

MISSISSIPPI HOME CORPORATION

Financial Statements

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)

MISSISSIPPI HOME CORPORATION

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Independent Auditors' Report

To the Board of Directors of
Mississippi Home Corporation:

We have audited the accompanying combined balance sheet of Mississippi Home Corporation (an instrumentality of the State of Mississippi) as of June 30, 2002, and the related combined statements of revenues, expenses and changes in fund balance, and cash flows for the year then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The combined financial statements of Mississippi Home Corporation as of June 30, 2001, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those statements in their report dated October 3, 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2001 combined financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Home Corporation as of June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented in Schedules 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Mississippi Home Corporation's internal controls over financial reporting and its compliance with certain provisions of laws, regulations and contracts dated October 4, 2002.

/s/ KPMG LLP

October 4, 2002

MISSISSIPPI HOME CORPORATION

Combined Balance Sheets

June 30, 2002 and 2001

Assets	2002	2001
Cash and cash equivalents:		
Cash	\$ 505,376	412,851
Restricted cash	9,280,348	6,747,894
Cash equivalents	5,235,246	1,195,886
Restricted cash equivalents	183,600,842	64,547,062
Total cash and cash equivalents	198,621,812	72,903,693
Accrued interest receivable	3,385,711	3,809,404
Investments, at fair value:		
Mortgage-backed securities	481,820,705	489,826,410
Other investments	18,213,067	16,519,395
Mortgage loans receivable, net of allowance for loan losses of \$572,034 in 2002 and \$1,231,000 in 2001	15,260,720	23,450,274
Unamortized bond issuance costs	6,924,593	6,247,720
Other assets	7,050,654	6,391,603
Total assets	\$ 731,277,262	619,148,499
Liabilities and fund balance		
Bonds payable	\$ 591,194,559	539,087,462
Notes payable	58,725,000	12,475,977
Accrued interest payable	3,169,491	3,444,086
Deferred gains	1,674,342	2,158,085
Other liabilities and accrued expenses	6,475,299	3,610,365
Total liabilities	661,238,691	560,775,975
Fund balance	70,038,571	58,372,524
Total liabilities and fund balance	\$ 731,277,262	619,148,499

See the accompanying notes to the financial statements.

MISSISSIPPI HOME CORPORATION

Combined Statements of Revenues, Expenses and Changes in Fund Balance

For the years ended June 30, 2002 and 2000

	2002	2001
Revenues:		
Interest income:		
Cash and cash equivalents	\$ 3,540,189	4,894,396
Mortgage-backed securities	31,798,267	32,161,665
Other investments	1,544,047	1,387,099
Mortgage loans receivable	1,326,301	2,217,921
Total interest income	38,208,804	40,661,081
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	11,008,396	15,638,187
Realized loss on investments	(1,047,304)	—
Reservation fees	460,302	463,015
Low income housing tax credit program	1,052,881	1,223,330
Other income	428,939	458,928
Total revenues	50,112,018	58,444,541
Expenses:		
Interest expense	33,237,439	34,382,242
Amortization of bond issuance costs	1,362,628	856,661
Trust and administration fees	146,993	160,363
Mortgage related insurance	42,711	72,330
Losses on mortgage loans	149,590	175,626
Administrative expenses:		
Salaries and related benefits	1,924,925	1,738,155
Other	1,581,685	1,515,594
Total expenses	38,445,971	38,900,971
Excess of revenues over expenses	11,666,047	19,543,570
Fund balance, beginning of year	58,372,524	38,828,954
Fund balance, end of year	\$ 70,038,571	58,372,524

See accompanying notes to financial statements.

MISSISSIPPI HOME CORPORATION

Combined Statements of Cash Flows

For the years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 11,666,047	19,543,570
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Amortization of:		
Bond issuance costs	1,362,628	856,661
Discounts and premiums on bonds payable, net	(155,095)	(246,938)
(Increase) decrease in:		
Accrued interest receivable	423,693	(218,029)
Other assets	(559,746)	559,268
Increase (decrease) in:		
Accrued interest payable	(274,595)	(91,656)
Deferred gains	(483,743)	(127,794)
Other liabilities and accrued expenses	2,539,928	919,992
Increase (decrease) in allowance for losses on mortgage loans	(644,761)	(2,506)
Unrealized (gains) losses on investments	(10,941,957)	(15,638,187)
Accretion of bond discount, net	49,120	171,250
Depreciation	268,995	241,185
Realized loss on investments	1,047,304	—
Net cash provided by operating activities	<u>4,297,818</u>	<u>5,966,816</u>
Cash flows from investing activities:		
Proceeds from maturities and redemptions of mortgage-backed securities	113,155,160	50,233,937
Purchases of mortgage-backed securities	(94,965,434)	(77,780,618)
Proceeds from maturities of investments	20,442,635	13,477,275
Purchases of investments	(22,625,472)	(13,119,090)
Mortgage loan repayments	4,264,158	4,988,612
Proceeds from sale of mortgage loans	6,437,547	6,191,060
Direct write-off of mortgage loans	793,994	—
Down payment assistance and development loans originated	(2,726,854)	(2,661,636)
Net cash provided by (used in) investing activities	<u>24,775,734</u>	<u>(18,670,460)</u>
Cash flows from non-capital financing activities:		
Proceeds from sales of bonds	163,566,265	116,469,961
Repayment of bonds	(110,828,389)	(61,383,414)
Proceeds from notes payable	85,805,000	30,880,000
Principal payments on notes payable	(37,685,792)	(33,883,285)
Bond insurance costs paid	(2,039,503)	(1,390,777)
Net cash provided by non-capital financing activities	<u>98,817,581</u>	<u>50,692,485</u>
Cash flows from capital financing activities:		
Property, plant and equipment additions	(302,829)	(193,916)
Principal payments on notes payable	(1,870,185)	(100,928)
Net cash used in capital financing activities	<u>(2,173,014)</u>	<u>(294,844)</u>
Net increase in cash and cash equivalents	125,718,119	37,693,997
Cash and cash equivalents, beginning of year	72,903,693	35,209,696
Cash and cash equivalents, end of year	\$ <u>198,621,812</u>	<u>72,903,693</u>

See accompanying notes to financial statements.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

(1) Organization and Summary of Significant Accounting Policies

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

Members of the Board of Directors of the Corporation 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.

(a) *Accounting Method*

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

The Corporation's accounts are organized on the basis of separate enterprise funds, each of which is considered to be a separate accounting entity with a separate set of self-balancing accounts that comprise the assets, liabilities, fund balance, revenues and expenses of the individual mortgage purchase programs, the down payment assistance program, the Mississippi Affordable Housing Development Fund and the general corporate fund. Enterprise funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determining net income and capital maintenance.

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

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

(b) Cash and Cash Equivalents

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

(c) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consists of proceeds from the sales of bonds pending the purchase of Government National Mortgage Association Mortgage Backed Securities (GNMA securities or certificates) and the principal and interest payments of the GNMA securities. These funds are primarily held in guaranteed investment contracts. The indentures of the respective mortgage purchase programs stipulate that these funds may be used only for the acquisition of GNMA securities or the early redemption of the respective mortgage revenue program bonds outstanding.

(d) Mortgage Loans Receivable, GNMA Certificates and Investments

Mortgage loans in the 1994-I Program and the General Corporate Fund are 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 Fund are secured by second liens on single-family residential properties, while the remainder are secured by first liens on multi-family residential properties. Proceeds from certain bond issues not invested in individual mortgages are principally invested in GNMA certificates, representing pools of mortgage loans originated under the respective programs. Principally all loans purchased by the Corporation are insured by the Federal Housing Authority (FHA) or private mortgage insurance, are Veterans' Administration (VA) or Farmer's Home Administration (FHA) guaranteed, or have a loan-to-fair value ratio of 80% or less at origination. Additionally, each mortgage loan in the 1994-I is insured by a pool insurance policy, subject to certain limitations on uncovered losses. Pool policy loss limits for the 1994-I Program is of the initial aggregate principal amounts of all mortgage loans purchased with proceeds of the related bonds.

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

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

(e) 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 charged to expense when, in management's opinion, the realization of all or a portion of the loans or recovery on properties owned is doubtful.

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

Management of the Corporation believes that the allowance is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions.

(f) Cash Flows

Cash paid for interest during fiscal years ended June 30, 2002 and 2001, totaled \$33,661,132 and \$34,437,493, respectively.

(g) Unamortized Bond Issuance Costs, Discounts and Premiums

Costs related to the issuance of bonds are capitalized in the respective bond issues and amortized over the term of the bonds. During the years ended June 30, 2002 and June 30, 2001, \$2,039,503 and \$1,390,777 of issuance costs were capitalized. In addition, discounts and premiums on the sale of bonds are deferred and amortized over the life of the bonds. Prepayments of principal are not anticipated in amortizing bond issuance costs, bond discounts, or bond premiums.

(h) Reservation Fees

Reservation fees are those fees paid to the Corporation by banks within the State to reserve their respective allocation of bond proceeds or Downpayment Assistance Funds for the purpose of having the right to originate mortgage loans under the program. These reservation fees, all of which are non-refundable, are recognized as income when received.

(i) 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.

(j) Deferred Gains

Gains resulting from the substitution of collateral in defeasance trusts and the sale of the Corporation's right to residual assets in defeasance trusts are deferred and amortized as a component of interest expense over the lives of the defeased bonds using the bonds outstanding method.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

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.

(1) **Recent Pronouncements**

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Corporation is required to adopt this statement for the fiscal year ended June 30, 2003. Adoption of this statement will enhance disclosure and is not expected to have a significant impact on the results of operations or financial position of the Corporation.

In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*. Concurrently, the GASB also issued Statement No. 38, *Certain Financial Statement Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB Statement No. 34. Both Statements are required to be implemented in conjunction with GASB Statement No. 34. These statements are not expected to have a significant impact on the results of operations or financial position of the Corporation.

(2) **Cash Equivalents and Investments**

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

- Direct obligations of or obligations guaranteed by the United States;
- Bonds, debentures, notes or other evidence of indebtedness issued by U.S. Government agencies;
- Direct and general obligations of the State;
- Repurchase agreements secured by collateral;
- Investment contracts or agreements with entities rated "A" or better by a nationally recognized rating agency; and,
- Certificates of deposit or time deposits of qualified depositories and money market funds.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that certain investments be reported at fair value in the financial statements, with unrealized gains or losses being reported in the earnings of the current period. Money market investments, guaranteed investment contracts and other highly liquid investments with no stated maturity, are considered cash equivalents and are reported at amortized cost.

Governmental accounting standards also require that the carrying amounts of cash and investments as of the balance sheet date be categorized according to the level of credit risk associated with the Corporation's cash and cash equivalents and investments at that time. The level of credit risk is defined as follows:

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

Category 1 - Insured (including government securities) or registered with securities held by the Corporation or its agent in the Corporation's name.

Category 2 - Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Corporation's name.

Category 3 Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the Corporation's name.

A summary of cash and cash equivalents as of June 30, 2002 and 2001, by category follows:

	<u>2002</u>	<u>2001</u>
Category 1	\$ 505,376	412,851
Category 3	<u>198,116,436</u>	<u>72,490,842</u>
Total	<u>198,621,812</u>	<u>72,903,693</u>

A summary of the amortized cost and estimated fair value of investments by category follows:

	<u>Amortized cost</u>	<u>Estimated fair value</u>
June 30, 2002		
Category 1:		
U. S. Government agency securities	\$ 13,643,929	13,213,067
GNMA mortgage-backed securities	<u>470,381,447</u>	<u>481,820,705</u>
	<u>484,025,376</u>	<u>495,033,772</u>
Category 3:		
Commercial agreements	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 489,025,376</u>	<u>500,033,772</u>
June 30, 2001		
Category 1:		
U. S. Government agency securities	\$ 11,443,432	11,519,395
GNMA mortgage-backed securities	<u>485,108,321</u>	<u>489,826,410</u>
	<u>496,551,753</u>	<u>501,345,805</u>
Category 3:		
Commercial agreements	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 501,551,753</u>	<u>506,345,805</u>

The fair value of securities collateralizing repurchase agreements approximated the carrying value of repurchase agreements at June 30, 2002 and 2001.

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Notes to Financial Statements

June 30, 2002 and 2001

The accounting treatment required under GASB Statement No. 31, causes changes in the interest rate environment to have a significant impact on the Corporation's Excess of Revenues over Expenses. Volatility in the interest rate environment in 2002 and 2001 caused extreme fluctuations in the Corporation's reported earnings. Management expects the volatility in interest rates and earnings to continue in the future. The effect of the unrealized gains and losses recorded as a function of this volatility for the years ended June 30, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Revenues in excess of expenses (before unrealized gains or losses)	\$ 657,651	3,905,383
Net unrealized gains	<u>11,008,396</u>	<u>15,638,187</u>
Revenues in excess of expenses (as reported)	<u>\$ 11,666,047</u>	<u>19,543,570</u>

FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, and FASB Statement No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities - An Amendment of FASB Statement No. 133 require all derivative instruments as defined to be reported at fair value in the Combined Balance Sheets, with adjustments to fair value being recorded in current period earnings. The Corporation is party to one contract which meets the definition of a derivative. Under the terms of this contract, the Corporation granted Security Life Insurance Company (Security Life) the option to purchase the GNMA securities held in Trust under the 1989 Mortgage Revenue Bond Issue on any date from October 15, 1999 to October 15, 2018. In exchange for this option, Security Life paid the Corporation 1% of the GNMA balance outstanding at the date of the contract. This payment amounted to \$355,950 and is being deferred until the eventual exercise of this option. During the period ended June 30, 2002, Security Life exercised its option. The exercise of this option resulted in no gain or loss to the Corporation. The entire amount of \$355,900 in deferred revenue was recognized in the income statement for the year ended June 30, 2002.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

(3) Bond Payable

Bonds payable for the mortgage purchase programs follow:

Description	<u>2002</u>	<u>2001</u>
1988 series bonds – 7.300% to 7.800% interest payable semiannually, principal due through October 15, 2016	\$ 1,885,000	3,485,000
1989 series bonds – 8.000% to 8.250% interest payable semiannually, principal due through October 15, 2018	—	16,030,000
1992A series bonds – 6.150% to 7.500% interest payable semiannually, principal due through May 1, 2023	—	3,595,000
1992B series bonds – 6.500% interest payable semiannually, principally due through December 31, 2024	4,710,000	5,920,000
1994A series bonds – 5.000% to 6.900% interest payable semiannually, principal due through June 1, 2024	3,915,000	4,835,000
1994B series bonds – 6.000% to 7.900% interest payable semiannually, principal due through March 1, 2025	5,240,000	7,300,000
1994C series bonds – 5.450% to 8.125% interest payable semiannually, principally due through December 1, 2024	2,690,000	3,675,000
1994D series bonds – 5.600% to 8.100% interest payable semiannually, principal due through December 1, 2024	3,200,000	4,280,000
1994E series bonds – 5.600% to 8.100 interest payable semiannually, principal due through December 1, 20205	2,905,000	3,800,000
1994F series bonds – 6.150% to 7.450 interest payable semiannually, principal due through December 1, 2014	3,700,000	5,295,000
1994-I series bonds – 8.680% to 9.150% interest payable semiannually, principal due through September 15, 2014	4,977,975	7,303,138

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Notes to Financial Statements

June 30, 2002 and 2001

(3) Bonds Payable (Continued)

Description	<u>2002</u>	<u>2001</u>
1995B series bonds – 6.550% to 7.850% interest payable semiannually, principal due through April 1, 2027	6,205,000	8,065,000
1995D series bonds – 6.520% to 7.800% interest payable semiannually, principal due through November 1, 2027	13,305,000	17,270,000
1995H series bonds – 6.250% interest payable semiannually, principal due through December 1, 2026	11,605,000	14,980,000
1995I series bonds – 5.900% interest payable semiannually, principal due through June 1, 2017	1,145,000	1,475,000
1995J series bonds – 5.400% to 6.125% interest payable semiannually, principal due through June 1, 2027	14,060,000	18,290,000
1996C series bonds – 5.500% to 7.600% interest payable semiannually, principal due through June 1, 2029	16,365,000	20,665,000
1996F series bonds – 6.000% to 7.550% interest payable semiannually, principal due through December 1, 2027	15,195,000	19,565,000
1996H series – 4.350% to 5.550% interest payable semiannually, principal due through December 1, 2010	—	860,000
1996I series bonds – 5.200% to 7.375% interest payable semiannually, principal due through June 1, 2029	12,880,000	15,505,000
1997B series bonds – 4.500% to 5.600% interest payable semiannually, principal due through June 1, 2011	—	1,020,000
1997C series bonds – 5.550% to 7.750 interest payable semiannually, principal due through July 1, 2028	13,295,000	16,270,000
1997D series bonds – 5.800% to 7.750% interest payable semiannually, principal due through June 1, 2012	15,625,782	20,446,608

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Notes to Financial Statements

June 30, 2002 and 2001

(3) Bonds Payable (Continued)

Description	<u>2002</u>	<u>2001</u>
1997G series bonds – 5.250% to 6.930% interest payable semiannually, principal due through November 1, 2029	18,722,119	24,049,045
1997H series bonds – 5.350% to 6.830% interest payable semiannually, principal due through November 1, 2029	15,290,998	19,215,592
1998A series bonds – 5.125% to 6.560% interest payable semiannually, principal due through June 1, 2030	26,042,457	32,102,271
1998B series bonds – 5.100% to 6.250% interest payable semiannually, principal due through June 1, 2030	21,780,000	26,380,000
1998C series bonds – 4.900% to 6.350% interest payable semiannually, principal due through December 1, 2030	20,240,036	24,216,102
1999A series bonds – 4.800% to 6.630% interest payable semiannually, principal due through June 1, 2031	33,125,000	38,845,000
1999B series bonds – 4.100% to 5.650% interest payable semiannually, principal due through June 1, 2027	9,120,000	11,265,000
1999B series accretion bonds – effective interest rate 5.800%, principal due through December 1, 2030	896,207	847,087
1999C series bonds – 5.450% to 7.260% interest payable semiannually, principal due through June 1, 2031	20,115,000	24,235,000
2000A series bonds – 4.350% to 6.950% interest payable semiannually, principal due through December 1, 2031	49,335,000	54,350,000
2001A series bonds – 3.850% to 6.500% interest payable semiannually, principal due through June 1, 2032	57,990,000	60,000,000
2001B series bonds – 3.100% to 6.750%, interest payable semiannually, principal due through December 1, 2032	23,555,000	—

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Notes to Financial Statements

June 30, 2002 and 2001

(3) Bonds Payable (Continued)

Description	<u>2002</u>	<u>2001</u>
2001C series bonds – 5.500%, interest payable semiannually, principal due through December 1, 2015	1,815,000	—
2001D series bonds – 2.350% to 6.250%, interest payable semiannually, principal due through December 1, 2032	33,780,000	—
2002A series bonds – 2.100% to 6.100%, interest payable semiannually, principal due through June 1, 2034	38,570,000	—
2002B series bonds – 2.900% to 6.450%, interest payable semiannually, principal due through December 1, 2033	38,460,000	—
2002 lease purchase series bonds, interest at seven-day commercial paper rate adjusted weekly, principal due through October 1, 2007	<u>25,000,000</u>	<u>—</u>
	586,740,574	535,434,843
Unamortized premiums and deferred refunding losses, net	<u>4,453,985</u>	<u>3,652,619</u>
	<u>\$ 591,194,559</u>	<u>539,087,462</u>

The fair value of bonds payable at June 30, 2002 was \$576,615,470.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

A summary of contractual bond maturities as of June 30, 2002 follows:

Program	Year ended June 30,						Discount	Total
	2003	2004	2005	2006	2007	Thereafter		
1988	\$ 80,000	35,000	—	—	—	1,770,000	—	1,885,000
1992B	115,000	—	—	—	—	4,595,000	—	4,710,000
1994A	—	75,000	—	—	—	3,840,000	—	3,915,000
1994B	—	—	160,000	—	—	5,080,000	—	5,240,000
1994C	35,000	25,000	—	—	—	2,630,000	—	2,690,000
1994D	50,000	55,000	15,000	—	—	3,080,000	—	3,200,000
1994E	35,000	40,000	20,000	—	—	2,810,000	—	2,905,000
1994F	40,000	40,000	25,000	—	—	3,595,000	—	3,700,000
1994-I	—	—	—	—	—	4,977,975	—	4,977,975
1995AB	—	—	—	—	—	6,205,000	—	6,205,000
1995CD	—	—	—	—	—	13,305,000	—	13,305,000
1995FGH	—	—	—	—	—	11,605,000	—	11,605,000
1995IJ	—	—	—	—	—	15,205,000	—	15,205,000
1996ABC	—	—	—	—	—	16,365,000	—	16,365,000
1996DEF	—	—	—	—	—	15,195,000	—	15,195,000
1996GHI	—	—	—	—	—	12,880,000	—	12,880,000
1997ABC	—	—	—	—	—	13,295,000	—	13,295,000
1997D	—	—	—	—	—	15,625,782	—	15,625,782
1997G	—	—	—	—	—	18,722,119	—	18,722,119
1997H	—	—	—	—	—	15,290,998	—	15,290,998
1998A	—	—	—	—	—	26,042,457	—	26,042,457
1998B	—	—	—	—	—	21,780,000	—	21,780,000
1998C	—	—	—	—	—	20,240,036	—	20,240,036
1999A	—	—	—	—	—	33,125,000	—	33,125,000
1999B	195,000	200,000	210,000	230,000	240,000	12,605,000	(2,588,793)	10,016,207
1999C	—	—	—	—	—	20,115,000	—	20,115,000
2000A	455,000	495,000	535,000	580,000	630,000	46,640,000	—	49,335,000
2001A	485,000	525,000	570,000	615,000	670,000	55,125,000	—	57,990,000
2001BC	245,000	380,000	405,000	425,000	450,000	23,465,000	—	25,370,000
2001D	335,000	530,000	545,000	565,000	585,000	31,220,000	—	33,780,000
2002A	—	180,000	585,000	605,000	630,000	36,570,000	—	38,570,000
2002B	—	—	585,000	600,000	605,000	36,670,000	—	38,460,000
2002LP	—	—	—	—	—	25,000,000	—	25,000,000
	<u>\$ 2,070,000</u>	<u>2,580,000</u>	<u>3,655,000</u>	<u>3,620,000</u>	<u>3,810,000</u>	<u>574,669,367</u>	<u>(2,588,793)</u>	<u>586,740,574</u>

The Corporation has the option to redeem bonds after they have been outstanding for 10 years at initial prices ranging from 102% to 105% of par and subsequently at prices declining to par, except for the 1994-I series bonds. The 1994-I series bonds are redeemable after 10 years at 100% provided that at the redemption date no more than 20% of the original principal amount is outstanding. 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, 2002 and 2001, the Corporation has complied with all bond covenants.

(4) Note Payable

In the prior year, the Corporation had a \$1,870,185 note payable to Trustmark National Bank for the purchase of a building. This note was paid off in the current year.

In November 2000, the Corporation entered into an agreement to issue up to \$50,000,000 in convertible program notes, secured by U.S. Treasury securities. The notes bear interest at a rate equal to 95% of the 30-day U.S. Treasury rate. The agreement expired in December 2001.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

In December 2001, the Corporation entered into an agreement to issue up to \$100,000,000 in convertible program notes, secured by U. S Treasury securities. The notes bears interest at a rate equal to LIBOR plus 0.5%. The agreement expires December 2004 or when the \$100,000,000 is exhausted. At June 30, 2002, \$58,725,000 of the notes were outstanding.

The remaining notes payable in the prior year were attributable to amounts borrowed from banks to fund loans in the Down Payment Assistance Program. These loans, totaling approximately \$76,000, were also paid off in the current year.

(5) Excess Earnings

For all of the mortgage purchase programs except the 1994-I Program, Federal tax regulations require that earnings on investments of bond proceeds in excess of the yield on the bonds (as defined in the regulations and subject to certain adjustments) be periodically computed and paid to either the Internal Revenue Service or to the mortgagors. In certain instances, the bond resolutions require such excess earnings to be paid to the mortgagors. At June 30, 2002 and 2001, the Corporation determined that no significant liability exists for excess earnings in any of the programs; however, this determination is subject to ongoing evaluation.

(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. Borrowers also receive a 3% cash advance to be used for down payment assistance and allowable loan closing costs. To qualify, borrowers must meet county income limits, and their homes must meet purchase price limits, both set by Congress. These loans have 30-year terms, have market rates of interest, are secured by first mortgages on the residences, and are pooled into GNMA or FNMA Certificates that are held in the respective bond issue's trust account. As the GNMA and FMNA Certificates pay down, the Trustee calls the bonds.

(7) Mississippi Affordable Housing Development Fund

The Corporation is responsible for management of the Mississippi Affordable Housing Development Fund. The Fund 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 (MDA) in 1995 and \$5,991,893 in proceeds obtained directly from the State in 1996. The Corporation is responsible for all aspects of the Fund, 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 Fund for use in the granting new loans. Costs incurred by the Corporation for administering the Fund are not reimbursed to the Corporation.

(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 and moderate-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

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

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.

(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 borrowers' primary residence. The qualification requirements are generally the same as those of the respective mortgage loan programs under which the primary mortgage loans are made. The down payment assistance loans generally have 10 year terms, have rates which approximate those of the primary mortgages, are secured by second mortgages on the residences, and generally do not exceed \$3,500 per loan.

(10) Lease Purchase Revenue Bond Program

The Corporation's Lease Purchase Revenue Bond Program allows the Corporation to purchase homes for potential homebuyers with credit problems in return for signed leases and options to purchase. The potential homebuyers have up to 39 months to attend credit counseling, improve their credit and assume the loans. Once assumed, the loans are pooled and purchased by Freddie Mac. At that time, the bonds are paid in full.

The first Lease Purchase Revenue Bonds were issued in June 2002. However, no home purchases were executed in fiscal 2002.

(11) Bond Defeasances

The Corporation defeases various bond issues by creating separate irrevocable trust funds. New debt is issued and the proceeds used to purchase U.S. government securities that are placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Corporation's Combined Balance Sheets. These accretion bonds are reported using the unamortized cost method. The amount of defeased debt outstanding approximated \$125,414,678 and \$113,576,733 at June 30, 2002 and June 30, 2001, respectively. No additional bonds have been defeased in the current year.

(12) Defined Benefit Pension

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.

MISSISSIPPI HOME CORPORATION

Notes to Financial Statements

June 30, 2002 and 2001

PERS members are required to contribute 7.25% of their annual covered salary and the Corporation is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State Legislature. The Corporation's contribution requirement for the years ended June 30, 2002 and 2001 was approximately \$259,000 and \$237,000, which consisted of \$148,500 and \$135,900 from the Corporation and \$110,500 and \$101,100 from employees, respectively.

The Corporation's 39 participating employees are an insignificant portion of PERS total 310,000 participants.

(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.

(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, 2002, \$62,375,000 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.

(15) Subsequent Events

In October of 2002, the Corporation entered into an agreement to issue up to \$300,000,000 in convertible program notes, secured by U. S. Treasury securities. The notes bear interest at a rate equal to LIBOR plus 0.5%. The agreement expires October of 2004 or when the \$300,000,000 is exhausted.

MISSISSIPPI HOME CORPORATION

Combining Balance Sheet

June 30, 2002

Assets	1988 Program	1989 Program	1992A Program	1992B Program	1993B Program	1994A Program	1994B Program	1994C Program
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	—	—	1,727	3,000	—	135,751	61,497	100,622
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	262,836	—	—	128,184	—	73,712	716,974	87,694
Total cash and cash equivalents	262,836	—	1,727	131,184	—	209,463	778,471	188,316
Accrued interest receivable	24,280	—	—	28,074	—	23,922	40,584	20,443
Investments, at market value:								
Mortgage-backed securities	3,493,161	—	—	5,106,911	—	4,169,296	5,477,312	3,187,538
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	19,834	—	—	103,702	—	60,666	51,305	27,590
Other assets	1,282	—	—	—	—	—	—	—
Due (to) from other funds	—	—	(227)	—	—	—	—	—
Total assets	\$ 3,801,393	—	1,500	5,369,871	—	4,463,347	6,347,672	3,423,887
Liabilities and fund balance								
Bonds payable, net	\$ 1,885,000	—	—	4,710,000	—	3,915,000	5,245,892	2,719,509
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	30,860	—	—	25,448	—	21,872	131,915	16,735
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	3,000	—	1,500	6,001	—	3,600	2,700	4,500
Total liabilities	1,918,860	—	1,500	4,741,449	—	3,940,472	5,380,507	2,740,744
Fund balance (deficit)	1,882,533	—	—	628,422	—	522,875	967,165	683,143
Total liabilities and fund balance	\$ 3,801,393	—	1,500	5,369,871	—	4,463,347	6,347,672	3,423,887

MISSISSIPPI HOME CORPORATION

Combining Balance Sheet

June 30, 2002

Assets	1994D Program	1994E Program	1994F Program	1994-I Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	65,401	246,532	60,954	84,744	—	131,414	358,021	710,123
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	99,758	202,511	104,418	742,568	884,923	1,054,155	267,928	543,426
Total cash and cash equivalents	165,159	449,043	165,372	827,312	884,923	1,185,569	625,949	1,253,549
Accrued interest receivable	23,914	20,725	27,333	106,419	42,986	87,032	70,832	92,806
Investments, at market value:								
Mortgage-backed securities	3,753,006	3,054,497	4,030,407	—	5,864,378	13,286,477	11,751,476	15,156,002
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	6,579,738	—	—	—	—
Unamortized bond issuance costs	35,324	33,436	40,765	58,025	88,291	143,365	144,143	157,373
Other assets	—	—	—	128,833	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total assets	\$ <u>3,977,403</u>	<u>3,557,701</u>	<u>4,263,877</u>	<u>7,700,327</u>	<u>6,880,578</u>	<u>14,702,443</u>	<u>12,592,400</u>	<u>16,659,730</u>
Liabilities and fund balance								
Bonds payable, net	\$ 3,225,308	2,932,431	3,713,404	4,901,128	6,205,000	13,305,000	11,605,000	15,205,000
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	19,671	18,117	22,757	20,243	102,770	144,581	60,443	77,394
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	4,002	3,438	3,584	63,107	3,000	3,000	4,622	5,034
Total liabilities	3,248,981	2,953,986	3,739,745	4,984,478	6,310,770	13,452,581	11,670,065	15,287,428
Fund balance (deficit)	728,422	603,715	524,132	2,715,849	569,808	1,249,862	922,335	1,372,302
Total liabilities and fund balance	\$ <u>3,977,403</u>	<u>3,557,701</u>	<u>4,263,877</u>	<u>7,700,327</u>	<u>6,880,578</u>	<u>14,702,443</u>	<u>12,592,400</u>	<u>16,659,730</u>

MISSISSIPPI HOME CORPORATION

Combining Balance Sheet

June 30, 2002

Assets	1996ABC Program	1996DEF Program	1996GHI Program	1997ABC Program	1997D Program	1997G Program	1997H Program	1998A Program
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	394,121	791,301	569,720	987,714	404,734	493,424	453,283	584,466
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	428,253	549,113	386,601	357,339	2,186	124,115	54,272	91,579
Total cash and cash equivalents	822,374	1,340,414	956,321	1,345,053	406,920	617,539	507,555	676,045
Accrued interest receivable	103,674	93,842	81,434	82,698	97,042	108,750	89,124	145,514
Investments, at market value:								
Mortgage-backed securities	17,253,773	15,170,545	13,315,796	13,127,802	16,354,762	19,084,603	15,630,678	26,531,387
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	213,541	172,185	174,499	209,732	179,824	208,717	171,509	288,345
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total assets	<u>\$ 18,393,362</u>	<u>16,776,986</u>	<u>14,528,050</u>	<u>14,765,285</u>	<u>17,038,548</u>	<u>20,019,609</u>	<u>16,398,866</u>	<u>27,641,291</u>
Liabilities and fund balance								
Bonds payable, net	\$ 16,404,669	15,195,000	12,880,000	13,499,132	15,793,295	18,915,190	15,463,999	26,318,601
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	103,645	92,294	78,930	79,043	90,568	167,228	85,899	139,026
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	5,652	5,536	4,901	5,845	4,733	3,000	4,574	5,651
Total liabilities	16,513,966	15,292,830	12,963,831	13,584,020	15,888,596	19,085,418	15,554,472	26,463,278
Fund balance (deficit)	1,879,396	1,484,156	1,564,219	1,181,265	1,149,952	934,191	844,394	1,178,013
Total liabilities and fund balance	<u>\$ 18,393,362</u>	<u>16,776,986</u>	<u>14,528,050</u>	<u>14,765,285</u>	<u>17,038,548</u>	<u>20,019,609</u>	<u>16,398,866</u>	<u>27,641,291</u>

MISSISSIPPI HOME CORPORATION

Combining Balance Sheet

June 30, 2002

Assets	1998B Program	1998C Program	1999-I Program	1999A Program	1999B Program	1999C Program	2000-I Program	2000A Program
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	—
Restricted cash	3,124	338,871	—	3,173	252,532	23,837	—	767,784
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	<u>381,584</u>	<u>72,862</u>	<u>—</u>	<u>493,300</u>	<u>424,170</u>	<u>873,771</u>	<u>—</u>	<u>1,169,189</u>
Total cash and cash equivalents	384,708	411,733	—	496,473	676,702	897,608	—	1,936,973
Accrued interest receivable	117,869	109,113	—	179,049	56,621	118,237	—	298,351
Investments, at market value:								
Mortgage-backed securities	22,128,627	20,477,540	—	33,694,073	9,872,471	20,173,932	—	49,675,964
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	—
Unamortized bond issuance costs	236,120	219,905	—	325,027	114,873	221,008	—	565,350
Other assets	—	—	—	—	—	—	—	—
Due (to) from other funds	—	—	—	—	—	—	—	—
Total assets	<u>\$ 22,867,324</u>	<u>21,218,291</u>	<u>—</u>	<u>34,694,622</u>	<u>10,720,667</u>	<u>21,410,785</u>	<u>—</u>	<u>52,476,638</u>
Liabilities and fund balance								
Bonds payable, net	\$ 22,034,652	20,459,022	—	33,493,939	10,016,207	20,115,000	—	49,846,803
Notes payable	—	—	—	—	—	—	—	—
Accrued interest payable	109,270	104,286	—	172,857	40,622	105,381	—	225,890
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	<u>5,004</u>	<u>4,048</u>	<u>—</u>	<u>5,220</u>	<u>3,777</u>	<u>4,722</u>	<u>—</u>	<u>6,216</u>
Total liabilities	22,148,926	20,567,356	—	33,672,016	10,060,606	20,225,103	—	50,078,909
Fund balance (deficit)	<u>718,398</u>	<u>650,935</u>	<u>—</u>	<u>1,022,606</u>	<u>660,061</u>	<u>1,185,682</u>	<u>—</u>	<u>2,397,729</u>
Total liabilities and fund balance	<u>\$ 22,867,324</u>	<u>21,218,291</u>	<u>—</u>	<u>34,694,622</u>	<u>10,720,667</u>	<u>21,410,785</u>	<u>—</u>	<u>52,476,638</u>

MISSISSIPPI HOME CORPORATION

Combining Balance Sheet

June 30, 2002

Assets	2001-I Program	2001A Program	2001BC Program	2001D Program	2002A Program	2002B Program	2002 Lease Purchase Program	Down Payment Assistance Program
Cash and cash equivalents:								
Cash	\$ —	—	—	—	—	—	—	108,076
Restricted cash	90,731	1,911	927	6,025	2,762	14,530	20,825	—
Cash equivalents	—	—	—	—	—	—	—	—
Restricted cash equivalents	58,753,710	2,267,574	557,219	6,448,491	40,179,978	40,309,934	24,506,515	—
Total cash and cash equivalents	58,844,441	2,269,485	558,146	6,454,516	40,182,740	40,324,464	24,527,340	108,076
Accrued interest receivable	—	304,476	135,411	158,850	233,875	15,904	6,135	14,485
Investments, at market value:	—	—	—	—	—	—	—	—
Mortgage-backed securities	—	57,494,319	25,264,846	28,239,126	—	—	—	—
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable, net	—	—	—	—	—	—	—	2,223,015
Unamortized bond issuance costs	—	659,239	294,069	393,219	456,841	458,876	397,895	—
Other assets	—	—	—	—	—	—	93,485	32,874
Due (to) from other funds	—	—	—	(126,193)	(1,044,000)	(1,153,800)	—	—
Total assets	\$ 58,844,441	60,727,519	26,252,472	35,119,518	39,829,456	39,645,444	25,024,855	2,378,450
Liabilities and fund balance								
Bonds payable, net	\$ —	58,557,430	25,618,759	34,217,167	38,952,120	38,845,902	25,000,000	—
Notes payable	58,725,000	—	—	—	—	—	—	—
Accrued interest payable	68,109	233,549	93,395	108,720	345,821	22,426	9,726	—
Deferred gains	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	53,928	24,549	2,596	2,596	2,586	15,096	23,421	3,000
Total liabilities	58,847,037	58,815,528	25,714,750	34,328,483	39,300,527	38,883,424	25,033,147	3,000
Fund balance (deficit)	(2,596)	1,911,991	537,722	791,035	528,929	762,020	(8,292)	2,375,450
Total liabilities and fund balance	\$ 58,844,441	60,727,519	26,252,472	35,119,518	39,829,456	39,645,444	25,024,855	2,378,450

MISSISSIPPI HOME CORPORATION

Combining Balance Sheet

June 30, 2002

Assets	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Cash and cash equivalents:			
Cash	\$ 371,851	25,449	505,376
Restricted cash	237,657	877,110	9,280,348
Cash equivalents	5,235,246	—	5,235,246
Restricted cash equivalents	—	—	183,600,842
Total cash and cash equivalents	5,844,754	902,559	198,621,812
Accrued interest receivable	195,644	30,263	3,385,711
Investments, at market value			
Mortgage-backed securities	—	—	481,820,705
Other investments	18,213,067	—	18,213,067
Mortgage loans receivable, net	2,176,107	4,281,860	15,260,720
Unamortized bond issuance costs	—	—	6,924,593
Other assets	3,036,312	3,757,868	7,050,654
Due (to) from other funds	2,324,220	—	—
Total assets	\$ 31,790,104	8,972,550	731,277,262
Liabilities and fund balance			
Bonds payable, net	\$ —	—	591,194,559
Notes payable	—	—	58,725,000
Accrued interest payable	—	—	3,169,491
Deferred gains	1,674,342	—	1,674,342
Other liabilities and accrued expenses	6,164,560	3,000	6,475,299
Total liabilities	7,838,902	3,000	661,238,691
Fund balance (deficit)	23,951,202	8,969,550	70,038,571
Total liabilities and fund balance	\$ 31,790,104	8,972,550	731,277,262

See accompanying independent auditors report.

MISSISSIPPI HOME CORPORATION

Combining Statement of Revenues, Expenses and Changes in Fund Balance

For the year ended June 30, 2002

	<u>1988</u> <u>Program</u>	<u>1989</u> <u>Program</u>	<u>1992A</u> <u>Program</u>	<u>1992B</u> <u>Program</u>	<u>1993B</u> <u>Program</u>	<u>1994A</u> <u>Program</u>	<u>1994B</u> <u>Program</u>	<u>1994C</u> <u>Program</u>
Revenues:								
Interest income:								
Cash and cash equivalents	\$ 36,607	113,895	7,478	10,418	1,376	11,843	24,043	12,692
Mortgage-backed securities	310,516	361,916	219,266	362,117	—	304,876	502,470	278,746
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	56,508	—	—	—
Total interest income	347,123	475,811	226,744	372,535	57,884	316,719	526,513	291,438
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	8,696	—	—	150,550	—	116,167	85,837	57,671
Realized (loss) gain on investment	—	(985,810)	(69,631)	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	19,089	—	—	26,460	—	—	—
Total revenues	355,819	(490,910)	157,113	523,085	84,344	432,886	612,350	349,109
Expenses:								
Interest expense	218,666	489,879	210,762	342,565	—	289,454	474,183	232,402
Amortization of bond issuance costs	18,687	176,819	62,449	28,648	—	17,569	22,945	11,567
Trustee and administration fees	790	4,000	7,500	6,000	16,630	2,005	1,989	2,005
Mortgage related insurance	5,020	15,863	—	—	559	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	2,850	3,372	29,035	2,600	121,200	2,100	2,600	2,100
Total expenses	246,013	689,933	309,746	379,813	138,389	311,128	501,717	248,074
Excess (deficiency) of revenues over expenses	109,806	(1,180,843)	(152,633)	143,272	(54,045)	121,758	110,633	101,035
Transfers	891	(1,656,191)	(183,846)	17,600	(6,799,446)	(5,283)	(5,493)	(1,918)
Fund balance (deficit), beginning of year	1,771,836	2,837,034	336,479	467,550	6,853,491	406,400	862,025	584,026
Fund balance (deficit), end of year	\$ 1,882,533	—	—	628,422	—	522,875	967,165	683,143

MISSISSIPPI HOME CORPORATION

Combining Statement of Revenues, Expenses and Changes in Fund Balance

For the year ended June 30, 2002

	<u>1994D</u> <u>Program</u>	<u>1994E</u> <u>Program</u>	<u>1994F</u> <u>Program</u>	<u>1994-I</u> <u>Program</u>	<u>1995AB</u> <u>Program</u>	<u>1995CD</u> <u>Program</u>	<u>1995FGH</u> <u>Program</u>	<u>1995IJ</u> <u>Program</u>
Revenues:								
Interest income:								
Cash and cash equivalents	\$ 13,780	12,044	16,975	62,313	45,658	50,514	36,095	50,272
Mortgage-backed securities	320,260	277,286	331,987	—	452,767	1,019,621	796,526	1,051,248
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	843,854	—	—	—	—
Total interest income	<u>334,040</u>	<u>289,330</u>	<u>348,962</u>	<u>906,167</u>	<u>498,425</u>	<u>1,070,135</u>	<u>832,621</u>	<u>1,101,520</u>
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	71,151	44,779	37,227	—	96,899	242,202	315,946	360,920
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	—	—	2,600	—	—	—	—
Total revenues	<u>405,191</u>	<u>334,109</u>	<u>386,189</u>	<u>908,767</u>	<u>595,324</u>	<u>1,312,337</u>	<u>1,148,567</u>	<u>1,462,440</u>
Expenses:								
Interest expense	270,983	237,040	322,345	630,217	475,974	1,000,820	822,917	1,066,222
Amortization of bond issuance costs	13,987	12,026	20,215	34,077	24,751	50,069	49,540	55,795
Trustee and administration fees	1,159	1,022	1,293	10,208	2,298	4,578	2,575	3,388
Mortgage related insurance	—	—	—	21,269	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	2,100	2,100	2,600	2,100	2,600	2,850	2,100	2,600
Total expenses	<u>288,229</u>	<u>252,188</u>	<u>346,453</u>	<u>697,871</u>	<u>505,623</u>	<u>1,058,317</u>	<u>877,132</u>	<u>1,128,005</u>
Excess (deficiency) of revenues over expenses	116,962	81,921	39,736	210,896	89,701	254,020	271,435	334,435
Transfers	(4,813)	(3,775)	(5,218)	(35,632)	(9,351)	(23,858)	(16,224)	(19,991)
Fund balance (deficit), beginning of year	616,273	525,569	489,614	2,540,585	489,458	1,019,700	667,124	1,057,858
Fund balance (deficit), end of year	<u>\$ 728,422</u>	<u>603,715</u>	<u>524,132</u>	<u>2,715,849</u>	<u>569,808</u>	<u>1,249,862</u>	<u>922,335</u>	<u>1,372,302</u>

MISSISSIPPI HOME CORPORATION

Combining Statement of Revenues, Expenses and Changes in Fund Balance

For the year ended June 30, 2002

	<u>1996ABC</u> <u>Program</u>	<u>1996DEF</u> <u>Program</u>	<u>1996GHI</u> <u>Program</u>	<u>1997ABC</u> <u>Program</u>	<u>1997D</u> <u>Program</u>	<u>1997G</u> <u>Program</u>	<u>1997H</u> <u>Program</u>	<u>1998A</u> <u>Program</u>
Revenues:								
Interest income:								
Cash and cash equivalents	\$ 52,744	57,440	43,966	51,441	9,308	20,749	18,286	24,690
Mortgage-backed securities	1,354,258	1,245,876	1,075,638	1,085,783	1,345,125	1,490,590	1,210,139	1,927,877
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—	—
Total interest income	1,407,002	1,303,316	1,119,604	1,137,224	1,354,433	1,511,339	1,228,425	1,952,567
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	462,402	374,942	323,895	306,252	342,821	469,120	393,361	680,646
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total revenues	1,869,404	1,678,258	1,443,499	1,443,476	1,697,254	1,980,459	1,621,786	2,633,213
Expenses:								
Interest expense	1,373,030	1,256,913	1,051,065	1,042,544	1,212,466	1,364,934	1,115,770	1,771,189
Amortization of bond issuance costs	45,121	58,987	30,398	42,170	64,481	64,907	47,343	64,689
Trustee and administration fees	3,614	3,364	2,851	2,918	5,606	4,267	3,406	5,667
Mortgage related insurance	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	2,600	2,100	2,600	2,600	2,850	2,850	2,850	2,850
Total expenses	1,424,365	1,321,364	1,086,914	1,090,232	1,285,403	1,436,958	1,169,369	1,844,395
Excess (deficiency) of revenues over expenses	445,039	356,894	356,585	353,244	411,851	543,501	452,417	788,818
Transfers	(25,667)	(34,978)	(50,138)	(63,483)	(82,163)	(84,217)	(66,409)	(125,012)
Fund balance (deficit), beginning of year	1,460,024	1,162,240	1,257,772	891,504	820,264	474,907	458,386	514,207
Fund balance (deficit), end of year	\$ 1,879,396	1,484,156	1,564,219	1,181,265	1,149,952	934,191	844,394	1,178,013

MISSISSIPPI HOME CORPORATION

Combining Statement of Revenues, Expenses and Changes in Fund Balance

For the year ended June 30, 2002

	<u>1998B</u> <u>Program</u>	<u>1998C</u> <u>Program</u>	<u>1999-I</u> <u>Program</u>	<u>1999A</u> <u>Program</u>	<u>1999B</u> <u>Program</u>	<u>1999C</u> <u>Program</u>	<u>2000-I</u> <u>Program</u>	<u>2000A</u> <u>Program</u>
Revenues:								
Interest income:								
Cash and cash equivalents	\$ 82,093	14,341	—	94,353	28,058	84,883	187,195	131,390
Mortgage-backed securities	1,554,304	1,416,307	—	2,312,849	686,666	1,440,582	—	3,179,353
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—	—
Total interest income	1,636,397	1,430,648	—	2,407,202	714,724	1,525,465	187,195	3,310,743
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	752,095	688,397	—	1,129,642	302,706	662,723	—	1,312,755
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	—
Total revenues	2,388,492	2,119,045	—	3,536,844	1,017,430	2,188,188	187,195	4,623,498
Expenses:								
Interest expense	1,489,319	1,332,515	—	2,278,205	594,334	1,446,625	186,066	3,153,267
Amortization of bond issuance costs	38,251	33,739	—	54,485	22,505	36,330	3,500	71,301
Trustee and administration fees	5,141	3,263	—	5,633	1,656	3,540	—	11,779
Mortgage related insurance	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	—
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	2,850	2,850	—	2,600	2,850	2,850	4,271	4,000
Total expenses	1,535,561	1,372,367	—	2,340,923	621,345	1,489,345	193,837	3,240,347
Excess (deficiency) of revenues over expenses	852,931	746,678	—	1,195,921	396,085	698,843	(6,642)	1,383,151
Transfers	(95,947)	(57,439)	2,100	(48,620)	(136,763)	(205,983)	5,640	1,455,805
Fund balance (deficit), beginning of year	(38,586)	(38,304)	(2,100)	(124,695)	400,739	692,822	1,002	(441,227)
Fund balance (deficit), end of year	\$ 718,398	650,935	—	1,022,606	660,061	1,185,682	—	2,397,729

MISSISSIPPI HOME CORPORATION

Combining Statement of Revenues, Expenses and Changes in Fund Balance

For the year ended June 30, 2002

	<u>2001-I Program</u>	<u>2001A Program</u>	<u>2001BC Program</u>	<u>2001D Program</u>	<u>2002A Program</u>	<u>2002B Program</u>	<u>2002 Lease Purchase Program</u>	<u>Down Payment Assistance Program</u>
Revenues:								
Interest income:								
Cash and cash equivalents	\$ 351,674	698,485	396,805	279,623	233,930	15,904	6,135	3,477
Mortgage-backed securities	—	2,925,011	656,236	302,071	—	—	—	—
Other investments	—	—	—	—	—	—	—	—
Mortgage loans receivable	—	—	—	—	—	—	—	186,945
Total interest income	351,674	3,623,496	1,053,041	581,694	233,930	15,904	6,135	190,422
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	—	1,175,538	224,199	249,719	—	—	—	—
Realized (loss) gain on investment	—	—	—	—	—	—	—	—
Reservation fees	—	—	—	—	—	—	—	—
Low income housing tax credit program	—	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	—	9,540
Total revenues	351,674	4,799,034	1,277,240	831,413	233,930	15,904	6,135	199,962
Expenses:								
Interest expense	351,674	3,001,994	994,816	682,852	341,964	22,195	9,726	2,433
Amortization of bond issuance costs	—	46,674	21,368	9,343	5,471	316	2,105	—
Trustee and administration fees	4,000	8,907	3,941	—	—	—	—	—
Mortgage related insurance	—	—	—	—	—	—	—	—
Losses on mortgage loans	—	—	—	—	—	—	—	73,372
Administrative expenses:								
Salaries and related benefits	—	—	—	—	—	—	—	—
Other	10,096	3,000	2,596	2,596	2,586	2,596	2,596	8,512
Total expenses	365,770	3,060,575	1,022,721	694,791	350,021	25,107	14,427	84,317
Excess (deficiency) of revenues over expenses	(14,096)	1,738,459	254,519	136,622	(116,091)	(9,203)	(8,292)	115,645
Transfers	11,500	360,574	283,203	654,413	645,020	771,223	—	2,153
Fund balance (deficit), beginning of year	—	(187,042)	—	—	—	—	—	2,257,652
Fund balance (deficit), end of year	\$ (2,596)	1,911,991	537,722	791,035	528,929	762,020	(8,292)	2,375,450

MISSISSIPPI HOME CORPORATION

Combining Statement of Revenues, Expenses and Changes in Fund Balance

For the year ended June 30, 2002

	General Corporate Fund	Mississippi Affordable Housing Development Fund	Total
Revenues:			
Interest income:			
Cash and cash equivalents	\$ 137,184	10,032	3,540,189
Mortgage-backed securities	—	—	31,798,267
Other investments	1,544,047	—	1,544,047
Mortgage loans receivable	—	238,994	1,326,301
Total interest income	1,681,231	249,026	38,208,804
Net appreciation (depreciation) in fair value of mortgage-backed securities and investments	(430,862)	—	11,008,396
Realized (loss) gain on investment	8,137	—	(1,047,304)
Reservation fees	460,302	—	460,302
Low income housing tax credit program	1,052,881	—	1,052,881
Other income	321,572	49,678	428,939
Total revenues	3,093,261	298,704	50,112,018
Expenses:			
Interest expense	77,114	—	33,237,439
Amortization of bond issuance costs	—	—	1,362,628
Trustee and administration fees	—	—	146,993
Mortgage related insurance	—	—	42,711
Losses on mortgage loans	—	76,218	149,590
Administrative expenses:			
Salaries and related benefits	1,924,925	—	1,924,925
Other	1,280,557	38,072	1,581,685
Total expenses	3,282,596	114,290	38,445,971
Excess (deficiency) of revenues over expenses	(189,335)	184,414	11,666,047
Transfers	5,331,284	306,452	—
Fund balance (deficit), beginning of year	18,809,253	8,478,684	58,372,524
Fund balance (deficit), end of year	\$ 23,951,202	8,969,550	70,038,571

See accompanying independent auditors report.

MISSISSIPPI HOME CORPORATION

Combining Statement of Cash Flows

For the year ended June 30, 2002

	1988 Program	1989 Program	1992A Program	1992B Program	1993B Program	1994A Program	1994B Program	1994C Program	1994D Program	1994E Program
Cash flows from operating activities:										
Excess (deficiency) of revenues over expenses	\$ 109,806	(1,180,843)	(152,633)	143,272	(54,045)	121,758	110,633	101,035	116,962	81,921
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:										
Amortization of:										
Bond issuance costs	18,687	176,819	62,449	28,648	—	17,569	22,945	11,567	13,987	12,026
Discounts and premiums on bonds payable, net	—	—	—	—	—	—	(2,586)	(12,088)	(9,782)	(9,579)
(Increase) decrease in:										
Accrued interest receivable	10,396	129,192	23,091	6,199	98,834	4,878	13,322	6,525	7,109	6,645
Other assets	626	15,863	—	—	95,901	—	—	—	—	—
Increase (decrease) in:										
Accrued interest payable	(26,109)	(277,842)	(41,991)	(6,429)	—	(5,103)	(51,454)	(6,057)	(6,593)	(5,524)
Deferred gains	—	—	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	—	(3,000)	(1,500)	—	(73,339)	(14)	—	(19)	(162)	(153)
Increase (decrease) in allowance for losses on mortgage loans	—	—	—	—	—	—	—	—	—	—
Unrealized (gains) losses on investments	(8,696)	—	—	(150,550)	—	(116,167)	(85,837)	(57,671)	(71,151)	(44,779)
Accretion of bond discount, net	—	—	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—	—	—
Realized (gain) loss on investments	—	985,810	69,631	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	104,710	(154,001)	(40,953)	21,140	67,351	22,921	7,023	43,292	50,370	40,557
Cash flows from investing activities:										
Proceeds from maturities and redemptions of mortgage-backed securities	1,508,306	16,542,892	3,570,823	1,050,180	—	798,207	2,371,190	1,052,034	1,113,036	1,108,945
Purchases of mortgage-backed securities	—	—	—	—	—	—	—	—	—	—
Proceeds from maturities of investments	—	—	—	—	—	—	—	—	—	—
Purchases of investments	—	—	—	—	—	—	—	—	—	—
Mortgage loan repayments	—	—	—	—	—	—	—	—	—	—
Proceeds from sale of mortgage loans	—	—	—	—	6,437,547	—	—	—	—	—
Direct writeoff of mortgage loans	—	—	—	—	—	—	—	—	—	—
Down payment assistance and development loans originated	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by investing activities	1,508,306	16,542,892	3,570,823	1,050,180	6,437,547	798,207	2,371,190	1,052,034	1,113,036	1,108,945
Cash flows from non-capital financing activities:										
Proceeds from sales of bonds	—	—	—	—	—	—	—	—	—	—
Repayment of bonds	(1,600,000)	(16,030,000)	(3,595,000)	(1,210,000)	—	(920,000)	(2,060,000)	(985,000)	(1,080,000)	(895,000)
Proceeds from notes payable	—	—	—	—	—	—	—	—	—	—
Principal payments on notes payable	—	—	—	—	—	—	—	—	—	—
Bond issuance costs paid	—	—	—	—	—	—	—	—	—	—
Due from (to) other programs	—	—	227	—	—	—	—	—	—	—
Net cash provided (used) by non-capital financing activities	(1,600,000)	(16,030,000)	(3,594,773)	(1,210,000)	—	(920,000)	(2,060,000)	(985,000)	(1,080,000)	(895,000)
Cash flows from capital financing activities:										
Property, plant and equipment additions	—	—	—	—	—	—	—	—	—	—
Principal payments on notes payable	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by capital financing activities	—	—	—	—	—	—	—	—	—	—
Transfers	891	(1,656,191)	(183,846)	17,600	(6,799,446)	(5,283)	(5,493)	(1,918)	(4,813)	(3,775)
Net increase (decrease) in cash and cash equivalents	13,907	(1,297,300)	(248,749)	(121,080)	(294,548)	(104,155)	312,720	108,408	78,593	250,727
Cash and cash equivalents, beginning of year	248,929	1,297,300	250,476	252,264	294,548	313,618	465,751	79,908	86,566	198,316
Cash and cash equivalents, end of year	\$ 262,836	—	1,727	131,184	—	209,463	778,471	188,316	165,159	449,043

MISSISSIPPI HOME CORPORATION

Combining Statement of Cash Flows

For the year ended June 30, 2002

	1994F Program	1994-I Program	1995AB Program	1995CD Program	1995FGH Program	1995IJ Program	1996ABC Program	1996DEF Program	1996GHI Program	1997ABC Program
Cash flows from operating activities:										
Excess (deficiency) of revenues over expenses	\$ 39,736	210,896	89,701	254,020	271,435	334,435	445,039	356,894	356,585	353,244
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:										
Amortization of:										
Bond issuance costs	20,215	34,077	24,751	50,069	49,540	55,795	45,121	58,987	30,398	42,170
Discounts and premiums on bonds payable, net	(6,647)	45,157	—	—	—	—	(4,088)	—	—	(7,876)
(Increase) decrease in:										
Accrued interest receivable	10,924	48,041	13,820	27,714	20,177	29,673	27,168	27,598	22,573	25,214
Other assets	—	98,267	—	—	—	—	—	—	—	—
Increase (decrease) in:										
Accrued interest payable	(9,787)	(9,456)	(30,474)	(43,086)	(17,578)	(23,213)	(23,566)	(26,552)	(17,160)	(19,844)
Deferred gains	—	—	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	(229)	7,883	—	—	(342)	(468)	(427)	(440)	(384)	(419)
Increase (decrease) in allowance for losses on mortgage loans	—	(6,135)	—	—	—	—	—	—	—	—
Unrealized (gains) losses on investments	(37,227)	—	(96,899)	(242,202)	(315,946)	(360,920)	(462,402)	(374,942)	(323,895)	(306,252)
Accretion of bond discount, net	—	—	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—	—	—
Realized (gain) loss on investments	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	16,985	428,730	899	46,515	7,286	35,302	26,845	41,545	68,117	86,237
Cash flows from investing activities:										
Proceeds from maturities and redemptions of mortgage-backed securities	1,498,225	—	2,072,083	4,449,031	3,204,649	5,114,991	4,331,050	4,803,243	3,855,217	4,327,746
Purchases of mortgage-backed securities	—	—	—	—	—	—	—	—	—	—
Proceeds from maturities of investments	—	—	—	—	—	—	—	—	—	—
Purchases of investments	—	—	—	—	—	—	—	—	—	—
Mortgage loan repayments	—	1,995,838	—	—	—	—	—	—	—	—
Proceeds from sale of mortgage loans	—	—	—	—	—	—	—	—	—	—
Direct writeoff of mortgage loans	—	—	—	—	—	—	—	—	—	—
Down payment assistance and development loans originated	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by investing activities	1,498,225	1,995,838	2,072,083	4,449,031	3,204,649	5,114,991	4,331,050	4,803,243	3,855,217	4,327,746
Cash flows from non-capital financing activities:										
Proceeds from sales of bonds	—	—	—	—	—	—	—	—	—	—
Repayment of bonds	(1,595,000)	(2,325,163)	(1,860,000)	(3,965,000)	(3,375,000)	(4,560,000)	(4,300,000)	(4,370,000)	(3,485,000)	(3,995,000)
Proceeds from notes payable	—	—	—	—	—	—	—	—	—	—
Principal payments on notes payable	—	—	—	—	—	—	—	—	—	—
Bond issuance costs paid	—	—	—	—	—	—	—	—	—	—
Due from (to) other programs	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by non-capital financing activities	(1,595,000)	(2,325,163)	(1,860,000)	(3,965,000)	(3,375,000)	(4,560,000)	(4,300,000)	(4,370,000)	(3,485,000)	(3,995,000)
Cash flows from capital financing activities:										
Property, plant and equipment additions	—	—	—	—	—	—	—	—	—	—
Principal payments on notes payable	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by capital financing activities	—	—	—	—	—	—	—	—	—	—
Transfers	(5,218)	(35,632)	(9,351)	(23,858)	(16,224)	(19,991)	(25,667)	(34,978)	(50,138)	(63,483)
Net increase (decrease) in cash and cash equivalents	(85,008)	63,773	203,631	506,688	(179,289)	570,302	32,228	439,810	388,196	355,500
Cash and cash equivalents, beginning of year	250,380	763,539	681,292	678,881	805,238	683,247	790,146	900,604	568,125	989,553
Cash and cash equivalents, end of year	\$ 165,372	827,312	884,923	1,185,569	625,949	1,253,549	822,374	1,340,414	956,321	1,345,053

MISSISSIPPI HOME CORPORATION

Combining Statement of Cash Flows

For the year ended June 30, 2002

	1997D Program	1997G Program	1997H Program	1998A Program	1998B Program	1998C Program	1999-I Program	1999A Program	1999B Program	1999C Program
Cash flows from operating activities										
Excess (deficiency) of revenues over expenses	\$ 411,851	543,501	452,417	788,818	852,931	746,678	—	1,195,921	396,085	698,843
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities										
Amortization of:										
Bond issuance costs	64,481	64,907	47,343	64,689	38,251	33,739	—	54,485	22,505	36,330
Discounts and premiums on bonds payable, net	(52,137)	(78,916)	(38,209)	(62,257)	(9,122)	(23,610)	—	(12,759)	58,187	141,143
(Increase) decrease in:										
Accrued interest receivable	29,883	33,510	24,204	35,546	24,278	20,987	—	31,224	12,464	27,193
Other assets	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in:										
Accrued interest payable	(27,361)	(51,603)	(20,612)	(30,389)	(20,526)	(17,736)	—	(25,066)	(8,837)	(19,876)
Deferred gains	—	—	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	1,733	—	(392)	(589)	(199)	(296)	(2,100)	(249)	(155)	(131)
Increase (decrease) in allowance for losses or mortgage loans	—	—	—	—	—	—	—	—	—	—
Unrealized (gains) losses on investments	(342,821)	(469,120)	(393,361)	(680,646)	(752,095)	(688,397)	—	(1,129,642)	(302,706)	(662,723)
Accretion of bond discount, net	—	—	—	—	—	—	—	—	49,120	—
Depreciation	—	—	—	—	—	—	—	—	—	—
Realized (gain) loss on investments	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	85,629	42,279	71,390	115,172	133,518	71,365	(2,100)	113,914	226,663	220,779
Cash flows from investing activities:										
Proceeds from maturities and redemptions of mortgage-backed securities	4,804,787	5,516,357	4,010,151	6,156,245	4,466,654	3,844,791	—	5,785,154	2,316,028	4,693,397
Purchases of mortgage-backed securities	—	—	—	—	—	—	—	—	—	—
Proceeds from maturities of investments	—	—	—	—	—	—	—	—	—	—
Purchases of investments	—	—	—	—	—	—	—	—	—	—
Mortgage loan repayments	—	—	—	—	—	—	—	—	—	—
Proceeds from sale of mortgage loans	—	—	—	—	—	—	—	—	—	—
Direct writeoff of mortgage loans	—	—	—	—	—	—	—	—	—	—
Down payment assistance and development loans originated	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by investing activities	4,804,787	5,516,357	4,010,151	6,156,245	4,466,654	3,844,791	—	5,785,154	2,316,028	4,693,397
Cash flows from non-capital financing activities:										
Proceeds from sales of bonds	—	—	—	—	—	—	—	—	—	—
Repayment of bonds	(4,820,826)	(5,326,926)	(3,924,594)	(6,059,814)	(4,600,000)	(3,976,066)	—	(5,720,000)	(2,145,000)	(4,120,000)
Proceeds from notes payable	—	—	—	—	—	—	—	—	—	—
Principal payments on notes payable	—	—	—	—	—	—	—	—	—	—
Bond issuance costs paid	—	—	—	—	—	—	—	—	—	—
Due from (to) other programs	—	—	—	—	—	—	(1,578)	—	—	—
Net cash provided (used) by non-capital financing activities	(4,820,826)	(5,326,926)	(3,924,594)	(6,059,814)	(4,600,000)	(3,976,066)	(1,578)	(5,720,000)	(2,145,000)	(4,120,000)
Cash flows from capital financing activities										
Property, plant and equipment additions	—	—	—	—	—	—	—	—	—	—
Principal payments on notes payable	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by capital financing activities	—	—	—	—	—	—	—	—	—	—
Transfers	(82,163)	(84,217)	(66,409)	(125,012)	(95,947)	(57,439)	2,100	(48,620)	(136,763)	(205,983)
Net increase (decrease) in cash and cash equivalents	(12,573)	147,493	90,538	86,591	(95,775)	(117,349)	(1,578)	130,448	260,928	588,193
Cash and cash equivalents, beginning of year	419,493	470,046	417,017	589,454	480,483	529,082	1,578	366,025	415,774	309,415
Cash and cash equivalents, end of year	\$ 406,920	617,539	507,555	676,045	384,708	411,733	—	496,473	676,702	897,608

MISSISSIPPI HOME CORPORATION

Combining Statement of Cash Flows

For the year ended June 30, 2002

	2000-I Program	2000A Program	2001-I Program	2001A Program	2001BC Program	2001D Program	2002A Program	2002B Program	2002 Lease Purchase Program
Cash flows from operating activities:									
Excess (deficiency) of revenues over expenses	\$ (6,642)	1,383,151	(14,096)	1,738,459	254,519	136,622	(116,091)	(9,203)	(8,292)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:									
Amortization of:									
Bond issuance costs	3,500	71,301	—	46,674	21,368	9,343	5,471	316	2,105
Discounts and premiums on bonds payable, net	—	(23,530)	—	(19,079)	(13,894)	(9,334)	(3,858)	(231)	—
(Increase) decrease in:									
Accrued interest receivable	15,345	62,983	—	4,078	(135,411)	(158,850)	(233,875)	(15,904)	(6,135)
Other assets	—	—	—	—	—	—	—	—	(93,485)
Increase (decrease) in:									
Accrued interest payable	(17,038)	(23,119)	68,109	(7,846)	93,395	108,720	345,821	22,426	9,726
Deferred gains	—	—	—	—	—	—	—	—	—
Other liabilities and accrued expenses	(21,350)	3,716	53,928	(308,935)	2,596	2,596	2,586	15,096	23,421
Increase (decrease) in allowance for losses on mortgage loans	—	—	—	—	—	—	—	—	—
Unrealized (gains) losses on investments	—	(1,312,755)	—	(1,175,538)	(224,199)	(249,719)	—	—	—
Accretion of bond discount, net	—	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—	—
Realized (gain) loss on investments	—	—	—	—	—	—	—	—	—
Net cash provided (used) by operating activities	(26,185)	161,747	107,941	277,813	(1,626)	(160,622)	54	12,500	(72,660)
Cash flows from investing activities:									
Proceeds from maturities and redemptions of mortgage-backed securities	—	5,649,467	—	2,604,146	484,398	51,737	—	—	—
Purchases of mortgage-backed securities	—	(2,583,290)	—	(38,815,955)	(25,525,045)	(28,041,144)	—	—	—
Proceeds from maturities of investments	—	—	—	—	—	—	—	—	—
Purchases of investments	—	—	—	—	—	—	—	—	—
Mortgage loan repayments	—	—	—	—	—	—	—	—	—
Proceeds from sale of mortgage loans	—	—	—	—	—	—	—	—	—
Direct writeoff of mortgage loans	—	—	—	—	—	—	—	—	—
Down payment assistance and development loans originated	—	—	—	—	—	—	—	—	—
Net cash provided (used) by investing activities	—	3,066,177	—	(36,211,809)	(25,040,647)	(27,989,407)	—	—	—
Cash flows from non-capital financing activities:									
Proceeds from sales of bonds	—	—	—	—	26,537,653	34,226,501	38,955,977	38,846,134	25,000,000
Repayment of bonds	—	(5,015,000)	—	(2,010,000)	(905,000)	—	—	—	—
Proceeds from notes payable	16,940,000	—	68,865,000	—	—	—	—	—	—
Principal payments on notes payable	(27,470,000)	—	(10,140,000)	—	—	—	—	—	—
Bond issuance costs paid	—	—	—	—	(315,437)	(402,562)	(462,311)	(459,193)	(400,000)
Due from (to) other programs	—	(1,649,533)	—	(1,480,506)	—	126,193	1,044,000	1,153,800	—
Net cash provided (used) by non-capital financing activities	(10,530,000)	(6,664,533)	58,725,000	(3,490,506)	25,317,216	33,950,132	39,537,666	39,540,741	24,600,000
Cash flows from capital financing activities:									
Property, plant and equipment additions	—	—	—	—	—	—	—	—	—
Principal payments on notes payable	—	—	—	—	—	—	—	—	—
Net cash provided (used) by capital financing activities	—	—	—	—	—	—	—	—	—
Transfers	5,640	1,455,805	11,500	360,574	283,203	654,413	645,020	771,223	—
Net increase (decrease) in cash and cash equivalents	(10,550,545)	(1,980,804)	58,844,441	(39,063,928)	558,146	6,454,516	40,182,740	40,324,464	24,527,340
Cash and cash equivalents, beginning of year	10,550,545	3,917,777	—	41,333,413	—	—	—	—	—
Cash and cash equivalents, end of year	\$ —	1,936,973	58,844,441	2,269,485	558,146	6,454,516	40,182,740	40,324,464	24,527,340

MISSISSIPPI HOME CORPORATION
Combining Statement of Cash Flows
For the year ended June 30, 2002

	Down Payment Assistance Program	General Corporate Program	Mississippi Affordable Housing Development Program	Total
Cash flows from operating activities				
Excess (deficiency) of revenues over expense	\$ 115,645	(189,335)	184,414	11,666,047
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities				
Amortization of:				
Bond issuance costs	—	—	—	1,362,628
Discounts and premiums on bonds payable, net	—	—	—	(155,095)
(Increase) decrease in:				
Accrued interest receivable	266	87,037	5,777	423,693
Other assets	(8,188)	(107,594)	(561,136)	(559,746)
Increase (decrease) in:				
Accrued interest payable	(1,201)	(3,764)	—	(274,595)
Deferred gains	—	(483,743)	—	(483,743)
Other liabilities and accrued expense:	(2,361)	2,844,096	(70)	2,539,928
Increase (decrease) in allowance for losses on mortgage loans	(337,761)	—	(300,865)	(644,761)
Unrealized (gains) losses on investment	—	497,301	—	(10,941,957)
Accretion of bond discount, net	—	—	—	49,120
Depreciation	—	268,995	—	268,995
Realized (gain) loss on investment	—	(8,137)	—	1,047,304
Net cash provided (used) by operating activities	(233,600)	2,904,856	(671,880)	4,297,818
Cash flows from investing activities:				
Proceeds from maturities and redemptions of mortgage backed securities	—	—	—	113,155,160
Purchases of mortgage-backed securities	—	—	—	(94,965,434)
Proceeds from maturities of investment	—	20,442,635	—	20,442,635
Purchases of investments	—	(22,625,472)	—	(22,625,472)
Mortgage loan repayments	603,803	173,392	1,491,125	4,264,158
Proceeds from sale of mortgage loan:	—	—	—	6,437,547
Direct writeoff of mortgage loan:	416,474	—	377,520	793,994
Down payment assistance and development loans originate	(894,169)	(617,673)	(1,215,012)	(2,726,854)
Net cash provided (used) by investing activities	126,108	(2,627,118)	653,633	24,775,734
Cash flows from non-capital financing activities:				
Proceeds from sales of bonds	—	—	—	163,566,265
Repayment of bonds	—	—	—	(110,828,389)
Proceeds from notes payable	—	—	—	85,805,000
Principal payments on notes payable	(75,792)	—	—	(37,685,792)
Bond issuance costs paid	—	—	—	(2,039,503)
Due from (to) other programs	—	807,397	—	—
Net cash provided (used) by non-capital financing activities	(75,792)	807,397	—	98,817,581
Cash flows from capital financing activities				
Property, plant and equipment addition:	—	(302,829)	—	(302,829)
Principal payments on notes payable	—	(1,870,185)	—	(1,870,185)
Net cash provided (used) by capital financing activities	—	(2,173,014)	—	(2,173,014)
Transfers	2,153	5,331,284	306,452	—
Net increase (decrease) in cash and cash equivalents	(181,131)	4,243,405	288,205	125,718,119
Cash and cash equivalents, beginning of year	289,207	1,601,349	614,354	72,903,693
Cash and cash equivalents, end of year	\$ 108,076	\$ 5,844,754	\$ 902,559	\$ 198,621,812

See accompanying independent auditors report.