

MISSISSIPPI HOME CORPORATION

Audited Financial Statements
Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mississippi Home Corporation

Report on the Financial Statements

We have audited the accompanying combined statements of net position of Mississippi Home Corporation (the "Corporation") (an instrumentality of the State of Mississippi) as of June 30, 2014 and 2013, and the related combined statements of revenues, expenses and changes in net position and cash flows for the years then ended. Collectively, these statements comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 to 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The supplementary schedules presented on pages 30 through 41 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

These supplementary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James LLP". The signature is written in a cursive, flowing style.

Ridgeland, Mississippi
September 30, 2014

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis Years Ended June 30, 2014 and 2013

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, 2014 and 2013. This MD&A should be read in conjunction with the accompanying 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 position 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 position. 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 – 2014

- Total assets decreased \$99.4 million or 14.6 percent
- Total liabilities decreased \$102.8 million or 17.9 percent
- Cash and investments decreased \$100.6 million or 15.8 percent
- Bonds payable decreased \$100.4 million or 19.3 percent
- Total net position increased \$3.4 million or 3.2 percent, including a \$0.1 million increase in the fair value of investments
- Total operating revenues (excluding fair value adjustments) decreased \$1.3 million or 2.5 percent
- Total operating expenses decreased \$1.7 million or 3.5 percent
- Low income housing tax credit program revenues increased \$0.4 million or 14.2 percent
- Interest income decreased \$7.0 million or 22.6 percent
- Interest expense decreased \$7.1 million or 27.0 percent
- Grant fund revenues increased \$5.3 million or 29.8 percent

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013

- Grant fund expenses increased \$5.2 million or 31.1 percent
- Operating income (excluding fair value adjustments) increased \$0.4 million or 13.8 percent

The following table summarizes the changes in the Corporation's assets, liabilities, and net position that occurred during the fiscal year ended June 30, 2014:

	2014	2013*	Change	
			Dollars	%
Cash and cash equivalents	\$ 37,482,077	\$ 49,407,590	\$ (11,925,513)	-24.1%
Investments, at fair value	498,903,070	587,600,812	(88,697,742)	-15.1%
Mortgage loans, net	36,644,907	36,880,916	(236,009)	-0.6%
Other assets	8,046,345	6,551,672	1,494,673	22.8%
Total assets	581,076,399	680,440,990	(99,364,591)	-14.6%
Deferred outflow of resources	920,137	1,040,582	(120,445)	-11.6%
Total assets and deferred outflow of resources	\$ 581,996,536	\$ 681,481,572	\$ (99,485,036)	-14.6%
Bonds payable, net	\$ 419,260,991	\$ 519,618,117	\$ (100,357,126)	-19.3%
Notes payable	1,893,724	1,893,724	-	0.0%
Low income housing tax credit program unearned revenues	21,508,355	20,545,835	962,520	4.7%
Grant fund unearned revenues	26,125,197	29,212,621	(3,087,424)	-10.6%
All other liabilities	3,111,826	3,473,122	(361,296)	-10.4%
Total liabilities	471,900,093	574,743,419	(102,843,326)	-17.9%
Deferred inflow of resources	26,598	41,319	(14,721)	-35.6%
Total liabilities and deferred inflow of resources	\$ 471,926,691	\$ 574,784,738	\$ (102,858,047)	-17.9%
Net investments in capital assets	\$ 1,861,822	\$ 2,054,363	\$ (192,541)	-9.4%
Restricted net position	65,635,136	64,198,255	1,436,881	2.2%
Unrestricted net position	42,572,887	40,444,216	2,128,671	5.3%
Total net position	\$ 110,069,845	\$ 106,696,834	\$ 3,373,011	3.2%

*As restated. See Note 1 to the financial statements.

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MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013

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, 2014:

	2014	2013*	Change	
			Dollars	%
Interest on mortgage-backed securities	\$ 22,088,847	\$ 28,062,205	\$ (5,973,358)	-21.3%
Interest on cash and other investments	1,292,716	2,268,574	(975,858)	-43.0%
Interest on mortgage loans	542,177	561,949	(19,772)	-3.5%
Low income housing tax credits	3,074,057	2,692,615	381,442	14.2%
Gain on sale of mortgage-backed securities	19,345	148,077	(128,732)	-86.9%
Grant fund revenues	23,227,238	17,896,937	5,330,301	29.8%
All other revenues	820,843	755,164	65,679	8.7%
Total operating revenues	51,065,223	52,385,521	(1,320,298)	-2.5%
Interest expense	19,153,341	26,228,428	(7,075,087)	-27.0%
Bond issuance costs	-	533,688	(533,688)	-100.0%
Salaries and benefits	4,466,708	4,158,125	308,583	7.4%
Grant fund expenses	21,740,572	16,584,144	5,156,428	31.1%
All other expenses	2,433,450	2,006,198	427,252	21.3%
Total operating expenses	47,794,071	49,510,583	(1,716,512)	-3.5%
Operating income before fair value adjustments	\$ 3,271,152	\$ 2,874,938	\$ 396,214	13.8%

*As restated. See Note 1 to the financial statements.

The Corporation reported total assets of \$581.1 million at June 30, 2014. This represented a decrease of \$99.4 million compared to June 30, 2013. Total liabilities for the same period decreased \$102.8 million while total net position increased \$3.4 million.

Cash and cash equivalents decreased \$11.9 million to \$37.5 million at June 30, 2014 compared to June 30, 2013. The decrease was due primarily to bond principal repayments and a decrease in cash related to the Hardest Hit Fund.

Investments decreased \$88.7 million to \$499.0 million at June 30, 2014 compared to June 30, 2013. The decrease was the result of 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 decrease in total liabilities of \$102.8 million in 2014 was attributable primarily to a decrease in bonds payable of \$100.4 million due to calls resulting from the mortgage-backed securities prepayments described in the preceding paragraph and a decrease in grant fund unearned revenues of \$3.1 million related to the Hardest Hit Fund.

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis

Years Ended June 30, 2014 and 2013

Unearned grant fund revenues represent funds that have been received by the Corporation that have yet to be disbursed, as well as certain mortgage loans originated from federal grant funds. The Hardest Hit Fund is a program created by the U.S. Treasury to provide funding for state Housing Finance Authorities to develop locally-tailored foreclosure prevention solutions in areas that have been hit hard by high unemployment and home price declines.

Total operating revenues before fair value adjustments for fiscal year 2014 were \$51.1 million compared to \$52.4 million for fiscal year 2013. The decrease in operating revenues was attributable primarily to the net of two factors:

- A decrease in interest income of \$7.0 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 in 2013; offset by
- An increase in "flow-through" revenues of \$5.3 million from the Corporation's management of federal grant programs.

Total operating expenses were \$47.8 million in fiscal year 2014, down from \$50.0 million in fiscal year 2013. The decrease in operating expenses was attributable primarily to the net of two factors:

- A decrease in interest expense of \$7.1 million which resulted from a lower level of bonds payable; offset by
- An increase in "flow-through" expenses of \$5.2 million from the Corporation's management of federal grant programs.

As a result of the above factors, operating income before fair value adjustments was \$3.3 million in 2014 compared to \$2.9 million in 2013.

Financial Highlights – 2013

- Total assets decreased \$158.8 million or 18.9 percent
- Total liabilities decreased \$131.4 million or 18.6 percent
- Cash and investments decreased \$158.1 million or 19.9 percent
- Bonds payable decreased \$138.5 million or 21.0 percent
- Notes payable increased \$0.7 million or 63.8 percent
- Total net position decreased \$26.4 million or 19.8 percent, including \$29.2 million decrease in the fair value of investments
- Total operating revenues (excluding fair value adjustments) decreased \$9.9 million or 15.9 percent
- Total operating expenses decreased \$11.4 million or 18.7 percent
- Low income housing tax credit program revenues increased \$0.4 million or 18.4 percent
- Interest income decreased \$4.4 million or 12.6 percent
- Interest expense decreased \$4.3 million or 14.1 percent
- Grant fund revenues decreased \$5.6 million or 23.9 percent
- Grant fund expenses decreased \$6.3 million or 27.6 percent
- Operating income (excluding fair value adjustments) increased \$1.5 million or 110.4 percent

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013

The following table summarizes the changes in the Corporation's assets, liabilities, and net position that occurred during the fiscal year ended June 30, 2013:

	2013*	2012*	Change	
			Dollars	%
Cash and cash equivalents	\$ 49,407,590	\$ 81,108,690	\$ (31,701,100)	-39.1%
Investments, at fair value	587,600,812	713,993,719	(126,392,907)	-17.7%
Mortgage loans, net	36,880,916	36,035,757	845,159	2.3%
Other assets	6,551,672	8,124,728	(1,573,056)	-19.4%
Total assets	\$ 680,440,990	\$ 839,262,894	\$ (158,821,904)	-18.9%
Deferred outflow of resources	1,040,582	-	1,040,582	NM
Total assets and deferred outflow of resources	\$ 681,481,572	\$ 839,262,894	\$ (157,781,322)	-18.8%
Bonds payable, net	\$ 519,618,117	\$ 658,075,027	\$ (138,456,910)	-21.0%
Notes payable	1,893,724	1,156,030	737,694	63.8%
Low income housing tax credit program unearned revenues	20,545,835	19,917,417	628,418	3.2%
Grant fund unearned revenues	29,212,621	22,654,023	6,558,598	29.0%
All other liabilities	3,473,122	4,307,234	(834,112)	-19.4%
Total liabilities	\$ 574,743,419	\$ 706,109,731	\$ (131,366,312)	-18.6%
Deferred inflow of resources	41,319	88,137	(46,818)	-53.1%
Total liabilities and deferred inflow of resources	\$ 574,784,738	\$ 706,197,868	\$ (131,413,130)	-18.6%
Net investments in capital assets	\$ 2,054,363	\$ 2,052,701	\$ 1,662	0.1 %
Restricted net position	64,198,255	91,556,636	(27,358,381)	-29.9%
Unrestricted net position	40,444,216	39,455,689	988,527	2.5%
Total net position	\$ 106,696,834	\$ 133,065,026	\$ (26,368,192)	-19.8%

*As restated. See Note 1 to the financial statements.

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MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013

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, 2013:

	2013*	2012*	Change	
			Dollars	%
Interest on mortgage-backed securities	\$ 28,062,205	\$ 32,545,225	\$ (4,483,020)	-13.8%
Interest on cash and investments	2,268,574	2,239,482	29,092	1.3%
Interest on mortgage loans	561,949	550,316	11,633	2.1%
Low income housing tax credits	2,692,615	2,273,278	419,337	18.4%
Gain on sale of mortgage-backed securities	148,077	-	148,077	NM
Grant fund revenues	17,896,937	23,521,467	(5,624,530)	-23.9%
All other revenues	775,164	1,138,667	(383,503)	-33.7%
Total operating revenues	52,385,521	62,268,435	(9,882,914)	-15.9%
Interest expense	26,228,428	30,530,033	(4,301,605)	-14.1%
Bond issuance costs	533,688	1,076,620	(542,932)	-50.4%
Salaries and benefits	4,158,125	3,769,294	388,831	10.3%
Grant fund expenses	16,584,144	22,891,133	(6,306,989)	-27.6%
All other expenses	2,006,198	2,634,715	(628,517)	-23.9%
Total operating expenses	49,510,583	60,901,795	(11,391,212)	-18.7%
Operating income before fair value adjustments	\$ 2,874,938	\$ 1,366,640	\$ 1,508,298	110.4%

*As restated. See Note 1 to the financial statements.

The Corporation reported total assets of \$680.4 million at June 30, 2013. This represented a decrease of \$158.8 million compared to June 30, 2012. Total liabilities for the same period decreased \$131.4 million while total net position decreased \$26.4 million.

Cash and cash equivalents decreased \$31.7 million to \$49.4 million at June 30, 2013 compared to June 30, 2012. The decrease was due primarily to bond principal repayments, offset by an increase in cash related to the Hardest Hit Fund.

Investments decreased \$126.4 million to \$587.6 million at June 30, 2013 compared to June 30, 2012. 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 decrease in market value adjustment of \$29.2 million of the investment portfolio.

MISSISSIPPI HOME CORPORATION

Management's Discussion and Analysis Years Ended June 30, 2014 and 2013

The decrease in total liabilities of \$131.4 million in 2013 was attributable primarily to a decrease in bonds payable of \$138.5 million due to calls resulting from the mortgage-backed securities prepayments described in the preceding paragraph. This decrease was offset by an increase in grant fund unearned revenues of \$6.6 million related to the Hardest Hit Fund. Unearned grant fund revenues represent funds that have been received by the Corporation that have yet to be disbursed, as well as certain mortgage loans originated from federal grant funds.

Total operating revenues before fair value adjustments for fiscal year 2013 were \$52.4 million compared to \$62.3 million for fiscal year 2012. The decrease in operating revenues was attributable primarily to two factors:

- A decrease in "flow-through" revenues of \$5.6 million from the Corporation's management of federal grant programs; and
- A decrease in interest income of \$4.4 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 \$49.5 million in fiscal year 2013, down from \$60.9 million in fiscal year 2012. The decrease in operating expenses was attributable primarily to two factors:

- A decrease in flow-through" expenses of \$6.3 million from the Corporation's management of federal grant programs; and
- A decrease in interest expense of \$4.3 million which resulted from a lower level of bonds payable.

As a result of the above factors, operating income before fair value adjustments was \$2.9 million in 2013 compared to \$1.4 million in 2012.

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.

MISSISSIPPI HOME CORPORATION
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013

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 Position

June 30, 2014 and 2013

	2014	Restated 2013
ASSETS		
Current assets:		
Cash and cash equivalents		
Cash	\$ 2,280,913	\$ 3,105,433
Restricted cash	3,471,072	5,408,791
Cash equivalents	3,574,057	1,546,690
Restricted cash equivalents	<u>28,156,035</u>	<u>39,346,676</u>
Total cash and cash equivalents	37,482,077	49,407,590
Accrued interest receivable	<u>1,985,000</u>	<u>2,379,852</u>
Total current assets	<u>39,467,077</u>	<u>51,787,442</u>
Noncurrent assets:		
Investments, at fair value	498,903,070	587,600,812
Mortgage loans receivable, net of allowance for loan losses (2014 - \$ 1,919,693; 2013 - \$2,458,826)	36,644,907	36,880,916
Other assets	<u>6,061,345</u>	<u>4,171,820</u>
Total noncurrent assets	<u>541,609,322</u>	<u>628,653,548</u>
Total assets	<u>581,076,399</u>	<u>680,440,990</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on refunding	920,137	1,040,582
Total deferred outflow of resources	<u>920,137</u>	<u>1,040,582</u>
Total assets and deferred outflow of resources	<u>\$ 581,996,536</u>	<u>\$ 681,481,572</u>
LIABILITIES		
Current liabilities:		
Bonds payable, net	\$ 3,870,401	\$ 4,850,401
Notes payable	142,395	74,944
Accrued interest payable	<u>1,448,737</u>	<u>1,732,752</u>
Total current liabilities	<u>5,461,533</u>	<u>6,658,097</u>
Noncurrent liabilities:		
Bonds payable, net	415,390,590	514,767,716
Notes payable	1,751,329	1,818,780
Low income housing tax credit program unearned revenues	21,508,355	20,545,835
Grant fund unearned revenues	26,125,197	29,212,621
Other liabilities and accrued expenses	<u>1,663,089</u>	<u>1,740,370</u>
Total noncurrent liabilities	<u>466,438,560</u>	<u>568,085,322</u>
Total liabilities	<u>471,900,093</u>	<u>574,743,419</u>
DEFERRED INFLOW OF RESOURCES		
Interest rate swap	26,598	41,319
Total deferred inflow of resources	<u>26,598</u>	<u>41,319</u>
Total liabilities and deferred inflow of resources	<u>\$ 471,926,691</u>	<u>\$ 574,784,738</u>
NET POSITION		
Net investments in capital assets	\$ 1,861,822	\$ 2,054,363
Restricted	65,635,136	64,198,255
Unrestricted	<u>42,572,887</u>	<u>40,444,216</u>
Total net position	<u>\$ 110,069,845</u>	<u>\$ 106,696,834</u>

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION
 Combined Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended June 30, 2014 and 2013

	2014	Restated 2013
Operating revenues:		
Interest income:		
Mortgage-backed securities	\$ 22,088,847	\$ 28,062,205
Cash and cash equivalents	26,551	684,974
Other investments	1,266,165	1,583,600
Mortgage loans	542,177	561,949
Total interest income	23,923,740	30,892,728
Net increase (decrease) in fair value of investments	101,859	(29,243,130)
Low income housing tax credit program	3,074,057	2,692,615
Gain on sale of mortgage-backed securities	19,345	148,077
Grant fund revenues	23,227,238	17,896,937
Program fees	145,847	160,814
Other income	674,996	594,350
Total operating revenues	51,167,082	23,142,391
Operating expenses:		
Interest expense	19,153,341	26,228,428
Bond issuance costs	-	533,688
Salaries and related benefits	4,466,708	4,158,125
Grant fund expenses	21,740,572	16,584,144
Provision for mortgage loan losses	241,607	(52,667)
Other	2,191,843	2,058,865
Total operating expenses	47,794,071	49,510,583
Operating income (loss)	3,373,011	(26,368,192)
Net position, beginning of year	106,696,834	133,065,026
Net position, end of year	\$ 110,069,845	\$ 106,696,834

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION
 Combined Statements of Cash Flows
 For the Years Ended June 30, 2014 and 2013

	2014	Restated 2013
Cash flows from operating activities:		
Loan principal payments received	\$ 2,522,756	\$ 3,242,172
Loan interest payments received	546,448	550,757
Loan disbursements	(2,971,039)	(4,023,387)
Payments to employees	(4,440,058)	(4,132,690)
Grant funds expended	(20,783,921)	(16,584,144)
Payments to vendors	(1,709,841)	(1,311,849)
Fee income received	3,820,962	3,197,314
Grant funds received	18,802,087	24,156,857
Other income received	1,003,115	837,787
Net cash (used in) provided by operating activities	<u>(3,209,491)</u>	<u>5,932,817</u>
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	-	38,070,000
Proceeds from issuance of notes	-	816,335
Principal repayment of bonds	(100,332,644)	(176,035,000)
Principal repayment of notes	-	(78,641)
Premium paid on bond redemptions	-	(1,196,638)
Reacquisition costs paid on bond refunding	-	(246,529)
Interest paid	(19,341,392)	(27,053,055)
Bond issuance costs paid	-	(533,688)
Net cash used in noncapital financing activities	<u>(119,674,036)</u>	<u>(166,257,216)</u>
Cash flows from capital and related financing activities:		
Property and equipment additions	(131,125)	(296,230)
Proceeds from sale of property and equipment	20,510	-
Net cash used in capital and related financing activities	<u>(110,615)</u>	<u>(296,230)</u>
Cash flows from investing activities:		
Purchase of investments	(20,890,679)	(111,245,140)
Redemption of investments	108,055,386	209,564,917
Interest received on investments	23,903,922	30,599,752
Net cash provided by investing activities	<u>111,068,629</u>	<u>128,919,529</u>
Net decrease in cash and cash equivalents	(11,925,513)	(31,701,100)
Cash and cash equivalents, beginning of year	49,407,590	81,108,690
Cash and cash equivalents, end of year	<u>\$ 37,482,077</u>	<u>\$ 49,407,590</u>
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:		
Operating income (loss)	\$ 3,373,011	\$ (26,368,192)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Interest paid	19,341,392	27,053,055
Bond issuance costs paid	-	533,688
Amortization of bond premium	(24,482)	(89,323)
Amortization of investment premium	144,404	159,176
Amortization of bond refunding	120,443	-
Net (increase) decrease in fair value of investments	(101,859)	29,243,130
Realized loss on investments	42,627	23,026
Gain on sale of mortgage-backed securities	(19,345)	(148,077)
Gain on sale of fixed assets	(20,510)	-
Interest received on investments	(23,903,922)	(30,599,752)
Changes in assets and liabilities:		
Decrease (increase) in mortgage loans receivable, net	236,009	(845,159)
Decrease in accrued interest receivable	394,853	585,333
(Increase) decrease in other assets	(291,195)	79,825
Decrease in accrued interest payable	(284,011)	(735,307)
Increase in low income housing tax credit unearned revenues	962,520	628,418
(Decrease) increase in grant fund unearned revenues	(3,051,239)	6,558,598
Decrease in deferred gains	(14,720)	(46,818)
Decrease in other liabilities and accrued expenses	(113,467)	(98,804)
Total adjustments	<u>(6,582,502)</u>	<u>32,301,009</u>
Net cash (used in) provided by operating activities	<u>\$ (3,209,491)</u>	<u>\$ 5,932,817</u>

See accompanying notes to combined financial statements.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

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:

Restatement of Financials Due to Change in Accounting Principle

In March 2013, GASB issued Statement 65 that establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities. During fiscal year 2014, the Corporation adopted this standard, and all financial information in the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows has been restated accordingly.

The provisions of GASB 65 also require that deferred charges related to bond issuance costs be expensed rather than amortized. As a result, net position was reduced. The restatement of beginning net position is summarized as follows:

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

	June 30, 2012 as previously reported	Implementation of GASB Statement No. 65	June 30, 2012 as restated
NET POSITION			
Net investments in capital assets	\$ 2,052,701	\$ -	\$ 2,052,701
Restricted net position	98,398,682	(6,842,046)	91,556,636
Unrestricted net position	39,455,689	-	39,455,689
	<u>\$ 139,907,072</u>	<u>\$ (6,842,046)</u>	<u>\$ 133,065,026</u>
	June 30, 2013 as previously reported	Implementation of GASB Statement No. 65	June 30, 2013 as restated
NET POSITION			
Net investments in capital assets	\$ 2,054,363	\$ -	\$ 2,054,363
Restricted net position	70,099,592	(5,901,337)	64,198,255
Unrestricted net position	40,444,216	-	40,444,216
	<u>\$ 112,598,171</u>	<u>\$ (5,901,337)</u>	<u>\$ 106,696,834</u>

Recently-Issued Accounting Standards and Pronouncement

In June 2013, GASB issued Statement 68 that establishes accounting and financial reporting standards that require cost-sharing defined benefit pensions to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. This statement also requires more extensive note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This statement is effective for annual reporting periods beginning on or after June 15, 2014 and should be applied retrospectively to the extent possible. The Corporation is currently evaluating the impact of adopting this standard.

Accounting Method

The Corporation's accounts are organized as a separate set of self-balancing accounts that comprise the assets, liabilities, net position, revenues and expenses 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 Fund (each of the programs is 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 Fund. Since the assets and net position of each program are generally restricted, aggregating the accounts of the

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

separate programs does not indicate that the assets and net position 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.

Net Position

The restricted net position in the individual mortgage programs is restricted pursuant to the Corporation's agreements with bondholders as determined in each bond resolution. The restricted net position of the Mississippi Affordable Housing Development Program is 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 interest-earning asset 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 Fund cash, General Corporate Fund 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 Fund.

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

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Securities. These funds are held in money market accounts, U.S. Treasury Bills, and guaranteed investment contracts. The indentures of the respective mortgage purchase programs stipulate that these funds may be used only for the acquisition of Mortgage-Backed Securities or the early redemption of the respective mortgage revenue program bonds outstanding. These instruments are considered cash equivalents because they have no stated maturity and are readily convertible into cash at the discretion of the Corporation.

Mortgage Loans Receivable, Mortgage-Backed Securities and Investments

A portion of the mortgage loans in the General Corporate Fund 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. The allowance can be reduced when proceeds from loan payoffs exceed management's previous estimates.

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. The provision for mortgage loan losses totaled \$241,607 and \$(52,667) in 2014 and 2013, respectively.

Deferred Losses on Refunding, Discounts and Premiums

Costs related to the issuance of bonds are expensed in the respective bond issues. During the years ended June 30, 2014 and 2013, \$-0- and \$533,688 of issuance costs were expensed, respectively.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

Deferred losses on refundings result from a difference between the acquisition price and the net carrying amount of the old debt and are amortized using the effective interest rate method over the shorter of the life of the old debt or the new debt. During the years ended June 30, 2014 and 2013, \$-0- and \$1,040,582 of refunding losses were deferred, 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 deferred losses on refundings, bond discounts or bond premiums.

Grant Fund Unearned 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 unearned revenues until the earnings process is completed.

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

Program Fees

Program fees consist of monies paid to the Corporation by borrowers or developers for application, commitment or reservation purposes in the Corporation's affordable housing programs.

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, 2014, Mortgage-Backed Securities are 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.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Continued

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.

Reclassification

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

The Corporation adjusted its 2013 combined statement of revenues, expenses and changes in net position to reflect \$238,065 of low income housing tax credit program revenue and \$18,039 of program fees that were previously reported as other income. The reclassification had no effect on net position at June 30, 2013 or the operating income for the year then ended as previously reported.

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:

- 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.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Cash Equivalents and Investments

At June 30, 2014, the carrying amount of the Corporation's cash and cash equivalents was \$37,482,077, and the bank balance was \$37,581,295. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the \$37,581,295 bank balance, \$5,834,033 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 \$31,747,262, \$3,717,943 was invested in U.S. Obligations related to the Hardest Hit Fund and \$28,029,319 was uncollateralized balances primarily invested in money market accounts. The Hardest Hit Fund is a program created by the U.S. Treasury to provide funding for state Housing Finance Authorities to develop locally-tailored foreclosure prevention solutions in areas that have been hit hard by high unemployment and home price declines.

Similarly, at June 30, 2013, the carrying amount of the Corporation's cash and cash equivalents was \$49,407,590, and the bank balance was \$49,605,172. The differences between the carrying amount and bank balance were the result of transactions in transit. Of the \$49,605,172 bank balance, \$8,694,442 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 \$40,910,730, \$7,197,178 was invested in U.S. Obligations related to the Hardest Hit Fund and \$33,713,552 was uncollateralized balances primarily invested in money market accounts.

A summary of the estimated fair value and amortized cost of investments as of June 30, 2014 and 2013 follows:

	2014		2013	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
U. S. Government agency securities	\$ 23,316,001	\$ 23,360,305	\$ 17,159,889	\$ 17,346,029
Corporate debt securities	3,973,984	3,738,273	4,246,666	4,024,128
Municipal debt securities	6,966,104	6,989,130	5,051,461	5,236,312
Mortgage-backed securities	457,067,351	424,093,259	549,261,084	516,090,959
Collateralized mortgage obligations	5,434,287	5,535,489	6,022,838	6,064,968
Other asset-backed securities	313,566	308,725	377,553	377,603
Commercial agreements	1,831,777	1,824,765	5,481,321	5,481,180
	<u>\$ 498,903,070</u>	<u>\$ 465,849,946</u>	<u>\$ 587,600,812</u>	<u>\$ 554,621,179</u>

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Continued

At June 30, 2014, the Corporation's securities had scheduled maturities as follows:

	Estimated Fair Value	Investment Maturities			
		Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
U. S. Government agency securities	\$ 23,316,001	\$ 2,504,455	\$ 5,851,592	\$ 14,959,954	\$ -
Corporate debt securities	3,973,984	227,132	3,746,852	-	-
Municipal debt securities	6,966,104	-	3,038,309	3,927,795	-
Mortgage-backed securities	457,067,351	-	1,513,395	1,180,815	454,373,141
Collateralized mortgage obligations	5,434,287	-	-	1,984,244	3,450,043
Other asset-backed securities	313,566	-	-	-	313,566
Commercial agreements	1,831,777	-	1,831,777	-	-
	<u>\$ 498,903,070</u>	<u>\$ 2,731,587</u>	<u>\$ 15,981,925</u>	<u>\$ 22,052,808</u>	<u>\$ 458,136,750</u>

Interest Rate Risk

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

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

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, 2014, the Corporation's investments in certain Municipal Debt Securities, Other Asset-Backed Securities 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:

<u>Investment Type</u>	<u>Rating</u>	<u>June 30, 2014</u> <u>Balance</u>
U.S. Government agency securities	Aaa	\$ 23,316,001
Corporate debt securities	Aaa	460,520
Corporate debt securities	Aa	566,146
Corporate debt securities	A	1,070,420
Corporate debt securities	Baa	1,876,898
Municipal debt securities	Aa	5,465,396
Mortgage-backed securities	Aaa	6,277,563
Collateralized mortgage obligations	Aaa	5,434,287
Other asset-backed securities	Baa	220,214
Other asset-backed securities	Caa	13,296
Commercial agreements	Aaa	1,831,777
		<u>\$ 46,532,518</u>

Custodial Credit Risk

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

Concentration of Credit Risk

The Corporation's investment policy places no limits on the amount the Corporation may invest in any one issuer. As of June 30, 2014, the Corporation held GNMA investments with a fair value of \$398,013,469 and FNMA investments with a fair value of \$58,978,480 which represent approximately 92 percent of the Corporation's total investment holdings.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2014 and 2013

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, 2014 and 2013, \$10,152,479 and \$10,429,507, 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, 2014 and 2013, \$28,412,121 and \$28,910,235, 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, 2012	\$ 658,075,027	\$ 1,156,030
Proceeds from issuance	38,070,000	816,335
Principal repayments	(176,035,000)	(78,641)
Redeemed bond premium	(402,587)	-
Premium amortization	(89,323)	-
Balance at June 30, 2013	519,618,117	1,893,724
Proceeds from issuance	-	-
Principal repayments	(100,332,644)	-
Premium amortization	(24,482)	-
Balance at June 30, 2014	<u>\$ 419,260,991</u>	<u>\$ 1,893,724</u>

The Corporation has the option to redeem bonds after they have been outstanding for 10 years at initial prices ranging from 100 percent to 104 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, 2014 and 2013, the Corporation has complied with all bond covenants.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Continued

Bonds and notes payable of the Corporation follow:

Issue	Rates (%)	Final Maturity	June 30,	
			2014	2013
2002 Lease Purchase	–	10/01/2007	\$ 600,401	\$ 600,401
2004D	4.35 – 4.85	12/01/2035	4,885,000	5,425,000
2005A	4.55 – 6.50	12/01/2036	6,870,000	8,535,000
2005B	4.60 – 5.50	12/01/2036	10,685,000	13,305,000
2005C	4.88	12/01/2037	10,050,000	12,690,000
2006A	4.65 – 4.75	12/01/2038	21,170,000	27,805,000
2006B	4.85 – 4.90	12/01/2038	11,585,000	15,265,000
2006C	4.80 – 4.90	12/01/2038	20,810,000	26,920,000
2006D	5.00	12/01/2038	18,195,000	25,235,000
2006E	4.50	06/01/2039	6,620,000	8,215,000
2007A	3.95 – 5.50	12/01/2038	13,205,000	17,950,000
2007B	3.95 – 5.375	12/01/2038	25,590,000	35,260,000
2007C	3.90 – 5.60	12/01/2038	17,920,000	24,395,000
2007D	4.25 – 6.10	12/01/2038	12,440,000	17,985,000
2007E	4.20 – 5.85	12/01/2038	13,660,000	18,810,000
2008A	3.35 – 5.625	12/01/2039	10,470,000	14,070,000
2008B	4.00 – 6.75	12/01/2039	7,565,000	10,460,000
			212,320,401	282,925,401
2009 Resolution				
2009A	2.70 – 5.40	12/01/2040	15,965,000	20,220,000
2013A	2.75	12/01/2032	31,267,356	38,070,000
			47,232,356	58,290,000
2009 NIBP Resolution				
2009B-1	3.06	12/01/2041	37,790,000	42,710,000
2009B-2	2.32	12/01/2041	65,560,000	68,810,000
2010A	1.55 – 4.55	12/01/2031	32,840,000	40,075,000
2011A	1.25 – 4.50	06/01/2025	23,518,234	26,807,716
			159,708,234	178,402,716
Total bonds payable, net			\$ 419,260,991	\$ 519,618,117

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Continued

Notes Payable Description	Rates (%)	Final Maturity	June 30,	
			2014	2013
USDA Rural Development	1.00	05/05/2038	\$ 1,893,724	\$ 1,893,724

A summary of debt service requirements through 2019 and in five-year increments thereafter is as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 4,012,796	\$ 17,124,047
2016	3,380,000	17,038,065
2017	3,370,000	16,949,993
2018	3,340,000	16,853,871
2019	5,700,000	16,693,672

Five-Year Increments Ending June 30,	Principal	Interest
2020 – 2024	\$ 21,810,000	\$ 81,326,666
2025 – 2029	20,570,000	75,779,076
2030 – 2034	65,067,356	68,602,130
2035 – 2039	179,416,329	53,264,923
2040 – 2044	114,488,234	7,065,109

Note 5. Excess Earnings

For all of the tax-exempt 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 \$-0- in 2014 and 2013. The Corporation expects to meet the spending requirements on substantially all of the outstanding issues.

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

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. 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. 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.

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

MISSISSIPPI HOME CORPORATION

Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Continued

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, 2014 and 2013, \$600,401 in bonds payable were outstanding under this program (see Note 4).

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 position. The bonds that have been defeased totaled approximately \$329,376,000 and \$365,659,000 at June 30, 2014 and 2013, 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 15.75 percent of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State Legislature.

MISSISSIPPI HOME CORPORATION
Years Ended June 30, 2014 and 2013

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 12. Continued

The following table summarizes the Corporation's and Employees' contribution requirement:

<u>For the year ended</u>	<u>Corporation</u>	<u>Employees</u>	<u>Total</u>
June 30, 2012	\$ 357,000	\$ 257,000	\$ 614,000
June 30, 2013	446,000	280,000	726,000
June 30, 2014	528,000	298,000	826,000

The Corporation's 60 participating employees are an insignificant portion of PERS' approximately 383,000 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.

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, 2014 and 2013, \$168,481,660 and \$193,773,478, 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 Position
June 30, 2014

	1995CD Program	1995LJ Program	1997D Program	1997H Program	1998A Program	2002 Lease Purchase Program	2004D Program	2005A Program	2005B Program	2005C Program
ASSETS										
Current assets:										
Cash and cash equivalents:										
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted cash	—	—	—	—	—	—	—	—	—	—
Cash equivalents	—	—	—	—	—	—	—	—	—	—
Restricted cash equivalents	606	994	428	324	171	552,286	383,218	600,661	520,330	613,197
Total cash and cash equivalents	606	994	428	324	171	552,286	383,218	600,661	520,330	613,197
Accrued interest receivable	5,631	6,346	—	—	—	—	23,374	34,057	47,955	40,933
Total current assets	6,237	7,340	428	324	171	552,286	406,592	634,718	568,285	654,130
Noncurrent assets:										
Investments, at fair value	951,551	1,129,217	—	—	—	—	5,761,900	7,758,569	11,985,841	10,570,408
Mortgage loans receivable, net	—	—	—	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—	—	—
Total noncurrent assets	951,551	1,129,217	—	—	—	—	5,761,900	7,758,569	11,985,841	10,570,408
Total assets	957,788	1,136,557	428	324	171	552,286	6,168,492	8,393,287	12,554,126	11,224,538
DEFERRED OUTFLOW OF RESOURCES										
Deferred amount on refunding	—	—	—	—	—	—	—	—	—	—
Total deferred outflow of resources	—	—	—	—	—	—	—	—	—	—
Total assets and deferred outflow of resources	\$ 957,788	\$ 1,136,557	\$ 428	\$ 324	\$ 171	\$ 552,286	\$ 6,168,492	\$ 8,393,287	\$ 12,554,126	\$ 11,224,538
LIABILITIES										
Current liabilities:										
Bonds payable, net	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 600,401	\$ —	\$ —	\$ —	\$ —
Notes payable	—	—	—	—	—	—	—	—	—	—
Accrued interest payable	—	—	—	—	—	—	19,102	28,498	41,870	40,870
Total current liabilities	—	—	—	—	—	600,401	19,102	28,498	41,870	40,870
Noncurrent liabilities:										
Bonds payable, net	—	—	—	—	—	—	4,885,000	6,870,000	10,685,000	10,050,000
Notes payable	—	—	—	—	—	—	—	—	—	—
Low income housing										
tax credit program unearned revenues	—	—	—	—	—	—	—	—	—	—
Grant fund unearned revenues	—	—	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	4,240	4,628	—	—	—	—	3,634	3,634	3,634	3,634
Total noncurrent liabilities	4,240	4,628	—	—	—	—	4,888,634	6,873,634	10,688,634	10,053,634
Total liabilities	4,240	4,628	—	—	—	600,401	4,907,736	6,902,132	10,730,504	10,094,504
DEFERRED INFLOW OF RESOURCES										
Interest rate swap	—	—	—	—	—	—	—	—	—	—
Total deferred inflow of resources	—	—	—	—	—	—	—	—	—	—
Total liabilities and deferred inflow of resources	\$ 4,240	\$ 4,628	\$ —	\$ —	\$ —	\$ 600,401	\$ 4,907,736	\$ 6,902,132	\$ 10,730,504	\$ 10,094,504
NET POSITION										
Net investments in capital assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	953,548	1,131,929	428	324	171	(48,115)	1,260,756	1,491,155	1,823,622	1,130,034
Unrestricted	—	—	—	—	—	—	—	—	—	—
Total net position	\$ 953,548	\$ 1,131,929	\$ 428	\$ 324	\$ 171	\$ (48,115)	\$ 1,260,756	\$ 1,491,155	\$ 1,823,622	\$ 1,130,034

Mississippi Home Corporation
Combining Schedule of Net Position
June 30, 2014

	2006A Program	2006B Program	2006C Program	2006D Program	2006E Program	2007A Program	2007B Program	2007C Program
ASSETS								
Current assets:								
Cash and cash equivalents:								
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted cash	—	—	—	—	—	—	—	—
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	1,027,046	291,601	1,083,754	916,267	464,091	1,139,518	3,648,975	1,165,209
Total cash and cash equivalents	1,027,046	291,601	1,083,754	916,267	464,091	1,139,518	3,648,975	1,165,209
Accrued interest receivable	86,586	48,935	90,226	81,912	26,376	55,298	122,918	78,569
Total current assets	1,113,632	340,536	1,173,980	998,179	490,467	1,194,816	3,771,893	1,243,778
Noncurrent assets:								
Investments, at fair value	22,790,236	12,731,438	22,546,848	19,828,048	6,969,696	13,815,690	29,182,621	19,306,417
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	3,317	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total noncurrent assets	22,790,236	12,731,438	22,546,848	19,828,048	6,969,696	13,815,690	29,185,938	19,306,417
Total assets	23,903,868	13,071,974	23,720,828	20,826,227	7,460,163	15,010,506	32,957,831	20,550,195
DEFERRED OUTFLOW OF RESOURCES								
Deferred amount on refunding								
Total deferred outflow of resources	—	—	—	—	—	—	—	—
Total assets and deferred outflow of resources	\$ 23,903,868	\$ 13,071,974	\$ 23,720,828	\$ 20,826,227	\$ 7,460,163	\$ 15,010,506	\$ 32,957,831	\$ 20,550,195
LIABILITIES								
Current liabilities:								
Bonds payable, net	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 135,000	\$ 150,000	\$ 90,000
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	82,514	46,872	84,577	75,813	24,825	55,789	105,629	76,877
Total current liabilities	82,514	46,872	84,577	75,813	24,825	190,789	255,629	166,877
Noncurrent liabilities:								
Bonds payable, net	21,170,000	11,585,000	20,810,000	18,195,000	6,620,000	13,070,000	25,440,000	17,830,000
Notes payable	—	—	—	—	—	—	—	—
Low income housing	—	—	—	—	—	—	—	—
tax credit program unearned revenues	—	—	—	—	—	—	—	—
Grant fund unearned revenues	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,634	3,634	3,634	3,634	3,634	3,634	3,634	3,634
Total noncurrent liabilities	21,173,634	11,588,634	20,813,634	18,198,634	6,623,634	13,073,634	25,443,634	17,833,634
Total liabilities	21,256,148	11,635,506	20,898,211	18,274,447	6,648,459	13,264,423	25,699,263	18,000,511
DEFERRED INFLOW OF RESOURCES								
Interest rate swap								
Total deferred inflow of resources	—	—	—	—	—	—	—	—
Total liabilities and deferred inflow of resources	\$ 21,256,148	\$ 11,635,506	\$ 20,898,211	\$ 18,274,447	\$ 6,648,459	\$ 13,264,423	\$ 25,699,263	\$ 18,000,511
NET POSITION								
Net investments in capital assets								
Restricted	2,647,720	1,436,468	2,822,617	2,551,780	811,704	1,746,083	7,258,568	2,549,684
Unrestricted	—	—	—	—	—	—	—	—
Total net position	\$ 2,647,720	\$ 1,436,468	\$ 2,822,617	\$ 2,551,780	\$ 811,704	\$ 1,746,083	\$ 7,258,568	\$ 2,549,684

Mississippi Home Corporation
Combining Schedule of Net Position
June 30, 2014

	2007D Program	2007E Program	2008A Program	2008B Program	2009 Resolution	2009 NIBP Resolution	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 628,746	\$ 1,652,167	\$ —	\$ 2,280,913
Restricted cash	—	—	—	—	—	—	—	1,118,238	—	1,930,592	422,242	3,471,072
Cash equivalents	—	—	—	—	—	—	—	—	—	3,574,057	—	3,574,057
Restricted cash equivalents	1,222,370	1,228,442	813,222	909,195	3,163,692	4,704,244	24,449,841	—	—	3,706,194	—	28,156,035
Total cash and cash equivalents	1,222,370	1,228,442	813,222	909,195	3,163,692	4,704,244	24,449,841	1,118,238	628,746	10,863,010	422,242	37,482,077
Accrued interest receivable	59,731	67,769	46,990	38,658	247,711	475,997	1,685,972	426	9,421	267,078	22,103	1,985,000
Total current assets	1,282,101	1,296,211	860,212	947,853	3,411,403	5,180,241	26,135,813	1,118,664	638,167	11,130,088	444,345	39,467,077
Noncurrent assets:												
Investments, at fair value	13,618,795	15,015,272	11,347,200	8,272,641	56,428,743	160,778,658	450,789,789	—	—	48,113,281	—	498,903,070
Mortgage loans receivable, net	—	—	—	—	—	—	—	45,461	1,808,934	30,095,093	4,695,419	36,644,907
Other assets	—	—	—	—	—	20,509	23,826	—	—	2,887,742	3,149,777	6,061,345
Due (to) from other funds	—	—	—	—	—	—	—	40,010	—	(38,323)	(1,687)	—
Total noncurrent assets	13,618,795	15,015,272	11,347,200	8,272,641	56,428,743	160,799,167	450,813,615	85,471	1,808,934	81,057,793	7,843,509	541,609,322
Total assets	14,900,896	16,311,483	12,207,412	9,220,494	59,840,146	165,979,408	476,949,428	1,204,135	2,447,101	92,187,881	8,287,854	581,076,399
DEFERRED OUTFLOW OF RESOURCES												
Deferred amount on refunding	—	—	—	—	920,137	—	920,137	—	—	—	—	920,137
Total deferred outflow of resources	—	—	—	—	920,137	—	920,137	—	—	—	—	920,137
Total assets and deferred outflow of resources	\$ 14,900,896	\$ 16,311,483	\$ 12,207,412	\$ 9,220,494	\$ 60,760,283	\$ 165,979,408	\$ 477,869,565	\$ 1,204,135	\$ 2,447,101	\$ 92,187,881	\$ 8,287,854	\$ 581,996,536
LIABILITIES												
Current liabilities:												
Bonds payable, net	\$ 60,000	\$ 40,000	\$ 100,000	\$ 150,000	\$ 190,000	\$ 2,355,000	\$ 3,870,401	\$ —	\$ —	\$ —	\$ —	\$ 3,870,401
Notes payable	—	—	—	—	—	—	—	—	—	142,395	—	142,395
Accrued interest payable	58,147	63,260	46,026	37,245	137,643	400,592	1,426,149	—	—	22,588	—	1,448,737
Total current liabilities	118,147	103,260	146,026	187,245	327,643	2,755,592	5,296,550	—	—	164,983	—	5,461,533
Noncurrent liabilities:												
Bonds payable, net	12,380,000	13,620,000	10,370,000	7,415,000	47,042,356	157,353,234	415,390,590	—	—	—	—	415,390,590
Notes payable	—	—	—	—	—	—	—	—	—	1,751,329	—	1,751,329
Low income housing tax credit program unearned revenues	—	—	—	—	—	—	—	—	—	21,508,355	—	21,508,355
Grant fund unearned revenues	—	—	—	—	—	—	—	—	—	26,125,197	—	26,125,197
Other liabilities and accrued expenses	3,634	3,634	3,634	3,634	7,280	12,524	86,816	949,467	942	622,869	2,995	1,663,089
Total noncurrent liabilities	12,383,634	13,623,634	10,373,634	7,418,634	47,049,636	157,365,758	415,477,406	949,467	942	50,007,750	2,995	466,438,560
Total liabilities	12,501,781	13,726,894	10,519,660	7,605,879	47,377,279	160,121,350	420,773,956	949,467	942	50,172,733	2,995	471,900,093
DEFERRED INFLOW OF RESOURCES												
Interest rate swap	—	—	—	—	—	—	—	—	—	26,598	—	26,598
Total deferred inflow of resources	—	—	—	—	—	—	—	—	—	26,598	—	26,598
Total liabilities and deferred inflow of resources	\$ 12,501,781	\$ 13,726,894	\$ 10,519,660	\$ 7,605,879	\$ 47,377,279	\$ 160,121,350	\$ 420,773,956	\$ 949,467	\$ 942	\$ 50,199,331	\$ 2,995	\$ 471,926,691
NET POSITION												
Net investments in capital assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,861,822	\$ —	\$ 1,861,822
Restricted	2,399,115	2,584,589	1,687,752	1,614,615	13,383,004	5,858,058	57,095,609	254,668	—	—	8,284,859	65,635,136
Unrestricted	—	—	—	—	—	—	—	—	2,446,159	40,126,728	—	42,572,887
Total net position	\$ 2,399,115	\$ 2,584,589	\$ 1,687,752	\$ 1,614,615	\$ 13,383,004	\$ 5,858,058	\$ 57,095,609	\$ 254,668	\$ 2,446,159	\$ 41,988,550	\$ 8,284,859	\$ 110,069,845

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	1995CD	1995LJ	1997D	1997H	1998A	2002 Lease	2004D	2005A	2005B	2005C
	Program	Program	Program	Program	Program	Purchase	Program	Program	Program	Program
Operating revenues:										
Interest income:										
Mortgage-backed securities	\$ 67,252	\$ 66,971	\$ —	\$ —	\$ —	\$ —	\$ 294,128	\$ 431,850	\$ 623,571	\$ 556,343
Cash and cash equivalents	2	3	—	—	—	55	20	20,369	69	61
Other investments	—	—	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—	—	—
Total interest income	67,254	66,974	—	—	—	55	294,148	452,219	623,640	556,404
Net increase (decrease) in fair value of investments	(20,070)	(106,762)	—	—	—	—	23,884	(38,059)	(12,694)	(93,243)
Low income housing tax credit program	—	—	—	—	—	—	—	—	—	—
Gain on sale of mortgage-backed securities	—	—	—	—	—	—	—	—	—	—
Grant fund revenues	—	—	—	—	—	—	—	—	—	—
Program fees	—	—	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—	—	—
Total operating revenues	47,184	(39,788)	—	—	—	55	318,032	414,160	610,946	463,161
Operating expenses:										
Interest expense	—	—	—	—	—	—	238,088	381,174	556,786	553,535
Salaries and related benefits	—	—	—	—	—	—	—	—	—	—
Grant fund expenses	—	—	—	—	—	—	—	—	—	—
Provision for mortgage loan losses	—	—	—	—	—	—	—	—	—	—
Other	3,634	3,637	—	—	—	—	5,634	5,759	6,393	6,570
Total operating expenses	3,634	3,637	—	—	—	—	243,722	386,933	563,179	560,105
Operating income (loss)	43,550	(43,425)	—	—	—	55	74,310	27,227	47,767	(96,944)
Transfers in (out)	(122,431)	(224,795)	(51)	(28)	(38)	—	(15,300)	(5,954)	(21,899)	(19,861)
Net position, beginning of year	1,032,429	1,400,149	479	352	209	(48,170)	1,201,746	1,469,882	1,797,754	1,246,839
Net position, end of year	\$ 953,548	\$ 1,131,929	\$ 428	\$ 324	\$ 171	\$ (48,115)	\$ 1,260,756	\$ 1,491,155	\$ 1,823,622	\$ 1,130,034

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	2006A	2006B	2006C	2006D	2006E	2007A	2007B	2007C
	Program	Program	Program	Program	Program	Program	Program	Program
Operating revenues:								
Interest income:								
Mortgage-backed securities	\$ 1,147,062	\$ 642,055	\$ 1,212,538	\$ 1,104,936	\$ 345,908	\$ 757,220	\$ 1,608,692	\$ 1,053,795
Cash and cash equivalents	158	74	128	135	44	125	420	152
Other investments	—	—	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—	—	—
Total interest income	<u>1,147,220</u>	<u>642,129</u>	<u>1,212,666</u>	<u>1,105,071</u>	<u>345,952</u>	<u>757,345</u>	<u>1,609,112</u>	<u>1,053,947</u>
Net increase (decrease) in fair value of investments	30,937	(30,769)	(85,505)	(191,282)	22,911	(103,845)	(535,483)	(60,098)
Low income housing tax credit program	—	—	—	—	—	—	—	—
Gain on sale of mortgage-backed securities	—	—	—	—	—	—	—	—
Grant fund revenues	—	—	—	—	—	—	—	—
Program fees	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total operating revenues	<u>1,178,157</u>	<u>611,360</u>	<u>1,127,161</u>	<u>913,789</u>	<u>368,863</u>	<u>653,500</u>	<u>1,073,629</u>	<u>993,849</u>
Operating expenses:								
Interest expense	1,107,778	635,146	1,146,745	1,047,792	323,775	767,297	1,418,666	1,046,790
Salaries and related benefits	—	—	—	—	—	—	—	—
Grant fund expenses	—	—	—	—	—	—	—	—
Provision for mortgage loan losses	—	—	—	—	—	—	—	—
Other	15,775	8,806	15,509	14,552	7,002	9,398	14,811	14,241
Total operating expenses	<u>1,123,553</u>	<u>643,952</u>	<u>1,162,254</u>	<u>1,062,344</u>	<u>330,777</u>	<u>776,695</u>	<u>1,433,477</u>	<u>1,061,031</u>
Operating income (loss)	54,604	(32,592)	(35,093)	(148,555)	38,086	(123,195)	(359,848)	(67,182)
Transfers in (out)	(64,759)	(28,909)	(93,647)	(91,586)	(31,911)	(41,248)	(105,357)	(57,432)
Net position, beginning of year	<u>2,657,875</u>	<u>1,497,969</u>	<u>2,951,357</u>	<u>2,791,921</u>	<u>805,529</u>	<u>1,910,526</u>	<u>7,723,773</u>	<u>2,674,298</u>
Net position, end of year	<u>\$ 2,647,720</u>	<u>\$ 1,436,468</u>	<u>\$ 2,822,617</u>	<u>\$ 2,551,780</u>	<u>\$ 811,704</u>	<u>\$ 1,746,083</u>	<u>\$ 7,258,568</u>	<u>\$ 2,549,684</u>

Mississippi Home Corporation
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	2007D	2007E	2008A	2008B	2009	2009 NIBP	Total Bond	HB530	Down Payment	General	Mississippi	Total
	Program	Program	Program	Program	Resolution	Resolution	Program	Program	Assistance	Corporate	Affordable	
									Program	Fund	Housing	
											Development	
											Fund	
Operating revenues:												
Interest income:												
Mortgage-backed securities	\$ 834,393	\$ 929,847	\$ 621,418	\$ 528,663	\$ 3,249,313	\$ 6,012,892	\$ 22,088,847	\$ —	\$ —	\$ —	\$ —	\$ 22,088,847
Cash and cash equivalents	159	149	101	111	282	582	23,199	—	175	2,857	320	26,551
Other investments	—	—	—	—	—	—	—	—	—	1,266,165	—	1,266,165
Mortgage loans	—	—	—	—	—	—	—	2,266	113,708	172,540	253,663	542,177
Total interest income	834,552	929,996	621,519	528,774	3,249,595	6,013,474	22,112,046	2,266	113,883	1,441,562	253,983	23,923,740
Net increase (decrease) in fair value of investments	(109,218)	(189,116)	6,942	(192,051)	(649,311)	2,260,049	(72,783)	—	—	174,642	—	101,859
Low income housing tax credit program	—	—	—	—	—	—	—	—	—	3,074,057	—	3,074,057
Gain on sale of mortgage-backed securities	—	—	—	—	—	—	—	—	—	19,345	—	19,345
Grant fund revenues	—	—	—	—	—	—	—	—	—	23,227,238	—	23,227,238
Program fees	—	—	—	—	—	—	—	—	—	145,847	—	145,847
Other income	—	—	—	—	—	9,550	9,550	15	7,645	644,000	13,786	674,996
Total operating revenues	725,334	740,880	628,461	336,723	2,600,284	8,283,073	22,048,813	2,281	121,528	28,726,691	267,769	51,167,082
Operating expenses:												
Interest expense	827,965	886,101	615,285	520,262	1,996,268	5,062,950	19,132,403	—	—	20,938	—	19,153,341
Salaries and related benefits	—	—	—	—	—	—	—	—	—	4,466,708	—	4,466,708
Grant fund expenses	—	—	—	—	—	—	—	—	—	21,740,572	—	21,740,572
Provision for mortgage loan losses	—	—	—	—	—	—	—	(142)	16,443	(728)	226,034	241,607
Other	9,263	12,239	8,371	7,504	24,590	70,798	264,486	8,664	12,852	1,778,952	126,889	2,191,843
Total operating expenses	837,228	898,340	623,656	527,766	2,020,858	5,133,748	19,396,889	8,522	29,295	28,006,442	352,923	47,794,071
Operating income (loss)	(111,894)	(157,460)	4,805	(191,043)	579,426	3,149,325	2,651,924	(6,241)	92,233	720,249	(85,154)	3,373,011
Transfers in (out)	(41,059)	(52,548)	(10,690)	(13,937)	231,885	(319,363)	(1,130,918)	3,635	2,730	1,120,918	3,635	—
Net position, beginning of year	2,552,068	2,794,597	1,693,637	1,819,595	12,571,693	3,028,096	55,574,603	257,274	2,351,196	40,147,383	8,366,378	106,696,834
Net position, end of year	\$ 2,399,115	\$ 2,584,589	\$ 1,687,752	\$ 1,614,615	\$ 13,383,004	\$ 5,858,058	\$ 57,095,609	\$ 254,668	\$ 2,446,159	\$ 41,988,550	\$ 8,284,859	\$ 110,069,845

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2014

	1995CD Program	1995LJ Program	1997D Program	1997H Program	1998A Program	2002 Lease Purchase 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	(5,015)	(15,245)	—	—	—	—	(4,555)	(4,680)	(5,314)	(5,491)
Fee income received	—	—	—	—	—	—	—	—	—	—
Grant funds received	—	—	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(5,015)	(15,245)	—	—	—	—	(4,555)	(4,680)	(5,314)	(5,491)
Cash flows from noncapital financing activities:										
Principal repayment of bonds	—	—	—	—	—	—	(540,000)	(1,665,000)	(2,620,000)	(2,640,000)
Interest paid	—	—	—	—	—	—	(240,187)	(388,739)	(567,290)	(564,271)
Due (from) to other programs	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	—	—	—	—	—	—	(780,187)	(2,053,739)	(3,187,290)	(3,204,271)
Cash flows from capital and related financing activities:										
Property and equipment additions	—	—	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—	—	—
Cash flows from investing activities:										
Purchase of investments	—	—	—	—	—	—	—	—	—	—
Redemption of investments	57,359	159,386	—	—	—	—	710,478	1,475,774	2,215,179	2,823,531
Interest received on investments	70,049	80,497	—	—	—	55	302,488	459,211	633,465	568,588
Net cash provided by (used in) investing activities	127,408	239,883	—	—	—	55	1,012,966	1,934,985	2,848,644	3,392,119
Transfers	(122,431)	(224,795)	(51)	(28)	(38)	—	(15,300)	(5,954)	(21,899)	(19,861)
Net increase (decrease) in cash and cash equivalents	(38)	(157)	(51)	(28)	(38)	55	212,924	(129,388)	(365,859)	162,496
Cash and cash equivalents, beginning of year	644	1,151	479	352	209	552,231	170,294	730,049	886,189	450,701
Cash and cash equivalents, end of year	\$ 606	\$ 994	\$ 428	\$ 324	\$ 171	\$ 552,286	\$ 383,218	\$ 600,661	\$ 520,330	\$ 613,197

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2014

	2006A	2006B	2006C	2006D	2006E	2007A	2007B	2007C
	Program	Program	Program	Program	Program	Program	Program	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	(1,377)	(7,727)	(10,757)	(10,025)	(5,923)	(8,318)	(12,260)	(9,843)
Fee income received	—	—	—	—	—	—	—	—
Grant funds received	—	—	—	—	—	—	—	—
Other income received	—	—	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(1,377)	(7,727)	(10,757)	(10,025)	(5,923)	(8,318)	(12,260)	(9,843)
Cash flows from noncapital financing activities:								
Principal repayment of bonds	(6,635,000)	(3,680,000)	(6,110,000)	(7,040,000)	(1,595,000)	(4,745,000)	(9,670,000)	(6,475,000)
Interest paid	(1,133,639)	(650,034)	(1,171,579)	(1,077,125)	(329,757)	(786,912)	(1,457,754)	(1,074,412)
Due (from) to other programs	—	—	—	—	—	—	—	—
Net cash provided by (used in) noncapital financing activities	(7,768,639)	(4,330,034)	(7,281,579)	(8,117,125)	(1,924,757)	(5,531,912)	(11,127,754)	(7,549,412)
Cash flows from capital and related financing activities:								
Property and equipment additions	—	—	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—
Cash flows from investing activities:								
Purchase of investments	—	—	—	—	—	—	—	—
Redemption of investments	5,301,241	2,934,474	5,674,047	6,361,198	1,604,480	4,568,498	7,827,542	5,649,682
Interest received on investments	1,159,800	654,665	1,237,854	1,134,174	352,677	777,589	1,643,835	1,079,550
Net cash provided by (used in) investing activities	6,461,041	3,589,139	6,911,901	7,495,372	1,957,157	5,346,087	9,471,377	6,729,232
Transfers	(64,759)	(28,909)	(93,647)	(91,586)	(31,911)	(41,248)	(105,357)	(57,432)
Net increase (decrease) in cash and cash equivalents	(1,373,734)	(777,531)	(474,082)	(723,364)	(5,434)	(235,391)	(1,773,994)	(887,455)
Cash and cash equivalents, beginning of year	2,400,780	1,069,132	1,557,836	1,639,631	469,525	1,374,909	5,422,969	2,052,664
Cash and cash equivalents, end of year	\$ 1,027,046	\$ 291,601	\$ 1,083,754	\$ 916,267	\$ 464,091	\$ 1,139,518	\$ 3,648,975	\$ 1,165,209

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2014

	2007D Program	2007E Program	2008A Program	2008B Program	2009 Resolution	2009 NIBP Resolution	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 120,840	\$ 390,080	\$ 895,423	\$ 1,116,413	\$ 2,522,756
Loan interest payments received	—	—	—	—	—	—	—	2,034	114,523	175,725	254,166	546,448
Loan disbursements	—	—	—	—	—	—	—	(119,662)	(189,496)	(1,829,546)	(832,335)	(2,971,039)
Payments to employees	—	—	—	—	—	—	—	—	—	(4,440,058)	—	(4,440,058)
Grant funds expended	—	—	—	—	—	—	—	—	—	(20,783,921)	—	(20,783,921)
Payments to vendors	(8,183)	(8,547)	(7,292)	(6,425)	(51,846)	(76,299)	(265,122)	(7,161)	(13,282)	(1,292,313)	(131,963)	(1,709,841)
Fee income received	—	—	—	—	—	—	—	—	7,645	3,800,040	13,277	3,820,962
Grant funds received	—	—	—	—	—	—	—	—	—	18,802,087	—	18,802,087
Other income received	—	—	—	—	—	9,550	9,550	16	174	993,056	319	1,003,115
Net cash provided by (used in) operating activities	(8,183)	(8,547)	(7,292)	(6,425)	(51,846)	(66,749)	(255,572)	(3,933)	309,644	(3,679,507)	419,877	(3,209,491)
Cash flows from noncapital financing activities:												
Principal repayment of bonds	(5,545,000)	(5,150,000)	(3,600,000)	(2,895,000)	(11,057,644)	(18,670,000)	(100,332,644)	—	—	—	—	(100,332,644)
Interest paid	(853,703)	(909,919)	(630,944)	(534,178)	(1,832,734)	(5,135,814)	(19,338,991)	—	—	(2,401)	—	(19,341,392)
Due (from) to other programs	—	—	—	—	—	—	—	1,606	—	(1,606)	—	—
Net cash provided by (used in) noncapital financing activities	(6,398,703)	(6,059,919)	(4,230,944)	(3,429,178)	(12,890,378)	(23,805,814)	(119,671,635)	1,606	—	(4,007)	—	(119,674,036)
Cash flows from capital and related financing activities:												
Property and equipment additions	—	—	—	—	—	—	—	—	—	(131,125)	—	(131,125)
Proceeds from sale of property and equipment	—	—	—	—	—	—	—	—	—	—	20,510	20,510
Net cash provided by (used in) capital and related financing activities	—	—	—	—	—	—	—	—	—	(131,125)	20,510	(110,615)
Cash flows from investing activities:												
Purchase of investments	—	—	—	—	—	—	—	—	—	(19,423,474)	(1,467,205)	(20,890,679)
Redemption of investments	4,681,975	4,828,205	2,851,652	2,791,942	10,621,037	17,679,984	90,817,664	—	—	17,237,722	—	108,055,386
Interest received on investments	857,514	954,483	634,794	543,310	3,324,142	6,072,063	22,540,805	—	—	1,363,119	—	23,903,922
Net cash provided by (used in) investing activities	5,539,489	5,782,688	3,486,446	3,335,252	13,945,179	23,752,047	113,358,467	—	—	(822,633)	(1,467,205)	111,068,629
Transfers	(41,059)	(52,548)	(10,690)	(13,937)	231,885	(319,363)	(1,130,918)	3,635	2,730	1,120,918	3,635	—
Net increase (decrease) in cash and cash equivalents	(908,456)	(338,326)	(762,480)	(114,288)	1,234,840	(439,879)	(7,699,658)	1,308	312,374	(3,516,354)	(1,023,183)	(11,925,513)
Cash and cash equivalents, beginning of year	2,130,826	1,566,768	1,575,702	1,023,483	1,928,852	5,144,123	32,149,499	1,116,930	316,372	14,379,364	1,445,425	49,407,590
Cash and cash equivalents, end of year	\$ 1,222,370	\$ 1,228,442	\$ 813,222	\$ 909,195	\$ 3,163,692	\$ 4,704,244	\$ 24,449,841	\$ 1,118,238	\$ 628,746	\$ 10,863,010	\$ 422,242	\$ 37,482,077

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2014

	1995CD	1995LJ	1997D	1997H	1998A	2002 Lease Purchase	2004D	2005A	2005B	2005C
	Program	Program	Program	Program	Program	Program	Program	Program	Program	Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	\$ 43,550	\$ (43,425)	\$ —	\$ —	\$ —	\$ 55	\$ 74,310	\$ 27,227	\$ 47,767	\$ (96,944)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Interest paid	—	—	—	—	—	—	240,187	388,739	567,290	564,271
Amortization of bond discount (premium)	—	—	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	5,246	—	—	—
Amortization of bond refunding	—	—	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	20,070	106,762	—	—	—	—	(23,884)	38,059	12,694	93,243
Realized (gain) loss on investments	—	—	—	—	—	—	—	—	—	—
Gain on MBS Sales	—	—	—	—	—	—	—	—	—	—
Gain on sale of fixed assets	—	—	—	—	—	—	—	—	—	—
Interest received on investments	(70,049)	(80,497)	—	—	—	(55)	(302,488)	(459,211)	(633,465)	(568,588)
Changes in assets and liabilities:										
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	373	990	—	—	—	—	3,094	6,992	9,824	12,184
(Increase) decrease in other assets	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in accrued interest payable	—	—	—	—	—	—	(2,099)	(7,565)	(10,503)	(10,736)
Increase (decrease) in low income housing tax credit program unearned revenues	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in grant fund unearned revenues	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	1,041	925	—	—	—	—	1,079	1,079	1,079	1,079
Total adjustments	(48,565)	28,180	—	—	—	(55)	(78,865)	(31,907)	(53,081)	91,453
Net cash provided by (used in) operating activities	\$ (5,015)	\$ (15,245)	\$ —	\$ —	\$ —	\$ —	\$ (4,555)	\$ (4,680)	\$ (5,314)	\$ (5,491)

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2014

	2006A	2006B	2006C	2006D	2006E	2007A	2007B	2007C
	Program	Program	Program	Program	Program	Program	Program	Program
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 54,604	\$ (32,592)	\$ (35,093)	\$ (148,555)	\$ 38,086	\$ (123,195)	\$ (359,848)	\$ (67,182)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Interest paid	1,133,639	650,034	1,171,579	1,077,125	329,757	786,912	1,457,754	1,074,412
Amortization of bond discount (premium)	—	—	—	—	—	—	—	—
Amortization of investment (discount) premium	—	—	—	—	—	—	—	—
Amortization of bond refunding	—	—	—	—	—	—	—	—
Net (increase) decrease in fair value of investments	(30,937)	30,769	85,505	191,282	(22,911)	103,845	535,483	60,098
Realized (gain) loss on investments	—	—	—	—	—	—	—	—
Gain on MBS Sales	—	—	—	—	—	—	—	—
Gain on sale of fixed assets	—	—	—	—	—	—	—	—
Interest received on investments	(1,159,800)	(654,665)	(1,237,854)	(1,134,174)	(352,677)	(777,589)	(1,643,835)	(1,079,550)
Changes in assets and liabilities:								
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	—
(Increase) decrease in accrued interest receivable	22,100	12,536	25,187	29,103	6,725	20,245	34,723	25,603
(Increase) decrease in other assets	3,799	—	3,674	3,448	—	—	1,472	3,319
Increase (decrease) in accrued interest payable	(25,861)	(14,888)	(24,834)	(29,333)	(5,982)	(19,615)	(39,088)	(27,622)
Increase (decrease) in low income housing tax credit program unearned revenues	—	—	—	—	—	—	—	—
Increase (decrease) in grant fund unearned revenues	—	—	—	—	—	—	—	—
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—
Increase (decrease) in other liabilities and accrued expenses	1,079	1,079	1,079	1,079	1,079	1,079	1,079	1,079
Total adjustments	(55,981)	24,865	24,336	138,530	(44,009)	114,877	347,588	57,339
Net cash provided by (used in) operating activities	<u>\$ (1,377)</u>	<u>\$ (7,727)</u>	<u>\$ (10,757)</u>	<u>\$ (10,025)</u>	<u>\$ (5,923)</u>	<u>\$ (8,318)</u>	<u>\$ (12,260)</u>	<u>\$ (9,843)</u>

Mississippi Home Corporation
Combining Schedule of Cash Flows
For the Year Ended June 30, 2014

	2007D	2007E	2008A	2008B	2009	2009 NIBP	Total Bond	HB530	Down	General	Mississippi	Total
	Program	Program	Program	Program	Resolution	Resolution	Program	Program	Payment	Corporate	Affordable	
									Assistance	Fund	Housing	
									Program		Development	
											Fund	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss)	\$ (111,894)	\$ (157,460)	\$ 4,805	\$ (191,043)	\$ 579,426	\$ 3,149,325	\$ 2,651,924	\$ (6,241)	\$ 92,233	\$ 720,249	\$ (85,154)	\$ 3,373,011
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:												
Interest paid	853,703	909,919	630,944	534,178	1,832,734	5,135,814	19,338,991	—	—	2,401	—	19,341,392
Amortization of bond discount (premium)	—	—	—	—	—	(24,482)	(24,482)	—	—	—	—	(24,482)
Amortization of investment (discount) premium	—	—	—	—	23,122	—	28,368	—	—	116,036	—	144,404
Amortization of bond refunding	—	—	—	—	120,443	—	120,443	—	—	—	—	120,443
Net (increase) decrease in fair value of investments	109,218	189,116	(6,942)	192,051	649,311	(2,260,049)	72,783	—	—	(174,642)	—	(101,859)
Realized (gain) loss on investments	—	—	—	—	—	—	—	—	—	42,627	—	42,627
Gain on MBS Sales	—	—	—	—	—	—	—	—	—	(19,345)	—	(19,345)
Gain on sale of fixed assets	—	—	—	—	—	—	—	—	—	—	(20,510)	(20,510)
Interest received on investments	(857,514)	(954,483)	(634,794)	(543,310)	(3,324,142)	(6,072,063)	(22,540,803)	—	—	(1,363,119)	—	(23,903,922)
Changes in assets and liabilities:												
(Increase) decrease in mortgage loans receivable, net	—	—	—	—	—	—	—	1,035	215,663	(934,851)	954,162	236,009
(Increase) decrease in accrued interest receivable	22,962	24,487	13,275	14,535	51,425	58,588	394,951	(232)	806	(1,176)	504	394,853
(Increase) decrease in other assets	—	2,613	—	—	7,550	2,355	28,230	—	—	110,715	(430,140)	(291,195)
Increase (decrease) in accrued interest payable	(25,737)	(23,818)	(15,659)	(13,915)	43,088	(48,381)	(302,548)	—	—	18,537	—	(284,011)
Increase (decrease) in low income housing tax credit program unearned revenues	—	—	—	—	—	—	—	—	—	962,520	—	962,520
Increase (decrease) in grant fund unearned revenues	—	—	—	—	—	—	—	—	—	(3,051,239)	—	(3,051,239)
Increase (decrease) in deferred gains	—	—	—	—	—	—	—	—	—	(14,720)	—	(14,720)
Increase (decrease) in other liabilities and accrued expenses	1,079	1,079	1,079	1,079	(34,803)	(7,856)	(23,429)	1,505	942	(93,500)	1,015	(113,467)
Total adjustments	103,711	148,913	(12,097)	184,618	(631,272)	(3,216,074)	(2,907,496)	2,308	217,411	(4,399,756)	505,031	(6,582,502)
Net cash provided by (used in) operating activities	\$ (8,183)	\$ (8,547)	\$ (7,292)	\$ (6,425)	\$ (51,846)	\$ (66,749)	\$ (255,572)	\$ (3,933)	\$ 309,644	\$ (3,679,507)	\$ 419,877	\$ (3,209,491)

**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***

The Board of Directors of
Mississippi Home Corporation

We have audited, in accordance with the 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, the financial statements of Mississippi Home Corporation (the "Corporation"), a governmental instrumentality of the State of Mississippi, which comprise the combined statements of net position as of June 30, 2014 and 2013, and the related combined statements of revenue, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James LLP". The signature is written in a cursive, flowing style.

Ridgeland, Mississippi
September 30, 2014