MISSISSIPPI HOME CORPORATION

Audited Financial Statements

Years Ended June 30, 2008 and 2007

CONTENTS

INDEPENDENT AUDITOR'S 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, 2008 and 2007, and the related combined statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008 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 accompanying schedule of federal awards on page 54 is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the supplementary schedules presented on pages 28 through 51 are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Horne LLP

Jackson, Mississippi
September 30, 2008

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 ended June 30, 2008 and 2007. This MD&A should be read in conjunction with the included basic combined financial statements and notes thereto, as well as our independent auditors' report thereon.

Required Basic Financial Statements

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

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

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

Financial Highlights – 2008

- Total assets increased $107.0 million or 10.4 percent
- Total liabilities increased $82.4 million or 8.4 percent
- Cash and investments increased $105.8 million or 10.6 percent
- Bonds payable increased $75.3 million or 9.2 percent
- Total net assets increased $24.6 million or 59.7 percent, including a $15.0 million increase in the fair value of investments
- Total operating revenues (excluding fair value adjustments) increased $14.6 million or 27.3 percent
- Total operating expenses increased $10.2 million or 21.0 percent
- Total operating income (excluding fair value adjustments) increased $4.5 million or 87.6 percent
- Interest income increased $11.9 million or 26.5 percent
- Interest expense increased $10.2 million or 25.2 percent

The following table summarizes the changes in the Corporation's assets and liabilities that occurred during the fiscal year ended June 30, 2008:

	2008	2007	Change Dollars	Change %
Cash and cash equivalents	$ 194,484,089	$ 325,775,080	$ (131,290,991)	-40.3%
Investments, at fair value	908,079,442	670,962,106	237,117,336	35.3%
Mortgage loans, net	9,734,188	9,499,144	235,044	2.5%
Unamortized bond issuance costs	9,095,160	8,601,113	494,047	5.7%
Other assets	10,629,109	10,168,807	460,302	4.5%
Total assets	$ 1,132,021,988	$ 1,025,006,250	$ 107,015,738	10.4%
Bonds payable, net	$ 890,538,150	$ 815,255,813	$ 75,282,337	9.2%
Notes payable	147,000,469	147,341,330	(340,861)	-0.2%
All other liabilities	28,531,219	21,105,092	7,426,127	35.2%
Total liabilities	$ 1,066,069,838	$ 983,702,235	$ 82,367,603	8.4%
Restricted net assets	$ 31,173,742	$ 12,078,114	$ 19,095,628	158.1%
Unrestricted net assets	34,778,408	29,225,901	5,552,507	19.0%
Total net assets	$ 65,952,150	$ 41,304,015	$ 24,648,135	59.7%

The following table summarizes the changes in the Corporation's operating revenues and expenses, before fair value adjustments, for the fiscal year ended June 30, 2008:

	2008	2007	Change Dollars	Change %
Interest on cash and investments	$ 13,299,112	$ 15,413,136	$ (2,114,024)	-13.7%
Interest on mortgage-backed securities	43,063,262	29,115,079	13,948,183	47.9%
Interest on mortgage loans	350,326	301,960	48,366	16.0%
Low income housing tax credits	8,014,998	6,536,249	1,478,749	22.6%
Gain on extinguishment of debt	1,349,390	-	1,349,390	NM
All other revenues	2,147,079	2,212,231	(65,152)	-2.9%
Total operating revenues	$ 68,224,167	$ 53,578,655	$ 14,645,512	27.3%
Interest expense	$ 50,705,442	$ 40,484,286	$ 10,221,156	25.2%
Amortization of bond issuance costs	1,041,357	875,536	165,821	18.9%
Loss on early extinguishment of debt	-	558,667	(558,667)	NM
Salaries and benefits	2,863,281	2,586,991	276,290	10.7%
All other expenses	4,008,653	3,952,423	56,230	1.4%
Total operating expenses	$ 58,618,733	$ 48,457,903	$ 10,160,830	21.0%
Operating income (before fair value adjustments)	$ 9,605,434	$ 5,120,752	$ 4,484,682	87.6%

The Corporation reported total assets of $1.1 billion at June 30, 2008. This represented an increase of $107.0 million compared to June 30, 2007. Total liabilities for the same period increased $82.4 million while total net assets increased $24.6 million.

The increase in total liabilities in 2008 was attributable primarily to an increase of $75.3 million in bonds payable, which compares to an increase of $328.7 million in 2007. The smaller increase in 2008 was due primarily to deteriorating conditions in the credit markets throughout most of 2008.

Investments increased $237.1 million to $908.1 million at June 30, 2008 compared to June 30, 2007. The increase was funded primarily from cash and cash equivalents (which decreased $131.3 million) and the proceeds from the issuance of bonds during the year. The increase in investment securities consisted substantially of mortgage-backed securities in the mortgage revenue bond program.

Total operating revenues before fair value adjustments for fiscal year 2008 were $68.2 million compared to $53.6 million for fiscal year 2007. The increase in operating revenues was attributable primarily to three factors:

- An increase in interest income of $11.9 million which resulted primarily from an overall higher level of earning assets, as well as a higher percentage of interest earning assets being deployed in investment securities, which earn a higher interest rate;
- Increased revenues of $1.5 million from the low income housing tax credit program; and
- Gain on extinguishment of debt of $1.3 million resulting from the termination of the 2002 Lease Purchase Program.

Total operating expenses were $58.6 million in fiscal year 2008, up from $48.5 million in fiscal year 2007. The primary factor causing the increase was an increase in interest expense of $10.2 million which resulted from a higher interest rate environment as well as a higher level of bonds outstanding.

As a result of the above factors, operating income before fair value adjustments was $9.6 million compared to $5.1 million in 2007.

Financial Highlights - 2007

- Total assets increased $317.5 million or 44.9 percent
- Total liabilities increased $325.0 million or 49.3 percent
- Cash and investments increased $315.8 million or 46.4 percent
- Bonds payable increased $328.7 million or 67.6 percent
- Notes payable decreased $11.5 million or 7.2 percent
- Total net assets decreased $7.6 million or 15.5 percent, including a $12.7 million decrease in the fair value of investments
- Total operating revenues (excluding fair value adjustments) increased $16.2 million or 43.3 percent
- Total operating expenses increased $13.9 million or 40.1 percent
- Total operating income (excluding fair value adjustments) increased $2.3 million or 82.5 percent
- Interest income increased $12.9 million or 40.3 percent
- Interest expense increased $12.8 million or 46.5 percent

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

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

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

			Change	
	2007	**2006**	**Dollars**	**%**
Interest on cash and investments	$ 15,413,136	$ 12,059,400	$ 3,353,736	27.8%
Interest on mortgage-backed securities	29,115,079	19,566,579	9,548,500	48.8%
Interest on mortgage loans	301,960	316,706	(14,746)	-4.7%
Low income housing tax credits	6,536,249	2,556,011	3,980,238	155.7%
All other revenues	2,212,231	2,894,397	(682,166)	-23.6%
Total operating revenues	$ 53,578,655	$ 37,393,093	$ 16,185,562	43.3%
Interest expense	$ 40,484,286	$ 27,635,399	$ 12,848,887	46.5%
Amortization of bond issuance costs	875,536	988,733	(113,197)	-11.4%
Loss on early extinguishment of debt	558,667	-	558,667	NM
Salaries and benefits	2,586,991	2,268,091	318,900	14.1%
All other expenses	3,952,423	3,694,412	258,011	7.0%
Total operating expenses	$ 48,457,903	$ 34,586,635	$ 13,871,268	40.1%
Operating income (before fair value adjustments)	$ 5,120,752	$ 2,806,458	$ 2,314,294	82.5%

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

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

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

Total operating revenues before fair value adjustments for fiscal year 2007 were $53.6 million compared to $37.4 million for fiscal year 2006. The increase in operating revenues was attributable primarily to two factors:

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

Total operating expenses were $48.5 million in fiscal year 2007, up from $34.6 million in fiscal year 2006. The primary factor causing the increase was an increase in interest expense of $12.8 million which resulted from a higher interest rate environment as well as a higher level of bonds outstanding.

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

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 bonds.

Economic Factors

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

Contact Information

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

MISSISSIPPI HOME CORPORATION
Combined Statements of Net Assets
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents		
Cash	$ 1,365,440	$ 1,948,426
Restricted cash	9,440,251	3,885,512
Cash equivalents	4,050,325	104,149
Restricted cash equivalents	179,628,073	319,836,993
Total cash and cash equivalents	194,484,089	325,775,080
Accrued interest receivable	4,803,677	4,501,988
Total current assets	199,287,766	330,277,068
Noncurrent assets:		
Investments, at fair value	908,079,442	670,962,106
Mortgage loans receivable, net of allowance for loan losses (2008 - $1,753,324; 2007 - $999,060)	9,734,188	9,499,144
Unamortized bond issuance costs	9,095,160	8,601,113
Other assets	5,825,432	5,666,819
Total noncurrent assets	932,734,222	694,729,182
Total assets	$ 1,132,021,988	$ 1,025,006,250
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bonds payable, net	$ 4,355,401	$ 26,920,000
Notes payable	147,000,469	340,861
Accrued interest payable	4,112,623	3,835,609
Total current liabilities	155,468,493	31,096,470
Noncurrent liabilities:		
Bonds payable, net of premium or discount and current portion	886,182,749	788,335,813
Notes payable	-	147,000,469
Other liabilities and accrued expenses	24,418,596	17,269,483
Total noncurrent liabilities	910,601,345	952,605,765
Total liabilities	$ 1,066,069,838	$ 983,702,235
Net assets:		
Restricted	$ 31,173,742	$ 12,078,114
Unrestricted	34,778,408	29,225,901
Total net assets	$ 65,952,150	$ 41,304,015

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, 2008 and 2007

	2008	2007
Operating revenues:		
Interest income:		
Cash and cash equivalents	$ 11,348,632	$ 13,826,761
Mortgage-backed securities	43,063,262	29,115,079
Other investments	1,950,480	1,586,375
Mortgage loans	350,326	301,960
Total interest income	56,712,700	44,830,175
Net increase (decrease) in fair value of investments	15,042,701	(12,688,394)
Reservation fees	469,053	693,495
Low income housing tax credit program	8,014,998	6,536,249
Gain on extinguishment of debt	1,349,390	-
Other income	1,678,026	1,518,736
Total operating revenues	83,266,868	40,890,261
Operating expenses:		
Interest expense	50,705,442	40,484,286
Amortization of bond issuance costs	1,041,357	875,536
Loss on early extinguishment of debt	-	558,667
Salaries and related benefits	2,863,281	2,586,991
Other	4,008,653	3,952,423
Total operating expenses	58,618,733	48,457,903
Operating income (loss)	24,648,135	(7,567,642)
Net assets, beginning of year	41,304,015	48,871,657
Net assets, end of year	$ 65,952,150	$ 41,304,015

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION
Combined Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Loan principal payments received	$ 1,712,250	$ 1,937,998
Loan interest payments received	353,938	298,098
Loan disbursements	(3,554,622)	(3,291,946)
Payments to employees	(2,854,235)	(2,561,472)
Payments to vendors	(4,007,709)	(2,661,000)
Fee income received	15,270,485	13,134,197
Other income received	3,440,886	1,694,954
Net cash provided by operating activities	10,360,993	8,550,829
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	165,000,000	394,393,640
Principal repayment of bonds	(89,341,050)	(65,339,988)
Premium paid on early redemptions	-	(429,400)
Principal repayment of notes	-	(10,117,500)
Interest paid	(50,603,642)	(39,954,134)
Bond issuance costs paid	(1,732,311)	(4,275,927)
Net cash provided by noncapital financing activities	23,322,997	274,276,691
Cash flows from capital and related financing activities:		
Property and equipment additions	(206,555)	(195,050)
Proceeds from sale of property and equipment	339,819	1,659,062
Principal repayment of notes payable	(340,861)	(1,333,228)
Interest paid	(4,489)	(66,862)
Net cash provided by (used in) capital and related financing activities	(212,086)	63,922
Cash flows from investing activities:		
Purchase of investments	(305,836,700)	(375,311,693)
Redemption of investments	84,403,553	86,623,351
Interest received on investments	56,670,252	44,528,648
Net cash (used in) investing activities	(164,762,895)	(244,159,694)
Net increase (decrease) in cash and cash equivalents	(131,290,991)	38,731,748
Cash and cash equivalents, beginning of year	325,775,080	287,043,332
Cash and cash equivalents, end of year	$ 194,484,089	$ 325,775,080
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 24,648,135	$ (7,567,642)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Interest paid	50,608,131	40,020,996
Amortization of bond issuance costs	1,041,357	875,536
Amortization of bond premium	(243,985)	(341,461)
Accretion of bond discount	64,280	65,114
Amortization of investment premium	30,832	85,613
Net (increase) decrease in fair value of investments	(15,042,701)	12,688,394
Realized (gain) loss on investments	(7,006)	146,839
Loss on early extinguishment of debt	-	558,667
Gain on sale of property and equipment	(21,368)	(110,359)
Interest received on investments	(56,670,252)	(44,528,648)
Increase in mortgage loans receivable, net	(235,046)	(1,143,942)
Increase in accrued interest receivable	(301,691)	(836,586)
(Increase) decrease in other assets	(935,823)	909,934
Increase in accrued interest payable	277,016	739,639
Decrease in deferred gains	(53,200)	(53,200)
Increase in other liabilities and accrued expenses	7,202,314	7,041,935
Total adjustments	(14,287,142)	16,118,471
Net cash provided by operating activities	$ 10,360,993	$ 8,550,829

See accompanying notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

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

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

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

Accounting Method

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

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

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

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

Restricted cash consists of cash which is restricted as to its use and is held primarily by the Mississippi Affordable Housing Development Program, the House Bill 530 Program, the Bond 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

A portion of the mortgage loans in the general corporate account are secured by first liens on multi-family residential properties, while the remainder is 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. Mortgage loans in the House Bill 530 Program are secured by first liens on single-family residential properties. Proceeds from bond issues are principally invested in GNMA certificates, representing pools of mortgage loans originated under the respective programs.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Allowance for Losses on Mortgage Loans

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

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

Management of the Corporation believes that the allowance is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions. Losses on mortgage loans totaled $1,044,485 and $246,792 in 2008 and 2007, respectively.

Unamortized Bond Issuance Costs, Discounts and Premiums

Costs related to the issuance of bonds are capitalized in the respective bond issues and amortized over the term of the bonds using the effective interest method. During the years ended June 30, 2008 and 2007, $1,732,311 and $4,275,927 of issuance costs were capitalized, respectively. In addition, discounts and premiums on the sale of bonds are deferred and amortized over the life of the bonds. Prepayments of principal are not anticipated in amortizing bond issuance costs, bond discounts or bond premiums.

Reservation Fees

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

Income Taxes

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Fair Value of Financial Instruments

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

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

The Corporation adjusted its 2007 combined statement of revenue, expenses and changes in net assets to reflect $567,962 of grant income and $567,962 of grant expense previously reported at net. The restatement had no effect on net assets at June 30, 2007 or the operating loss for the year then ended as previously reported.

NOTES TO COMBINED FINANCIAL STATEMENTS

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;
- 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.

At June 30, 2008, the carrying amount of the Corporation's cash and cash equivalents was $194,484,089 and the bank balance was $194,760,210. The differences between the carrying amount and bank balance was a result of transactions in transit. Of the $194,760,210 bank balance, $5,232,385 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 $189,527,825 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, 2007, the carrying amount of the Corporation's cash and cash equivalents was $325,775,080 and the bank balance was $326,544,821. The differences between the carrying amount and bank balance was a result of transactions in transit. Of the $326,544,821 bank balance, $5,724,306 was either covered by federal depository insurance or collateralized with securities held by the Corporation or by its agent in the Corporation's name. The remaining bank balance of $320,820,515 was not covered by federal depository insurance and was uncollateralized. These uncollateralized balances were primarily invested in guaranteed investment contracts with various insurance companies.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

A summary of the estimated fair value and amortized cost of investments as of June 30, 2008 and 2007 follows:

	2008		2007	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U. S. Government agency securities	$ 7,272,138	$ 7,166,451	$ 7,424,971	$ 7,480,411
Corporate debt securities	7,450,883	7,659,284	2,323,534	2,343,287
Municipal debt securities	1,881,261	1,855,964	1,848,894	1,862,608
Mortgage-backed securities	879,675,153	884,978,536	647,992,216	668,203,452
Collateralized mortgage obligations	5,045,718	4,997,812	4,663,072	4,713,988
Other asset-backed securities	1,254,289	1,279,013	1,709,419	1,698,790
Commercial agreements	5,500,000	5,500,000	5,000,000	5,000,000
	$ 908,079,442	$ 913,437,060	$ 670,962,106	$ 691,302,536

At June 30, 2008, the Corporation's securities had scheduled maturities as follows:

		Investment Maturities			
	Estimated Fair Value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
U. S. Government agency securities	$ 7,272,138	$ 999,200	$ 3,763,001	$ 2,509,937	$ -
Corporate debt securities	7,450,883	1,746,405	2,006,868	3,697,610	-
Municipal debt securities	1,881,261	627,283	807,666	446,312	-
Mortgage-backed securities	879,675,153	760,542	-	1,542,466	877,372,145
Collateralized mortgage obligations	5,045,718	-	1,258,516	2,473,133	1,314,069
Other asset-backed securities	1,254,289	-	-	-	1,254,289
Commercial agreements	5,500,000	-	500,000	5,000,000	-
	$ 908,079,442	$ 4,133,430	$ 8,336,051	$ 15,669,458	$ 879,940,503

Interest Rate Risk

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

Credit Risk

Investments for each bond issue are those permitted by the various bond indentures and bond resolutions adopted by the Corporation. As of June 30, 2008, the Corporation's investments in Commercial Agreements, U.S. Government Obligations and Government National Mortgage Association mortgage-backed securities are unrated. The Corporation's remaining investments are rated by Moody's Investor Service as follows:

Investment Type	Moody's Rating	June 30, 2008 Balance
U.S. Government agency securities	Aaa	$ 7,272,138
Corporate debt securities	Aaa	847,778
Corporate debt securities	Aa	3,517,598
Corporate debt securities	A	3,085,507
Municipal debt securities	Aaa	416,196
Municipal debt securities	Aa	848,085
Municipal debt securities	A	616,980
Mortgage-backed securities	Aaa	6,879,876
Collateralized mortgage obligations	Aaa	4,196,311
Collateralized mortgage obligations	Aa	849,407
Other asset-backed securities	Aaa	1,254,289
		$ 29,784,165

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, 2008, the Corporation held investments issued by the Government National Mortgage Association ("GNMA") with a fair value of $876,546,161, which represents 96.53 percent of the Corporation's total investment holdings.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Bonds and Notes Payable

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

		Mortgage Revenue Bonds, net		Notes Payable: 2005-1 Convertible Note Program		Notes Payable: 2002 Lease Purchase Program
Balance at June 30, 2006	$	486,512,639	$	157,117,969	$	1,674,089
Proceeds from issuance		394,393,640		-		-
Principal repayments		(65,339,988)		(10,117,500)		(1,333,228)
Accretion		65,114		-		-
Defeased bond premium		(34,131)		-		-
Premium amortization		(341,461)		-		-
Balance at June 30, 2007	$	815,255,813	$	147,000,469	$	340,861
Proceeds from issuance		165,000,000		-		-
Principal repayments		(89,341,050)		-		(340,861)
Accretion		64,280		-		-
Premium adjustment		(196,908)		-		-
Premium amortization		(243,985)		-		-
Balance at June 30, 2008	$	890,538,150	$	147,000,469	$	-

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The Corporation has the option to redeem bonds after they have been outstanding for 10 years at initial prices ranging from 100 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, 2008 and 2007, the Corporation has complied with all bond covenants.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds and notes payable for the mortgage purchase programs follow:

Bonds Description	June 30, 2008	2007
1995D series bonds – 6.520 percent interest payable semi-annually, principal due through November 1, 2027	$ 1,655,000	$ 2,145,000
1995I series bonds – 5.900 percent interest payable semi-annually, principal due through June 1, 2017	180,000	210,000
1995J series bonds – 6.125 percent interest payable semi-annually, principal due through June 1, 2027	2,005,000	2,440,000
1997D series bonds – 6.750 percent to 7.750 percent interest payable semi-annually, principal due through July 1, 2029	2,640,413	2,896,081
1997G series bonds – 6.700 percent to 6.930 percent interest payable semi-annually, principal due through November 1, 2029	2,474,490	2,940,296
1997H series bonds – 6.700 percent interest payable semi-annually, principal due through December 1, 2029	2,490,664	3,046,869
1998A series bonds – 6.350 percent to 6.560 percent interest payable semi-annually, principal due through June 1, 2030	3,788,742	4,437,437
1998B series bonds – 5.420 percent to 6.200 percent interest payable semi-annually, principal due through June 1, 2030	3,796,603	4,652,040
1998C series bonds – 6.250 percent to 6.350 percent interest payable semi-annually, principal due through December 1, 2030	3,791,710	4,549,309
1999A series bonds – 6.300 percent to 6.630 percent interest payable semi-annually, principal due through June 1, 2031	6,010,533	7,253,492
1999B series accretion bonds – effective interest rate 5.800 percent, principal due through December 1, 2030	3,585,000	4,560,000
1999C series bonds – 6.070 percent interest payable semi-annually, principal due through June 1, 2031	2,090,000	2,515,000
2000A series bonds – 6.950 percent interest payable semi-annually, principal due through December 1, 2031	6,016,426	6,938,793
2001A series bonds – 6.500 percent interest payable semi-annually, principal due through June 1, 2032	13,337,197	15,804,987
2001B series bonds – 6.375 percent, interest payable semi-annually, principal due through December 1, 2032	6,190,549	6,962,702
2001D series bonds – 6.250 percent interest payable semi-annually, principal due through December 1, 2032	8,046,951	9,873,204
2002A series bonds – 6.100 percent interest payable semi-annually, principal due through June 1, 2034	10,702,857	12,209,095
2002B series bonds – 6.450 percent interest payable semi-annually, principal due through December 1, 2033	8,572,061	10,203,763

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds Description	June 30, 2008	June 30, 2007
2002 lease purchase series bonds, interest at prime-rate plus 2.00 percent, 10.25 percent at June 30, 2007, principal due through October 1, 2007 (see Note 9)	$ 600,401	$ 25,000,000
2002C series bonds – 2.750 percent to 5.800 percent, interest payable semi-annually, principal due through June 1, 2034	14,693,490	18,069,225
2003A series bonds – 2.500 percent to 5.800 percent, interest payable semi-annually, principal due through July 1, 2034	7,833,142	9,297,823
2004A series bonds – 3.150 percent to 5.000 percent, interest payable semi-annually, principal due through December 1, 2034	10,430,000	11,490,000
2004B series bonds – 2.700 percent to 5.700 percent, interest payable semi-annually, principal due through December 1, 2035	8,860,000	10,740,000
2004C series bonds – 2.550 percent to 5.950 percent, interest payable semi-annually, principal due through December 1, 2035	13,290,000	15,395,000
2004D series bonds – 2.350 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2035	14,855,000	17,515,000
2005A series bonds – 2.750 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2036	21,475,000	23,780,000
2005B series bonds – 2.900 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2036	32,225,000	35,660,000
2005C series bonds – 4.880 percent, interest payable semi-annually, principal due through December 1, 2037	34,400,000	37,930,000
2006A series bonds – 4.650 percent to 4.750 percent, interest payable semi-annually, principal due through December 1, 2038	70,460,000	77,860,000
2006B series bonds – 4.850 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	37,009,400	39,395,000
2006C series bonds – 4.800 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	74,132,750	79,170,000
2006D series bonds – 5.000 percent, interest payable semi-annually, principal due through December 1, 2038	75,762,750	79,580,000
2006E series bonds – 4.500 percent, interest payable semi-annually, principal due through June 1, 2039	18,583,650	19,795,000
2007A series bonds – 3.600 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2038	48,185,000	50,000,000
2007B series bonds – 3.550 percent to 5.375 percent, interest payable semi-annually, principal due through December 1, 2038	90,225,000	94,391,906

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds Description	June 30, 2008	June 30, 2007
2007C series bonds – 3.600 percent to 5.600 percent, interest payable semi-annually, principal due through December 1, 2038	$ 68,930,000	$ 70,000,000
2007D series bonds – 3.850 percent to 6.100 percent, interest payable semi-annually, principal due through December 1, 2038	59,275,000	-
2007E series bonds – 3.750 percent to 5.850 percent, interest payable semi-annually, principal due through December 1, 2038	64,530,000	-
2008A series bonds – 2.550 percent to 5.625 percent, interest payable semi-annually, principal due through December 1, 2039	40,000,000	-
	893,129,779	818,707,022
Net unamortized (unaccreted) premium (discount)	(2,591,629)	(3,451,209)
Total bonds payable, net	$ 890,538,150	$ 815,255,813

Notes Payable Description	June 30, 2008	June 30, 2007
2005-1 series notes, interest at SIFMA Municipal Swap Index plus 0.80 percent, 2.35 percent at June 30, 2008, interest payable monthly, principal due through December 1, 2008	$ 147,000,469	$ 147,000,469
2002 lease purchase notes, 4.870 percent to 6.125 percent, interest payable monthly, principal due through October 1, 2007 (see Note 9)	-	340,861
	$ 147,000,469	$ 147,341,330

A summary of debt service requirements through 2013 and in five-year increments thereafter is as follows:

Year Ending June 30,	Principal*	Interest
2009	$ 151,355,870	$ 47,394,353
2010	5,635,000	45,499,419
2011	6,190,000	45,278,064
2012	5,590,000	45,047,779
2013	4,870,000	44,792,099

*Includes capital appreciation bonds at their final redemption values.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Five Years Ending June 30,	Principal*	Interest
2014 – 2018	$ 11,490,000	$ 222,268,612
2019 – 2023	24,775,000	217,366,667
2024 – 2028	39,026,200	208,486,935
2029 – 2033	94,198,078	194,753,771
2034 – 2038	346,843,701	156,001,512
2039 – 2043	350,156,400	10,281,916

*Includes capital appreciation bonds at their final redemption values.

Note 4. Excess Earnings

For all of the mortgage purchase programs, federal tax regulations limit the interest margin that the Corporation (as a tax-exempt entity) may earn. These regulations require that earnings on the investment of bond proceeds which exceed interest paid on the bonds by a pre-determined amount (defined in the regulations and subject to certain adjustments) must be rebated or remitted to the Internal Revenue Service (the "IRS"). The Corporation determined that the rebate liability due to the IRS was approximately $2,400,984 in 2008 and $1,964,307 in 2007, if the Corporation does not meet its spending requirement over the life of the issuances. The Corporation expects to meet the spending requirements on the majority of the outstanding issuances.

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 Bond Trustee calls the bonds.

Note 6. Mississippi Affordable Housing Development Program

The Corporation is responsible for management of the Mississippi Affordable Housing Development Program, which is a blended component unit of the Corporation. The program was established by the State as a housing development revolving loan fund to provide resources for

Note 6. Continued

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. A portion of the fees received are deferred and recognized over the life of the 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 3 percent of the loan amount.

Note 9. Lease Purchase Revenue Bond Program

During the year ended June 30, 2007, management elected to terminate the Corporation's Lease Purchase Revenue Bond Program after the bonds matured on October 1, 2007. Under the program, the Corporation purchased homes for potential homebuyers with credit problems in return for signed leases and options to purchase. The potential homebuyers had up to 39 months to attend credit counseling, improve their credit and assume the loans. Once assumed, the loans were pooled and subsequently purchased by the Federal Home Loan Mortgage Corporation. The Corporation did not purchase any single family residential properties during 2008 or 2007. Property purchased in prior years is reported in other assets on the Corporation's statement of net

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Continued

assets (see Note 3). At June 30, 2008 and 2007, $600,401 and $25,000,000, respectively in bonds payable were outstanding under this program.

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 $211,487,000 and $190,847,000 at June 30, 2008 and 2007, respectively.

Note 11. Defined Benefit Pension Plan

The Corporation contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS by mail at 429 Mississippi Street, Jackson, MS 39201 or by phone at 1-800-444-7377. PERS members are required to contribute 7.25 percent of their annual covered salary and the Corporation is required to contribute at an actuarially determined rate. The current rate is 11.85 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, 2008 was approximately $424,000 which consisted of $263,000 from the Corporation and $161,000 from employees. The Corporation's contribution requirement for the year ended June 30, 2007 was approximately $371,000 which consisted of $226,000 from the Corporation and $145,000 from employees.

The Corporation's 48 participating employees are an insignificant portion of PERS approximately 357,000 participants.

NOTES TO COMBINED FINANCIAL STATEMENTS

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, 2008 and 2007, $196,032,138 and $163,290,000, respectively, of these bonds were outstanding. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers. Loan and corresponding debt service payments are guaranteed by irrevocable direct-pay letters of credit. The faith and credit of the Corporation is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Corporation's financial statements.

Note 14. Subsequent Events (Unaudited)

On September 4, 2008, the Corporation issued $40,000,000 in Single Family Mortgage Revenue Bonds. These bonds have maturity dates from June 1, 2010 to December 1, 2039, and bear interest at rates from 2.85 percent to 6.75 percent.

On September 24, 2008, the Corporation elected to terminate its 2005-1 series notes. On that date the related guaranteed investment contract was terminated, the funds were withdrawn, and the notes were redeemed. The Corporation held approximately $179.6 million in guaranteed investment contracts as of June 30, 2008, of which $147.9 million was related to the 2005-1 series notes. While the capital markets have experienced turbulence subsequent to year-end, the Corporation believes that the quality of its investments mitigates any significant risk.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 15. New Accounting Pronouncements

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

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

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

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

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

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

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2008

	1995CD Program	1995IJ Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program
ASSETS								
Current assets:								
Cash and cash equivalents:								
Cash	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash	6,426	—	65,877	—	—	10,652	625	26,140
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	117,990	78,141	69,487	194,693	84,533	24,688	40,048	3,847
Total cash and cash equivalents	124,416	78,141	135,364	194,693	84,533	35,340	40,673	29,987
Accrued interest receivable	13,843	16,305	18,211	14,557	15,910	22,638	21,555	21,716
Total current assets	138,259	94,446	153,575	209,250	100,443	57,978	62,228	51,703
Noncurrent assets:								
Investments, at fair value	2,173,803	2,772,943	3,082,609	2,562,962	2,835,275	4,214,575	4,138,455	4,144,971
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	13,577	16,871	22,785	21,637	25,012	36,839	39,966	35,858
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	2,187,380	2,789,814	3,105,394	2,584,599	2,860,287	4,251,414	4,178,421	4,180,829
Total assets	$ 2,325,639	$ 2,884,260	$ 3,258,969	$ 2,793,849	$ 2,960,730	$ 4,309,392	$ 4,240,649	$ 4,232,532
LIABILITIES								
Current liabilities:								
Bonds payable, net	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	17,985	11,119	14,121	21,829	13,651	19,817	19,272	19,848
Total current liabilities	17,985	11,119	14,121	21,829	13,651	19,817	19,272	19,848
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	1,655,000	2,185,000	2,640,414	2,474,490	2,490,664	3,788,742	3,796,603	3,791,710
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,636	4,830	2,558	1,808	6,612	1,808	1,808	1,808
Total noncurrent liabilities	1,658,636	2,189,830	2,642,972	2,476,298	2,497,276	3,790,550	3,798,411	3,793,518
Total liabilities	$ 1,676,621	$ 2,200,949	$ 2,657,093	$ 2,498,127	$ 2,510,927	$ 3,810,367	$ 3,817,683	$ 3,813,366
Net assets:								
Restricted	$ 649,018	$ 683,311	$ 601,876	$ 295,722	$ 449,803	$ 499,025	$ 422,966	$ 419,166
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	$ 649,018	$ 683,311	$ 601,876	$ 295,722	$ 449,803	$ 499,025	$ 422,966	$ 419,166

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2008

	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
ASSETS								
Current assets:								
Cash and cash equivalents:								
Cash	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash	24	345	602	201,286	140,875	736	687	562
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	58,618	72,826	27,349	109,094	502,305	115,906	600,217	303,418
Total cash and cash equivalents	58,642	73,171	27,951	310,380	643,180	116,642	600,904	303,980
Accrued interest receivable	33,933	6,805	13,469	38,990	74,038	33,406	43,182	54,445
Total current assets	92,575	79,976	41,420	349,370	717,218	150,048	644,086	358,425
Noncurrent assets:								
Investments, at fair value	6,492,894	1,233,519	2,373,842	7,064,723	14,110,258	6,484,436	8,208,749	10,637,014
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	56,563	22,532	21,624	73,535	166,412	85,093	101,879	137,980
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	6,549,457	1,256,051	2,395,466	7,138,258	14,276,670	6,569,529	8,310,628	10,774,994
Total assets	$ 6,642,032	$ 1,336,027	$ 2,436,886	$ 7,487,628	$ 14,993,888	$ 6,719,577	$ 8,954,714	$ 11,133,419
LIABILITIES								
Current liabilities:								
Bonds payable, net	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	31,080	—	10,572	34,171	70,877	32,220	41,302	53,782
Total current liabilities	31,080	—	10,572	34,171	70,877	32,220	41,302	53,782
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	6,010,533	993,371	2,090,000	6,016,425	13,337,197	6,190,549	8,046,951	10,702,857
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	1,808	1,808	1,808	36,729	1,808	1,808	1,808	1,808
Total noncurrent liabilities	6,012,341	995,179	2,091,808	6,053,154	13,339,005	6,192,357	8,048,759	10,704,665
Total liabilities	$ 6,043,421	$ 995,179	$ 2,102,380	$ 6,087,325	$ 13,409,882	$ 6,224,577	$ 8,090,061	$ 10,758,447
Net assets:								
Restricted	$ 598,611	$ 340,848	$ 334,506	$ 1,400,303	$ 1,584,006	$ 495,000	$ 864,653	$ 374,972
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	$ 598,611	$ 340,848	$ 334,506	$ 1,400,303	$ 1,584,006	$ 495,000	$ 864,653	$ 374,972

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2008

	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program
ASSETS								
Current assets:								
Cash and cash equivalents:								
Cash	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash	109,583	90,656	549,990	190,858	45,370	276,223	—	437
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	205,013	330,377	—	101,882	143,285	520,772	455,240	492,763
Total cash and cash equivalents	314,596	421,033	549,990	292,740	188,655	796,995	455,240	493,200
Accrued interest receivable	46,135	70,023	516	38,381	49,407	41,155	63,649	66,542
Total current assets	360,731	491,056	550,506	331,121	238,062	838,150	518,889	559,742
Noncurrent assets:								
Investments, at fair value	8,724,256	14,511,576	—	7,693,049	10,659,240	8,295,317	13,150,834	14,499,017
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	108,989	193,038	—	78,266	133,326	91,059	137,866	157,374
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	8,833,245	14,704,614	—	7,771,315	10,792,566	8,386,376	13,288,700	14,656,391
Total assets	$ 9,193,976	$ 15,195,670	$ 550,506	$ 8,102,436	$ 11,030,628	$ 9,224,526	$ 13,807,589	$ 15,216,133
LIABILITIES								
Current liabilities:								
Bonds payable, net	$ —	$ —	$ 600,401	$ 95,000	$ —	$ 150,000	$ 200,000	$ 265,000
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	45,553	70,325	—	36,928	42,525	39,336	57,785	57,167
Total current liabilities	45,553	70,325	600,401	131,928	42,525	189,336	257,785	322,167
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	8,572,061	14,693,490	—	7,738,142	10,430,000	8,710,000	13,090,000	14,590,000
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	1,808	1,808	451,420	1,808	1,808	1,808	1,808	1,808
Total noncurrent liabilities	8,573,869	14,695,298	451,420	7,739,950	10,431,808	8,711,808	13,091,808	14,591,808
Total liabilities	$ 8,619,422	$ 14,765,623	$ 1,051,821	$ 7,871,878	$ 10,474,333	$ 8,901,144	$ 13,349,593	$ 14,913,975
Net assets:								
Restricted	$ 574,554	$ 430,047	$ (501,315)	$ 230,558	$ 556,295	$ 323,382	$ 457,996	$ 302,158
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	$ 574,554	$ 430,047	$ (501,315)	$ 230,558	$ 556,295	$ 323,382	$ 457,996	$ 302,158

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2008

	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program	2006C Program	2006D Program
ASSETS								
Current assets:								
Cash and cash equivalents:								
Cash	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash	336,497	800	4,533	—	40,124	49,383	584,287	503,298
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	800,615	1,164,924	395,970	147,923,148	1,440,349	943,998	2,123,731	1,323,079
Total cash and cash equivalents	1,137,112	1,165,724	400,503	147,923,148	1,480,473	993,381	2,708,018	1,826,377
Accrued interest receivable	98,755	141,431	147,489	306,882	294,829	156,518	324,575	345,385
Total current assets	1,235,867	1,307,155	547,992	148,230,030	1,775,302	1,149,899	3,032,593	2,171,762
Noncurrent assets:								
Investments, at fair value	20,671,943	30,891,962	33,327,620	—	67,438,493	35,368,215	71,030,988	74,145,561
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	216,408	342,930	340,254	—	683,013	369,129	707,442	726,919
Other assets	—	—	—	1,667	9,053	4,695	9,401	9,661
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	20,888,351	31,234,892	33,667,874	1,667	68,130,559	35,742,039	71,747,831	74,882,141
Total assets	$ 22,124,218	$ 32,542,047	$ 34,215,866	$ 148,231,697	$ 69,905,861	$ 36,891,938	$ 74,780,424	$ 77,053,903
LIABILITIES								
Current liabilities:								
Bonds payable, net	$ 380,000	$ 470,000	$ —	$ —	$ —	$ —	$ —	$ —
Notes payable	—	—	—	147,000,469	—	—	—	—
Accrued interest payable	92,958	129,551	139,893	287,655	274,629	149,735	301,203	315,678
Total current liabilities	472,958	599,551	139,893	147,288,124	274,629	149,735	301,203	315,678
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	21,095,000	31,755,000	34,400,000	—	70,460,000	37,009,400	74,132,750	75,762,750
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	1,808	2,558	1,808	943,714	125,681	3,295	183,056	209,917
Total noncurrent liabilities	21,096,808	31,757,558	34,401,808	943,714	70,585,681	37,012,695	74,315,806	75,972,667
Total liabilities	$ 21,569,766	$ 32,357,109	$ 34,541,701	$ 148,231,838	$ 70,860,310	$ 37,162,430	$ 74,617,009	$ 76,288,345
Net assets:								
Restricted	$ 554,452	$ 184,938	$ (325,835)	$ (141)	$ (954,449)	$ (270,492)	$ 163,415	$ 765,558
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	$ 554,452	$ 184,938	$ (325,835)	$ (141)	$ (954,449)	$ (270,492)	$ 163,415	$ 765,558

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2008

	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program	2008A Program
ASSETS							
Current assets:							
Cash and cash equivalents:							
Cash	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash	83,537	397,425	807,008	371,828	580,664	231,868	140,222
Cash equivalents	—	—	—	—	—	—	—
Restricted cash equivalents	724,083	1,464,020	4,802,968	2,504,957	1,770,795	2,519,012	5,073,932
Total cash and cash equivalents	807,620	1,861,445	5,609,976	2,876,785	2,351,459	2,750,880	5,214,154
Accrued interest receivable	77,301	211,942	419,178	311,814	291,313	326,809	183,313
Total current assets	884,921	2,073,387	6,029,154	3,188,599	2,642,772	3,077,689	5,397,467
Noncurrent assets:							
Investments, at fair value	17,388,598	45,980,407	87,785,969	66,079,413	58,260,685	63,674,919	35,216,351
Mortgage loans receivable, net	—	—	—	—	—	—	—
Unamortized bond issuance costs	189,134	532,615	784,087	786,094	486,010	694,110	458,934
Other assets	—	6,111	11,474	8,712	7,481	—	—
Due (to) from other funds	—	(3,749)	(10,204)	(15,511)	(8,847)	(32,119)	(128,875)
Total noncurrent assets	17,577,732	46,515,384	88,571,326	66,858,708	58,745,329	64,336,910	35,546,410
Total assets	$ 18,462,653	$ 48,588,771	$ 94,600,480	$ 70,047,307	$ 61,388,101	$ 67,414,599	$ 40,943,877
LIABILITIES							
Current liabilities:							
Bonds payable, net	$ —	$ 245,000	$ 1,220,000	$ 615,000	$ 60,000	$ 55,000	$ —
Notes payable	—	—	—	—	—	—	—
Accrued interest payable	69,669	198,629	363,908	288,199	268,491	297,773	173,387
Total current liabilities	69,669	443,629	1,583,908	903,199	328,491	352,773	173,387
Noncurrent liabilities:							
Bonds payable, net of premium or discount and current portion	18,583,650	47,940,000	89,005,000	68,315,000	59,215,000	64,475,000	40,000,000
Notes payable	—	—	—	—	—	—	—
Other liabilities and accrued expenses	51,428	112,518	168,829	108,646	35,704	1,808	9,320
Total noncurrent liabilities	18,635,078	48,052,518	89,173,829	68,423,646	59,250,704	64,476,808	40,009,320
Total liabilities	$ 18,704,747	$ 48,496,147	$ 90,757,737	$ 69,326,845	$ 59,579,195	$ 64,829,581	$ 40,182,707
Net assets:							
Restricted	$ (242,094)	$ 92,624	$ 3,842,743	$ 720,462	$ 1,808,906	$ 2,585,018	$ 761,170
Unrestricted	—	—	—	—	—	—	—
Total net assets	$ (242,094)	$ 92,624	$ 3,842,743	$ 720,462	$ 1,808,906	$ 2,585,018	$ 761,170

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2008

	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents:						
Cash	$ —	$ —	$ 884,620	$ 480,820	$ —	$ 1,365,440
Restricted cash	5,849,428	791,682	—	822,970	1,976,171	9,440,251
Cash equivalents	—	—	—	4,050,325	—	4,050,325
Restricted cash equivalents	179,628,073	—	—	—	—	179,628,073
Total cash and cash equivalents	185,477,501	791,682	884,620	5,354,115	1,976,171	194,484,089
Accrued interest receivable	4,456,345	1,771	2,012	324,542	19,007	4,803,677
Total current assets	189,933,846	793,453	886,632	5,678,657	1,995,178	199,287,766
Noncurrent assets:						
Investments, at fair value	867,325,441	—	—	40,754,001	—	908,079,442
Mortgage loans receivable, net	—	311,263	247,787	4,567,784	4,607,354	9,734,188
Unamortized bond issuance costs	9,095,160	—	—	—	—	9,095,160
Other assets	68,255	—	—	3,412,300	2,344,877	5,825,432
Due (to) from other funds	(199,305)	42,356	—	156,949	—	—
Total noncurrent assets	876,289,551	353,619	247,787	48,891,034	6,952,231	932,734,222
Total assets	$ 1,066,223,397	$ 1,147,072	$ 1,134,419	$ 54,569,691	$ 8,947,409	$ 1,132,021,988
LIABILITIES						
Current liabilities:						
Bonds payable, net	$ 4,355,401	$ —	$ —	$ —	$ —	$ 4,355,401
Notes payable	147,000,469	—	—	—	—	147,000,469
Accrued interest payable	4,112,623	—	—	—	—	4,112,623
Total current liabilities	155,468,493	—	—	—	—	155,468,493
Noncurrent liabilities:						
Bonds payable, net of premium or discount and current portion	886,182,749	—	—	—	—	886,182,749
Notes payable	—	—	—	—	—	—
Other liabilities and accrued expenses	2,498,419	992,665	1,808	20,923,894	1,810	24,418,596
Total noncurrent liabilities	888,681,168	992,665	1,808	20,923,894	1,810	910,601,345
Total liabilities	$ 1,044,149,661	$ 992,665	$ 1,808	$ 20,923,894	$ 1,810	$ 1,066,069,838
Net assets:						
Restricted	$ 22,073,736	$ 154,407	$ —	$ —	$ 8,945,599	$ 31,173,742
Unrestricted	—	—	1,132,611	33,645,797	—	34,778,408
Total net assets	$ 22,073,736	$ 154,407	$ 1,132,611	$ 33,645,797	$ 8,945,599	$ 65,952,150

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

	1995CD Program	1995IJ Program	1997A Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	$ 8,916	$ 8,191	$ 2	$ 2,612	$ 2,531	$ 3,822	$ 4,860	$ 15,948
Mortgage-backed securities	152,114	171,786	—	223,263	194,397	206,951	287,475	277,344
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	161,030	179,977	2	225,875	196,928	210,773	292,335	293,292
Net increase (decrease) in fair value of investments	40,904	54,139	—	72,334	46,195	54,281	74,446	43,962
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Gain on extinguishment of debt	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	201,934	234,116	2	298,209	243,123	265,054	366,781	337,254
Operating expenses:								
Interest expense	123,473	148,520	—	177,425	176,895	173,355	249,499	255,982
Amortization of bond issuance costs	4,941	4,775	—	3,409	4,759	7,057	7,945	11,291
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	3,308	2,808	—	3,558	3,558	55,929	3,558	3,558
Total operating expenses	131,722	156,103	—	184,392	185,212	236,341	261,002	270,831
Operating income (loss)	70,212	78,013	2	113,817	57,911	28,713	105,779	66,423
Transfers in (out)	(2,318)	(1,917)	(477)	(11,323)	(8,934)	38,206	(16,749)	(15,341)
Net assets, beginning of year	581,124	607,215	475	499,382	246,745	382,884	409,995	371,884
Net assets, end of year	$ 649,018	$ 683,311	$ —	$ 601,876	$ 295,722	$ 449,803	$ 499,025	$ 422,966

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

	1998C Program	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	$ 3,395	$ 22,923	$ 2,505	$ 11,106	$ 17,751	$ 44,856	$ 13,154	$ 29,659
Mortgage-backed securities	281,091	435,112	81,579	158,677	447,586	913,010	413,151	530,676
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	284,486	458,035	84,084	169,783	465,337	957,866	426,305	560,335
Net increase (decrease) in fair value of investments	44,630	69,683	25,913	59,576	125,774	190,209	94,177	127,138
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Gain on extinguishment of debt	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	329,116	527,718	109,997	229,359	591,111	1,148,075	520,482	687,473
Operating expenses:								
Interest expense	255,239	412,437	64,280	143,986	428,697	882,194	397,387	500,569
Amortization of bond issuance costs	8,298	13,218	4,890	5,124	14,967	39,220	14,584	28,178
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	3,308	4,447	3,558	2,808	3,808	4,899	3,558	3,824
Total operating expenses	266,845	430,102	72,728	151,918	447,472	926,313	415,529	532,571
Operating income (loss)	62,271	97,616	37,269	77,441	143,639	221,762	104,953	154,902
Transfers in (out)	(9,752)	(7,625)	(13,136)	(20,102)	(10,492)	(30,491)	(14,380)	(15,658)
Net assets, beginning of year	366,647	508,620	316,715	277,167	1,267,156	1,392,735	404,427	725,409
Net assets, end of year	$ 419,166	$ 598,611	$ 340,848	$ 334,506	$ 1,400,303	$ 1,584,006	$ 495,000	$ 864,653

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

	2002A Program	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	
Operating revenues:									
Interest income:									
Cash and cash equivalents	$ 22,129	$ 21,907	$ 29,125	$ 691,768	$ 15,720	$ 14,801	$ 20,494	$ 22,859	$
Mortgage-backed securities	676,898	586,695	885,721	13,456	477,353	599,624	508,162	784,046	
Other investments	—	—	—	—	—	—	—	—	
Mortgage loans	—	—	—	—	—	—	—	—	
Total interest income	699,027	608,602	914,846	705,224	493,073	614,425	528,656	806,905	
Net increase (decrease) in fair value of investments	169,627	97,856	329,511	5,963	160,226	290,942	226,510	292,853	
Reservation fees	—	—	—	—	—	—	—	—	
Low income housing tax credit program	—	—	—	—	—	—	—	—	
Gain on extinguishment of debt	—	—	—	1,349,390	—	—	—	—	
Other income	—	—	—	127,577	—	—	—	—	
Total operating revenues	868,654	706,458	1,244,357	2,188,154	653,299	905,367	755,166	1,099,758	
Operating expenses:									
Interest expense	666,639	574,977	872,599	637,949	457,212	534,599	509,647	732,647	
Amortization of bond issuance costs	25,438	25,807	54,899	18,950	17,535	21,142	22,193	27,500	
Salaries and related benefits	—	—	—	—	—	—	—	—	
Other	4,610	4,182	4,932	110,494	3,799	4,449	4,005	4,901	
Total operating expenses	696,687	604,966	932,430	767,393	478,546	560,190	535,845	765,048	
Operating income (loss)	171,967	101,492	311,927	1,420,761	174,753	345,177	219,321	334,710	
Transfers in (out)	(25,526)	(11,529)	(16,920)	(78,579)	(10,163)	(25,658)	(12,212)	(22,887)	
Net assets, beginning of year	228,531	484,591	135,040	(1,843,497)	65,968	236,776	116,273	146,173	
Net assets, end of year	$ 374,972	$ 574,554	$ 430,047	$ (501,315)	$ 230,558	$ 556,295	$ 323,382	$ 457,996	$

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

	2004D Program	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program	2006C Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	27,994	$ 38,545	$ 44,200	$ 45,002	$ 5,381,877	$ 108,322	$ 51,980	$ 110,586
Mortgage-backed securities	820,324	1,217,395	1,740,085	1,815,918	—	3,519,779	1,918,979	3,810,820
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	848,318	1,255,940	1,784,285	1,860,920	5,381,877	3,628,101	1,970,959	3,921,406
Net increase (decrease) in fair value of investments	468,280	591,262	906,434	1,015,805	—	2,141,435	1,029,163	1,995,648
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Gain on extinguishment of debt	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	1,316,598	1,847,202	2,690,719	2,876,725	5,381,877	5,769,536	3,000,122	5,917,054
Operating expenses:								
Interest expense	739,313	1,167,843	1,624,661	1,762,290	5,381,877	3,482,752	1,856,756	3,729,877
Amortization of bond issuance costs	33,914	34,571	48,784	47,669	—	96,843	36,903	73,805
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	5,215	6,162	7,844	8,228	5,808	22,142	13,099	22,620
Total operating expenses	778,442	1,208,576	1,681,289	1,818,187	5,387,685	3,601,737	1,906,758	3,826,302
Operating income (loss)	538,156	638,626	1,009,430	1,058,538	(5,808)	2,167,799	1,093,364	2,090,752
Transfers in (out)	(48,940)	(24,293)	(67,787)	(72,838)	5,619	(182,720)	(88,453)	(306,628)
Net assets, beginning of year	(187,058)	(59,881)	(756,705)	(1,311,535)	48	(2,939,528)	(1,275,403)	(1,620,709)
Net assets, end of year	302,158	$ 554,452	$ 184,938	$ (325,835)	$ (141)	$ (954,449)	$ (270,492)	$ 163,415

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program	2008A Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	$ 118,194	$ 47,632	$ 196,951	$ 620,075	$ 944,360	$ 798,105	$ 1,208,197	$ 120,774
Mortgage-backed securities	4,008,334	875,018	2,338,303	4,433,953	2,763,427	2,344,573	1,778,127	334,229
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	4,126,528	922,650	2,535,254	5,054,028	3,707,787	3,142,678	2,986,324	455,003
Net increase (decrease) in fair value of investments	1,930,910	440,104	841,005	67,210	(841,464)	500,148	1,052,677	(158,508)
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Gain on extinguishment of debt	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	6,057,438	1,362,754	3,376,259	5,121,238	2,866,323	3,642,826	4,039,001	296,495
Operating expenses:								
Interest expense	3,910,157	863,656	2,440,363	4,470,590	3,504,209	2,973,927	2,875,149	543,279
Amortization of bond issuance costs	61,558	18,546	39,781	67,316	43,881	22,515	24,838	4,313
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	19,912	12,348	11,761	28,799	27,769	19,604	21,975	3,972
Total operating expenses	3,991,627	894,550	2,491,905	4,566,705	3,575,859	3,016,046	2,921,962	551,564
Operating income (loss)	2,065,811	468,204	884,354	554,533	(709,536)	626,780	1,117,039	(255,069)
Transfers in (out)	(348,371)	(89,116)	(123,769)	(249,740)	(61,092)	1,182,126	1,467,979	1,016,239
Net assets, beginning of year	(951,882)	(621,182)	(667,961)	3,537,950	1,491,090	—	—	—
Net assets, end of year	$ 765,558	$ (242,094)	$ 92,624	$ 3,842,743	$ 720,462	$ 1,808,906	$ 2,585,018	$ 761,170

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Operating revenues:						
Interest income:						
Cash and cash equivalents	$ 10,893,828	$ —	$ 28,680	$ 338,786	$ 87,338	$ 11,348,632
Mortgage-backed securities	43,025,431	—	—	37,831	—	43,063,262
Other investments	—	—	—	1,950,480	—	1,950,480
Mortgage loans	—	28,526	35,967	74,951	210,882	350,326
Total interest income	53,919,259	28,526	64,647	2,402,048	298,220	56,712,700
Net increase (decrease) in fair value of investments	14,676,958	—	—	365,743	—	15,042,701
Reservation fees	—	—	—	469,053	—	469,053
Low income housing tax credit program	—	—	—	8,014,998	—	8,014,998
Gain on extinguishment of debt	1,349,390	—	—	—	—	1,349,390
Other income	127,577	857	37,173	1,508,295	4,124	1,678,026
Total operating revenues	70,073,184	29,383	101,820	12,760,137	302,344	83,266,868
Operating expenses:						
Interest expense	50,702,906	—	—	2,536	—	50,705,442
Amortization of bond issuance costs	1,041,357	—	—	—	—	1,041,357
Salaries and related benefits	—	—	—	2,863,281	—	2,863,281
Other	485,117	142,850	10,861	2,761,192	608,633	4,008,653
Total operating expenses	52,229,380	142,850	10,861	5,627,009	608,633	58,618,733
Operating income (loss)	17,843,804	(113,467)	90,959	7,133,128	(306,289)	24,648,135
Transfers in (out)	1,664,253	1,619	1,619	(1,673,199)	5,708	—
Net assets, beginning of year	2,565,679	266,255	1,040,033	28,185,868	9,246,180	41,304,015
Net assets, end of year	$ 22,073,736	$ 154,407	$ 1,132,611	$ 33,645,797	$ 8,945,599	$ 65,952,150

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	1995CD Program	1995IJ Program	1997A Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program
Cash flows from operating activities:								
Loan principal payments received	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(21,400)	(35,358)	—	(3,369)	(3,369)	(50,935)	(3,369)	(3,369)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(21,400)	(35,358)	—	(3,369)	(3,369)	(50,935)	(3,369)	(3,369)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Principal repayment of bonds	(490,000)	(465,000)	—	(252,709)	(461,204)	(550,000)	(641,450)	(845,000)
Interest paid	(128,797)	(150,888)	—	(182,342)	(184,160)	(182,631)	(260,163)	(270,785)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(618,797)	(615,888)	—	(435,051)	(645,364)	(732,631)	(901,613)	(1,115,785)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	505,289	451,400	—	243,241	619,666	586,616	621,732	748,718
Interest received on investments	183,164	215,491	2	227,267	200,385	214,190	295,936	297,658
Net cash provided by (used in) investing activities	688,453	666,891	2	470,508	820,051	800,806	917,668	1,046,376
Transfers	(2,318)	(1,917)	(477)	(11,323)	(8,934)	38,206	(16,749)	(15,341)
Net increase (decrease) in cash and cash equivalents	45,938	13,728	(475)	20,765	162,384	55,446	(4,063)	(88,119)
Cash and cash equivalents, beginning of year	78,478	64,413	475	114,599	32,309	29,087	39,403	128,792
Cash and cash equivalents, end of year	$ 124,416	$ 78,141	$ —	$ 135,364	$ 194,693	$ 84,533	$ 35,340	$ 40,673

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	1998C Program	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program
Cash flows from operating activities:								
Loan principal payments received	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(3,119)	(4,258)	(3,369)	(2,619)	(3,619)	(4,710)	(3,369)	(3,635)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(3,119)	(4,258)	(3,369)	(2,619)	(3,619)	(4,710)	(3,369)	(3,635)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Principal repayment of bonds	(749,937)	(1,230,000)	(179,701)	(425,000)	(910,000)	(2,435,000)	(760,000)	(1,795,000)
Interest paid	(266,813)	(431,945)	—	(146,135)	(446,335)	(928,173)	(413,578)	(541,172)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(1,016,750)	(1,661,945)	(179,701)	(571,135)	(1,356,335)	(3,363,173)	(1,173,578)	(2,336,172)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	688,446	1,139,607	108,028	347,870	870,041	2,046,040	622,816	1,392,976
Interest received on investments	288,243	464,369	87,461	182,543	505,313	969,736	430,403	568,351
Net cash provided by (used in) investing activities	976,689	1,603,976	195,489	530,413	1,375,354	3,015,776	1,053,219	1,961,327
Transfers	(9,752)	(7,625)	(13,136)	(20,102)	(10,492)	(30,491)	(14,380)	(15,658)
Net increase (decrease) in cash and cash equivalents	(52,932)	(69,852)	(717)	(63,443)	4,908	(382,598)	(138,108)	(394,138)
Cash and cash equivalents, beginning of year	82,919	128,494	73,888	91,394	305,472	1,025,778	254,750	995,042
Cash and cash equivalents, end of year	$ 29,987	$ 58,642	$ 73,171	$ 27,951	$ 310,380	$ 643,180	$ 116,642	$ 600,904

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	2002A Program	2002B Program	2002C Program	2002 Lease Purchase 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	(4,421)	(3,993)	(4,743)	(541,317)	(3,610)	(4,260)	(3,816)	(4,712)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	1,476,967	—	—	—	—
Net cash provided by (used in) operating activities	(4,421)	(3,993)	(4,743)	935,650	(3,610)	(4,260)	(3,816)	(4,712)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Principal repayment of bonds	(1,485,000)	(1,610,000)	(3,330,000)	(24,399,599)	(1,450,000)	(1,060,000)	(1,880,000)	(2,105,000)
Interest paid	(695,425)	(605,333)	(934,428)	(800,983)	(478,500)	(538,893)	(517,676)	(741,594)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(2,180,425)	(2,215,333)	(4,264,428)	(25,200,582)	(1,928,500)	(1,598,893)	(2,397,676)	(2,846,594)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	339,819	—	—	—	—
Principal repayment of notes payable	—	—	—	(340,861)	—	—	—	—
Interest paid	—	—	—	(4,489)	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	(5,531)	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	1,489,680	1,514,165	2,509,487	758,063	1,134,362	722,295	2,083,579	1,563,516
Interest received on investments	706,693	616,858	928,978	887,037	499,668	627,524	560,453	816,058
Net cash provided by (used in) investing activities	2,196,373	2,131,023	3,438,465	1,645,100	1,634,030	1,349,819	2,644,032	2,379,574
Transfers	(25,526)	(11,529)	(16,920)	(78,579)	(10,163)	(25,658)	(12,212)	(22,887)
Net increase (decrease) in cash and cash equivalents	(13,999)	(99,832)	(847,626)	(22,703,942)	(308,243)	(278,992)	230,328	(494,619)
Cash and cash equivalents, beginning of year	317,979	414,428	1,268,659	23,253,932	600,983	467,647	566,667	949,859
Cash and cash equivalents, end of year	$ 303,980	$ 314,596	$ 421,033	$ 549,990	$ 292,740	$ 188,655	$ 796,995	$ 455,240

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	2004D Program	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program	2006C Program
Cash flows from operating activities:								
Loan principal payments received	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(5,026)	(5,973)	(7,655)	(8,040)	351,357	(31,006)	(17,605)	(31,837)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(5,026)	(5,973)	(7,655)	(8,040)	351,357	(31,006)	(17,605)	(31,837)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Principal repayment of bonds	(2,660,000)	(2,305,000)	(3,435,000)	(3,530,000)	—	(7,400,000)	(2,385,600)	(5,037,250)
Interest paid	(749,095)	(1,177,812)	(1,638,424)	(1,776,645)	(5,638,325)	(3,511,594)	(1,866,408)	(3,750,370)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	(3,142)	(14,105)
Net cash provided by (used in) noncapital financing activities	(3,409,095)	(3,482,812)	(5,073,424)	(5,306,645)	(5,638,325)	(10,911,594)	(4,255,150)	(8,801,725)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	(85,000)	(386,534)
Redemption of investments	2,142,377	2,435,902	3,222,071	3,349,109	—	7,099,967	2,756,145	5,650,060
Interest received on investments	874,487	1,266,412	1,797,663	1,875,490	5,649,003	3,781,681	1,983,314	4,127,521
Net cash provided by (used in) investing activities	3,016,864	3,702,314	5,019,734	5,224,599	5,649,003	10,881,648	4,654,459	9,391,047
Transfers	(48,940)	(24,293)	(67,787)	(72,838)	5,619	(182,720)	(88,453)	(306,628)
Net increase (decrease) in cash and cash equivalents	(446,197)	189,236	(129,132)	(162,924)	367,654	(243,672)	293,251	250,857
Cash and cash equivalents, beginning of year	939,397	947,876	1,294,856	563,427	147,555,494	1,724,145	700,130	2,457,161
Cash and cash equivalents, end of year	$ 493,200	$ 1,137,112	$ 1,165,724	$ 400,503	$ 147,923,148	$ 1,480,473	$ 993,381	$ 2,708,018

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program	2008A Program
Cash flows from operating activities:								
Loan principal payments received	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(29,388)	(12,164)	(16,703)	(39,275)	(47,115)	(23,644)	(20,167)	5,348
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(29,388)	(12,164)	(16,703)	(39,275)	(47,115)	(23,644)	(20,167)	5,348
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	60,000,000	65,000,000	40,000,000
Principal repayment of bonds	(3,817,250)	(1,211,350)	(1,815,000)	(3,970,000)	(1,070,000)	(725,000)	(470,000)	—
Interest paid	(3,926,062)	(868,219)	(2,447,590)	(4,486,310)	(3,264,802)	(2,705,435)	(2,577,376)	(369,892)
Bond issuance costs paid	—	—	(7,441)	—	(34,150)	(508,525)	(718,948)	(463,247)
Due (from) to other programs	(49,256)	(47,417)	(284,007)	(1,179,382)	(2,084,489)	8,847	32,119	128,875
Net cash provided by (used in) noncapital financing activities	(7,792,568)	(2,126,986)	(4,554,038)	(9,635,692)	(6,453,441)	56,069,887	61,265,795	39,295,736
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	(1,566,393)	(1,534,023)	(9,548,504)	(39,703,972)	(69,295,029)	(59,651,655)	(64,092,301)	(35,454,750)
Redemption of investments	4,427,418	1,670,650	3,057,305	4,533,748	2,374,152	1,891,118	1,470,059	79,891
Interest received on investments	4,359,114	978,380	2,668,572	5,319,585	3,549,877	2,883,627	2,659,515	271,690
Net cash provided by (used in) investing activities	7,220,139	1,115,007	(3,822,627)	(29,850,639)	(63,371,000)	(54,876,910)	(59,962,727)	(35,103,169)
Transfers	(348,371)	(89,116)	(123,769)	(249,740)	(61,092)	1,182,126	1,467,979	1,016,239
Net increase (decrease) in cash and cash equivalents	(950,188)	(1,113,259)	(8,517,137)	(39,775,346)	(69,932,648)	2,351,459	2,750,880	5,214,154
Cash and cash equivalents, beginning of year	2,776,565	1,920,879	10,378,582	45,385,322	72,809,433	—	—	—
Cash and cash equivalents, end of year	$ 1,826,377	$ 807,620	$ 1,861,445	$ 5,609,976	$ 2,876,785	$ 2,351,459	$ 2,750,880	$ 5,214,154

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Cash flows from operating activities:						
Loan principal payments received	$ —	$ 314,550	$ 234,702	$ 290,192	$ 872,806	$ 1,712,250
Loan interest payments received	—	29,784	37,779	74,952	211,423	353,938
Loan disbursements	—	(499,094)	—	(1,216,717)	(1,838,811)	(3,554,622)
Payments to employees	—	—	—	(2,854,235)	—	(2,854,235)
Payments to vendors	(659,632)	270,582	(8,010)	(3,586,499)	(24,150)	(4,007,709)
Fee income received	—	—	1,568	15,264,790	4,127	15,270,485
Other income received	1,476,967	857	28,680	1,847,045	87,337	3,440,886
Net cash provided by (used in) operating activities	817,335	116,679	294,719	9,819,528	(687,268)	10,360,993
Cash flows from noncapital financing activities:						
Proceeds from issuance of bonds	165,000,000	—	—	—	—	165,000,000
Principal repayment of bonds	(89,341,050)	—	—	—	—	(89,341,050)
Interest paid	(50,601,108)	—	—	(2,534)	—	(50,603,642)
Bond issuance costs paid	(1,732,311)	—	—	—	—	(1,732,311)
Due (from) to other programs	(3,491,957)	—	—	3,492,032	(75)	—
Net cash provided by (used in) noncapital financing activities	19,833,574	—	—	3,489,498	(75)	23,322,997
Cash flows from capital and related financing activities:						
Property and equipment additions	—	—	—	(206,555)	—	(206,555)
Proceeds from sale of property and equipment	339,819	—	—	—	—	339,819
Principal repayment of notes payable	(340,861)	—	—	—	—	(340,861)
Interest paid	(4,489)	—	—	—	—	(4,489)
Net cash provided by (used in) capital and related financing activities	(5,531)	—	—	(206,555)	—	(212,086)
Cash flows from investing activities:						
Purchase of investments	(281,318,161)	—	—	(23,831,634)	(686,905)	(305,836,700)
Redemption of investments	68,927,605	—	—	14,123,726	1,352,222	84,403,553
Interest received on investments	54,819,712	—	—	1,850,540	—	56,670,252
Net cash provided by (used in) investing activities	(157,570,844)	—	—	(7,857,368)	665,317	(164,762,895)
Transfers	1,664,253	1,619	1,619	(1,673,199)	5,708	—
Net increase (decrease) in cash and cash equivalents	(135,261,213)	118,298	296,338	3,571,904	(16,318)	(131,290,991)
Cash and cash equivalents, beginning of year	320,738,714	673,384	588,282	1,782,211	1,992,489	325,775,080
Cash and cash equivalents, end of year	$ 185,477,501	$ 791,682	$ 884,620	$ 5,354,115	$ 1,976,171	$ 194,484,089

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	1995CD Program	1995IJ Program	1997A Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 70,212	$ 78,013	$ 2	$ 113,817	$ 57,911	$ 28,713	$ 105,779	$ 66,423
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	128,797	150,888	—	182,342	184,160	182,631	260,163	270,785
Amortization of bond issuance costs	4,941	4,775	—	3,409	4,759	7,057	7,945	11,291
Amortization of bond discount (premium)	—	—	—	(2,958)	(4,602)	(6,205)	(7,246)	(10,437)
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	(40,904)	(54,139)	—	(72,334)	(46,195)	(54,281)	(74,446)	(43,962)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(183,164)	(215,491)	(2)	(227,267)	(200,385)	(214,190)	(295,936)	(297,658)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	3,043	2,775	—	1,392	3,457	3,417	3,601	4,366
(Increase) decrease in other assets	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(5,324)	(2,368)	—	(1,959)	(2,663)	(3,071)	(3,418)	(4,366)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	999	189	—	189	189	4,994	189	189
Total adjustments	(91,612)	(113,371)	(2)	(117,186)	(61,280)	(79,648)	(109,148)	(69,792)
Net cash provided by (used in) operating activities	$ (21,400)	$ (35,358)	$ —	$ (3,369)	$ (3,369)	$ (50,935)	$ (3,369)	$ (3,369)

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	1998C Program	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 62,271	$ 97,616	$ 37,269	$ 77,441	$ 143,639	$ 221,762	$ 104,953	$ 154,902
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	266,813	431,945	—	146,135	446,335	928,173	413,578	541,172
Amortization of bond issuance costs	8,298	13,218	4,890	5,124	14,967	39,220	14,584	28,178
Amortization of bond discount (premium)	(7,663)	(12,958)	—	—	(12,367)	(32,789)	(12,153)	(31,254)
Accretion of bond discount	—	—	64,280	—	—	—	—	—
Amortization of investment (discount) premium	—	—	2,714	10,461	—	—	—	—
Net (increase) decrease in fair value of investments	(44,630)	(69,683)	(25,913)	(59,576)	(125,774)	(190,209)	(94,177)	(127,138)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(288,243)	(464,369)	(87,461)	(182,543)	(505,313)	(969,736)	(430,403)	(568,351)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	3,757	6,334	663	2,299	5,055	11,870	4,098	8,016
(Increase) decrease in other assets	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(3,911)	(6,550)	—	(2,149)	(5,270)	(13,190)	(4,038)	(9,349)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	189	189	189	189	35,109	189	189	189
Total adjustments	(65,390)	(101,874)	(40,638)	(80,060)	(147,258)	(226,472)	(108,322)	(158,537)
Net cash provided by (used in) operating activities	$ (3,119)	$ (4,258)	$ (3,369)	$ (2,619)	$ (3,619)	$ (4,710)	$ (3,369)	$ (3,635)

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	2002A Program	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 171,967	$ 101,492	$ 311,927	$ 1,420,761	$ 174,753	$ 345,177	$ 219,321	$ 334,710
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	695,425	605,333	934,428	805,472	478,500	538,893	517,676	741,594
Amortization of bond issuance costs	25,438	25,807	54,899	18,950	17,535	21,142	22,193	27,500
Amortization of bond discount (premium)	(21,238)	(21,701)	(45,734)	—	(14,680)	—	—	—
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	9,013	22,168	—
Net (increase) decrease in fair value of investments	(169,627)	(97,856)	(329,511)	(5,963)	(160,226)	(290,942)	(226,510)	(292,853)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	(21,368)	—	—	—	—
Interest received on investments	(706,693)	(616,858)	(928,978)	(887,037)	(499,668)	(627,524)	(560,453)	(816,058)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	7,666	8,255	14,132	181,813	6,595	4,086	9,629	9,153
(Increase) decrease in other assets	—	—	—	11,710	—	—	—	—
Increase (decrease) in accrued interest payable	(7,548)	(8,654)	(16,095)	(167,523)	(6,608)	(4,294)	(8,029)	(8,947)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	189	189	189	(421,165)	189	189	189	189
Total adjustments	(176,388)	(105,485)	(316,670)	(485,111)	(178,363)	(349,437)	(223,137)	(339,422)
Net cash provided by (used in) operating activities	$ (4,421)	$ (3,993)	$ (4,743)	$ 935,650	$ (3,610)	$ (4,260)	$ (3,816)	$ (4,712)

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	2004D Program	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program	2006C Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 538,156	$ 638,626	$ 1,009,430	$ 1,058,538	$ (5,808)	$ 2,167,799	$ 1,093,364	$ 2,090,752
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	749,095	1,177,812	1,638,424	1,776,645	5,638,325	3,511,594	1,866,408	3,750,370
Amortization of bond issuance costs	33,914	34,571	48,784	47,669	—	96,843	36,903	73,805
Amortization of bond discount (premium)	—	—	—	—	—	—	—	—
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	15,531	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	(468,280)	(591,262)	(906,434)	(1,015,805)	—	(2,141,435)	(1,029,163)	(1,995,648)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(874,487)	(1,266,412)	(1,797,663)	(1,875,490)	(5,649,003)	(3,781,681)	(1,983,314)	(4,127,521)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	10,638	10,472	13,378	14,569	267,126	29,707	10,867	24,867
(Increase) decrease in other assets	—	—	—	—	—	(9,053)	(4,695)	(9,401)
Increase (decrease) in accrued interest payable	(9,782)	(9,969)	(13,763)	(14,355)	(256,448)	(28,842)	(9,651)	(20,493)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	189	189	189	189	357,165	124,062	1,676	181,432
Total adjustments	(543,182)	(644,599)	(1,017,085)	(1,066,578)	357,165	(2,198,805)	(1,110,969)	(2,122,589)
Net cash provided by (used in) operating activities	$ (5,026)	$ (5,973)	$ (7,655)	$ (8,040)	$ 351,357	$ (31,006)	$ (17,605)	$ (31,837)

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program	2008A Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 2,065,811	$ 468,204	$ 884,354	$ 554,533	$ (709,536)	$ 626,780	$ 1,117,039	$ (255,069)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	3,926,062	868,219	2,447,590	4,486,310	3,264,802	2,705,435	2,577,376	369,892
Amortization of bond issuance costs	61,558	18,546	39,781	67,316	43,881	22,515	24,838	4,313
Amortization of bond discount (premium)	—	—	—	—	—	—	—	—
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	(1,930,910)	(440,104)	(841,005)	(67,210)	841,464	(500,148)	(1,052,677)	158,508
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(4,359,114)	(978,380)	(2,668,572)	(5,319,585)	(3,549,877)	(2,883,627)	(2,659,515)	(271,690)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	24,477	6,109	23,593	98,536	(259,110)	(291,313)	(326,809)	(183,313)
(Increase) decrease in other assets	(9,660)	—	(6,111)	(11,474)	505	(7,481)	—	—
Increase (decrease) in accrued interest payable	(15,905)	(4,562)	(7,227)	(15,721)	239,407	268,491	297,773	173,387
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	208,293	49,804	110,894	168,020	81,349	35,704	1,808	9,320
Total adjustments	(2,095,199)	(480,368)	(901,057)	(593,808)	662,421	(650,424)	(1,137,206)	260,417
Net cash provided by (used in) operating activities	$ (29,388)	$ (12,164)	$ (16,703)	$ (39,275)	$ (47,115)	$ (23,644)	$ (20,167)	$ 5,348

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	Total Bond Program	HB530 Program	Down Payment Assistance Program	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ 17,843,804	$ (113,467)	$ 90,959	$ 7,133,128	$ (306,289)	$ 24,648,135
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Interest paid	50,605,597	—	—	2,534	—	50,608,131
Amortization of bond issuance costs	1,041,357	—	—	—	—	1,041,357
Amortization of bond discount (premium)	(243,985)	—	—	—	—	(243,985)
Accretion of bond discount	64,280	—	—	—	—	64,280
Amortization of investment (discount) premium	59,887	—	—	(29,055)	—	30,832
Net (increase) decrease in fair value of investments	(14,676,958)	—	—	(365,743)	—	(15,042,701)
Realized (gain) loss on investments	—	—	—	(7,006)	—	(7,006)
Gain on sale of property and equipment	(21,368)	—	—	—	—	(21,368)
Interest received on investments	(54,819,712)	—	—	(1,850,540)	—	(56,670,252)
(Increase) decrease in mortgage loans receivable, net	—	(43,627)	199,097	(597,985)	207,469	(235,046)
(Increase) decrease in accrued interest receivable	(220,734)	1,258	1,812	(84,569)	542	(301,691)
(Increase) decrease in other assets	(45,660)	(18)	2,662	(303,628)	(589,179)	(935,823)
Increase (decrease) in accrued interest payable	277,016	—	—	—	—	277,016
Increase (decrease) in deferred gains	—	—	—	(53,200)	—	(53,200)
Increase (decrease) in other liabilities and accrued expenses	953,811	272,533	189	5,975,592	189	7,202,314
Total adjustments	(17,026,469)	230,146	203,760	2,686,400	(380,979)	(14,287,142)
Net cash provided by (used in) operating activities	$ 817,335	$ 116,679	$ 294,719	$ 9,819,528	$ (687,268)	$ 10,360,993

See independent auditors' report.

HORNE
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Mississippi Home Corporation

We have audited the financial statements of Mississippi Home Corporation (the "Corporation") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 30, 2008. 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.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

Horne LLP

Jackson, Mississippi
September 30, 2008

MISSISSIPPI HOME CORPORATION
Schedule of Federal Awards
Year Ended June 30, 2008

Federal Granting Agency Grant Program/Grant - Contract Number	Federal CFDA Number	Grant Contract Period	Grant Contract Award as of June 30, 2008	Federal Expenditures
Direct Programs				
Department of Housing and Urban Development				
HC-06-0499-002	14.169	10/01/06 - 09/30/07	$ 137,353	$ 58,065
HC-07-0499-003	14.169	10/01/07 - 09/30/08	126,416	90,363
MSCH00106	14.239	09/12/07 - 09/12/10	125,000	9,443
RH-01-MS-I-0081	14.250	09/17/01 - 12/31/07	323,388	97,887
				255,758
Department of Agriculture Rural Development				
280250640644578	10.441	10/15/07 - 09/30/09	100,000	39,082
				39,082
Department of Treasury (NeighborWorks)				
G-2008-5021-220500FINTHFA	21.020	01/01/08 - 12/31/08	184,742	5,190
				5,190
Total direct programs				300,030
Pass-Through Programs				
Mississippi Development Authority				
M05-SG-28-01-1010	14.239	10/28/05 - 10/28/07	500,000	10,431
M06-SG-28-01-1010	14.239	09/05/06 - 09/05/08	500,000	446,705
M95-SG-28-01-1010	14.239	12/09/02 - 12/31/08	273,665	59,317
				516,453
Total pass-through programs				516,453
Total all programs				$ 816,483

The accompanying Schedule of Federal Awards is prepared on the accrual basis.

HORNE
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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

<u>Compliance</u>

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, 2008. 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 ended June 30, 2008.

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 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.

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.

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

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.

Horne LLP

Jackson, Mississippi
September 30, 2008

MISSISSIPPI HOME CORPORATION
Schedule of Findings and Questioned Costs
June 30, 2008

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	None
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:	
	Rural Housing and Economic Development	CFDA# 14.250
	HOME Investment Partnerships Program	CFDA# 14.239
	Technical and Supervisory Assistance Grants	CFDA# 10.441
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, 2008

Section II – Financial Statement Findings

No matters were reported.

Section III – Findings and Questioned Costs for Federal Awards

None

MISSISSIPPI HOME CORPORATION
Summary Schedule of Prior Year Audit Findings
June 30, 2008

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 (Findings)

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.

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 (Response)

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.

MISSISSIPPI HOME CORPORATION
Corrective Action Plan
June 30, 2008

None Noted