

MISSISSIPPI HOME CORPORATION

Audited Financial Statement

For the Year Ended June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Mississippi Home Corporation
Jackson, Mississippi

We have audited the accompanying schedule of expenditures of federal awards of Mississippi Home Corporation (the "Corporation") for the year ended June 30, 2007. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the 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 schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the Corporation for the year ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

Jackson, Mississippi
September 30, 2008

MISSISSIPPI HOME CORPORATION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Contract Period	Grant Contract Award as of June 30, 2007	Federal Expenditures
Direct Programs				
Department of Housing and Urban Development				
HC-05-0475-001	14.169	10/01/05 – 09/30/06	\$ 17,652	\$ 12,253
HC-05-0499-001	14.169	10/01/05 – 09/30/06	124,217	71,806
HC-06-0499-002	14.169	10/01/06 – 09/30/07	137,353	77,008
RH-01-MS-I-0081	14.250	09/17/01 – 12/31/07	323,388	64,208
				225,275
Total direct programs				225,275
Pass-Through Programs				
Mississippi Development Authority				
M04-SG-28-01-1010	14.239	10/14/04 – 04/14/07	500,000	88,393
M05-SG-28-01-1010	14.239	10/28/05 – 10/28/07	500,000	489,569
M95-SG-28-01-1010	14.239	12/09/02 – 12/31/08	273,665	-
				577,962
Total pass-through programs				577,962
Total all programs				\$ 803,237

CFDA = Catalog of Federal Domestic Assistance

Note 1. Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity that is applicable to each of its major federal programs for the year ended June 30, 2007, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, on the basis of the fiscal year of the grantee.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mississippi Home Corporation
Jackson, Mississippi

Compliance

We have audited the compliance of Mississippi Home Corporation (the "Corporation") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year June 30, 2007.

Internal Control Over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the the Corporation's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2007-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2007-01, was not considered to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses, as defined above.

The Corporation's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.



Jackson, Mississippi
September 30, 2008

MISSISSIPPI HOME CORPORATION
Schedule of Findings and Questioned Costs
June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified | None |
| | b. Significant deficiencies identified that are not considered to be material weaknesses | None |
| 3. | Noncompliance material to financial statements noted | None |

Federal Awards:

- | | | |
|----|---|------------------------------|
| 4. | Type of auditor's report issued on compliance for major program | Unqualified |
| | Internal control over major programs: | |
| | a. Material weaknesses identified | None |
| | b. Significant deficiencies identified that are not considered to be material weaknesses | Yes |
| 5. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 | No |
| 6. | Federal program identified as a major program:
Housing Counseling Assistance Program
HOME Investment Partnerships Program | CFDA# 14.169
CFDA# 14.239 |
| 7. | Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 8. | Auditee qualified as low risk? | No |

MISSISSIPPI HOME CORPORATION
Schedule of Findings and Questioned Costs
June 30, 2007

Section II – Financial Statement Findings

No matters were reported.

Section III – Findings and Questioned Costs for Federal Awards

2007-1 Delinquent submission of Audit in Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

The Corporation received notification in 2008 that it was required to submit an audit under OMB Circular A-133 (the "Single Audit Act" or "Single Audit") for its grants relating to the Mississippi Development Authority ("MDA"). The Corporation believed that MDA, the primary recipient of these federal funds, would be responsible for reporting on their own use, and that the Corporation, in its role as administrator of the pass-through funds, would not be required to include them as federal funds in its own audit under the provisions of the Single Audit Act. Accordingly, the Corporation did not have an audit of these funds performed since the cumulative expenditures, excluding the MDA funds, were less than \$500,000 for the fiscal year ending June 30, 2007. However, upon further research and communication with the appropriate cognizant agencies, the Corporation determined that it was ultimately responsible for all federal funds expended during 2007, including the MDA funds. The failure to submit a timely report is considered a significant deficiency in internal control over federal compliance reporting, but is not considered to be a material weakness.

MISSISSIPPI HOME CORPORATION
Summary Schedule of Prior Year Audit Findings
June 30, 2007

The Corporation had no findings in the prior year.

MISSISSIPPI HOME CORPORATION

Corrective Action Plan

June 30, 2007

Section III – Findings and Questioned Costs for Federal Awards

2007-1 Delinquent submission of Audit in Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

The Corporation has reviewed all grants received and expended for the fiscal year ended June 30, 2007 and all grants received and expended subsequent to year-end. The Corporation has contacted all cognizant agencies to determine if their federal requirements have been met or if there are additional requirements that the Corporation must adhere to. The Corporation has assigned all grant managers with the responsibility of reviewing any additional grants entered subsequent to year-end and determining the federal requirements. All grant reporting requirements are required to be communicated to the Chief Financial Officer upon entering into future grants.