MISSISSIPPI HOME CORPORATION

Audited Financial Statements
Years Ended June 30, 2012 and 2011

CONTENTS

HORNE
CPAs & Business Advisors

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"), a governmental instrumentality of the State of Mississippi, as of June 30, 2012 and 2011, 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 opinions.

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, 2012 and 2011 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 2, 2012 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 9 is not a required part of the basic combined financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary schedules presented on pages 28 through 49 are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Horne LLP

Ridgeland, Mississippi
October 2, 2012

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, 2012 and 2011. This MD&A should be read in conjunction with the included basic combined financial statements and notes thereto, as well as our independent auditor's report thereon.

Required Basic Financial Statements

The required 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 combined statements of net assets include all of the Corporation's assets and liabilities and provide 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 combined statements of revenues, expenses and changes in net assets. These statements measure 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 combined statements of cash flows. The primary purpose of these statements is to provide information about the Corporation's cash receipts and cash payments during the reporting period. The statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, non-capital financing and financing activities and provide information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

Financial Highlights – 2012

- Total assets decreased $47.7 million or 5.3 percent
- Total liabilities decreased $57.1 million or 7.5 percent
- Cash and investments decreased $48.4 million or 5.7 percent
- Bonds payable decreased $51.3 million or 7.2 percent
- Notes payable decreased $3.9 million or 77.1 percent
- Total net assets increased $9.4 million or 7.2 percent, including a $8.0 million increase in the fair value of investments
- Total operating revenues (excluding fair value adjustments) decreased $32.9 million or 34.5 percent
- Total operating expenses decreased $32.4 million or 34.7 percent
- Low income housing tax credit program revenues increased $0.1 million or 4.7 percent
- Interest income decreased $2.8 million or 7.3 percent
- Interest expense decreased $2.3 million or 6.9 percent
- Grant fund revenues decreased $28.7 million or 55.0 percent

- Grant fund expenses decreased $29.0 million or 55.9 percent
- Operating income (excluding fair value adjustments) decreased $0.5 million or 26.2 percent

The following table summarizes the changes in the Corporation's assets and liabilities that occurred during the fiscal year ended June 30, 2012:

	2012	2011	Change Dollars	Change %
Cash and cash equivalents	$ 81,108,690	$ 111,304,981	$ (30,196,291)	-27.1%
Investments, at fair value	713,993,719	732,243,777	(18,250,058)	-2.5%
Mortgage loans, net	36,035,757	34,832,702	1,203,055	3.5%
Unamortized bond issuance costs	6,842,046	6,814,983	27,063	0.4%
Other assets	8,124,728	8,589,701	(464,973)	-5.4%
Total assets	$ 846,104,940	$ 893,786,144	$ (47,681,204)	-5.3%
Bonds payable, net	$ 658,075,027	$ 709,382,170	$ (51,307,143)	-7.2%
Notes payable	1,156,030	5,041,318	(3,885,288)	-77.1%
Low income housing tax credit program deferred revenues	19,917,417	19,688,538	228,879	1.2%
Grant fund deferred revenues	22,654,023	24,256,435	(1,602,412)	-6.6%
All other liabilities	4,395,371	4,915,043	(519,672)	-10.6%
Total liabilities	$ 706,197,868	$ 763,283,504	$ (57,085,636)	-7.5%
Restricted net assets	$ 98,398,682	$ 88,873,566	$ 9,525,116	10.7%
Unrestricted net assets	41,508,390	41,629,074	(120,684)	-0.3%
Total net assets	$ 139,907,072	$ 130,502,640	$ 9,404,432	7.2%

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, 2012:

	2012	2011	Change Dollars	Change %
Interest on cash and investments	$ 2,239,482	$ 2,398,409	$ (158,927)	-6.6%
Interest on mortgage-backed securities	32,545,225	35,157,581	(2,612,356)	-7.4%
Interest on mortgage loans	550,316	561,245	(10,929)	-1.9%
Low income housing tax credits	2,070,467	1,976,947	93,520	4.7%
Gain on sale of mortgage-backed securities	-	1,813,878	(1,813,878)	NM
Grant fund revenues	23,521,467	52,213,529	(28,692,062)	-55.0%
All other revenues	1,341,478	1,013,380	328,098	32.4%
Total operating revenues	62,268,435	95,134,969	(32,866,534)	-34.5%
Interest expense	30,530,033	32,786,186	(2,256,153)	-6.9%
Amortization of bond issuance costs	1,049,557	1,582,307	(532,750)	-33.7%
Mortgage Revenue Bond down payment assistance	-	1,060,624	(1,060,624)	NM
Salaries and benefits	3,769,294	3,546,144	223,150	6.3%
Grant fund expenses	22,891,133	51,887,513	(28,996,380)	-55.9%
All other expenses	2,634,715	2,382,775	251,940	10.6%
Total operating expenses	60,874,732	93,245,549	(32,370,817)	-34.7%
Operating income before fair value adjustments	$ 1,393,703	$ 1,889,420	$ (495,717)	26.2%

The Corporation reported total assets of $846.1 million at June 30, 2012. This represented a decrease of $47.7 million compared to June 30, 2011. Total liabilities for the same period decreased $57.1 million while total net assets increased $9.4 million.

Cash and cash equivalents decreased $30.2 million to $81.1 million at June 30, 2012 compared to June 30, 2011. The decrease was due primarily to bond principal repayments net of new issuance of bonds.

Investments decreased $18.3 million to $714.0 million at June 30, 2012 compared to June 30, 2011. The decrease was the result of two factors:

- Scheduled payments and prepayments of mortgage-backed securities in the mortgage revenue bond program as a result of homeowners refinancing their mortgages as well as loans being purchased out of the mortgage-backed securities due to loan restructurings; and
- The purchase of $66.2 million in mortgage-backed securities under the New Issue Bond Program ("NIBP"). NIBP is a federal program designed to provide housing finance agencies with financing to issue new mortgage revenue bonds at a competitive interest rate.

The decrease in total liabilities of $57.1 million in 2012 was attributable primarily to a decrease in bonds payable of $51.3 million due to calls resulting from the mortgage-backed securities prepayments described in the preceding paragraph.

Total operating revenues before fair value adjustments for fiscal year 2012 were $62.3 million compared to $95.1 million for fiscal year 2011. The decrease in operating revenues was attributable primarily to two factors:

- Decreased "flow-through" revenues from the Corporation's management of federal grant programs; and
- A decrease in interest income of $2.8 million which resulted from an overall lower level of earning assets, as well as the effect of terminating certain guaranteed investment contracts in the mortgage revenue bond program.

Total operating expenses were $60.9 million in fiscal year 2012, down from $93.2 million in fiscal year 2011. The decrease in operating expenses was attributable primarily to three factors:

- Decreased "flow-through" expenses from the Corporation's management of federal grant programs;
- A decrease in interest expense of $2.3 million which resulted from a lower level of bonds payable; and
- A decrease in Mortgage Revenue Bond down payment assistance of $1.1 million which resulted from the Corporation's discontinuance of grants for bond loans.

As a result of the above factors, operating income before fair value adjustments was $1.4 million in 2012 compared to $1.9 million in 2011.

Financial Highlights – 2011

- Total assets decreased $96.5 million or 9.7 percent
- Total liabilities decreased $93.7 million or 10.9 percent
- Cash and investments decreased $112.3 million or 11.7 percent
- Bonds payable decreased $105.1 million or 12.9 percent
- Notes payable decreased $7.7 million or 60.5 percent
- Total net assets decreased $2.8 million or 2.1 percent, including a $4.6 million decrease in the fair value of investments
- Total operating revenues (excluding fair value adjustments) increased $20.6 million or 27.7 percent
- Total operating expenses increased $18.0 million or 23.9 percent
- Low income housing tax credits revenues increased $0.4 million or 28.9 percent
- Interest income decreased $7.7 million or 16.8 percent
- Interest expense decreased $7.0 million or 17.6 percent
- Grant fund revenues increased $26 million
- Operating income (loss) (excluding fair value adjustments) increased $2.6 million or 350.0 percent

The following table summarizes the changes in the Corporation's assets and liabilities that occurred during the fiscal year ended June 30, 2011:

			Change	
	2011	2010	Dollars	%
Cash and cash equivalents	$ 111,304,981	$ 169,831,048	$ (58,526,067)	-34.5%
Investments, at fair value	732,243,777	786,029,300	(53,785,523)	-6.8%
Mortgage loans, net	34,832,702	17,933,331	16,899,371	94.2%
Unamortized bond issuance costs	6,814,983	7,353,429	(538,446)	-7.3%
Other assets	8,589,701	9,173,432	(583,731)	-6.4%
Total assets	$ 893,786,144	$ 990,320,540	$ (96,534,396)	-9.7%
Bonds payable, net	$ 709,382,170	$ 814,470,411	$ (105,088,241)	-12.9%
Notes payable	5,041,318	12,766,441	(7,725,123)	-60.5%
Low income housing tax credit program deferred revenues	19,688,538	19,456,014	232,524	1.2%
Grant fund deferred revenues	24,256,435	4,834,664	19,421,771	401.7%
All other liabilities	4,915,043	5,478,880	(563,837)	-10.3%
Total liabilities	$ 763,283,504	$ 857,006,410	$ (93,722,906)	-10.9%
Restricted net assets	$ 88,873,566	$ 94,849,572	$ (5,976,006)	-6.3%
Unrestricted net assets	41,629,074	38,464,558	3,164,516	8.2%
Total net assets	$ 130,502,640	$ 133,314,130	$ (2,811,490)	-2.1%

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, 2011:

	2011	2010	Change Dollars	Change %
Interest on cash and investments	$ 2,398,409	$ 3,893,954	$ (1,495,545)	-38.4%
Interest on mortgage-backed securities	35,157,581	41,306,111	(6,148,530)	-14.9%
Interest on mortgage loans	561,245	598,068	(36,823)	-6.2%
Low income housing tax credits	1,976,947	1,533,874	443,073	28.9%
Gain on sale of mortgage-backed securities	1,813,878	—	1,813,878	NM
Grant fund revenues	52,213,529	26,291,770	25,921,759	98.6%
All other revenues	1,013,380	891,875	121,505	13.6%
Total operating revenues	95,134,969	74,515,652	20,619,317	27.7%
Interest expense	32,786,186	39,789,957	(7,003,771)	-17.6%
Amortization of bond issuance costs	1,582,307	1,985,779	(403,472)	-20.3%
Mortgage Revenue Bond down payment assistance	1,060,624	1,001,013	59,611	6.0%
Loss on early extinguishment of debt	—	217,562	(217,562)	NM
Salaries and benefits	3,546,144	3,284,404	261,740	8.0%
Grant fund expenses	51,887,513	26,020,045	25,867,468	99.4%
All other expenses	2,382,775	2,972,804	(590,029)	-19.8%
Total operating expenses	93,245,549	75,271,564	17,973,985	23.9%
Operating income (loss) before fair value adjustments	$ 1,889,420	$ (755,912)	$ 2,645,332	350.0%

The Corporation reported total assets of $893.8 million at June 30, 2011. This represented a decrease of $96.5 million compared to June 30, 2010. Total liabilities for the same period decreased $93.7 million while total net assets decreased $2.8 million.

Cash and cash equivalents decreased $58.5 million to $111.3 million at June 30, 2011 compared to June 30, 2010. The decrease was due primarily to bond principal repayments net of new issuance of bonds.

Investments decreased $53.8 million to $732.2 million at June 30, 2011 compared to June 30, 2010. The decrease was the result of three offsetting factors:

- Scheduled payments and prepayments of mortgage-backed securities in the mortgage revenue bond program as a result of homeowners refinancing their mortgages as well as loans being purchased out of the mortgage-backed securities due to loan restructurings;
- The sale of $19.2 million of mortgage-backed securities under the 1997G, 1998B, 1998C, 1999A, 1999B, 1999C and 2000A issues; and
- The purchase of $96.4 million in mortgage-backed securities under the New Issue Bond Program ("NIBP"). NIBP is a federal program designed to provide housing finance agencies with financing to issue new mortgage revenue bonds at a competitive interest rate.

The decrease in total liabilities of $93.7 million in 2011 was attributable primarily to:

- A decrease in bonds payable of $105.1 million resulting from the following factors:
  - Calls resulting from the mortgage-backed securities prepayments described in the preceding paragraph;
  - Redemption of $17.4 million of bonds associated with the sale of mortgage-backed securities described in the preceding paragraph; and
- An increase in grant fund deferred revenue of $19.4 million comprised primarily of Tax Credit Assistance Program ("TCAP") funds.

Total operating revenues before fair value adjustments for fiscal year 2011 were $95.1 million compared to $74.5 million for fiscal year 2010. The increase in operating revenues was attributable primarily to two offsetting factors:

- Increased "flow-through" revenues from the Corporation's management of federal grant programs; and
- A decrease in interest income of $7.7 million which resulted from an overall lower level of earning assets, as well as the effect of terminating certain guaranteed investment contracts in the mortgage revenue bond program.

Total operating expenses were $93.2 million in fiscal year 2011, up from $75.3 million in fiscal year 2010. The increase in operating expenses was attributable primarily to two offsetting factors:

- Increased "flow-through" expenses from the Corporation's management of federal grant programs; and
- A decrease in interest expense of $7.0 million which resulted from a lower level of bonds payable.

As a result of the above factors, operating income (loss) before fair value adjustments was $1.9 million compared to $(0.8) million in 2010.

Debt Administration

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

Economic Factors

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

Contact Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with interest. Questions concerning any of the information contained in this report or requests for any additional information should be addressed to the Chief Financial Officer at Mississippi Home Corporation, 735 Riverside Drive, Jackson, Mississippi 39202 or via our website at www.mshomecorp.com.

MISSISSIPPI HOME CORPORATION
Combined Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents		
Cash	$ 3,042,569	$ 3,079,301
Restricted cash	27,987,827	24,625,833
Cash equivalents	4,417,505	2,466,028
Restricted cash equivalents	45,660,789	81,133,819
Total cash and cash equivalents	81,108,690	111,304,981
Accrued interest receivable	2,965,184	3,221,884
Total current assets	84,073,874	114,526,865
Noncurrent assets:		
Investments, at fair value	713,993,719	732,243,777
Mortgage loans receivable, net of allowance for loan losses (2012 - $2,524,354; 2011 - $2,681,575)	36,035,757	34,832,702
Unamortized bond issuance costs	6,842,046	6,814,983
Other assets	5,159,544	5,367,817
Total noncurrent assets	762,031,066	779,259,279
Total assets	$ 846,104,940	$ 893,786,144
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bonds payable, net of premium or discount	$ 5,600,401	$ 75,065,401
Notes payable	39,153	4,189,568
Accrued interest payable	2,468,059	2,697,090
Total current liabilities	8,107,613	81,952,059
Noncurrent liabilities:		
Bonds payable, net of premium or discount and current portion	652,474,626	634,316,769
Notes payable	1,116,877	851,750
Low income housing tax credit program deferred revenues	19,917,417	19,688,538
Grant fund deferred revenues	22,654,023	24,256,435
Other liabilities and accrued expenses	1,927,312	2,217,953
Total noncurrent liabilities	698,090,255	681,331,445
Total liabilities	$ 706,197,868	$ 763,283,504
Net assets:		
Restricted	$ 98,398,682	$ 88,873,566
Unrestricted	41,508,390	41,629,074
Total net assets	$ 139,907,072	$ 130,502,640

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION

Combined Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Interest income:		
Cash and cash equivalents	$ 625,972	$ 738,880
Mortgage-backed securities	32,545,225	35,157,581
Other investments	1,613,510	1,659,529
Mortgage loans	550,316	561,245
Total interest income	35,335,023	38,117,235
Net increase (decrease) in fair value of investments	8,010,729	(4,626,015)
Low income housing tax credit program fee revenue	2,070,467	1,976,947
Gain on sale of mortgage-backed securities	-	1,813,878
Grant fund revenues	23,521,467	52,213,529
Reservation fees	196,588	203,795
Other income	1,144,890	809,585
Total operating revenues	70,279,164	90,508,954
Operating expenses:		
Interest expense	30,530,033	32,786,186
Amortization of bond issuance costs	1,049,557	1,582,307
Mortgage Revenue Bond down payment assistance	-	1,060,624
Salaries and related benefits	3,769,294	3,546,144
Grant fund expenses	22,891,133	51,887,513
Losses on mortgage loans	491,378	307,771
Other	2,143,337	2,075,004
Total operating expenses	60,874,732	93,245,549
Operating income (loss)	9,404,432	(2,736,595)
Net assets, beginning of year	130,502,640	133,314,130
Capital withdrawal	-	(74,895)
Net assets, end of year	$ 139,907,072	$ 130,502,640

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION
Combined Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Loan principal payments received	$ 1,872,573	$ 1,732,084
Loan interest payments received	542,353	582,895
Loan disbursements	(3,727,254)	(1,659,662)
Payments to employees	(3,750,821)	(3,516,721)
Mortgage Revenue Bond down payment assistance disbursements	-	(1,060,624)
Grant funds expended	(22,891,133)	(51,887,513)
Payments to vendors	(2,025,246)	(1,801,441)
Fee income received	913,122	4,622,957
Grant funds received	23,521,467	52,213,529
Other income received	1,065,033	801,892
Net cash (used in) provided by operating activities	(4,479,906)	27,396
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	30,288,239	50,000,000
Proceeds from issuance of notes	21,275,860	98,069,250
Principal repayment of bonds	(81,520,000)	(154,749,745)
Principal repayment of notes	(25,161,148)	(105,794,373)
Interest paid	(30,830,149)	(33,225,028)
Bond issuance costs paid	(1,076,620)	(1,213,472)
Net cash used in noncapital financing activities	(87,023,818)	(146,913,368)
Cash flows from capital and related financing activities:		
Property and equipment additions	(48,377)	(244,945)
Proceeds from sale of property and equipment	81,350	-
Net cash provided by (used in) capital and related financing activities	32,973	(244,945)
Cash flows from investing activities:		
Purchase of investments	(109,292,745)	(164,917,466)
Redemption of investments	135,348,611	194,277,164
Proceeds from sale of mortgage-backed securities	-	20,977,600
Interest received on investments	35,218,594	38,267,552
Net cash provided by investing activities	61,274,460	88,604,850
Net decrease in cash and cash equivalents	(30,196,291)	(58,526,067)
Cash and cash equivalents, beginning of year	111,304,981	169,831,048
Cash and cash equivalents, end of year	$ 81,108,690	$ 111,304,981
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:		
Operating income (loss)	$ 9,404,432	$ (2,736,595)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Interest paid	30,830,149	33,225,028
Amortization of bond issuance costs	1,049,557	1,582,307
Amortization of bond premium	(75,382)	(103,694)
Accretion of bond discount	-	5,341
Amortization of investment premium	220,118	364,134
Net (increase) decrease in fair value of investments	(8,010,729)	4,626,015
Realized loss (gain) on investments	120,800	(1,160)
Gain on sale of mortgage-backed securities	-	(1,813,878)
Gain on sale of fixed assets	(70,285)	-
Interest received on investments	(35,218,594)	(38,267,552)
Changes in assets and liabilities:		
Increase in mortgage loans receivable, net of allowance for loan losses	(1,203,055)	(16,899,371)
Decrease in accrued interest receivable	256,700	410,617
Decrease in other assets	109,585	545,746
Decrease in accrued interest payable	(228,028)	(340,490)
Increase in low income housing tax credit deferred revenues	228,879	232,524
(Decrease) increase in grant fund deferred revenues	(1,602,412)	19,421,771
Decrease in deferred gains	(53,200)	(53,200)
Decrease in other liabilities and accrued expenses	(237,441)	(170,147)
Total adjustments	(13,883,338)	2,763,991
Net cash (used in) provided by operating activities	$ (4,478,906)	$ 27,396

See accompanying notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Mississippi Home Corporation (the "Corporation"), formerly known as Mississippi Housing Finance Corporation, is a governmental instrumentality of the State of Mississippi (the "State") created under the Mississippi Home Corporation Act of 1989 (the "Act"). Pursuant to the Act, the Corporation is authorized and empowered, among other things, to issue bonds to provide monies for financing residential housing and provide other services in regard to housing for persons and families of low and moderate income in the State. Bonds and other obligations issued by the Corporation are not a debt or liability of the State, but are secured solely by assets of the individual mortgage purchase programs. The reporting entity includes the Corporation (the primary government entity) and the Mississippi Affordable Housing Development Program (see Note 7) 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:

<u>Accounting Method</u>

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.

The accompanying financial statements present the activities of the Mortgage Revenue Bond Program, 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Net Assets

The restricted net assets in the individual mortgage programs are restricted pursuant to the Corporation's agreements with bondholders as determined in each bond resolution. The restricted net assets of the Mississippi Affordable Housing Development Program are restricted in accordance with the Corporation's agreement with the State (see Note 7).

Classification of Revenues

The Corporation recognizes revenues as follows:

Interest income is calculated based on the individual investment class and recognized when earned.

Net increase (decrease) in fair value of investments represents the difference between the fair value and net book value of the investments.

Grant fund revenues represent the various state and federal funds received for the reimbursement of costs incurred. Certain federal and state grants are for the purchase of goods and services, and therefore are deemed to be exchange transactions. Accordingly, such grant revenues are recognized as goods are provided or services are rendered.

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 Mortgage Revenue 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, U.S. Treasury Bills, and money market accounts. 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Mortgage Loans Receivable, Mortgage-Backed Securities 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 invested principally in Mortgage-Backed Securities, representing pools of mortgage loans originated under the respective programs.

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 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 $491,378 and $307,771 in 2012 and 2011, 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, 2012 and 2011, $1,076,620 and $1,213,472 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.

Grant Fund Deferred Revenues

Certain mortgage loans were originated from federal grant funds awarded to the Corporation. Loan payments received by the Corporation are required to be expended pursuant to the underlying grant agreements and are recorded as grant fund deferred revenues until the earnings process is completed.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Grant fund deferred revenues also include funds received by the corporation from awarding agencies pending use for program and administrative expenses.

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 down payment 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.

Fair Value of Financial Instruments

GASB ASC Section I50.105, 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, 2012, Mortgage-Backed Securities are specifically identified with a particular bond issue and pledged under the applicable trust indenture. 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.

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:

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 ASC Section I50.105, 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, 2012, the carrying amount of the Corporation's cash and cash equivalents was $81,108,690 and the bank balance was $81,336,041. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the $81,336,041 bank balance, $6,727,411 was either insured by federal regulatory authorities or collateralized with securities held by the Corporation or by its agent in the Corporation's name. Of the remaining bank balance of $74,608,630, $4,021,414 was invested in U.S. Treasury Bills related to the New Issue Bond Program and $70,587,216 was uncollateralized balances primarily invested in money market accounts.

Similarly, at June 30, 2011, the carrying amount of the Corporation's cash and cash equivalents was $111,304,981 and the bank balance was $111,461,831. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the $111,461,831 bank balance, $7,234,916 was either insured by federal regulatory authorities or collateralized with securities held by the Corporation or by its agent in the Corporation's name. Of the remaining bank balance of $104,226,915, $73,789,830 was invested in U.S. Treasury Bills related to the New Issue Bond Program and $30,437,085 was uncollateralized balances primarily invested in guaranteed investment contracts with various insurance companies.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

A summary of the estimated fair value and amortized cost of investments as of June 30, 2012 and 2011 follows:

	2012		2011	
	Estimated Fair Value	**Amortized Cost**	**Estimated Fair Value**	**Amortized Cost**
U. S. Government agency securities	$ 16,264,338	$ 15,943,032	$ 19,884,918	$ 19,638,376
Corporate debt securities	3,122,225	2,968,285	4,390,347	4,210,193
Municipal debt securities	4,339,061	4,303,803	2,402,995	2,353,778
Mortgage-backed securities	677,362,650	615,755,639	695,249,820	641,501,893
Collateralized mortgage obligations	6,740,865	6,584,728	3,441,016	3,405,573
Other asset-backed securities	436,967	450,351	854,620	843,350
Commercial agreements	5,727,613	5,732,756	6,020,061	6,024,583
	$ 713,993,719	$ 651,738,594	$ 732,243,777	$ 677,977,746

At June 30, 2012, the Corporation's securities had scheduled maturities as follows:

		Investment Maturities			
	Estimated Fair Value	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**More than 10 years**
U. S. Government agency securities	$ 16,264,338	$ —	$ 5,884,348	$ 10,379,990	$ —
Corporate debt securities	3,122,225	—	2,540,105	582,120	—
Municipal debt securities	4,339,061	1,312,051	614,590	2,412,420	—
Mortgage-backed securities	677,362,650	—	208,838	140,554	677,013,258
Collateralized mortgage obligations	6,740,865	—	—	2,123,179	4,617,686
Other asset-backed securities	436,967	—	—	—	436,967
Commercial agreements	5,727,613	246,555	5,481,058	—	—
	$ 713,993,719	$ 1,558,606	$ 14,728,939	$ 15,638,263	$ 682,067,911

<u>Interest Rate Risk</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

Credit Risk

Investments for each bond issue are those permitted by the various bond indentures and bond resolutions adopted by the Corporation. As of June 30, 2012, the Corporation's investments in certain Commercial Agreements, U.S. Government Obligations and Mortgage-Backed Securities were unrated. The Corporation's remaining investments are rated by Moody's Investor Service or Standard and Poor's as follows:

Investment Type	Rating	June 30, 2012 Balance
U.S. Government agency securities	Aaa	$ 15,405,263
Corporate debt securities	A	2,082,810
Corporate debt securities	Baa	1,039,415
Municipal debt securities	Aa	4,088,988
Mortgage-backed securities	Aaa	5,569,079
Collateralized mortgage obligations	Aaa	6,740,865
Other asset-backed securities	Baa	12,269
Other asset-backed securities	Ba	73,286
Other asset-backed securities	B	212,946
Other asset-backed securities	Caa	11,556
Commercial agreements	Aaa	727,613
		$ 35,964,090

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, 2012, the Corporation held GNMA investments with a fair value of $586,038,080 and FNMA investments with a fair value of $109,071,137, which represent approximately 95 percent of the Corporation's total investment holdings.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Mortgage Loans Receivable

Mortgage loans receivable is comprised of real estate mortgage loans and real estate construction loans. Real estate mortgage loans are secured by personal residences and payable in periodic installments. As of June 30, 2012 and 2011, $9,728,467 and $8,474,518, respectively, of real estate mortgage loans were outstanding. Real estate construction loans are made for the purpose of real estate construction and land development. As of June 30, 2012 and 2011, $28,831,644 and $29,039,759, respectively, of real estate construction loans were outstanding.

All real estate securing the mortgage loans is located in the State.

Note 4. 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
Balance at June 30, 2010	$ 814,470,411	$ 12,766,441
Proceeds from issuance	50,000,000	98,069,250
Principal repayments	(154,749,745)	(105,794,373)
Accretion	5,341	—
Redeemed bond premium	(240,143)	—
Premium amortization	(103,694)	—
Balance at June 30, 2011	709,382,170	5,041,318
Proceeds from issuance	30,288,239	21,275,860
Principal repayments	(81,520,000)	(25,161,148)
Premium amortization	(75,382)	—
Balance at June 30, 2012	$ 658,075,027	$ 1,156,030

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, 2012 and 2011, the Corporation has complied with all bond covenants.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Continued

Bonds and notes payable for the mortgage purchase programs follow:

	June 30,	
Bonds Description	**2012**	**2011**
1995CD series bonds – 6.520 percent interest payable semi-annually, principal due through November 1, 2027	$ 615,000	$ 785,000
1995J series bonds – 5.900 percent interest payable semi-annually, principal due through June 1, 2017	60,000	90,000
1995J series bonds – 6.125 percent interest payable semi-annually, principal due through June 1, 2027	800,000	1,045,000
2001A series bonds – 6.500 percent interest payable semi-annually, principal due through June 1, 2032	5,486,871	6,745,815
2001B series bonds – 6.375 percent, interest payable semi-annually, principal due through December 1, 2032	2,917,356	3,428,892
2001D series bonds – 6.250 percent interest payable semi-annually, principal due through December 1, 2032	3,763,216	4,388,071
2002A series bonds – 6.100 percent interest payable semi-annually, principal due through June 1, 2034	5,129,389	6,025,041
2002B series bonds – 6.450 percent interest payable semi-annually, principal due through December 1, 2033	3,976,269	4,598,809
2002 lease purchase series bonds, interest at prime-rate plus 2.00 percent, 10.250 percent at June 30, 2007, principal due through October 1, 2007 (see Note 10)	600,401	600,401
2002C series bonds –5.800 percent, interest payable semi-annually, principal due through June 1, 2034	7,895,721	8,722,060
2003A series bonds – 4.250 percent to 6.350 percent, interest payable semi-annually, principal due through December 1, 2034	3,757,296	4,278,081
2004A series bonds – 4.850 percent to 5.000 percent, interest payable semi-annually, principal due through December 1, 2034	5,375,000	5,875,000
2004B series bonds – 5.000 percent to 5.700 percent, interest payable semi-annually, principal due through December 1, 2035	3,840,000	4,565,000
2004C series bonds – 4.600 percent to 5.950 percent, interest payable semi-annually, principal due through December 1, 2035	5,190,000	6,605,000
2004D series bonds – 4.350 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2035	7,030,000	7,975,000

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Continued

Bonds Description	June 30, 2012	June 30, 2011
2005A series bonds – 3.750 percent to 4.850 percent, interest payable semi-annually, principal due through December 1, 2036	$ 10,695,000	$ 11,745,000
2005B series bonds – 3.750 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2036	17,135,000	18,775,000
2005C series bonds – 4.880 percent, interest payable semi-annually, principal due through December 1, 2037	17,650,000	19,835,000
2006A series bonds – 4.650 percent to 4.750 percent, interest payable semi-annually, principal due through December 1, 2038	38,320,000	44,015,000
2006B series bonds – 4.850 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	21,085,000	23,745,000
2006C series bonds – 4.800 percent to 4.900 percent, interest payable semi-annually, principal due through December 1, 2038	36,020,000	40,940,000
2006D series bonds – 5.000 percent, interest payable semi-annually, principal due through December 1, 2038	35,180,000	41,465,000
2006E series bonds – 4.500 percent, interest payable semi-annually, principal due through June 1, 2039	11,055,000	12,620,000
2007A series bonds – 3.700 percent to 5.500 percent, interest payable semi-annually, principal due through December 1, 2038	24,085,000	28,210,000
2007B series bonds – 3.750 percent to 5.375 percent, interest payable semi-annually, principal due through December 1, 2038	46,590,000	55,200,000
2007C series bonds – 3.750 percent to 5.600 percent, interest payable semi-annually, principal due through December 1, 2038	33,615,000	41,075,000
2007D series bonds – 4.050 percent to 6.100 percent, interest payable semi-annually, principal due through December 1, 2038	25,535,000	30,045,000
2007E series bonds – 3.900 percent to 5.850 percent, interest payable semi-annually, principal due through December 1, 2038	27,530,000	33,300,000
2008A series bonds – 2.750 percent to 5.625 percent, interest payable semi-annually, principal due through December 1, 2039	19,955,000	24,565,000
2008B series bonds – 3.200 percent to 6.750 percent, interest payable semi-annually, principal due through December 1, 2039	17,050,000	20,920,000

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Continued

Bonds Description	June 30, 2012	June 30, 2011
2009 Resolution:		
2009A series bonds – 1.450 percent to 5.400 percent, interest payable semi-annually, principal due through December 1, 2040	$ 24,770,000	$ 27,650,000
2009 NIBP Resolution:		
2009B series bonds – variable*, interest payable upon release date, principal due December 31, 2011	—	70,000,000
2009B-1 series bonds – 3.060 percent, interest payable semi-annually, principal due through December 1, 2041	48,060,000	49,685,000
2009B-2 series bonds – 2.320 percent, interest payable semi-annually, principal due through December 1, 2041	70,000,000	—
2010A series bonds – 0.700 percent to 4.550 percent, interest payable semi-annually, principal due through December 1, 2031	47,165,000	49,865,000
2011A series bonds – 0.300 percent to 4.500 percent, interest payable semi-annually, principal due through June 1, 2025	30,143,508	—
Total bonds payable, net	$ 658,075,027	$ 709,382,170

*The interest rate on the 2009B series bonds is tied to the investment rate on proceeds of the bonds. Proceeds are required to be invested in U.S. Treasury securities maturing in 28 days or less.

Notes Payable Description	June 30, 2012	June 30, 2011
FHLB note, 0.15 to 0.19 percent, interest payable monthly, final maturity of September 22, 2011	$ —	$ 4,189,568
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	1,156,030	851,750
	$ 1,156,030	$ 5,041,318

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Continued

A summary of debt service requirements through 2017 and in five-year increments thereafter is as follows:

Year Ending June 30,	Principal	Interest
2013	$ 5,639,554	$ 29,500,755
2014	5,095,000	29,384,881
2015	4,550,000	29,270,971
2016	4,650,000	29,155,300
2017	4,700,000	29,023,759

Five-Year Increments Ending June 30,	Principal	Interest
2018 – 2022	$ 27,715,000	$ 141,753,611
2023 – 2027	46,743,508	133,822,655
2028 – 2032	53,881,871	125,236,888
2033 – 2037	77,269,247	105,090,271
2038 – 2042	428,986,877	36,209,081

Note 5. 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 (recorded in other liabilities and accrued expenses) was approximately $450,000 in 2012 and $462,000 in 2011, 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 6. Mortgage Revenue Bond Program

The Corporation's Mortgage Revenue Bond Program provides loans to qualified borrowers for purchases of the borrower's primary residence. At the option of the Corporation, borrowers may 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7. Mississippi Affordable Housing Development Program

The Corporation is responsible for management of the Mississippi Affordable Housing Development Program, which is a blended component of the Corporation. The program was established by the State as a housing development revolving loan fund to provide resources for loans for the construction or repair of housing for persons or families of low to moderate income in the state using $1,997,952 in proceeds received from the Mississippi Development Authority 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 8. 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 is deferred and recognized over the life of the program.

Note 9. 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 borrower's 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 principal amount is three percent of the primary mortgage loan.

Note 10. 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. At June 30, 2012 and 2011, $600,401 in bonds payable were outstanding under this program (see Note 4).

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 11. Bond Defeasances

The Corporation defeases various bond issues by creating separate irrevocable trust funds. New debt is issued and the proceeds are 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 $319,179,774 and $287,992,142 at June 30, 2012 and 2011, respectively.

Note 12. 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 9.00 percent of their annual covered salary and the Corporation is required to contribute at an actuarially determined rate. The current rate contributed by the Corporation is 12.93 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, 2012 was approximately $614,000 which consisted of $357,000 from the Corporation and $257,000 from employees. The Corporation's contribution requirement for the year ended June 30, 2011 was approximately $567,000, which consisted of $324,000 from the Corporation and $243,000 from employees.

The Corporation's 54 participating employees are an insignificant portion of PERS' approximately 374,000 participants.

Note 13. Deferred Compensation Plan

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 13. Continued

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 14. 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, 2012 and 2011, $186,291,067 and $196,891,045 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.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2012

	1995CD Program	1995IJ Program	1997D Program	1997H Program	1998A Program	2001A Program	2001B Program	2001D Program	2002A Program	2002B Program
ASSETS										
Current assets:										
Cash and cash equivalents:										
Cash	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash	109,719	76,692	563	383	233	60,997	137,068	117,960	—	151,727
Cash equivalents	—	—	—	—	—	—	—	—	—	—
Restricted cash equivalents	—	6,217	—	—	—	306,988	25,194	249,878	148,923	87,134
Total cash and cash equivalents	109,719	82,909	563	383	233	367,985	162,262	367,838	148,923	238,861
Accrued interest receivable	7,272	8,433	—	—	—	34,907	15,976	21,947	25,955	22,294
Total current assets	116,991	91,342	563	383	233	402,892	178,238	389,785	174,878	261,155
Noncurrent assets:										
Investments, at fair value	1,294,609	1,577,650	—	—	—	7,235,358	3,414,528	4,594,372	5,647,429	4,518,442
Mortgage loans receivable, net	—	—	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	3,980	5,194	—	—	—	58,370	33,259	39,909	55,971	42,640
Other assets	—	—	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—	—	—
Total noncurrent assets	1,298,589	1,582,844	—	—	—	7,293,728	3,447,787	4,634,281	5,703,400	4,561,082
Total assets	$ 1,415,580	$ 1,674,186	$ 563	$ 383	$ 233	$ 7,696,620	$ 3,626,025	$ 5,024,066	$ 5,878,278	$ 4,822,237
LIABILITIES AND NET ASSETS										
Current liabilities:										
Bonds payable, net of premium or discount	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Notes payable	—	—	—	—	—	—	—	—	—	—
Accrued interest payable	6,683	4,378	—	—	—	28,844	15,061	19,349	25,798	21,151
Total current liabilities	6,683	4,378	—	—	—	28,844	15,061	19,349	25,798	21,151
Noncurrent liabilities:										
Bonds payable, net of premium or discount and current portion	615,000	860,000	—	—	—	5,486,871	2,917,356	3,763,216	5,129,388	3,976,269
Notes payable	—	—	—	—	—	—	—	—	—	—
Low income housing tax credit program deferred revenues	—	—	—	—	—	—	—	—	—	—
Grant fund deferred revenues	—	—	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,815	4,814	—	—	—	2,557	2,557	2,557	2,557	3,557
Total noncurrent liabilities	618,815	864,814	—	—	—	5,489,428	2,919,913	3,765,773	5,131,945	3,979,826
Total liabilities	$ 625,498	$ 869,192	$ —	$ —	$ —	$ 5,518,272	$ 2,934,974	$ 3,785,122	$ 5,157,743	$ 4,000,977
Net assets:										
Restricted	$ 790,082	$ 804,994	$ 563	$ 383	$ 233	$ 2,178,348	$ 691,051	$ 1,238,944	$ 720,535	$ 821,260
Unrestricted	—	—	—	—	—	—	—	—	—	—
Total net assets	$ 790,082	$ 804,994	$ 563	$ 383	$ 233	$ 2,178,348	$ 691,051	$ 1,238,944	$ 720,535	$ 821,260

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2012

	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program	2005A Program	2005B Program	2005C Program
ASSETS										
Current assets:										
Cash and cash equivalents:										
Cash	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash	90,434	552,175	—	372	1,161	85,336	209,728	115,669	518,141	501,911
Cash equivalents	—	—	—	—	—	—	—	—	—	—
Restricted cash equivalents	232,887	—	77,263	91,171	58,745	—	—	524,831	—	—
Total cash and cash equivalents	323,321	552,175	77,263	91,543	59,906	85,336	209,728	640,500	518,141	501,911
Accrued interest receivable	37,956	—	18,986	27,978	19,582	26,210	33,356	51,217	76,128	74,354
Total current assets	361,277	552,175	96,249	119,521	79,488	111,546	243,084	691,717	594,269	576,265
Noncurrent assets:										
Investments, at fair value	8,690,120	—	4,265,401	6,759,421	4,554,786	6,182,417	8,285,390	11,900,677	19,093,721	19,199,462
Mortgage loans receivable, net	—	—	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	87,681	—	29,477	53,230	33,619	45,559	63,669	85,581	161,310	150,839
Other assets	—	—	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—	—	—
Total noncurrent assets	8,777,801	—	4,294,878	6,812,651	4,588,405	6,227,976	8,349,059	11,986,258	19,255,031	19,350,301
Total assets	$ 9,139,078	$ 552,175	$ 4,391,127	$ 6,932,172	$ 4,667,893	$ 6,339,522	$ 8,592,143	$ 12,677,975	$ 19,849,300	$ 19,926,566
LIABILITIES AND NET ASSETS										
Current liabilities:										
Bonds payable, net of premium or discount	$ —	$ 600,401	$ 65,000	$ —	$ —	$ —	$ —	$ 235,000	$ 390,000	$ —
Notes payable	—	—	—	—	—	—	—	—	—	—
Accrued interest payable	37,893	—	17,504	21,993	17,142	22,573	27,478	46,034	68,538	71,777
Total current liabilities	37,893	600,401	82,504	21,993	17,142	22,573	27,478	281,034	458,538	71,777
Noncurrent liabilities:										
Bonds payable, net of premium or discount and current portion	7,895,721	—	3,692,296	5,375,000	3,840,000	5,190,000	7,030,000	10,460,000	16,745,000	17,650,000
Notes payable	—	—	—	—	—	—	—	—	—	—
Low income housing tax credit program deferred revenues	—	—	—	—	—	—	—	—	—	—
Grant fund deferred revenues	—	—	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	2,557	449,612	2,557	2,557	2,557	2,557	2,557	2,557	2,557	2,557
Total noncurrent liabilities	7,898,278	449,612	3,694,853	5,377,557	3,842,557	5,192,557	7,032,557	10,462,557	16,747,557	17,652,557
Total liabilities	$ 7,936,171	$ 1,050,013	$ 3,777,357	$ 5,399,550	$ 3,859,699	$ 5,215,130	$ 7,060,035	$ 10,743,591	$ 17,206,095	$ 17,724,334
Net assets:										
Restricted	$ 1,202,907	$ (497,838)	$ 613,770	$ 1,532,622	$ 808,194	$ 1,124,392	$ 1,532,108	$ 1,934,384	$ 2,643,205	$ 2,202,232
Unrestricted	—	—	—	—	—	—	—	—	—	—
Total net assets	$ 1,202,907	$ (497,838)	$ 613,770	$ 1,532,622	$ 808,194	$ 1,124,392	$ 1,532,108	$ 1,934,384	$ 2,643,205	$ 2,202,232

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2012

	2006A Program	2006B Program	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program
ASSETS										
Current assets:										
Cash and cash equivalents:										
Cash	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restricted cash	1,646,922	737,349	1,327,984	1,359,645	731,556	1,649,074	5,264,243	2,578,394	522,341	2,325,611
Cash equivalents	—	—	—	—	—	—	—	—	—	—
Restricted cash equivalents	—	—	—	—	—	—	—	—	1,625,078	—
Total cash and cash equivalents	1,646,922	737,349	1,327,984	1,359,645	731,556	1,649,074	5,264,243	2,578,394	2,147,419	2,325,611
Accrued interest receivable	155,883	87,916	157,019	158,125	44,008	101,850	208,075	143,874	126,342	132,904
Total current assets	1,802,805	825,265	1,485,003	1,517,770	775,564	1,750,924	5,472,318	2,722,268	2,273,761	2,458,515
Noncurrent assets:										
Investments, at fair value	41,253,017	22,791,806	39,105,556	38,107,664	11,526,613	25,258,521	50,498,606	35,011,593	27,038,014	29,268,720
Mortgage loans receivable, net	—	—	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	322,021	182,232	293,840	294,345	99,401	237,080	359,095	346,708	188,000	258,484
Other assets	5,043	2,716	4,611	4,501	—	3,196	6,080	4,464	3,246	3,587
Due (to) from other funds	—	—	—	—	—	—	—	—	—	—
Total noncurrent assets	41,580,081	22,976,754	39,404,007	38,406,510	11,626,014	25,498,797	50,863,781	35,362,765	27,229,260	29,530,791
Total assets	$ 43,382,886	$ 23,802,019	$ 40,889,010	$ 39,924,280	$ 12,401,578	$ 27,249,721	$ 56,336,099	$ 38,085,033	$ 29,503,021	$ 31,989,306
LIABILITIES AND NET ASSETS										
Current liabilities:										
Bonds payable, net of premium or discount	$ —	$ —	$ —	$ —	$ —	$ 260,000	$ 645,000	$ 305,000	$ 155,000	$ 65,000
Notes payable	—	—	—	—	—	—	—	—	—	—
Accrued interest payable	149,358	85,307	146,367	146,583	41,456	100,537	190,052	142,993	117,603	127,473
Total current liabilities	149,358	85,307	146,367	146,583	41,456	360,537	835,052	447,993	272,603	192,473
Noncurrent liabilities:										
Bonds payable, net of premium or discount and current portion	38,320,000	21,085,000	36,020,000	35,180,000	11,055,000	23,825,000	45,945,000	33,310,000	25,380,000	27,465,000
Notes payable	—	—	—	—	—	—	—	—	—	—
Low income housing tax credit program deferred revenues	—	—	—	—	—	—	—	—	—	—
Grant fund deferred revenues	—	—	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	2,557	2,557	2,557	2,557	2,557	2,557	2,557	2,557	3,557	2,557
Total noncurrent liabilities	38,322,557	21,087,557	36,022,557	35,182,557	11,057,557	23,827,557	45,947,557	33,312,557	25,383,557	27,467,557
Total liabilities	$ 38,471,915	$ 21,172,864	$ 36,168,924	$ 35,329,140	$ 11,099,013	$ 24,188,094	$ 46,782,609	$ 33,760,550	$ 25,656,160	$ 27,660,030
Net assets:										
Restricted	$ 4,910,971	$ 2,629,155	$ 4,720,086	$ 4,595,140	$ 1,302,565	$ 3,061,627	$ 9,553,490	$ 4,324,483	$ 3,846,861	$ 4,329,276
Unrestricted	—	—	—	—	—	—	—	—	—	—
Total net assets	$ 4,910,971	$ 2,629,155	$ 4,720,086	$ 4,595,140	$ 1,302,565	$ 3,061,627	$ 9,553,490	$ 4,324,483	$ 3,846,861	$ 4,329,276

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2012

	2008A Program	2008B Program	2009 Resolution	2009 NIBP Resolution
ASSETS				
Current assets:				
Cash and cash equivalents:				
Cash	$ —	$ —	$ —	$ —
Restricted cash	1,713,121	1,125,364	813,045	—
Cash equivalents	—	—	—	—
Restricted cash equivalents	—	—	—	41,595,147
Total cash and cash equivalents	1,713,121	1,125,364	813,045	41,595,147
Accrued interest receivable	86,825	87,056	120,359	541,755
Total current assets	1,799,946	1,212,420	933,404	42,136,902
Noncurrent assets:				
Investments, at fair value	20,781,716	18,728,891	28,360,296	166,848,774
Mortgage loans receivable, net	—	—	—	—
Unamortized bond issuance costs	199,525	219,021	441,244	2,450,762
Other assets	2,691	—	3,183	24,606
Due (to) from other funds	—	—	—	—
Total noncurrent assets	20,983,932	18,947,912	28,804,723	169,324,142
Total assets	$ 22,783,878	$ 20,160,332	$ 29,738,127	$ 211,461,044
LIABILITIES AND NET ASSETS				
Current liabilities:				
Bonds payable, net of premium or discount	$ 170,000	$ 330,000	$ 310,000	$ 2,070,000
Notes payable	—	—	—	—
Accrued interest payable	87,242	82,789	100,887	493,924
Total current liabilities	257,242	412,789	410,887	2,563,924
Noncurrent liabilities:				
Bonds payable, net of premium or discount and current portion	19,785,000	16,720,000	24,460,000	193,298,509
Notes payable	—	—	—	—
Low income housing tax credit program deferred revenues	—	—	—	—
Grant fund deferred revenues	—	—	—	—
Other liabilities and accrued expenses	2,557	2,557	2,557	20,602
Total noncurrent liabilities	19,787,557	16,722,557	24,462,557	193,319,111
Total liabilities	$ 20,044,799	$ 17,135,346	$ 24,873,444	$ 195,883,035
Net assets:				
Restricted	$ 2,739,079	$ 3,024,986	$ 4,864,683	$ 15,578,009
Unrestricted	—	—	—	—
Total net assets	$ 2,739,079	$ 3,024,986	$ 4,864,683	$ 15,578,009

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Net Assets
June 30, 2012

	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	$ —	$ —	$ 455,728	$ 2,586,841	$ —	$ 3,042,569
Restricted cash	24,524,918	856,271	—	1,880,528	726,110	27,987,827
Cash equivalents	—	—	—	4,417,505	—	4,417,505
Restricted cash equivalents	45,029,456	—	—	631,333	—	45,660,789
Total cash and cash equivalents	69,554,374	856,271	455,728	9,516,207	726,110	81,108,690
Accrued interest receivable	2,654,542	458	9,924	278,847	21,413	2,965,184
Total current assets	72,208,916	856,729	465,652	9,795,054	747,523	84,073,874
Noncurrent assets:						
Investments, at fair value	671,793,570	—	—	42,200,149	—	713,993,719
Mortgage loans receivable, net	—	76,860	1,848,920	28,985,565	5,124,412	36,035,757
Unamortized bond issuance costs	6,842,046	—	—	—	—	6,842,046
Other assets	67,924	—	—	2,628,060	2,463,560	5,159,544
Due (to) from other funds	—	42,182	—	(41,908)	(274)	—
Total noncurrent assets	678,703,540	119,042	1,848,920	73,771,866	7,587,698	762,031,066
Total assets	$ 750,912,456	$ 975,771	$ 2,314,572	$ 83,566,920	$ 8,335,221	$ 846,104,940
LIABILITIES AND NET ASSETS						
Current liabilities:						
Bonds payable, net of premium or discount	$ 5,600,401	$ —	$ —	$ —	$ —	$ 5,600,401
Notes payable	—	—	—	39,153	—	39,153
Accrued interest payable	2,464,767	—	—	3,292	—	2,468,059
Total current liabilities	8,065,168	—	—	42,445	—	8,107,613
Noncurrent liabilities:						
Bonds payable, net of premium or discount and current portion	652,474,626	—	—	—	—	652,474,626
Notes payable	—	—	—	1,116,877	—	1,116,877
Low income housing tax credit program deferred revenues	—	—	—	19,917,417	—	19,917,417
Grant fund deferred revenues	—	—	—	22,654,023	—	22,654,023
Other liabilities and accrued expenses	549,882	728,532	2,557	639,783	6,558	1,927,312
Total noncurrent liabilities	653,024,508	728,532	2,557	44,328,100	6,558	698,090,255
Total liabilities	$ 661,089,676	$ 728,532	$ 2,557	$ 44,370,545	$ 6,558	$ 706,197,868
Net assets:						
Restricted	$ 89,822,780	$ 247,239	$ —	$ —	$ 8,328,663	$ 98,398,682
Unrestricted	—	—	2,312,015	39,196,375	—	41,508,390
Total net assets	$ 89,822,780	$ 247,239	$ 2,312,015	$ 39,196,375	$ 8,328,663	$ 139,907,072

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

	1995CD Program	1995IJ Program	1997D Program	1997H Program	1998A Program	2001A Program	2001B Program	2001D Program	2002A Program	2002B Program
Operating revenues:										
Interest income:										
Cash and cash equivalents	$ 2,217	$ 360	$ —	$ —	$ —	$ 28,050	$ 1,461	$ 12,155	$ 13,320	$ 10,423
Mortgage-backed securities	82,750	91,780	—	—	—	433,169	202,996	268,533	328,579	285,295
Other investments	—	—	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—	—	—
Total interest income	84,967	92,140	—	—	—	461,219	204,457	280,688	341,899	295,718
Net increase (decrease) in fair value of investments	(53,497)	(52,353)	—	—	—	4,884	(5,294)	(1,482)	(11,196)	(8,198)
Low income housing tax credit program fee revenue	—	—	—	—	—	—	—	—	—	—
Grant fund revenues	—	—	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—	—	—
Total operating revenues	31,470	39,787	—	—	—	466,103	199,163	279,206	330,703	287,520
Operating expenses:										
Interest expense	43,847	60,726	—	—	—	378,195	185,484	242,151	326,804	272,578
Amortization of bond issuance costs	1,443	2,152	—	—	—	16,679	7,844	8,885	12,759	8,966
Salaries and related benefits	—	—	—	—	—	—	—	—	—	—
Grant fund expenses	—	—	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—	—	—
Other	4,557	4,307	—	—	—	4,557	4,568	4,568	4,557	5,557
Total operating expenses	49,847	67,185	—	—	—	399,431	197,896	255,604	344,120	287,101
Operating income (loss)	(18,377)	(27,398)	—	—	—	66,672	1,267	23,602	(13,417)	419
Transfers in (out)	841	643	(90)	128	(180)	(12,630)	(5,227)	(5,872)	(10,711)	(3,793)
Net assets, beginning of year	807,618	831,749	653	255	413	2,124,306	695,011	1,221,214	744,663	824,634
Net assets, end of year	$ 790,082	$ 804,994	$ 563	$ 383	$ 233	$ 2,178,348	$ 691,051	$ 1,238,944	$ 720,535	$ 821,260

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program	2005A Program	2005B Program	2005C Program
Operating revenues:										
Interest income:										
Cash and cash equivalents	$ 12,305	$ 55	$ 6,702	$ 7,598	$ 7,050	$ 31	$ 29	$ 21,613	$ 61	$ 69
Mortgage-backed securities	469,305	—	234,415	336,557	242,200	342,145	412,915	627,209	946,903	935,392
Other investments	—	—	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—	—	—
Total interest income	481,610	55	241,117	344,155	249,250	342,176	412,944	648,822	946,964	935,461
Net increase (decrease) in fair value of investments	9,124	—	(1,278)	57,392	(22,229)	(67,385)	21,971	76,578	142,401	136,559
Low income housing tax credit program fee revenue	—	—	—	—	—	—	—	—	—	—
Grant fund revenues	—	—	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—	—	—
Total operating revenues	490,734	55	239,839	401,547	227,021	274,791	434,915	725,400	1,089,365	1,072,020
Operating expenses:										
Interest expense	464,672	—	218,015	276,420	228,933	310,551	350,269	581,944	856,049	907,599
Amortization of bond issuance costs	13,611	—	6,909	6,462	9,176	16,763	13,096	16,169	21,322	25,343
Salaries and related benefits	—	—	—	—	—	—	—	—	—	—
Grant fund expenses	—	—	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—	—	—
Other	4,536	—	4,307	4,557	4,307	4,557	4,668	5,237	6,222	6,596
Total operating expenses	482,819	—	229,231	287,439	242,416	331,871	368,033	603,350	883,593	939,538
Operating income (loss)	7,915	55	10,608	114,108	(15,395)	(57,080)	66,882	122,050	205,772	132,482
Transfers in (out)	(7,193)	—	(3,306)	(12,567)	(3,968)	(8,213)	(22,416)	(10,650)	(33,970)	(35,583)
Net assets, beginning of year	1,202,185	(497,893)	606,468	1,431,081	827,557	1,189,685	1,487,642	1,822,984	2,471,403	2,105,333
Net assets, end of year	$ 1,202,907	$ (497,838)	$ 613,770	$ 1,532,622	$ 808,194	$ 1,124,392	$ 1,532,108	$ 1,934,384	$ 2,643,205	$ 2,202,232

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

	2006A Program	2006B Program	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program
Operating revenues:										
Interest income:										
Cash and cash equivalents	$ 181	$ 79	$ 134	$ 160	$ 52	$ 133	$ 408	$ 202	$ 84,947	$ 191
Mortgage-backed securities	2,029,086	1,127,942	2,024,550	2,050,343	581,938	1,365,620	2,758,977	1,954,339	1,579,795	1,781,183
Other investments	—	—	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—	—	—
Total interest income	2,029,267	1,128,021	2,024,684	2,050,503	581,990	1,365,753	2,759,385	1,954,541	1,664,742	1,781,374
Net increase (decrease) in fair value of investments	828,439	130,378	94,619	(133,290)	20,331	(103,146)	(136,911)	(346,983)	(305,738)	(444,902)
Low income housing tax credit program fee revenue	—	—	—	—	—	—	—	—	—	—
Grant fund revenues	—	—	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—	—	—
Total operating revenues	2,857,706	1,258,399	2,119,303	1,917,213	602,321	1,262,607	2,622,474	1,607,558	1,359,004	1,336,472
Operating expenses:										
Interest expense	1,936,257	1,093,295	1,884,264	1,913,916	536,625	1,332,958	2,503,666	1,913,014	1,522,625	1,679,092
Amortization of bond issuance costs	62,056	30,893	54,180	65,272	17,736	52,810	84,759	93,380	38,741	64,681
Salaries and related benefits	—	—	—	—	—	—	—	—	—	—
Grant fund expenses	—	—	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—	—	—
Other	16,828	10,906	16,081	16,108	7,356	12,214	20,147	15,838	13,680	13,583
Total operating expenses	2,015,141	1,135,094	1,954,525	1,995,296	561,717	1,397,982	2,608,572	2,022,232	1,575,046	1,757,356
Operating income (loss)	842,565	123,305	164,778	(78,083)	40,604	(135,375)	13,902	(414,674)	(216,042)	(420,884)
Transfers in (out)	(99,879)	(53,060)	(156,384)	(169,945)	(56,066)	(76,094)	(182,298)	(108,978)	(79,485)	(102,641)
Net assets, beginning of year	4,168,285	2,558,910	4,711,692	4,843,168	1,318,027	3,273,096	9,721,886	4,848,135	4,142,388	4,852,801
Net assets, end of year	$ 4,910,971	$ 2,629,155	$ 4,720,086	$ 4,595,140	$ 1,302,565	$ 3,061,627	$ 9,553,490	$ 4,324,483	$ 3,846,861	$ 4,329,276

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

	2008A Program	2008B Program	2009 Resolution	2009 NIBP Resolution
Operating revenues:				
Interest income:				
Cash and cash equivalents	$ 148	$ 150	$ 122	$ 410,417
Mortgage-backed securities	1,196,363	1,131,603	1,511,065	5,050,154
Other investments	—	—	—	—
Mortgage loans	—	—	—	—
Total interest income	1,196,511	1,131,753	1,511,187	5,460,571
Net increase (decrease) in fair value of investments	(327,138)	(188,562)	107,024	7,646,524
Low income housing tax credit program fee revenue	—	—	—	—
Grant fund revenues	—	—	—	—
Reservation fees	—	—	—	—
Other income	—	—	—	3,034
Total operating revenues	869,373	943,191	1,618,211	13,110,129
Operating expenses:				
Interest expense	1,182,788	1,088,483	1,282,778	4,942,574
Amortization of bond issuance costs	52,517	56,551	65,486	122,916
Salaries and related benefits	—	—	—	—
Grant fund expenses	—	—	—	—
Losses on mortgage loans	—	—	—	—
Other	11,154	12,177	10,772	173,640
Total operating expenses	1,246,459	1,157,211	1,359,036	5,239,130
Operating income (loss)	(377,086)	(214,020)	259,175	7,870,999
Transfers in (out)	(22,734)	(34,125)	(66,202)	2,895,097
Net assets, beginning of year	3,138,899	3,273,131	4,671,710	4,811,913
Net assets, end of year	$ 2,739,079	$ 3,024,986	$ 4,864,683	$ 15,578,009

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

	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	$ 620,823	$ —	$ 368	$ 3,860	$ 921	$ 625,972
Mortgage-backed securities	32,383,101	—	—	162,124	—	32,545,225
Other investments	—	—	—	1,613,510	—	1,613,510
Mortgage loans	—	1,282	88,558	214,602	245,874	550,316
Total interest income	33,003,924	1,282	88,926	1,994,096	246,795	35,335,023
Net increase (decrease) in fair value of investments	7,066,642	—	—	944,087	—	8,010,729
Low income housing tax credit program fee revenue	—	—	—	2,070,467	—	2,070,467
Grant fund revenues	—	—	—	23,521,467	—	23,521,467
Reservation fees	—	—	—	196,588	—	196,588
Other income	3,034	47,585	4,362	1,056,849	33,060	1,144,890
Total operating revenues	40,073,600	48,867	93,288	29,783,554	279,855	70,279,164
Operating expenses:						
Interest expense	30,516,572	—	—	13,461	—	30,530,033
Amortization of bond issuance costs	1,049,557	—	—	—	—	1,049,557
Salaries and related benefits	—	—	—	3,769,294	—	3,769,294
Grant fund expenses	—	—	—	22,891,133	—	22,891,133
Losses on mortgage loans	—	10,481	144,024	—	336,873	491,378
Other	428,142	6,455	9,680	1,653,640	45,420	2,143,337
Total operating expenses	31,994,271	16,936	153,704	28,327,528	382,293	60,874,732
Operating income (loss)	8,079,329	31,931	(60,416)	1,456,026	(102,438)	9,404,432
Transfers in (out)	1,512,449	2,010	902,185	(2,418,479)	1,835	—
Net assets, beginning of year	80,231,002	213,298	1,470,246	40,158,828	8,429,266	130,502,640
Net assets, end of year	$ 89,822,780	$ 247,239	$ 2,312,015	$ 39,196,375	$ 8,328,663	$ 139,907,072

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	1995CD Program	1995IJ Program	1997D Program	1997H Program	1998A Program	2001A Program	2001B Program	2001D Program	2002A Program	2002B Program
Cash flows from operating activities:										
Loan principal payments received	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loan interest payments received	—	—	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—	—	—
Grant funds expended	—	—	—	—	—	—	—	—	—	—
Payments to vendors	(14,370)	(21,302)	—	—	—	(4,010)	(4,021)	(4,021)	(4,010)	(4,010)
Fee income received	—	—	—	—	—	—	—	—	—	—
Grant funds received	—	—	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(14,370)	(21,302)	—	—	—	(4,010)	(4,021)	(4,021)	(4,010)	(4,010)
Cash flows from noncapital financing activities:										
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—	—	—
Principal repayment of bonds	(170,000)	(275,000)	—	—	—	(1,245,000)	(505,000)	(615,000)	(885,000)	(615,000)
Principal repayment of notes	—	—	—	—	—	—	—	—	—	—
Interest paid	(45,694)	(62,125)	—	—	—	(398,883)	(194,703)	(255,208)	(341,956)	(283,424)
Bond issuance costs paid	—	—	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(215,694)	(337,125)	—	—	—	(1,643,883)	(699,703)	(870,208)	(1,226,956)	(898,424)
Cash flows from capital and related financing activities:										
Property and equipment additions	—	—	—	—	—	—	—	—	—	—
Proceeds on sale of fixed property	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—	—	—
Cash flows from investing activities:										
Purchase of investments	—	—	—	—	—	—	—	—	—	—
Redemption of investments	171,180	288,303	—	—	—	1,166,641	461,524	592,924	905,128	674,911
Interest received on investments	96,765	111,472	—	—	—	467,179	206,934	283,781	346,684	299,090
Net cash provided by (used in) investing activities	267,945	399,775	—	—	—	1,633,820	668,458	876,705	1,251,812	974,001
Transfers	841	643	(90)	128	(180)	(12,630)	(5,227)	(5,872)	(10,711)	(3,793)
Net increase (decrease) in cash and cash equivalents	38,722	41,991	(90)	128	(180)	(26,703)	(40,493)	(3,396)	10,135	67,774
Cash and cash equivalents, beginning of year	$ 70,997	$ 40,918	$ 653	$ 255	$ 413	$ 394,688	$ 202,755	$ 371,234	$ 138,788	$ 171,087
Cash and cash equivalents, end of year	$ 109,719	$ 82,909	$ 563	$ 383	$ 233	$ 367,985	$ 162,262	$ 367,838	$ 148,923	$ 238,861

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program	2005A Program	2005B Program	2005C Program
Cash flows from operating activities:										
Loan principal payments received	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loan interest payments received	—	—	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—	—	—
Grant funds expended	—	—	—	—	—	—	—	—	—	—
Payments to vendors	(3,988)	—	(3,760)	(4,010)	(3,760)	(4,010)	(4,121)	(4,690)	(6,675)	(6,048)
Fee income received	—	—	—	—	—	—	—	—	—	—
Grant funds received	—	—	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(3,988)	—	(3,760)	(4,010)	(3,760)	(4,010)	(4,121)	(4,690)	(6,675)	(6,048)
Cash flows from noncapital financing activities:										
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—	—	—
Principal repayment of bonds	(815,000)	—	(515,000)	(500,000)	(725,000)	(1,415,000)	(945,000)	(1,050,000)	(1,640,000)	(2,185,000)
Principal repayment of notes	—	—	—	—	—	—	—	—	—	—
Interest paid	(479,950)	—	(226,433)	(278,503)	(232,295)	(317,046)	(353,964)	(587,016)	(862,997)	(916,484)
Bond issuance costs paid	—	—	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(1,294,950)	—	(741,433)	(778,503)	(957,295)	(1,732,046)	(1,298,964)	(1,637,016)	(2,502,997)	(3,101,484)
Cash flows from capital and related financing activities:										
Property and equipment additions	—	—	—	—	—	—	—	—	—	—
Proceeds on sale of fixed property	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—	—	—
Cash flows from investing activities:										
Purchase of investments	—	—	—	—	—	—	—	—	—	—
Redemption of investments	672,743	—	422,128	366,970	712,509	1,236,441	855,336	975,049	1,454,880	1,819,028
Interest received on investments	485,145	55	243,280	351,067	260,188	347,999	422,826	653,559	953,406	943,254
Net cash provided by (used in) investing activities	1,157,888	55	665,408	718,037	972,697	1,584,440	1,278,162	1,628,608	2,408,286	2,762,282
Transfers	(7,193)	—	(3,306)	(12,567)	(3,968)	(8,213)	(22,416)	(10,650)	(33,970)	(35,583)
Net increase (decrease) in cash and cash equivalents	(148,243)	55	(83,091)	(77,043)	7,674	(159,829)	(47,339)	(23,748)	(135,356)	(380,833)
Cash and cash equivalents, beginning of year	$ 471,564	$ 552,120	$ 160,354	$ 168,586	$ 52,232	$ 245,165	$ 257,067	$ 664,248	$ 653,497	$ 882,744
Cash and cash equivalents, end of year	$ 323,321	$ 552,175	$ 77,263	$ 91,543	$ 59,906	$ 85,336	$ 209,728	$ 640,500	$ 518,141	$ 501,911

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	2006A Program	2006B Program	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program
Cash flows from operating activities:										
Loan principal payments received	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Loan interest payments received	—	—	—	—	—	—	—	—	—	—
Loan disbursements	—	—	—	—	—	—	—	—	—	—
Payments to employees	—	—	—	—	—	—	—	—	—	—
Grant funds expended	—	—	—	—	—	—	—	—	—	—
Payments to vendors	(15,717)	(9,995)	(14,831)	(14,704)	(6,809)	(11,239)	(18,583)	(14,528)	(11,483)	(12,299)
Fee income received	—	—	—	—	—	—	—	—	—	—
Grant funds received	—	—	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—		—	—	—	—
Net cash provided by (used in) operating activities	(15,717)	(9,995)	(14,831)	(14,704)	(6,809)	(11,239)	(18,583)	(14,528)	(11,483)	(12,299)
Cash flows from noncapital financing activities:										
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—	—	—
Proceeds from issuance of notes	—	—	—	—	—	—	—	—	—	—
Principal repayment of bonds	(5,695,000)	(2,660,000)	(4,920,000)	(6,285,000)	(1,565,000)	(4,125,000)	(8,610,000)	(7,460,000)	(4,510,000)	(5,770,000)
Principal repayment of notes	—	—	—	—	—	—	—	—	—	—
Interest paid	(1,958,455)	(1,104,056)	(1,904,241)	(1,940,104)	(542,494)	(1,350,364)	(2,538,836)	(1,944,442)	(1,542,735)	(1,705,594)
Bond issuance costs paid	—	—	—	—	—	—	—	—	—	—
Due (from) to other programs	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(7,653,455)	(3,764,056)	(6,824,241)	(8,225,104)	(2,107,494)	(5,475,364)	(11,148,836)	(9,404,442)	(6,052,735)	(7,475,594)
Cash flows from capital and related financing activities:										
Property and equipment additions	—	—	—	—	—	—	—	—	—	—
Proceeds on sale of fixed property	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—	—	—
Cash flows from investing activities:										
Purchase of investments	—	—	—	—	—	—	—	—	—	—
Redemption of investments	5,974,400	2,606,202	5,285,340	6,942,127	1,854,622	4,940,658	9,347,864	8,325,134	4,500,608	5,936,041
Interest received on investments	2,041,990	1,139,137	2,048,075	2,082,263	589,764	1,387,603	2,801,158	1,992,083	1,686,426	1,811,443
Net cash provided by (used in) investing activities	8,016,390	3,745,339	7,333,415	9,024,390	2,444,386	6,328,261	12,149,022	10,317,217	6,187,034	7,747,484
Transfers	(99,879)	(53,060)	(156,384)	(169,945)	(56,066)	(76,094)	(182,298)	(108,978)	(79,485)	(102,641)
Net increase (decrease) in cash and cash equivalents	247,339	(81,772)	337,959	614,637	274,017	765,564	799,305	789,269	43,331	156,950
Cash and cash equivalents, beginning of year	$ 1,399,583	$ 819,121	$ 990,025	$ 745,008	$ 457,539	$ 883,510	$ 4,464,938	$ 1,789,125	$ 2,104,088	$ 2,168,661
Cash and cash equivalents, end of year	$ 1,646,922	$ 737,349	$ 1,327,984	$ 1,359,645	$ 731,556	$ 1,649,074	$ 5,264,243	$ 2,578,394	$ 2,147,419	$ 2,325,611

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	2008A Program	2008B Program	2009 Resolution	2009 NIBP Resolution
Cash flows from operating activities:				
Loan principal payments received	$ —	$ —	$ —	$ —
Loan interest payments received	—	—	—	—
Loan disbursements	—	—	—	—
Payments to employees	—	—	—	—
Grant funds expended	—	—	—	—
Payments to vendors	(10,119)	(8,885)	(9,892)	(191,270)
Fee income received	—	—	—	—
Grant funds received	—	—	—	—
Other income received	—	—	—	3,034
Net cash provided by (used in) operating activities	(10,119)	(8,885)	(9,892)	(188,236)
Cash flows from noncapital financing activities:				
Proceeds from issuance of bonds	—	—	—	30,288,239
Proceeds from issuance of notes	—	—	—	—
Principal repayment of bonds	(4,610,000)	(3,870,000)	(2,880,000)	(4,460,000)
Principal repayment of notes	—	—	—	—
Interest paid	(1,202,212)	(1,106,468)	(1,293,467)	(4,847,089)
Bond issuance costs paid	—	—	—	(1,076,620)
Due (from) to other programs	—	—	—	(91,680)
Net cash provided by (used in) noncapital financing activities	(5,812,212)	(4,976,468)	(4,173,467)	19,812,850
Cash flows from capital and related financing activities:				
Property and equipment additions	—	—	—	—
Proceeds on sale of fixed property	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—
Cash flows from investing activities:				
Purchase of investments	—	—	—	(66,151,731)
Redemption of investments	5,443,282	3,414,470	2,841,481	4,779,518
Interest received on investments	1,221,716	1,149,527	1,527,953	5,269,295
Net cash provided by (used in) investing activities	6,664,998	4,563,997	4,369,434	(56,102,918)
Transfers	(22,734)	(34,125)	(66,202)	2,895,097
Net increase (decrease) in cash and cash equivalents	819,933	(455,481)	119,873	(33,583,207)
Cash and cash equivalents, beginning of year	$ 893,188	$ 1,580,845	$ 693,172	$ 75,178,354
Cash and cash equivalents, end of year	$ 1,713,121	$ 1,125,364	$ 813,045	$ 41,595,147

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	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	$ —	$ 54,800	$ 266,895	$ 901,482	$ 649,396	$ 1,872,573
Loan interest payments received	—	823	87,339	208,341	245,850	542,353
Loan disbursements	—	(142,140)	(1,103,079)	(892,524)	(1,589,511)	(3,727,254)
Payments to employees	—	—	—	(3,750,821)	—	(3,750,821)
Grant funds expended		—	—	(22,891,133)	—	(22,891,133)
Payments to vendors	(447,160)	(291,067)	(9,905)	(1,216,749)	(60,365)	(2,025,246)
Fee income received	—	—	4,362	898,400	10,360	913,122
Grant funds received		—	—	23,521,467	—	23,521,467
Other income received	3,034	—	368	1,060,710	921	1,065,033
Net cash provided by (used in) operating activities	(444,126)	(377,584)	(754,020)	(2,160,827)	(743,349)	(4,479,906)
Cash flows from noncapital financing activities:						
Proceeds from issuance of bonds	30,288,239	—	—	—	—	30,288,239
Proceeds from issuance of notes	—	—	—	21,275,860	—	21,275,860
Principal repayment of bonds	(81,520,000)	—	—	—	—	(81,520,000)
Principal repayment of notes	—	—	—	(25,161,148)	—	(25,161,148)
Interest paid	(30,817,238)	—	—	(12,911)	—	(30,830,149)
Bond issuance costs paid	(1,076,620)	—	—	—	—	(1,076,620)
Due (from) to other programs	(91,680)	175	—	91,505	—	—
Net cash provided by (used in) noncapital financing activities	(83,217,299)	175	—	(3,806,694)	—	(87,023,818)
Cash flows from capital and related financing activities:						
Property and equipment additions	—	—	—	(48,377)	—	(48,377)
Proceeds on sale of fixed property	—	58,650	—	—	22,700	81,350
Net cash provided by (used in) capital and related financing activities	—	58,650	—	(48,377)	22,700	32,973
Cash flows from investing activities:						
Purchase of investments	(66,151,731)	—	—	(42,977,014)	(164,000)	(109,292,745)
Redemption of investments	84,967,442	—	—	50,081,169	300,000	135,348,611
Interest received on investments	33,221,117	—	—	1,997,477	—	35,218,594
Net cash provided by (used in) investing activities	52,036,828	—	—	9,101,632	136,000	61,274,460
Transfers	1,512,449	2,010	902,185	(2,418,479)	1,835	—
Net increase (decrease) in cash and cash equivalents	(30,112,148)	(316,749)	148,165	667,255	(582,814)	(30,196,291)
Cash and cash equivalents, beginning of year	$ 99,666,522	$ 1,173,020	$ 307,563	$ 8,848,952	$ 1,308,924	$ 111,304,981
Cash and cash equivalents, end of year	$ 69,554,374	$ 856,271	$ 455,728	$ 9,516,207	$ 726,110	$ 81,108,690

See independent auditor's report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	1995CD Program	1995IJ Program	1997D Program	1997H Program	1998A Program	2001A Program	2001B Program	2001D Program	2002A Program	2002B Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	$ (18,377)	$ (27,398)	$ —	$ —	$ —	$ 66,672	$ 1,267	$ 23,602	$ (13,417)	$ 419
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Interest paid	45,694	62,125	—	—	—	398,883	194,703	255,208	341,956	283,424
Amortization of bond issuance costs	1,443	2,152	—	—	—	16,679	7,844	8,885	12,759	8,966
Amortization of bond discount (premium)	—	—	—	—	—	(13,944)	(6,537)	(9,855)	(10,653)	(7,540)
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	53,497	52,353	—	—	—	(4,884)	5,294	1,482	11,196	8,198
Realized (gain) loss on investments	—	—	—	—	—	—	—	—	—	—
Gain on sale of fixed assets	—	—	—	—	—	—	—	—	—	—
Interest received on investments	(96,765)	(111,472)	—	—	—	(467,179)	(206,934)	(283,781)	(346,684)	(299,090)
Changes in assets and liabilities:										
(Increase) decrease in mortgage loans receivable, net of allowance for loan losses	—	—	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	1,438	1,790	—	—	—	5,960	2,477	3,094	4,785	3,371
(Increase) decrease in other assets	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(1,847)	(1,399)	—	—	—	(6,744)	(2,682)	(3,203)	(4,499)	(3,305)
Increase (decrease) in low income housing tax credit program deferred revenues	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in grant fund deferred revenues	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and and accrued expenses	547	547	—	—	—	547	547	547	547	1,547
Total adjustments	4,007	6,096	—	—	—	(70,682)	(5,288)	(27,623)	9,407	(4,429)
Net cash provided by (used in) operating activities	$ (14,370)	$ (21,302)	$ —	$ —	$ —	$ (4,010)	$ (4,021)	$ (4,021)	$ (4,010)	$ (4,010)

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	2002C Program	2002 Lease Purchase Program	2003A Program	2004A Program	2004B Program	2004C Program	2004D Program	2005A Program	2005B Program	2005C Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	$ 7,915	$ 55	$ 10,608	$ 114,108	$ (15,395)	$ (57,080)	$ 66,882	$ 122,050	$ 205,772	$ 132,482
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Interest paid	479,950	—	226,433	278,503	232,295	317,046	353,964	587,016	862,997	916,484
Amortization of bond issuance costs	13,611	—	6,909	6,462	9,176	16,763	13,096	16,169	21,322	25,343
Amortization of bond discount (premium)	(11,338)	—	(5,784)	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	4,924	7,580	—	6,049	—	—	—
Net (increase) decrease in fair value of investments	(9,124)	—	1,278	(57,392)	22,229	67,385	(21,971)	(76,578)	(142,401)	(136,559)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—	—	—
Gain on sale of fixed assets	—	—	—	—	—	—	—	—	—	—
Interest received on investments	(485,145)	(55)	(243,280)	(351,067)	(260,188)	(347,999)	(422,826)	(653,559)	(953,406)	(943,254)
Changes in assets and liabilities:										
(Increase) decrease in mortgage loans receivable, net of allowance for loan losses	—	—	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	3,535	—	2,163	1,988	3,359	5,823	3,833	4,737	6,442	7,794
(Increase) decrease in other assets	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	(3,939)		(2,634)	(2,083)	(3,363)	(6,495)	(3,695)	(5,072)	(6,948)	(8,885)
Increase (decrease) in low income housing tax credit program deferred revenues	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in grant fund deferred revenues	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and and accrued expenses	547	—	547	547	547	547	547	547	(453)	547
Total adjustments	(11,903)	(55)	(14,368)	(118,118)	11,635	53,070	(71,003)	(126,740)	(212,447)	(138,530)
Net cash provided by (used in) operating activities	$ (3,988)	$ —	$ (3,760)	$ (4,010)	$ (3,760)	$ (4,010)	$ (4,121)	$ (4,690)	$ (6,675)	$ (6,048)

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	2006A Program	2006B Program	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program	2007D Program	2007E Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	$ 842,565	$ 123,305	$ 164,778	$ (78,083)	$ 40,604	$ (135,375)	$ 13,902	$ (414,674)	$ (216,042)	$ (420,884)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Interest paid	1,958,455	1,104,056	1,904,241	1,940,104	542,494	1,350,364	2,538,836	1,944,442	1,542,735	1,705,594
Amortization of bond issuance costs	62,056	30,893	54,180	65,272	17,736	52,810	84,759	93,380	38,741	64,681
Amortization of bond discount (premium)	—	—	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	(828,439)	(130,378)	(94,619)	133,290	(20,331)	103,146	136,911	346,983	305,738	444,902
Realized (gain) loss on investments	—	—	—	—	—	—	—	—	—	—
Gain on sale of fixed assets	—	—	—	—	—	—	—	—	—	—
Interest received on investments	(2,041,990)	(1,139,137)	(2,048,075)	(2,082,263)	(589,764)	(1,387,603)	(2,801,158)	(1,992,083)	(1,686,426)	(1,811,443)
Changes in assets and liabilities:										
(Increase) decrease in mortgage loans receivable, net of allowance for loan losses	—	—	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	24,892	11,117	23,390	31,760	7,774	21,850	41,773	37,542	21,684	30,069
(Increase) decrease in other assets	563	364	703	857	—	428	1,016	763	650	737
Increase (decrease) in accrued interest payable	(22,197)	(10,762)	(19,976)	(26,188)	(5,869)	(17,406)	(35,169)	(31,428)	(20,110)	(26,502)
Increase (decrease) in low income housing tax credit program deferred revenues	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in grant fund deferred revenues	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and and accrued expenses	(11,622)	547	547	547	547	547	547	547	1,547	547
Total adjustments	(858,282)	(133,300)	(179,609)	63,379	(47,413)	124,136	(32,485)	400,146	204,559	408,585
Net cash provided by (used in) operating activities	$ (15,717)	$ (9,995)	$ (14,831)	$ (14,704)	$ (6,809)	$ (11,239)	$ (18,583)	$ (14,528)	$ (11,483)	$ (12,299)

See independent auditors' report.

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	2008A Program	2008B Program	2009 Resolution	2009 NIBP Resolution
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (377,086)	$ (214,020)	$ 259,175	$ 7,870,999
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Interest paid	1,202,212	1,106,468	1,293,467	4,847,089
Amortization of bond issuance costs	52,517	56,551	65,486	122,916
Amortization of bond discount (premium)	—	—	—	(9,731)
Amortization of investment (discount) premium	—	—	3,083	—
Net (increase) decrease in fair value of investments	327,138	188,562	(107,024)	(7,646,524)
Realized (gain) loss on investments	—	—	—	—
Gain on sale of fixed assets	—	—	—	—
Interest received on investments	(1,221,716)	(1,149,527)	(1,527,953)	(5,269,295)
Changes in assets and liabilities:				
(Increase) decrease in mortgage loans receivable, net of allowance for loan losses	—	—	—	—
(Increase) decrease in accrued interest receivable	25,205	17,774	13,683	(191,275)
(Increase) decrease in other assets	488	2,745	333	(12,143)
Increase (decrease) in accrued interest payable	(19,424)	(17,985)	(10,689)	100,922
Increase (decrease) in low income housing tax credit program deferred revenues	—	—	—	—
Increase (decrease) in grant fund deferred revenues	—	—	—	—
Increase (decrease) in deferred gains	—	—	—	—
Increase (decrease) in other liabilities and and accrued expenses	547	547	547	(1,194)
Total adjustments	366,967	205,135	(269,067)	(8,059,235)
Net cash provided by (used in) operating activities	$ (10,119)	$ (8,885)	$ (9,892)	$ (188,236)

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Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2012

	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)	$ 8,079,329	$ 31,931	$ (60,416)	$ 1,456,026	$ (102,438)	$ 9,404,432
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Interest paid	30,817,238	—	—	12,911	—	30,830,149
Amortization of bond issuance costs	1,049,557	—	—	—	—	1,049,557
Amortization of bond discount (premium)	(75,382)	—	—	—	—	(75,382)
Amortization of investment (discount) premium	21,636	—	—	198,482	—	220,118
Net (increase) decrease in fair value of investments	(7,066,642)	—	—	(944,087)	—	(8,010,729)
Realized (gain) loss on investments	—	—	—	120,800	—	120,800
Gain on sale of fixed assets	—	(47,585)	—	—	(22,700)	(70,285)
Interest received on investments	(33,221,117)	—	—	(1,997,477)	—	(35,218,594)
Changes in assets and liabilities:						
(Increase) decrease in mortgage loans receivable, net of allowance for loan losses	—	(76,859)	(692,933)	8,958	(442,221)	(1,203,055)
(Increase) decrease in accrued interest receivable	179,827	(459)	(1,218)	78,671	(121)	256,700
(Increase) decrease in other assets	(2,496)	—	—	284,231	(172,150)	109,585
Increase (decrease) in accrued interest payable	(229,576)	—	—	548	—	(229,028)
Increase (decrease) in low income housing tax credit program deferred revenues	—	—	—	228,879	—	228,879
Increase (decrease) in grant fund deferred revenues	—	—	—	(1,602,412)	—	(1,602,412)
Increase (decrease) in deferred gains	—	—	—	(53,200)	—	(53,200)
Increase (decrease) in other liabilities and and accrued expenses	3,500	(284,612)	547	46,843	(3,719)	(237,441)
Total adjustments	(8,523,455)	(409,515)	(693,604)	(3,616,853)	(640,911)	(13,884,338)
Net cash provided by (used in) operating activities	$ (444,126)	$ (377,584)	$ (754,020)	$ (2,160,827)	$ (743,349)	$ (4,479,906)

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

To the Board of Directors of
Mississippi Home Corporation

We have audited the financial statements of Mississippi Home Corporation (the "Corporation"), a governmental instrumentality of the State of Mississippi, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 2, 2012. 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

Management of the Corporation is responsible for establishing and maintaining effective 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Horne LLP

Ridgeland, Mississippi
October 2, 2012