-	-	-	-	-	-	-
Increase (decrease) in other liabilities and accrued expenses	(1,757)	(1,757)	1,625	1,625	200,327	1,625	2,463
Total adjustments	1,014,666	878,490	1,666,618	1,825,588	170,072	1,812,088	231,891
Net cash provided by (used in) operating activities	\$ (7,527)	\$ 48,607	\$ 2,583	\$ (8,133)	\$ 184,202	\$ (25,500)	\$ (8,162)

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MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	HB530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Cash flows from operating activities					
Loan principal payments received	\$ 140,647	\$ 471,169	\$ 266,375	\$ 932,695	\$ 1,810,886
Loan interest payments received	12,535	-	1,085	215,789	229,409
Loan disbursements	(235,523)	89,664	(378,236)	(1,427,062)	(1,951,157)
Payments to employees	-	-	(2,222,194)	-	(2,222,194)
Payments to vendors	(133,122)	(11,661)	(2,144,727)	(65,739)	(2,996,083)
Fee income received	-	3,813	4,794,882	35,345	4,834,040
Other income received	5,911	43,733	1,967,850	43,466	2,224,342
Net cash provided by (used in) operating activities	(209,552)	596,718	2,285,035	(265,506)	1,929,243
Cash flows from noncapital financing activities					
Proceeds from issuance of bonds	-	-	-	-	200,000,000
Proceeds from issuance of notes	-	-	10,112,414	-	202,274,552
Principal repayment of bonds	-	-	-	-	(65,905,271)
Principal repayment of notes	-	-	(24,085,761)	-	(266,589,502)
Interest paid	-	-	(457,363)	-	(27,321,046)
Bond issuance costs paid	-	-	-	-	(2,156,870)
Due (from) to other programs	(76,355)	-	(1,510,853)	75	-
Net cash provided by (used in) noncapital financing activities	(76,355)	-	(15,941,563)	75	40,301,863
Cash flows from capital and related financing activities					
Property and equipment additions	-	-	(115,917)	-	(115,917)
Proceeds from sale of property and equipment	-	-	-	-	506,192
Principal repayment of notes payable	-	-	-	-	(526,542)
Interest paid	-	-	-	-	(91,997)
Net cash used in capital and related financing activities	-	-	(115,917)	-	(228,264)
Cash flows from investing activities					
Purchase of investments	-	-	(40,460,456)	(264,661)	(177,041,385)
Redemption of investments	-	-	54,357,957	869,600	115,998,168
Interest received on investments	-	-	1,959,556	-	30,578,816
Net cash provided by (used in) investing activities	-	-	15,857,057	604,939	(30,464,401)
Transfers	78,781	(1,497,640)	(1,718,542)	2,505	-
Net increase (decrease) in cash and cash equivalents	(207,126)	(900,922)	366,070	342,013	11,538,441
Cash and cash equivalents, beginning of year	1,354,715	1,505,023	512,522	892,995	275,504,891
Cash and cash equivalents, end of year	\$ 1,147,589	\$ 604,101	\$ 878,592	\$ 1,235,008	\$ 287,043,332

See independent auditors' report.

MISSISSIPPI HOME CORPORATION

Combining Schedule of Cash Flows

For the Year Ended June 30, 2006

	HB530 Program	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 7,283	\$ 184,857	\$ 1,213,162	\$ 73,736	\$ (15,845,741)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Interest paid	-	-	457,363	-	27,413,043
Amortization of bond issuance costs	-	-	-	-	988,733
Amortization of bond premium	-	-	-	-	(596,505)
Accretion of bond discount	-	-	-	-	61,556
Amortization of investment premium	-	-	50,627	-	185,343
Net (increase) decrease in fair value of investments	-	-	659,597	-	18,652,199
Loss on early extinguishment of debt	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	(23,017)
Interest received on investments	-	-	(1,959,556)	-	(30,578,816)
(Increase) decrease in mortgage loans receivable, net	(84,025)	408,641	(111,861)	(388,325)	(175,570)
(Increase) decrease in accrued interest receivable	(738)	3,486	(19,540)	(284)	(1,078,571)
(Increase) decrease in other assets	(36)	1,137	(221,367)	56,865	(19,008)
Increase (decrease) in accrued interest payable	-	-	(20,153)	-	757,317
Decrease in deferred gains	-	-	(53,200)	-	(53,200)
Increase (decrease) in other liabilities and accrued expenses	(132,036)	(1,403)	2,289,963	(7,498)	2,241,480
Total adjustments	(216,835)	411,861	1,071,873	(339,242)	17,774,984
Net cash provided by (used in) operating activities	\$ (209,552)	\$ 596,718	\$ 2,285,035	\$ (265,506)	\$ 1,929,243

See independent auditors' report.



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

To the Board of Directors
Mississippi Home Corporation

We have audited the combined financial statements of Mississippi Home Corporation (the "Corporation") as of and for the year ended June 30, 2006, and have issued our report thereon dated September 6, 2006. 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 reportable 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 combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Horne LLP".

Jackson, Mississippi
September 6, 2006