

MISSISSIPPI HOME CORPORATION

Audited Financial Statements

Years Ended June 30, 2009 and 2008

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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, 2009 and 2008, 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, 2009 and 2008 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 October 8, 2009 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 audits.

The management's discussion and analysis on pages 3 through 8 are 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 audits were 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.

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

Jackson, Mississippi
October 8, 2009

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis Years Ended June 30, 2009 and 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, 2009 and 2008. 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 – 2009

- Total assets decreased \$159.8 million or 14.1 percent
- Total liabilities decreased \$198.1 million or 18.6 percent
- Cash and investments decreased \$161.0 million or 14.6 percent
- Bonds payable decreased \$48.4 million or 5.4 percent
- Notes payable decreased \$146.7 million or 99.8 percent
- Total net assets increased \$38.3 million or 58.1 percent, including a \$34.7 million increase in the fair value of investments
- Total operating revenues (excluding fair value adjustments) decreased \$8.3 million or 12.2 percent
- Total operating expenses decreased \$2.4 million or 4.0 percent
- Low income housing tax credits revenues decreased \$6.3 million or 78.8 percent
- Interest income decreased \$2.4 million or 4.2 percent
- Interest expense decreased \$4.4 million or 8.7 percent
- Total operating income (excluding fair value adjustments) decreased \$6.0 million or 62.3 percent

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

The following table summarizes the changes in the Corporation's assets and liabilities that occurred during the fiscal year ended June 30, 2009:

	2009	2008	Change	
			Dollars	%
Cash and cash equivalents	\$ 53,660,812	\$ 194,484,089	\$ (140,823,277)	-72.4%
Investments, at fair value	887,895,901	908,079,442	(20,183,541)	-2.2%
Mortgage loans, net	12,757,221	9,734,188	3,023,033	31.1%
Unamortized bond issuance costs	8,444,931	9,095,160	(650,229)	-7.1%
Other assets	9,434,742	10,629,109	(1,194,367)	-11.2%
Total assets	\$ 972,193,607	\$ 1,132,021,988	\$ (159,828,381)	-14.1%
Bonds payable, net	\$ 842,156,550	\$ 890,538,150	\$ (48,381,600)	-5.4%
Notes payable	254,000	147,000,469	(146,746,469)	-99.8%
All other liabilities	25,527,309	28,531,219	(3,003,910)	-10.5%
Total liabilities	\$ 867,937,859	\$ 1,066,069,838	\$ (198,131,979)	-18.6%
Restricted net assets	\$ 67,077,261	\$ 31,173,742	\$ 35,903,519	115.2%
Unrestricted net assets	37,178,487	34,778,408	2,400,079	6.9%
Total net assets	\$ 104,255,748	\$ 65,952,150	\$ 38,303,598	58.1%

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, 2009:

	2009	2008	Change	
			Dollars	%
Interest on cash and investments	\$ 4,737,535	\$ 13,299,112	\$ (8,561,577)	-64.4%
Interest on mortgage-backed securities	49,167,550	43,063,262	6,104,288	14.2%
Interest on mortgage loans	446,110	350,326	95,784	27.3%
Low income housing tax credits	1,701,122	8,014,998	(6,313,876)	-78.8%
Gain on extinguishment of debt	-	1,349,390	(1,349,390)	NM
All other revenues	3,824,427	2,147,079	1,677,348	78.1%
Total operating revenues	\$ 59,876,744	\$ 68,224,167	\$ (8,347,423)	-12.2%
Interest expense	\$ 46,288,650	\$ 50,705,442	\$ (4,416,792)	-8.7%
Amortization of bond issuance costs	1,228,771	1,041,357	187,414	18.0%
Salaries and benefits	3,094,485	2,863,281	231,204	8.1%
All other expenses	5,644,338	4,008,653	1,635,685	40.8%
Total operating expenses	\$ 56,256,244	\$ 58,618,733	\$ (2,362,489)	-4.0%
Operating income (before fair value adjustments)	\$ 3,620,500	\$ 9,605,434	\$ (5,984,934)	-62.3%

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis Years Ended June 30, 2009 and 2008

The Corporation reported total assets of \$972 million at June 30, 2009. This represented a decrease of \$159.8 million compared to June 30, 2008. Total liabilities for the same period decreased \$198.1 million while total net assets increased \$38.3 million.

The decrease in total liabilities in 2009 was attributable primarily to a decrease of \$146.7 million in notes payable. The Corporation elected to terminate its 2005-1 series notes in September 2008.

Cash and cash equivalents decreased \$140.8 million to \$53.7 million at June 30, 2009 compared to June 30, 2008. The decrease was attributable primarily to the termination of the guaranteed investment contract related to the 2005-1 series notes. In September 2008, the funds were withdrawn and the notes redeemed.

Total operating revenues before fair value adjustments for fiscal year 2009 were \$59.9 million compared to \$68.2 million for fiscal year 2008. The decrease in operating revenues was attributable primarily to two factors:

- Decreased revenues of \$6.3 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 reported in 2008, not repeated in 2009.

Total operating expenses were \$56.3 million in fiscal year 2009, down from \$58.6 million in fiscal year 2008. The primary factor causing the decrease was a decrease in interest expense of \$4.4 million which resulted from a lower level of bonds outstanding.

As a result of the above factors, operating income before fair value adjustments was \$3.6 million compared to \$9.6 million in 2008.

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

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

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	%
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	%
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%

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

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.

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.

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2009 and 2008

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.mshomecorp.com.

MISSISSIPPI HOME CORPORATION

Combined Statements of Net Assets

June 30, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents		
Cash	\$ 1,546,706	\$ 1,365,440
Restricted cash	16,827,667	9,440,251
Cash equivalents	6,503,993	4,050,325
Restricted cash equivalents	28,782,446	179,628,073
Total cash and cash equivalents	53,660,812	194,484,089
Accrued interest receivable	4,258,616	4,803,677
Total current assets	57,919,428	199,287,766
Noncurrent assets:		
Investments, at fair value	887,895,901	908,079,442
Mortgage loans receivable, net of allowance for loan losses (2009 - \$2,127,674; 2008 - \$1,753,324)	12,757,221	9,734,188
Unamortized bond issuance costs	8,444,931	9,095,160
Other assets	5,176,126	5,825,432
Total noncurrent assets	914,274,179	932,734,222
Total assets	\$ 972,193,607	\$ 1,132,021,988
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bonds payable, net	\$ 6,230,401	\$ 4,355,401
Notes payable	-	147,000,469
Accrued interest payable	3,632,204	4,112,623
Total current liabilities	9,862,605	155,468,493
Noncurrent liabilities:		
Bonds payable, net of premium or discount and current portion	835,926,149	886,182,749
Notes payable	254,000	-
Other liabilities and accrued expenses	21,895,105	24,418,596
Total noncurrent liabilities	858,075,254	910,601,345
Total liabilities	\$ 867,937,859	\$ 1,066,069,838
Net assets:		
Restricted	\$ 67,077,261	\$ 31,173,742
Unrestricted	37,178,487	34,778,408
Total net assets	\$ 104,255,748	\$ 65,952,150

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION
 Combined Statements of Revenues, Expenses and Changes in Net Assets
 Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Interest income:		
Cash and cash equivalents	\$ 2,707,642	\$ 11,348,632
Mortgage-backed securities	49,167,550	43,063,262
Other investments	2,029,893	1,950,480
Mortgage loans	446,110	350,326
Total interest income	<u>54,351,195</u>	<u>56,712,700</u>
Net increase in fair value of investments	34,683,098	15,042,701
Low income housing tax credit program	1,701,122	8,014,998
Gain on extinguishment of debt	-	1,349,390
Grant fund income	2,937,955	880,444
Reservation fees	276,180	469,053
Other income	610,292	797,582
Total operating revenues	<u>94,559,842</u>	<u>83,266,868</u>
Operating expenses:		
Interest expense	46,288,650	50,705,442
Amortization of bond issuance costs	1,228,771	1,041,357
Salaries and related benefits	3,094,485	2,863,281
Grant fund expense	2,892,588	860,114
Losses on mortgage loans	515,630	1,044,485
Other	2,236,120	2,104,054
Total operating expenses	<u>56,256,244</u>	<u>58,618,733</u>
Operating income	38,303,598	24,648,135
Net assets, beginning of year	<u>65,952,150</u>	<u>41,304,015</u>
Net assets, end of year	<u>\$ 104,255,748</u>	<u>\$ 65,952,150</u>

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION

Combined Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Loan principal payments received	\$ 1,527,462	\$ 1,712,250
Loan interest payments received	426,631	353,938
Loan disbursements	(5,073,916)	(3,554,622)
Payments to employees	(3,082,254)	(2,854,235)
Payments to vendors	(5,811,331)	(4,007,709)
Fee income received	1,859,025	15,270,485
Other income received	3,654,684	3,440,886
Net cash provided by (used in) operating activities	(6,499,699)	10,360,993
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	40,000,000	165,000,000
Proceeds from issuance of notes	7,246,646	-
Principal repayment of bonds	(88,239,147)	(89,341,050)
Principal repayment of notes	(153,993,115)	-
Interest paid	(46,890,366)	(50,603,642)
Bond issuance costs paid	(578,543)	(1,732,311)
Net cash provided by (used in) noncapital financing activities	(242,454,525)	23,322,997
Cash flows from capital and related financing activities:		
Property and equipment additions	(124,224)	(206,555)
Proceeds from sale of property and equipment	17,000	339,819
Principal repayment of notes payable	-	(340,861)
Interest paid	-	(4,489)
Net cash used in capital and related financing activities	(107,224)	(212,086)
Cash flows from investing activities:		
Purchase of investments	(79,643,065)	(305,836,700)
Redemption of investments	134,272,239	84,403,553
Interest received on investments	53,608,997	56,670,252
Net cash provided by (used in) investing activities	108,238,171	(164,762,895)
Net decrease in cash and cash equivalents	(140,823,277)	(131,290,991)
Cash and cash equivalents, beginning of year	194,484,089	325,775,080
Cash and cash equivalents, end of year	\$ 53,660,812	\$ 194,484,089
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 38,303,598	\$ 24,648,135
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Interest paid	46,890,366	50,608,131
Amortization of bond issuance costs	1,228,771	1,041,357
Amortization of bond premium	(200,034)	(243,985)
Accretion of bond discount	57,581	64,280
Amortization of investment premium	124,680	30,832
Net increase in fair value of investments	(34,683,098)	(15,042,701)
Realized gain on investments	(48,994)	(7,006)
Gain on sale of property and equipment	(3,000)	(21,368)
Interest received on investments	(53,608,997)	(56,670,252)
Increase in mortgage loans receivable, net	(3,023,033)	(235,046)
(Increase) decrease in accrued interest receivable	544,542	(301,691)
(Increase) decrease in other assets	921,307	(935,823)
Increase (decrease) in accrued interest payable	(479,899)	277,016
Decrease in deferred gains	(53,200)	(53,200)
Increase (decrease) in other liabilities and accrued expenses	(2,470,289)	7,202,314
Total adjustments	(44,803,297)	(14,287,142)
Net cash provided by operating activities	\$ (6,499,699)	\$ 10,360,993

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2009 and 2008

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 operating income and capital maintenance.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2009 and 2008

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 substantially of: proceeds from the sales of bonds pending the purchase of Government National Mortgage Association ("GNMA") mortgage-backed securities ("GNMA securities" or "GNMA certificates"), Federal National Mortgage Association mortgage-backed securities ("Fannie Mae Securities"), and Federal Home Loan Corporation participation certificates (collectively, "Mortgage-Backed Securities"); proceeds from the issuance of notes payable; and principal and interest payments of the Mortgage-Backed 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 Mortgage-Backed 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.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2009 and 2008

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 \$515,630 and \$1,044,485 in 2009 and 2008, 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, 2009 and 2008, \$578,543 and \$1,732,311 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.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2009 and 2008

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 Mortgage-Backed Securities from bond proceeds, are based directly on the bond rates established at the time of issuance. For bonds issued through June 30, 2009, Mortgage-Backed Securities 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 Mortgage-Backed Securities at a value which would impair its ability to service the bonds to which those certificates are specifically pledged.

Newly effective accounting standards establish a hierarchy for financial assets and liabilities recorded at fair value. These standards require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Directly or indirectly observable inputs other than Level 1 prices, such as quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates); or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities would include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as for which the determination of the fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Items Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements Using			
	Fair Value at June 30, 2009	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments	\$ 887,895,901	\$ 7,368,730	\$ 880,527,171	\$ -
Total	<u>\$ 887,895,901</u>	<u>\$ 7,368,730</u>	<u>\$ 880,527,171</u>	<u>\$ -</u>

The valuation techniques used to measure fair value for the items in the table above are as follows:

- Investments – The fair value of securities available-for-sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

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.

Note 2. Cash Equivalents and Investments

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

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

- 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, 2009, the carrying amount of the Corporation's cash and cash equivalents was \$53,660,812 and the bank balance was \$53,908,125. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the \$53,908,125 bank balance, \$3,950,217 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 \$49,957,908 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, 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 were the 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.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

A summary of the estimated fair value and amortized cost of investments as of June 30, 2009 and 2008 follows:

	2009		2008	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U. S. Government agency securities	\$ 7,995,374	\$ 7,903,138	\$ 7,272,138	\$ 7,166,451
Corporate debt securities	5,351,487	5,854,577	7,450,883	7,659,284
Municipal debt securities	1,573,518	1,538,448	1,881,261	1,855,964
Mortgage-Backed Securities	861,107,479	831,434,506	879,675,153	884,978,536
Collateralized mortgage obligations	4,118,554	3,982,429	5,045,718	4,997,812
Other asset-backed securities	2,017,243	2,166,639	1,254,289	1,279,013
Commercial agreements	5,732,246	5,736,814	5,500,000	5,500,000
	\$ 887,895,901	\$ 858,616,551	\$ 908,079,442	\$ 913,437,060

At June 30, 2009, the Corporation's securities had scheduled maturities as follows:

	Estimated Fair Value	Investment Maturities			
		Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
U. S. Government agency securities	\$ 7,995,374	\$ -	\$ 4,332,213	\$ 3,663,161	\$ -
Corporate debt securities	5,351,487	501,630	1,704,896	3,144,961	-
Municipal debt securities	1,573,518	611,142	515,367	447,009	-
Mortgage-Backed Securities	861,107,479	-	602,438	1,163,713	859,341,328
Collateralized mortgage obligations	4,118,554	-	1,845,907	1,591,745	680,902
Other asset-backed securities	2,017,243	-	1,003,750	-	1,013,493
Commercial agreements	5,732,246	-	5,732,246	-	-
	\$ 887,895,901	\$ 1,112,772	\$ 15,736,817	\$ 10,010,589	\$ 861,035,723

Interest Rate Risk

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

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2009 and 2008

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, 2009, the Corporation's investments in Commercial Agreements, U.S. Government Obligations and Mortgage-Backed Securities were unrated. The Corporation's remaining investments are rated by Moody's Investor Service as follows:

<u>Investment Type</u>	<u>Moody's Rating</u>	<u>June 30, 2009 Balance</u>
U.S. Government agency securities	Aaa	\$ 7,995,374
Corporate debt securities	Aaa	333,733
Corporate debt securities	Aa	2,064,369
Corporate debt securities	A	2,682,645
Corporate debt securities	Baa	270,740
Municipal debt securities	Aaa	418,200
Municipal debt securities	Aa	914,007
Municipal debt securities	A	241,311
Mortgage-backed securities	Aaa	6,148,527
Collateralized mortgage obligations	Aaa	3,347,347
Collateralized mortgage obligations	Aa	771,207
Other asset-backed securities	Aaa	2,017,243
		<u>\$ 27,204,703</u>

Custodial Credit Risk

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

Concentration of Credit Risk

The Corporation's investment policy places no limits on the amount the Corporation may invest in any one issuer. As of June 30, 2009, the Corporation held GNMA investments with a fair value of \$654,310,776 and FNMA investments with a fair value of \$205,682,042, which represents approximately 97 percent of the Corporation's total investment holdings.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2009 and 2008

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	2002 Lease Purchase Program	General Corporate Program
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	-	-
Proceeds from issuance	40,000,000	-	-	7,246,646
Principal repayments	(88,239,147)	(147,000,469)	-	(6,992,646)
Accretion	57,581	-	-	-
Premium amortization	(200,034)	-	-	-
Balance at June 30, 2009	\$ 842,156,550	\$ -	\$ -	\$ 254,000

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, 2009 and 2008, the Corporation has complied with all bond covenants.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds and notes payable for the mortgage purchase programs follow:

Bonds Description	June 30,	
	2009	2008
1995D series bonds – 6.520 percent interest payable semi-annually, principal due through November 1, 2027	\$ 1,375,000	\$ 1,655,000
1995J series bonds – 5.900 percent interest payable semi-annually, principal due through June 1, 2017	160,000	180,000
1995J series bonds – 6.125 percent interest payable semi-annually, principal due through June 1, 2027	1,725,000	2,005,000
1997D series bonds – 6.750 percent to 7.750 percent interest payable semi-annually, principal due through July 1, 2029	2,216,738	2,640,413
1997G series bonds – 6.700 percent to 6.930 percent interest payable semi-annually, principal due through November 1, 2029	2,084,406	2,474,490
1997H series bonds – 6.700 percent interest payable semi-annually, principal due through December 1, 2029	2,005,521	2,490,664
1998A series bonds – 6.350 percent to 6.560 percent interest payable semi-annually, principal due through June 1, 2030	3,187,114	3,788,742
1998B series bonds – 5.420 percent to 6.200 percent interest payable semi-annually, principal due through June 1, 2030	3,078,206	3,796,603
1998C series bonds – 6.250 percent to 6.350 percent interest payable semi-annually, principal due through December 1, 2030	3,192,793	3,791,710
1999A series bonds – 6.300 percent to 6.630 percent interest payable semi-annually, principal due through June 1, 2031	5,483,455	6,010,533
1999B series accretion bonds – effective interest rate 5.800 percent, principal due through December 1, 2030	2,865,000	3,585,000
1999C series bonds – 6.070 percent interest payable semi-annually, principal due through June 1, 2031	1,890,000	2,090,000
2000A series bonds – 6.950 percent interest payable semi-annually, principal due through December 1, 2031	5,226,141	6,016,426
2001A series bonds – 6.500 percent interest payable semi-annually, principal due through June 1, 2032	11,159,477	13,337,197
2001B series bonds – 6.375 percent, interest payable semi-annually, principal due through December 1, 2032	4,999,470	6,190,549
2001D series bonds – 6.250 percent interest payable semi-annually, principal due through December 1, 2032	6,714,420	8,046,951
2002A series bonds – 6.100 percent interest payable semi-annually, principal due through June 1, 2034	8,743,156	10,702,857
2002B series bonds – 6.450 percent interest payable semi-annually, principal due through December 1, 2033	7,083,184	8,572,061

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds Description	June 30,	
	2009	2008
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	\$ 600,401
2002C series bonds – 2.750 percent to 5.800 percent, interest payable semi-annually, principal due through June 1, 2034	12,797,345	14,693,490
2003A series bonds – 2.500 percent to 5.800 percent, interest payable semi-annually, principal due through July 1, 2034	6,519,884	7,833,142
2004A series bonds – 3.150 percent to 5.000 percent, interest payable semi-annually, principal due through December 1, 2034	9,450,000	10,430,000
2004B series bonds – 2.700 percent to 5.700 percent, interest payable semi-annually, principal due through December 1, 2035	7,645,000	8,860,000
2004C series bonds – 2.550 percent to 5.950 percent, interest payable semi-annually, principal due through December 1, 2035	11,465,000	13,290,000
2004D series bonds – 2.350 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2035	13,330,000	14,855,000
2005A series bonds – 2.750 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2036	19,465,000	21,475,000
2005B series bonds – 2.900 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2036	29,110,000	32,225,000
2005C series bonds – 4.880 percent, interest payable semi-annually, principal due through December 1, 2037	31,310,000	34,400,000
2006A series bonds – 4.650 percent to 4.750 percent, interest payable semi-annually, principal due through December 1, 2038	65,215,000	70,460,000
2006B series bonds – 4.850 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	33,980,000	37,009,400
2006C series bonds – 4.800 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	66,170,000	74,132,750
2006D series bonds – 5.000 percent, interest payable semi-annually, principal due through December 1, 2038	68,470,000	75,762,750
2006E series bonds – 4.500 percent, interest payable semi-annually, principal due through June 1, 2039	16,775,000	18,583,650
2007A series bonds – 3.600 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2038	43,965,000	48,185,000
2007B series bonds – 3.550 percent to 5.375 percent, interest payable semi-annually, principal due through December 1, 2038	81,535,000	90,225,000
2007C series bonds – 3.600 percent to 5.600 percent, interest payable semi-annually, principal due through December 1, 2038	64,515,000	68,930,000

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Bonds Description	June 30,	
	2009	2008
2007D series bonds – 3.850 percent to 6.100 percent, interest payable semi-annually, principal due through December 1, 2038	\$ 54,245,000	\$ 59,275,000
2007E series bonds – 3.750 percent to 5.850 percent, interest payable semi-annually, principal due through December 1, 2038	59,040,000	64,530,000
2008A series bonds – 2.550 percent to 5.625 percent, interest payable semi-annually, principal due through December 1, 2039	37,975,000	40,000,000
2008B series bonds – 2.850 percent to 6.750 percent, interest payable semi-annually, principal due through December 1, 2039	37,410,000	-
	844,176,711	893,129,779
Net unamortized (unaccreted) premium (discount)	(2,020,161)	(2,591,629)
Total bonds payable, net	<u>\$ 842,156,550</u>	<u>\$ 890,538,150</u>

Notes Payable Description	June 30,	
	2009	2008
2005-1 series notes, interest at SIFMA Municipal Swap Index plus 0.80 percent, 2.35 percent at June 30, 2008, interest payable monthly, final maturity of December 1, 2008	\$ -	\$ 147,000,469
USDA Rural Development note, 1.000 percent, interest only payable annually through January 1, 2012, principal and interest payable annually thereafter, final maturity of May 5, 2038	254,000	-
	<u>\$ 254,000</u>	<u>\$ 147,000,469</u>

A summary of debt service requirements through 2014 and in five-year increments thereafter is as follows:

Year Ending June 30,	Principal*	Interest
2010	\$ 6,230,401	\$ 43,321,138
2011	6,390,000	43,099,901
2012	5,860,000	42,866,358
2013	5,115,000	42,614,889
2014	3,605,000	42,450,910

*Includes capital appreciation bonds at their final redemption values.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Continued

Five Years Ending June 30,	Principal*	Interest
2015 – 2019	\$ 21,990,000	\$ 210,264,856
2020 – 2024	41,739,406	204,473,170
2025 – 2029	27,872,793	195,044,693
2030 – 2034	112,204,227	178,799,518
2035 – 2039	598,128,884	127,251,548
2040 – 2044	15,295,000	410,579

*Includes capital appreciation bonds at their final redemption values.

Note 4. Excess Earnings

For all of the Mortgage Revenue Bond issues, 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 predetermined 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 \$611,813 in 2009 and \$2,400,984 in 2008, 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 issues.

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 three 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 Mortgage-Backed Securities that are held in the respective bond issue's trust account. As the Mortgage-Backed Securities 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

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

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 that are set by management, are secured by second mortgages on the residences, and the maximum amount is three 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.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Continued

Property purchased in prior years is reported in other assets on the Corporation's statement of net assets (see Note 3). At June 30, 2009 and 2008, \$600,401 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 \$234,390,066 and \$211,487,000 at June 30, 2009 and 2008, 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 12.00 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, 2009 was approximately \$450,000 which consisted of \$279,000 from the Corporation and \$171,000 from employees. 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 48 participating employees are an insignificant portion of PERS's approximately 365,000 participants.

Note 12. Deferred Compensation Plan

The State offers its employees a multiple-employer, deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term "employee" means any person, whether appointed, elected, or under contract, providing services for the state, state agencies,

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2009 and 2008

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 12. Continued

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, 2009 and 2008, \$203,652,127 and \$196,032,138, 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 24, 2009, the Corporation issued \$32,455,000 in Single Family Mortgage Revenue Bonds and Single Family Mortgage Revenue Refunding Bonds. These bonds have maturity dates from December 1, 2010 to December 1, 2040, and bear interest at rates from 1.00 percent to 5.40 percent.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2009

	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	1,258	44,050	65,041	9,293	5,390	121,358	1,626	7,244
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	106,653	19,197	3,610	17,616	14,764	22,861	33,375	18,891
Total cash and cash equivalents	107,911	63,247	68,651	26,909	20,154	144,219	35,001	26,135
Accrued interest receivable	12,154	14,510	16,051	13,071	13,514	18,709	17,893	18,519
Total current assets	120,065	77,757	84,702	39,980	33,668	162,928	52,894	44,654
Noncurrent assets:								
Investments, at fair value	1,942,444	2,538,775	2,788,220	2,367,936	2,448,107	3,568,983	3,551,122	3,682,151
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	10,690	13,718	18,549	17,832	19,163	29,572	30,882	29,538
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	1,953,134	2,552,493	2,806,769	2,385,768	2,467,270	3,598,555	3,582,004	3,711,689
Total assets	\$ 2,073,199	\$ 2,630,250	\$ 2,891,471	\$ 2,425,748	\$ 2,500,938	\$ 3,761,483	\$ 3,634,898	\$ 3,756,343
LIABILITIES								
Current liabilities:								
Bonds payable, net	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accrued interest payable	14,942	9,591	12,258	19,598	10,971	16,669	15,603	16,759
Total current liabilities	14,942	9,591	12,258	19,598	10,971	16,669	15,603	16,759
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	1,375,000	1,885,000	2,216,738	2,084,406	2,005,521	3,187,114	3,078,206	3,192,793
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,091	4,090	2,583	1,833	1,833	1,833	1,833	1,833
Total noncurrent liabilities	1,378,091	1,889,090	2,219,321	2,086,239	2,007,354	3,188,947	3,080,039	3,194,626
Total liabilities	\$ 1,393,033	\$ 1,898,681	\$ 2,231,579	\$ 2,105,837	\$ 2,018,325	\$ 3,205,616	\$ 3,095,642	\$ 3,211,385
Net assets:								
Restricted	\$ 680,166	\$ 731,569	\$ 659,892	\$ 319,911	\$ 482,613	\$ 555,867	\$ 539,256	\$ 544,958
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 680,166	\$ 731,569	\$ 659,892	\$ 319,911	\$ 482,613	\$ 555,867	\$ 539,256	\$ 544,958

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2009

	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	—	10,297	96,197	35,873	347,537	199,340	277,366	562
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	113,966	71,624	177	200,857	654,894	46,485	276,943	132,566
Total cash and cash equivalents	113,966	81,921	96,374	236,730	1,002,431	245,825	554,309	133,128
Accrued interest receivable	31,061	6,183	11,888	34,541	62,119	26,476	36,071	44,638
Total current assets	145,027	88,104	108,262	271,271	1,064,550	272,301	590,380	177,766
Noncurrent assets:								
Investments, at fair value	6,154,566	1,099,849	2,142,059	6,545,426	12,034,190	5,329,844	7,184,490	9,162,545
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	49,343	17,492	18,918	61,088	133,254	65,797	81,566	108,395
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	6,203,909	1,117,341	2,160,977	6,606,514	12,167,444	5,395,641	7,266,056	9,270,940
Total assets	\$ 6,348,936	\$ 1,205,445	\$ 2,269,239	\$ 6,877,785	\$ 13,231,994	\$ 5,667,942	\$ 7,856,436	\$ 9,448,706
LIABILITIES								
Current liabilities:								
Bonds payable, net	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accrued interest payable	28,350	—	9,560	29,653	59,231	25,978	34,479	43,945
Total current liabilities	28,350	—	9,560	29,653	59,231	25,978	34,479	43,945
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	5,483,455	844,839	1,890,000	5,226,141	11,159,477	4,999,470	6,714,420	8,743,156
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	1,833	1,833	1,833	36,168	1,833	1,833	1,833	1,833
Total noncurrent liabilities	5,485,288	846,672	1,891,833	5,262,309	11,161,310	5,001,303	6,716,253	8,744,989
Total liabilities	\$ 5,513,638	\$ 846,672	\$ 1,901,393	\$ 5,291,962	\$ 11,220,541	\$ 5,027,281	\$ 6,750,732	\$ 8,788,934
Net assets:								
Restricted	\$ 835,298	\$ 358,773	\$ 367,846	\$ 1,585,823	\$ 2,011,453	\$ 640,661	\$ 1,105,704	\$ 659,772
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 835,298	\$ 358,773	\$ 367,846	\$ 1,585,823	\$ 2,011,453	\$ 640,661	\$ 1,105,704	\$ 659,772

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2009

	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	1,301	116,213	552,001	—	100,775	146,846	155,684	125,850
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	221,638	599,993	—	185,436	278,543	162,610	617,188	420,890
Total cash and cash equivalents	222,939	716,206	552,001	185,436	379,318	309,456	772,872	546,740
Accrued interest receivable	38,446	59,940	—	31,920	44,657	37,035	53,731	60,102
Total current assets	261,385	776,146	552,001	217,356	423,975	346,491	826,603	606,842
Noncurrent assets:								
Investments, at fair value	7,567,576	12,701,772	—	6,668,289	9,941,989	7,830,085	11,408,062	13,579,454
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	86,541	161,654	—	62,429	113,993	75,984	114,324	135,677
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	7,654,117	12,863,426	—	6,730,718	10,055,982	7,906,069	11,522,386	13,715,131
Total assets	\$ 7,915,502	\$ 13,639,572	\$ 552,001	\$ 6,948,074	\$ 10,479,957	\$ 8,252,560	\$ 12,348,989	\$ 14,321,973
LIABILITIES								
Current liabilities:								
Bonds payable, net	\$ —	\$ —	\$ 600,401	\$ 85,000	\$ —	\$ 135,000	\$ 195,000	\$ 260,000
Accrued interest payable	37,652	61,287	—	30,857	38,565	34,069	49,894	51,551
Total current liabilities	37,652	61,287	600,401	115,857	38,565	169,069	244,894	311,551
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	7,083,184	12,797,345	—	6,434,884	9,450,000	7,510,000	11,270,000	13,070,000
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	1,833	1,833	451,446	1,833	1,833	1,833	1,833	1,833
Total noncurrent liabilities	7,085,017	12,799,178	451,446	6,436,717	9,451,833	7,511,833	11,271,833	13,071,833
Total liabilities	\$ 7,122,669	\$ 12,860,465	\$ 1,051,847	\$ 6,552,574	\$ 9,490,398	\$ 7,680,902	\$ 11,516,727	\$ 13,383,384
Net assets:								
Restricted	\$ 792,833	\$ 779,107	\$ (499,846)	\$ 395,500	\$ 989,559	\$ 571,658	\$ 832,262	\$ 938,589
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 792,833	\$ 779,107	\$ (499,846)	\$ 395,500	\$ 989,559	\$ 571,658	\$ 832,262	\$ 938,589

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2009

	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	271,563	201,718	125,508	—	515,869	195,789	843,416	1,278,292
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	671,468	587,605	878,504	—	1,537,762	1,194,146	1,409,452	2,102,897
Total cash and cash equivalents	943,031	789,323	1,004,012	—	2,053,631	1,389,935	2,252,868	3,381,189
Accrued interest receivable	90,412	128,834	132,580	—	271,422	142,782	292,443	308,710
Total current assets	1,033,443	918,157	1,136,592	—	2,325,053	1,532,717	2,545,311	3,689,899
Noncurrent assets:								
Investments, at fair value	19,618,462	29,467,875	31,103,356	—	65,096,963	33,607,522	66,485,829	68,069,174
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	184,594	299,223	299,163	—	611,141	327,606	609,625	635,601
Other assets	—	—	—	—	8,268	4,315	8,467	8,711
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	19,803,056	29,767,098	31,402,519	—	65,716,372	33,939,443	67,103,921	68,713,486
Total assets	\$ 20,836,499	\$ 30,685,255	\$ 32,539,111	\$ —	\$ 68,041,425	\$ 35,472,160	\$ 69,649,232	\$ 72,403,385
LIABILITIES								
Current liabilities:								
Bonds payable, net	\$ 380,000	\$ 485,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accrued interest payable	83,761	116,759	127,327	—	254,187	137,478	268,894	285,292
Total current liabilities	463,761	601,759	127,327	—	254,187	137,478	268,894	285,292
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	19,085,000	28,625,000	31,310,000	—	65,215,000	33,980,000	66,170,000	68,470,000
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	1,833	2,833	1,833	—	129,699	1,833	1,833	1,833
Total noncurrent liabilities	19,086,833	28,627,833	31,311,833	—	65,344,699	33,981,833	66,171,833	68,471,833
Total liabilities	\$ 19,550,594	\$ 29,229,592	\$ 31,439,160	\$ —	\$ 65,598,886	\$ 34,119,311	\$ 66,440,727	\$ 68,757,125
Net assets:								
Restricted	\$ 1,285,905	\$ 1,455,663	\$ 1,099,951	\$ —	\$ 2,442,539	\$ 1,352,849	\$ 3,208,505	\$ 3,646,260
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 1,285,905	\$ 1,455,663	\$ 1,099,951	\$ —	\$ 2,442,539	\$ 1,352,849	\$ 3,208,505	\$ 3,646,260

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2009

	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program	2008A Program	2008B Program
ASSETS								
Current assets:								
Cash and cash equivalents:								
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted cash	336,257	471,942	572,311	989,056	1,446,601	1,697,808	688,982	1,787,365
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	425,659	1,889,168	3,902,931	2,269,742	2,300,435	1,998,250	1,263,378	2,130,272
Total cash and cash equivalents	761,916	2,361,110	4,475,242	3,258,798	3,747,036	3,696,058	1,952,360	3,917,637
Accrued interest receivable	70,043	191,587	378,304	288,487	262,728	296,838	173,966	187,109
Total current assets	831,959	2,552,697	4,853,546	3,547,285	4,009,764	3,992,896	2,126,326	4,104,746
Noncurrent assets:								
Investments, at fair value	16,532,302	43,312,170	83,431,643	64,136,963	53,576,973	59,082,973	37,761,862	36,018,253
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	165,584	469,835	685,873	711,724	429,649	613,746	420,267	524,901
Other assets	—	5,727	10,479	8,210	6,925	7,472	4,863	4,783
Due (to) from other funds	—	—	—	—	(3,075)	—	(2,734)	(4,256)
Total noncurrent assets	16,697,886	43,787,732	84,127,995	64,856,897	54,010,472	59,704,191	38,184,258	36,543,681
Total assets	\$ 17,529,845	\$ 46,340,429	\$ 88,981,541	\$ 68,404,182	\$ 58,020,236	\$ 63,697,087	\$ 40,310,584	\$ 40,648,427
LIABILITIES								
Current liabilities:								
Bonds payable, net	\$ —	\$ 530,000	\$ 1,530,000	\$ 1,005,000	\$ 550,000	\$ 185,000	\$ —	\$ 290,000
Accrued interest payable	62,906	181,386	329,525	270,144	246,346	272,472	164,613	178,297
Total current liabilities	62,906	711,386	1,859,525	1,275,144	796,346	457,472	164,613	468,297
Noncurrent liabilities:								
Bonds payable, net of premium or discount and current portion	16,775,000	43,435,000	80,005,000	63,510,000	53,695,000	58,855,000	37,975,000	37,120,000
Notes payable	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	1,833	1,833	1,833	1,833	1,833	1,833	1,957	6,152
Total noncurrent liabilities	16,776,833	43,436,833	80,006,833	63,511,833	53,696,833	58,856,833	37,976,957	37,126,152
Total liabilities	\$ 16,839,739	\$ 44,148,219	\$ 81,866,358	\$ 64,786,977	\$ 54,493,179	\$ 59,314,305	\$ 38,141,570	\$ 37,594,449
Net assets:								
Restricted	\$ 690,106	\$ 2,192,210	\$ 7,115,183	\$ 3,617,205	\$ 3,527,057	\$ 4,382,782	\$ 2,169,014	\$ 3,053,978
Unrestricted	—	—	—	—	—	—	—	—
Total net assets	\$ 690,106	\$ 2,192,210	\$ 7,115,183	\$ 3,617,205	\$ 3,527,057	\$ 4,382,782	\$ 2,169,014	\$ 3,053,978

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2009

	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	\$ —	\$ —	\$ 47,682	\$ 1,499,024	\$ —	\$ 1,546,706
Restricted cash	13,843,579	522,066	—	1,738,554	723,468	16,827,667
Cash equivalents	—	—	130,000	6,373,993	—	6,503,993
Restricted cash equivalents	28,782,446	—	—	—	—	28,782,446
Total cash and cash equivalents	42,626,025	522,066	177,682	9,611,571	723,468	53,660,812
Accrued interest receivable	3,919,474	83	6,291	307,936	24,832	4,258,616
Total current assets	46,545,499	522,149	183,973	9,919,507	748,300	57,919,428
Noncurrent assets:						
Investments, at fair value	849,540,254	—	—	38,355,647	—	887,895,901
Mortgage loans receivable, net	—	77,540	917,892	6,243,704	5,518,085	12,757,221
Unamortized bond issuance costs	8,444,931	—	—	—	—	8,444,931
Other assets	78,220	11,065	—	2,580,187	2,506,654	5,176,126
Due (to) from other funds	(10,065)	42,356	—	(31,941)	(350)	—
Total noncurrent assets	858,053,340	130,961	917,892	47,147,597	8,024,389	914,274,179
Total assets	\$ 904,598,839	\$ 653,110	\$ 1,101,865	\$ 57,067,104	\$ 8,772,689	\$ 972,193,607
LIABILITIES						
Current liabilities:						
Bonds payable, net	\$ 6,230,401	\$ —	\$ —	\$ —	\$ —	\$ 6,230,401
Accrued interest payable	3,630,849	—	—	1,355	—	3,632,204
Total current liabilities	9,861,250	—	—	1,355	—	9,862,605
Noncurrent liabilities:						
Bonds payable, net of premium or discount and current portion	835,926,149	—	—	—	—	835,926,149
Notes payable	—	—	—	254,000	—	254,000
Other liabilities and accrued expenses	693,009	439,261	1,833	20,733,294	27,708	21,895,105
Total noncurrent liabilities	836,619,158	439,261	1,833	20,987,294	27,708	858,075,254
Total liabilities	\$ 846,480,408	\$ 439,261	\$ 1,833	\$ 20,988,649	\$ 27,708	\$ 867,937,859
Net assets:						
Restricted	\$ 58,118,431	\$ 213,849	\$ —	\$ —	\$ 8,744,981	\$ 67,077,261
Unrestricted	—	—	1,100,032	36,078,455	—	37,178,487
Total net assets	\$ 58,118,431	\$ 213,849	\$ 1,100,032	\$ 36,078,455	\$ 8,744,981	\$ 104,255,748

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009

	1995CD Program	1995LJ Program	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 6,084	\$ 3,447	\$ 2,181	\$ 1,716	\$ 2,791	\$ 4,297	\$ 11,538	\$ 2,566
Mortgage-backed securities	131,409	154,055	196,453	163,334	174,569	244,504	234,533	239,711
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	137,493	157,502	198,634	165,050	177,360	248,801	246,071	242,277
Net increase (decrease) in fair value of investments	(1,118)	25,027	26,950	17,933	8,547	41,519	106,536	116,447
Low income housing tax credit program	—	—	—	—	—	—	—	—
Grant fund income	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	136,375	182,529	225,584	182,983	185,907	290,320	352,607	358,724
Operating expenses:								
Interest expense	97,393	126,199	150,154	144,594	141,196	209,035	211,290	215,560
Amortization of bond issuance costs	2,887	3,152	4,235	3,805	5,849	7,266	9,084	6,321
Salaries and related benefits	—	—	—	—	—	—	—	—
Grant fund expense	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Other	4,333	4,083	3,583	3,583	24,637	3,583	3,583	3,583
Total operating expenses	104,613	133,434	157,972	151,982	171,682	219,884	223,957	225,464
Operating income (loss)	31,762	49,095	67,612	31,001	14,225	70,436	128,650	133,260
Transfers in (out)	(614)	(837)	(9,596)	(6,812)	18,585	(13,594)	(12,360)	(7,468)
Net assets, beginning of year	649,018	683,311	601,876	295,722	449,803	499,025	422,966	419,166
Net assets, end of year	\$ 680,166	\$ 731,569	\$ 659,892	\$ 319,911	\$ 482,613	\$ 555,867	\$ 539,256	\$ 544,958

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009

	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 9,950	\$ 3,644	\$ 2,312	\$ 14,095	\$ 42,231	\$ 9,330	\$ 16,747	\$ 21,470
Mortgage-backed securities	386,830	69,728	143,411	431,939	783,151	352,711	466,799	579,942
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	396,780	73,372	145,723	446,034	825,382	362,041	483,546	601,412
Net increase (decrease) in fair value of investments	210,315	21,894	32,184	136,068	417,958	156,550	233,515	308,431
Low income housing tax credit program	—	—	—	—	—	—	—	—
Grant fund income	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	607,095	95,266	177,907	582,102	1,243,340	518,591	717,061	909,843
Operating expenses:								
Interest expense	353,544	57,581	120,692	371,444	752,577	338,106	439,110	569,718
Amortization of bond issuance costs	7,220	5,040	2,706	12,447	33,158	19,295	20,313	29,586
Salaries and related benefits	—	—	—	—	—	—	—	—
Grant fund expense	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Other	3,737	3,583	4,083	3,833	4,607	3,583	3,687	4,797
Total operating expenses	364,501	66,204	127,481	387,724	790,342	360,984	463,110	604,101
Operating income (loss)	242,594	29,062	50,426	194,378	452,998	157,607	253,951	305,742
Transfers in (out)	(5,907)	(11,137)	(17,086)	(8,858)	(25,551)	(11,946)	(12,900)	(20,942)
Net assets, beginning of year	598,611	340,848	334,506	1,400,303	1,584,006	495,000	864,653	374,972
Net assets, end of year	\$ 835,298	\$ 358,773	\$ 367,846	\$ 1,585,823	\$ 2,011,453	\$ 640,661	\$ 1,105,704	\$ 659,772

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009

	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 18,111	\$ 22,018	\$ 1,494	\$ 11,492	\$ 13,166	\$ 13,397	\$ 21,046	\$ 20,734
Mortgage-backed securities	496,270	758,606	—	409,282	534,916	444,510	691,389	733,235
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	514,381	780,624	1,494	420,774	548,082	457,907	712,435	753,969
Net increase (decrease) in fair value of investments	222,961	374,977	—	163,189	414,693	244,804	355,222	603,441
Low income housing tax credit program	—	—	—	—	—	—	—	—
Grant fund income	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	737,342	1,155,601	1,494	583,963	962,775	702,711	1,067,657	1,357,410
Operating expenses:								
Interest expense	483,551	756,855	—	391,438	483,001	426,072	646,448	651,736
Amortization of bond issuance costs	22,449	31,385	—	15,837	19,334	15,076	23,542	21,696
Salaries and related benefits	—	—	—	—	—	—	—	—
Grant fund expense	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Other	4,415	5,322	8,683	3,629	4,306	3,775	4,677	4,927
Total operating expenses	510,415	793,562	8,683	410,904	506,641	444,923	674,667	678,359
Operating income (loss)	226,927	362,039	(7,189)	173,059	456,134	257,788	392,990	679,051
Transfers in (out)	(8,648)	(12,979)	8,658	(8,117)	(22,870)	(9,512)	(18,724)	(42,620)
Net assets, beginning of year	574,554	430,047	(501,315)	230,558	556,295	323,382	457,996	302,158
Net assets, end of year	\$ 792,833	\$ 779,107	\$ (499,846)	\$ 395,500	\$ 989,559	\$ 571,658	\$ 832,262	\$ 938,589

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009

	2005A Program	2005B Program	2005C Program	2005-1 Program	2006A Program	2006B Program	2006C Program	2006D Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 32,492	\$ 35,853	\$ 39,834	\$ 945,364	\$ 94,986	\$ 48,089	\$ 106,498	\$ 105,483
Mortgage-backed securities	1,103,613	1,577,518	1,675,010	—	3,332,505	1,781,930	3,830,623	4,089,110
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	1,136,105	1,613,371	1,714,844	945,364	3,427,491	1,830,019	3,937,121	4,194,593
Net increase (decrease) in fair value of investments	701,352	1,232,075	1,452,315	—	3,409,490	1,659,264	2,943,933	2,749,713
Low income housing tax credit program	—	—	—	—	—	—	—	—
Grant fund income	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	1,837,457	2,845,446	3,167,159	945,364	6,836,981	3,489,283	6,881,054	6,944,306
Operating expenses:								
Interest expense	1,048,432	1,462,803	1,625,854	940,572	3,184,923	1,724,946	3,429,474	3,625,280
Amortization of bond issuance costs	31,814	43,707	41,091	—	71,873	41,522	97,817	91,318
Salaries and related benefits	—	—	—	—	—	—	—	—
Grant fund expense	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Other	4,382	7,599	7,800	6,500	24,231	14,062	24,917	25,641
Total operating expenses	1,084,628	1,514,109	1,674,745	947,072	3,281,027	1,780,530	3,552,208	3,742,239
Operating income (loss)	752,829	1,331,337	1,492,414	(1,708)	3,555,954	1,708,753	3,328,846	3,202,067
Transfers in (out)	(21,376)	(60,612)	(66,628)	1,849	(158,966)	(85,412)	(283,756)	(321,365)
Net assets, beginning of year	554,452	184,938	(325,835)	(141)	(954,449)	(270,492)	163,415	765,558
Net assets, end of year	\$ 1,285,905	\$ 1,455,663	\$ 1,099,951	\$ —	\$ 2,442,539	\$ 1,352,849	\$ 3,208,505	\$ 3,646,260

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009

	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program	2008A Program	2008B Program
Operating revenues:								
Interest income:								
Cash and cash equivalents	\$ 27,011	\$ 65,549	\$ 252,452	\$ 105,477	\$ 112,874	\$ 125,625	\$ 68,200	\$ 148,994
Mortgage-backed securities	909,971	2,505,321	4,764,481	3,644,702	3,298,749	3,689,421	2,118,714	1,725,168
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	936,982	2,570,870	5,016,933	3,750,179	3,411,623	3,815,046	2,186,914	1,874,162
Net increase (decrease) in fair value of investments	903,009	2,028,525	4,014,550	2,797,860	1,663,631	1,755,480	1,391,098	1,628,327
Low income housing tax credit program	—	—	—	—	—	—	—	—
Grant fund income	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Other income	—	985	—	—	—	3,036	—	—
Total operating revenues	1,839,991	4,600,380	9,031,483	6,548,039	5,075,254	5,573,562	3,578,012	3,502,489
Operating expenses:								
Interest expense	791,950	2,287,844	4,183,327	3,358,516	3,112,617	3,457,268	2,058,619	1,849,984
Amortization of bond issuance costs	23,550	62,780	98,213	74,370	56,360	80,365	38,667	53,641
Salaries and related benefits	—	—	—	—	—	—	—	—
Grant fund expense	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Other	8,319	17,361	29,950	29,932	23,335	23,866	17,555	13,072
Total operating expenses	823,819	2,367,985	4,311,490	3,462,818	3,192,312	3,561,499	2,114,841	1,916,697
Operating income (loss)	1,016,172	2,232,395	4,719,993	3,085,221	1,882,942	2,012,063	1,463,171	1,585,792
Transfers in (out)	(83,972)	(132,809)	(1,447,553)	(188,478)	(164,791)	(214,299)	(55,327)	1,468,186
Net assets, beginning of year	(242,094)	92,624	3,842,743	720,462	1,808,906	2,585,018	761,170	—
Net assets, end of year	\$ 690,106	\$ 2,192,210	\$ 7,115,183	\$ 3,617,205	\$ 3,527,057	\$ 4,382,782	\$ 2,169,014	\$ 3,053,978

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2009

	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	\$ 2,590,638	\$ —	\$ 7,315	\$ 95,696	\$ 13,993	\$ 2,707,642
Mortgage-backed securities	48,868,123	—	—	299,427	—	49,167,550
Other investments	—	—	7,840	2,022,053	—	2,029,893
Mortgage loans	—	29,282	32,259	123,707	260,862	446,110
Total interest income	51,458,761	29,282	47,414	2,540,883	274,855	54,351,195
Net increase (decrease) in fair value of investments	34,568,665	—	—	114,433	—	34,683,098
Low income housing tax credit program	—	—	—	1,701,122	—	1,701,122
Grant fund income	—	—	—	2,937,955	—	2,937,955
Reservation fees	—	—	—	276,180	—	276,180
Other income	4,021	293	1,122	598,412	6,444	610,292
Total operating revenues	86,031,447	29,575	48,536	8,168,985	281,299	94,559,842
Operating expenses:						
Interest expense	46,279,703	—	—	8,947	—	46,288,650
Amortization of bond issuance costs	1,228,771	—	—	—	—	1,228,771
Salaries and related benefits	—	—	—	3,094,485	—	3,094,485
Grant fund expense	—	—	—	2,892,588	—	2,892,588
Losses on mortgage loans	—	(36,603)	68,371	47,804	436,058	515,630
Other	401,134	8,544	6,220	1,772,555	47,667	2,236,120
Total operating expenses	47,909,608	(28,059)	74,591	7,816,379	483,725	56,256,244
Operating income (loss)	38,121,839	57,634	(26,055)	352,606	(202,426)	38,303,598
Transfers in (out)	(2,077,144)	1,808	(6,524)	2,080,052	1,808	—
Net assets, beginning of year	22,073,736	154,407	1,132,611	33,645,797	8,945,599	65,952,150
Net assets, end of year	\$ 58,118,431	\$ 213,849	\$ 1,100,032	\$ 36,078,455	\$ 8,744,981	\$ 104,255,748

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	1995CD	1995LJ	1997D	1997G	1997H	1998A	1998B	1998C
	Program							
Cash flows from operating activities:								
Loan principal payments received	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(20,207)	(32,920)	(3,558)	(3,558)	(29,416)	(3,558)	(3,558)	(3,558)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash used in operating activities	(20,207)	(32,920)	(3,558)	(3,558)	(29,416)	(3,558)	(3,558)	(3,558)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(280,000)	(300,000)	(420,000)	(386,404)	(480,000)	(595,000)	(710,000)	(593,080)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(100,435)	(127,726)	(155,693)	(150,504)	(149,019)	(218,810)	(223,355)	(224,486)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(380,435)	(427,726)	(575,693)	(536,908)	(629,019)	(813,810)	(933,355)	(817,566)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash used in capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	230,242	259,195	321,340	212,958	395,714	687,111	693,868	579,266
Interest received on investments	154,509	187,394	200,794	166,536	179,757	252,730	249,733	245,474
Net cash provided by (used in) investing activities	384,751	446,589	522,134	379,494	575,471	939,841	943,601	824,740
Transfers	(614)	(837)	(9,596)	(6,812)	18,585	(13,594)	(12,360)	(7,468)
Net increase (decrease) in cash and cash equivalents	(16,505)	(14,894)	(66,713)	(167,784)	(64,379)	108,879	(5,672)	(3,852)
Cash and cash equivalents, beginning of year	124,416	78,141	135,364	194,693	84,533	35,340	40,673	29,987
Cash and cash equivalents, end of year	\$ 107,911	\$ 63,247	\$ 68,651	\$ 26,909	\$ 20,154	\$ 144,219	\$ 35,001	\$ 26,135

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	1999A Program	1999B Program	1999C Program	2000A Program	2001A Program	2001B Program	2001D Program	2002A Program
Cash flows from operating activities:								
Loan principal payments received	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(3,712)	(3,558)	(4,058)	(3,808)	(4,581)	(3,558)	(3,661)	(4,772)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash used in operating activities	(3,712)	(3,558)	(4,058)	(3,808)	(4,581)	(3,558)	(3,661)	(4,772)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(520,000)	(206,113)	(200,000)	(780,000)	(2,150,000)	(1,175,000)	(1,310,000)	(1,935,000)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(363,352)	—	(121,704)	(386,246)	(791,944)	(360,426)	(468,464)	(604,256)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(883,352)	(206,113)	(321,704)	(1,166,246)	(2,941,944)	(1,535,426)	(1,778,464)	(2,539,256)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash used in capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	548,643	151,751	256,261	655,365	2,494,026	1,311,141	1,257,774	1,782,900
Interest received on investments	399,652	77,807	155,010	449,897	837,301	368,972	490,656	611,218
Net cash provided by (used in) investing activities	948,295	229,558	411,271	1,105,262	3,331,327	1,680,113	1,748,430	2,394,118
Transfers	(5,907)	(11,137)	(17,086)	(8,858)	(25,551)	(11,946)	(12,900)	(20,942)
Net increase (decrease) in cash and cash equivalents	55,324	8,750	68,423	(73,650)	359,251	129,183	(46,595)	(170,852)
Cash and cash equivalents, beginning of year	58,642	73,171	27,951	310,380	643,180	116,642	600,904	303,980
Cash and cash equivalents, end of year	\$ 113,966	\$ 81,921	\$ 96,374	\$ 236,730	\$ 1,002,431	\$ 245,825	\$ 554,309	\$ 133,128

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program
Cash flows from operating activities:								
Loan principal payments received	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(4,390)	(5,297)	(8,658)	(3,604)	(4,281)	(3,750)	(4,652)	(4,902)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash used in operating activities	(4,390)	(5,297)	(8,658)	(3,604)	(4,281)	(3,750)	(4,652)	(4,902)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(1,470,000)	(1,870,000)	—	(1,300,000)	(980,000)	(1,215,000)	(1,825,000)	(1,525,000)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(510,329)	(792,038)	—	(410,767)	(486,962)	(431,340)	(654,339)	(657,352)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(1,980,329)	(2,662,038)	—	(1,710,767)	(1,466,962)	(1,646,340)	(2,479,339)	(2,182,352)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash used in capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	1,379,640	2,184,781	—	1,187,950	1,116,204	702,561	2,097,994	1,511,607
Interest received on investments	522,070	790,706	2,011	427,234	568,572	469,502	722,353	771,807
Net cash provided by (used in) investing activities	1,901,710	2,975,487	2,011	1,615,184	1,684,776	1,172,063	2,820,347	2,283,414
Transfers	(8,648)	(12,979)	8,658	(8,117)	(22,870)	(9,512)	(18,724)	(42,620)
Net increase (decrease) in cash and cash equivalents	(91,657)	295,173	2,011	(107,304)	190,663	(487,539)	317,632	53,540
Cash and cash equivalents, beginning of year	314,596	421,033	549,990	292,740	188,655	796,995	455,240	493,200
Cash and cash equivalents, end of year	\$ 222,939	\$ 716,206	\$ 552,001	\$ 185,436	\$ 379,318	\$ 309,456	\$ 772,872	\$ 546,740

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	2005A	2005B	2005C	2005-1	2006A	2006B	2006C	2006D
	Program							
Cash flows from operating activities:								
Loan principal payments received	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(4,357)	(7,324)	(7,775)	(1,015,832)	(23,421)	(14,256)	(26,207)	(26,916)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash used in operating activities	(4,357)	(7,324)	(7,775)	(1,015,832)	(23,421)	(14,256)	(26,207)	(26,916)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(2,010,000)	(3,115,000)	(3,090,000)	—	(5,245,000)	(3,029,400)	(7,962,750)	(7,292,750)
Principal repayment of notes	—	—	—	(147,000,469)	—	—	—	—
Interest paid	(1,057,629)	(1,475,596)	(1,638,419)	(1,228,227)	(3,205,365)	(1,736,603)	(3,459,533)	(3,653,417)
Bond issuance costs paid	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(3,067,629)	(4,590,596)	(4,728,419)	(148,228,696)	(8,450,365)	(4,766,003)	(11,422,283)	(10,946,167)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash used in capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	1,754,834	2,656,163	3,676,579	—	5,751,020	3,419,957	7,489,092	8,826,101
Interest received on investments	1,144,447	1,625,968	1,729,752	1,319,531	3,454,890	1,842,268	3,788,004	4,023,159
Net cash provided by (used in) investing activities	2,899,281	4,282,131	5,406,331	1,319,531	9,205,910	5,262,225	11,277,096	12,849,260
Transfers	(21,376)	(60,612)	(66,628)	1,849	(158,966)	(85,412)	(283,756)	(321,365)
Net increase (decrease) in cash and cash equivalents	(194,081)	(376,401)	603,509	(147,923,148)	573,158	396,554	(455,150)	1,554,812
Cash and cash equivalents, beginning of year	1,137,112	1,165,724	400,503	147,923,148	1,480,473	993,381	2,708,018	1,826,377
Cash and cash equivalents, end of year	\$ 943,031	\$ 789,323	\$ 1,004,012	\$ —	\$ 2,053,631	\$ 1,389,935	\$ 2,252,868	\$ 3,381,189

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	2006E	2007A	2007B	2007C	2007D	2007E	2008A	2008B
	Program							
Cash flows from operating activities:								
Loan principal payments received	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loan interest payments received	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—
Payments to vendors	(9,645)	(20,619)	(29,682)	(36,805)	(28,097)	(34,110)	(32,782)	(11,702)
Fee income received	—	—	—	—	—	—	—	—
Other income received	—	985	—	—	—	3,036	—	—
Net cash used in operating activities	(9,645)	(19,634)	(29,682)	(36,805)	(28,097)	(31,074)	(32,782)	(11,702)
Cash flows from noncapital financing activities:								
Proceeds from issuance of bonds	—	—	—	—	—	—	—	40,000,000
Proceeds from issuance of notes	—	—	—	—	—	—	—	—
Principal repayment of bonds	(1,808,650)	(4,220,000)	(8,690,000)	(4,415,000)	(5,030,000)	(5,490,000)	(2,025,000)	(2,590,000)
Principal repayment of notes	—	—	—	—	—	—	—	—
Interest paid	(797,362)	(2,302,404)	(4,216,958)	(3,374,809)	(3,131,053)	(3,479,772)	(2,064,393)	(1,671,687)
Bond issuance costs paid	—	—	—	—	—	—	—	(578,543)
Due (from) to other programs	—	(3,750)	(10,203)	(15,511)	(5,772)	(32,119)	(126,141)	4,256
Net cash provided by (used in) noncapital financing activities	(2,606,012)	(6,526,154)	(12,917,161)	(7,805,320)	(8,166,825)	(9,001,891)	(4,215,534)	35,164,026
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Principal repayment of notes payable	—	—	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—	—	—
Net cash used in capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	(79,296)	(119,067)	(776,589)	(285,047)	(821,100)	(4,450,964)	(39,703,238)
Redemption of investments	1,759,306	4,776,058	8,487,943	5,516,899	6,632,390	7,168,526	3,296,551	5,313,312
Interest received on investments	894,619	2,481,500	4,890,786	3,672,306	3,407,947	3,845,016	2,196,262	1,687,053
Net cash provided by (used in) investing activities	2,653,925	7,178,262	13,259,662	8,412,616	9,755,290	10,192,442	1,041,849	(32,702,873)
Transfers	(83,972)	(132,809)	(1,447,553)	(188,478)	(164,791)	(214,299)	(55,327)	1,468,186
Net increase (decrease) in cash and cash equivalents	(45,704)	499,665	(1,134,734)	382,013	1,395,577	945,178	(3,261,794)	3,917,637
Cash and cash equivalents, beginning of year	807,620	1,861,445	5,609,976	2,876,785	2,351,459	2,750,880	5,214,154	—
Cash and cash equivalents, end of year	\$ 761,916	\$ 2,361,110	\$ 4,475,242	\$ 3,258,798	\$ 3,747,036	\$ 3,696,058	\$ 1,952,360	\$ 3,917,637

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	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	\$ —	\$ 288,388	\$ 160,412	\$ 304,865	\$ 773,797	\$ 1,527,462
Loan interest payments received	—	30,970	27,980	112,642	255,039	426,631
Loan disbursements	—	(29,126)	(898,167)	(2,028,589)	(2,118,034)	(5,073,916)
Payments to employees	—	—	—	(3,082,254)	—	(3,082,254)
Payments to vendors	(1,501,105)	(561,949)	(6,916)	(3,717,041)	(24,320)	(5,811,331)
Fee income received	—	—	1,122	1,851,459	6,444	1,859,025
Other income received	4,021	293	7,315	3,629,063	13,992	3,654,684
Net cash used in operating activities	(1,497,084)	(271,424)	(708,254)	(2,929,855)	(1,093,082)	(6,499,699)
Cash flows from noncapital financing activities:						
Proceeds from issuance of bonds	40,000,000	—	—	—	—	40,000,000
Proceeds from issuance of notes	—	—	—	7,246,646	—	7,246,646
Principal repayment of bonds	(88,239,147)	—	—	—	—	(88,239,147)
Principal repayment of notes	(147,000,469)	—	—	(6,992,646)	—	(153,993,115)
Interest paid	(46,882,774)	—	—	(7,592)	—	(46,890,366)
Bond issuance costs paid	(578,543)	—	—	—	—	(578,543)
Due (from) to other programs	(189,240)	—	—	188,890	350	—
Net cash provided by (used in) noncapital financing activities	(242,890,173)	—	—	435,298	350	(242,454,525)
Cash flows from capital and related financing activities:						
Property and equipment additions	—	—	—	(124,224)	—	(124,224)
Proceeds from sale of property and equipment	—	—	—	17,000	—	17,000
Principal repayment of notes payable	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—
Net cash used in capital and related financing activities	—	—	—	(107,224)	—	(107,224)
Cash flows from investing activities:						
Purchase of investments	(46,235,301)	—	(900,000)	(32,160,910)	(346,854)	(79,643,065)
Redemption of investments	98,543,023	—	900,000	34,644,141	185,075	134,272,239
Interest received on investments	51,305,203	—	7,840	2,295,954	—	53,608,997
Net cash provided by (used in) investing activities	103,612,925	—	7,840	4,779,185	(161,779)	108,238,171
Transfers	(2,077,144)	1,808	(6,524)	2,080,052	1,808	—
Net increase (decrease) in cash and cash equivalents	(142,851,476)	(269,616)	(706,938)	4,257,456	(1,252,703)	(140,823,277)
Cash and cash equivalents, beginning of year	185,477,501	791,682	884,620	5,354,115	1,976,171	194,484,089
Cash and cash equivalents, end of year	\$ 42,626,025	\$ 522,066	\$ 177,682	\$ 9,611,571	\$ 723,468	\$ 53,660,812

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	1995CD	1995LJ	1997D	1997G	1997H	1998A	1998B	1998C
	Program							
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 31,762	\$ 49,095	\$ 67,612	\$ 31,001	\$ 14,225	\$ 70,436	\$ 128,650	\$ 133,260
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	100,435	127,726	155,693	150,504	149,019	218,810	223,355	224,486
Amortization of bond issuance costs	2,887	3,152	4,235	3,805	5,849	7,266	9,084	6,321
Amortization of bond discount (premium)	—	—	(3,675)	(3,679)	(5,143)	(6,627)	(8,397)	(5,837)
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	1,118	(25,027)	(26,950)	(17,933)	(8,547)	(41,519)	(106,536)	(116,447)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(154,509)	(187,394)	(200,794)	(166,536)	(179,757)	(252,730)	(249,733)	(245,474)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	1,688	1,795	2,160	1,486	2,397	3,929	3,662	3,197
(Increase) decrease in other assets	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(3,043)	(1,527)	(1,864)	(2,231)	(2,680)	(3,148)	(3,668)	(3,089)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	(545)	(740)	25	25	(4,779)	25	25	25
Total adjustments	(51,969)	(82,015)	(71,170)	(34,559)	(43,641)	(73,994)	(132,208)	(136,818)
Net cash provided by (used in) operating activities	\$ (20,207)	\$ (32,920)	\$ (3,558)	\$ (3,558)	\$ (29,416)	\$ (3,558)	\$ (3,558)	\$ (3,558)

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	1999A	1999B	1999C	2000A	2001A	2001B	2001D	2002A
	Program							
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 242,594	\$ 29,062	\$ 50,426	\$ 194,378	\$ 452,998	\$ 157,607	\$ 253,951	\$ 305,742
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	363,352	—	121,704	386,246	791,944	360,426	468,464	604,256
Amortization of bond issuance costs	7,220	5,040	2,706	12,447	33,158	19,295	20,313	29,586
Amortization of bond discount (premium)	(7,078)	—	—	(10,285)	(27,721)	(16,079)	(22,531)	(24,701)
Accretion of bond discount	—	57,581	—	—	—	—	—	—
Amortization of investment (discount) premium	—	3,813	7,706	—	—	—	—	—
Net (increase) decrease in fair value of investments	(210,315)	(21,894)	(32,184)	(136,068)	(417,958)	(156,550)	(233,515)	(308,431)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(399,652)	(77,807)	(155,010)	(449,897)	(837,301)	(368,972)	(490,656)	(611,218)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	2,872	622	1,581	4,449	11,919	6,931	7,111	9,806
(Increase) decrease in other assets	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(2,730)	—	(1,012)	(4,517)	(11,645)	(6,241)	(6,823)	(9,837)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	25	25	25	(561)	25	25	25	25
Total adjustments	(246,306)	(32,620)	(54,484)	(198,186)	(457,579)	(161,165)	(257,612)	(310,514)
Net cash provided by (used in) operating activities	\$ (3,712)	\$ (3,558)	\$ (4,058)	\$ (3,808)	\$ (4,581)	\$ (3,558)	\$ (3,661)	\$ (4,772)

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	2002B Program	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 226,927	\$ 362,039	\$ (7,189)	\$ 173,059	\$ 456,134	\$ 257,788	\$ 392,990	\$ 679,051
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	510,329	792,038	—	410,767	486,962	431,340	654,339	657,352
Amortization of bond issuance costs	22,449	31,385	—	15,837	19,334	15,076	23,542	21,696
Amortization of bond discount (premium)	(18,877)	(26,145)	—	(13,259)	—	—	—	—
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	15,739	7,475	—	11,398
Net (increase) decrease in fair value of investments	(222,961)	(374,977)	—	(163,189)	(414,693)	(244,804)	(355,222)	(603,441)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(522,070)	(790,706)	(2,011)	(427,234)	(568,572)	(469,502)	(722,353)	(771,807)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	7,689	10,082	—	6,461	4,750	4,120	9,918	6,440
(Increase) decrease in other assets	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(7,901)	(9,038)	517	(6,071)	(3,960)	(5,268)	(7,891)	(5,616)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	25	25	25	25	25	25	25	25
Total adjustments	(231,317)	(367,336)	(1,469)	(176,663)	(460,415)	(261,538)	(397,642)	(683,953)
Net cash provided by (used in) operating activities	\$ (4,390)	\$ (5,297)	\$ (8,658)	\$ (3,604)	\$ (4,281)	\$ (3,750)	\$ (4,652)	\$ (4,902)

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	2005A	2005B	2005C	2005-1	2006A	2006B	2006C	2006D
	Program							
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 752,829	\$ 1,331,337	\$ 1,492,414	\$ (1,708)	\$ 3,555,954	\$ 1,708,753	\$ 3,328,846	\$ 3,202,067
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	1,057,629	1,475,596	1,638,419	1,228,227	3,205,365	1,736,603	3,459,533	3,653,417
Amortization of bond issuance costs	31,814	43,707	41,091	—	71,873	41,522	97,817	91,318
Amortization of bond discount (premium)	—	—	—	—	—	—	—	—
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	(701,352)	(1,232,075)	(1,452,315)	—	(3,409,490)	(1,659,264)	(2,943,933)	(2,749,713)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(1,144,447)	(1,625,968)	(1,729,752)	(1,319,531)	(3,454,890)	(1,842,268)	(3,788,004)	(4,023,159)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	8,342	12,597	14,909	306,882	23,406	13,736	32,132	36,675
(Increase) decrease in other assets	—	—	—	1,667	785	380	934	950
Increase (decrease) in accrued interest payable	(9,197)	(12,793)	(12,566)	(287,655)	(20,442)	(12,256)	(32,308)	(30,387)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	25	275	25	(943,714)	4,018	(1,462)	(181,224)	(208,084)
Total adjustments	(757,186)	(1,338,661)	(1,500,189)	(1,014,124)	(3,579,375)	(1,723,009)	(3,355,053)	(3,228,983)
Net cash provided by (used in) operating activities	\$ (4,357)	\$ (7,324)	\$ (7,775)	\$ (1,015,832)	\$ (23,421)	\$ (14,256)	\$ (26,207)	\$ (26,916)

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	2006E	2007A	2007B	2007C	2007D	2007E	2008A	2008B
	Program							
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 1,016,172	\$ 2,232,395	\$ 4,719,993	\$ 3,085,221	\$ 1,882,942	\$ 2,012,063	\$ 1,463,171	1,585,792
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	797,362	2,302,404	4,216,958	3,374,809	3,131,053	3,479,772	2,064,393	1,671,687
Amortization of bond issuance costs	23,550	62,780	98,213	74,370	56,360	80,365	38,667	53,641
Amortization of bond discount (premium)	—	—	—	—	—	—	—	—
Accretion of bond discount	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	(903,009)	(2,028,525)	(4,014,550)	(2,797,860)	(1,663,631)	(1,755,480)	(1,391,098)	(1,628,327)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—
Interest received on investments	(894,619)	(2,481,500)	(4,890,786)	(3,672,306)	(3,407,947)	(3,845,016)	(2,196,262)	(1,687,053)
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	7,257	20,355	40,874	23,327	28,586	29,970	9,347	(187,109)
(Increase) decrease in other assets	—	384	995	502	556	(7,472)	(4,863)	(4,783)
Increase (decrease) in accrued interest payable	(6,763)	(17,242)	(34,383)	(18,055)	(22,146)	(25,301)	(8,774)	178,297
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	(49,595)	(110,685)	(166,996)	(106,813)	(33,870)	25	(7,363)	6,153
Total adjustments	(1,025,817)	(2,252,029)	(4,749,675)	(3,122,026)	(1,911,039)	(2,043,137)	(1,495,953)	(1,597,494)
Net cash provided by (used in) operating activities	\$ (9,645)	\$ (19,634)	\$ (29,682)	\$ (36,805)	\$ (28,097)	\$ (31,074)	\$ (32,782)	(11,702)

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	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)	\$ 38,121,839	\$ 57,634	\$ (26,055)	\$ 352,606	\$ (202,426)	\$ 38,303,598
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Interest paid	46,882,774	—	—	7,592	—	46,890,366
Amortization of bond issuance costs	1,228,771	—	—	—	—	1,228,771
Amortization of bond discount (premium)	(200,034)	—	—	—	—	(200,034)
Accretion of bond discount	57,581	—	—	—	—	57,581
Amortization of investment (discount) premium	46,131	—	—	78,549	—	124,680
Net (increase) decrease in fair value of investments	(34,568,665)	—	—	(114,433)	—	(34,683,098)
Realized (gain) loss on investments	—	—	—	(48,994)	—	(48,994)
Gain on sale of property and equipment	—	—	—	(3,000)	—	(3,000)
Interest received on investments	(51,305,203)	—	(7,840)	(2,295,954)	—	(53,608,997)
(Increase) decrease in mortgage loans receivable, net	—	233,723	(670,105)	(1,675,919)	(910,732)	(3,023,033)
(Increase) decrease in accrued interest receivable	536,351	1,688	(4,279)	16,606	(5,824)	544,542
(Increase) decrease in other assets	(9,965)	(11,065)	—	942,337	—	921,307
Increase (decrease) in accrued interest payable	(481,254)	—	—	1,355	—	(479,899)
Increase (decrease) in deferred gains	—	—	—	(53,200)	—	(53,200)
Increase (decrease) in other liabilities and accrued expenses	(1,805,410)	(553,404)	25	(137,400)	25,900	(2,470,289)
Total adjustments	(39,618,923)	(329,058)	(682,199)	(3,282,461)	(890,656)	(44,803,297)
Net cash provided by (used in) operating activities	<u>\$ (1,497,084)</u>	<u>\$ (271,424)</u>	<u>\$ (708,254)</u>	<u>\$ (2,929,855)</u>	<u>\$ (1,093,082)</u>	<u>\$ (6,499,699)</u>

**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, 2009, and have issued our report thereon dated October 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting 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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation'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 Corporation'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 Corporation and is not intended to be, and should not be, used by anyone other than those specified parties.

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

Jackson, Mississippi
October 8, 2009

MISSISSIPPI HOME CORPORATION

Schedule of Federal Awards

Year Ended June 30, 2009

Federal Granting Agency/Grant Program/Grant-Contract Number	Federal CFDA Number	Grant/Contract Period	Grant/Contract Award as of June 30, 2009	Federal Expenditures
Direct Programs				
Department of Housing and Urban Development				
HC-07-0499-003	14.169	10/01/07 - 09/30/08	\$ 126,416	\$ 33,647
HC-08-0499-001	14.169	10/01/08 - 09/30/09	160,000	104,543
MSCH00106	14.239	09/12/07 - 09/12/10	125,000	41,695
				<u>179,885</u>
Department of Agriculture Rural Development				
280250640644578	10.441	10/15/07 - 09/30/09	100,000	31,830
28-025-640644578-02-08	10.446	05/14/08 - 05/14/11	180,000	53,272
280250640644578	10.415	05/05/08 - 05/05/38	2,000,000	254,000
				<u>339,102</u>
Department of Treasury (NeighborWorks)				
G-2008-50521-220500FINTHFA	21.020	01/01/08 - 12/31/08	184,742	49,082
				<u>49,082</u>
Total direct programs				<u>568,069</u>
Pass-Through Programs				
Mississippi Development Authority				
M06-SG-28-01-1010	14.239	09/05/06 - 09/05/08	500,000	53,295
M07-SG-28-01-1010	14.239	04/03/08 - 04/03/10	500,000	355,000
				<u>408,295</u>
Total pass-through programs				<u>408,295</u>
Total all programs				<u>\$ 976,364</u>

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

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

Mississippi Home Corporation
Jackson, Mississippi

Compliance

We have audited the compliance of Mississippi Home Corporation (the "Corporation") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, 2009.

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 Corporation'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 Corporation'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 Corporation'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 might 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.

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

Jackson, Mississippi
October 8, 2009

MISSISSIPPI HOME CORPORATION
 Schedule of Findings and Questioned Costs
 June 30, 2009

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:
HOME Investment Partnerships Program
Rural Rental Housing Loans | CFDA# 14.239
CFDA# 10.415 |
| 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, 2009

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, 2009

None Noted

MISSISSIPPI HOME CORPORATION

Corrective Action Plan

June 30, 2009

None Noted